



**JAKS RESOURCES BERHAD**  
585648-T

Sustaining  
Growth



Annual Report 2016

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# JAKS AT A GLANCE

The business of JAKS was started by our founder Datuk Ang Ken Seng in the 60's from the humble beginning as a plumber providing services to residential premises. With the aim to be a major player in the water reticulation works, Datuk Ang later incorporated JAKS Sdn Bhd (formerly known as Ang Ken Seng & Sons Sdn Bhd) in 1987, which eventually became the core business and subsidiary of JAKS Resources Berhad ("JAKS") for its listing on the Main Market of Bursa Malaysia on 1 July 2004.



JAKS' group of companies is primarily engaged in water supply and infrastructure construction projects, supply and trading of building materials and steel related products. From there, the Group expanded its construction activities to cover property construction in recent years. With the experience and skills gained in the construction business, the Group has moved into property development of mixed residential and commercial development projects namely the strategically located projects at Ara Damansara and at Section 13 in Petaling Jaya.

On the international front, the Group is diversifying into power and other large scale infrastructure projects. The strategy to invest overseas is to provide a safeguard against any adverse effects of cyclical local business activities especially in the manufacturing and construction activities.

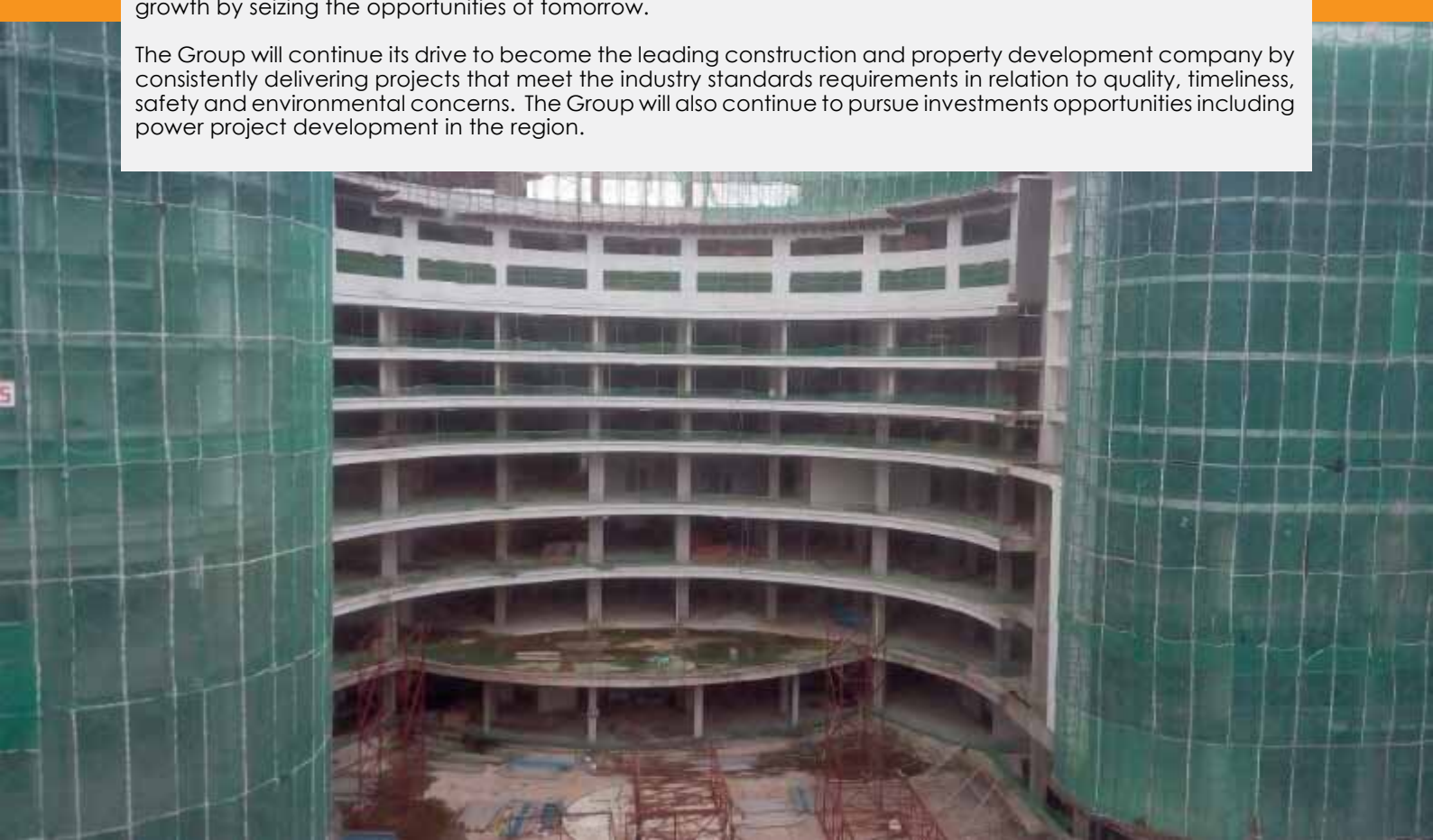
# OUR VISION

**“To be a leader in the integrated water resources management industry by providing a comprehensive range of services including designing, supplying, pipe laying, construction of water related infrastructures and moving forward to become a leading construction, property and project development company.”**

The Group initially commenced operations as a water supply contractor and other water related works but advanced into pipe laying and reservoir construction works. Over the years, we have built a consistent record for quality and dependability in the design and construction activities. Besides the core operations, our trading operations are also actively involved in the infrastructure projects, construction and development activities.

Today, our extensive expertise and experience enable us to adopt and implement solutions to meet our customers' specific requirements. We will use our competitive strengths and continue to strive for greater growth by seizing the opportunities of tomorrow.

The Group will continue its drive to become the leading construction and property development company by consistently delivering projects that meet the industry standards requirements in relation to quality, timeliness, safety and environmental concerns. The Group will also continue to pursue investments opportunities including power project development in the region.



# OUR MISSION

- To provide total customer satisfaction by providing cost effective, quality products and services on a timely basis.
- To fully utilise integrated technology and information systems to improve operational processes to ensure a sustainable and competitive advantage.
- To optimise shareholders' wealth by continuously exploring new business opportunities while strengthening and expanding current core businesses with good corporate governance and prudent risk management.
- To build a dynamic, innovative and competent workforce through teamwork and commitment to excel.
- To build strategic alliance with our consultants, contractors, suppliers and other business associates for further growth and expansion.

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**Tan Sri Datuk Hussin Bin Haji Ismail**  
(Chairman)  
(Independent Non-Executive Director)

**Ang Lam Poah**  
(Chief Executive Officer)

**Dato' Razali Merican Bin Naina Merican**  
(Executive Director)

**Ang Lam Aik**  
(Executive Director)

**Dato' Azman Bin Mahmood**  
(Independent Non-Executive Director)

**Liew Jee Min @ Chong Jee Min**  
(Independent Non-Executive Director)

### AUDITORS

**ECOVIS AHL PLT**  
AF 001825  
Chartered Accountants  
No. 9-3, Jalan 109F  
Plaza Danau 2  
Taman Danau Desa  
58100 Kuala Lumpur

### PRINCIPAL PLACE OF BUSINESS

Lot 526, Persiaran Subang Permai  
Sungai Penaga Industrial Park, USJ 1  
47600 Subang Jaya  
Selangor Darul Ehsan  
Tel No : 603-5633 1988  
Fax No : 603-5633 3571  
Website : [www.jaks.com.my](http://www.jaks.com.my)

### SECRETARY

**Leong Oi Wah** (MAICSA 7023802)

### REGISTERED OFFICE

802, 8th Floor  
Block C, Kelana Square  
17, Jalan SS7/26  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Tel No : 603-7803 1126  
Fax No : 603-7806 1387

### PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Berhad  
Malayan Banking Berhad  
Great Eastern Life Assurance (Malaysia) Berhad  
Bangkok Bank Berhad  
Al Rajhi Banking & Investment Corporation (M) Berhad  
AmBank (M) Berhad  
Hong Leong Bank Berhad

### STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad (Main Market)  
Stock Name : JAKS  
Stock Code : 4723

### REGISTRARS

**Tricor Investor & Issuing House Services Sdn Bhd**  
Unit 32-01, Level 32, Tower A,  
Vertical Business Suite,  
Avenue 3, Bangsar South,  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur  
Wilayah Persekutuan  
Tel No : 603 -2783 9299  
Fax No : 603 -2783 9222



# CORPORATE STRUCTURE



**JAKS RESOURCES BERHAD**

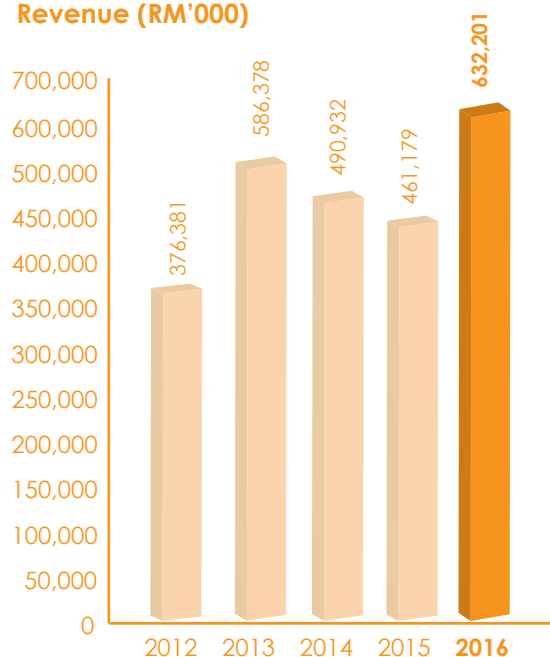
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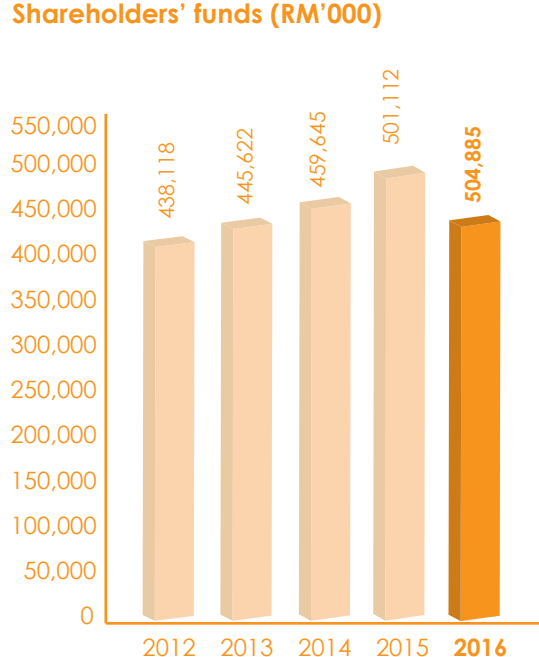
## 5 YEARS FINANCIAL HIGHLIGHTS

Group Five Years Summary	12 Months Year Ended October 2012 RM'000	14 Months Period Ended December 2013 RM'000	12 Months Year Ended December 2014 RM'000	12 Months Year Ended December 2015 RM'000	12 Months Year Ended December 2016 RM'000
Revenue	376,381	586,378	490,932	461,179	632,201
Profit / (Loss) before tax	8,223	19,783	54,316	55,282	(6,921)
Profit attributable to owners of the Company	2,751	7,503	14,024	41,467	796
Share Capital	438,361	438,361	438,361	438,361	438,361
Shareholders' funds	438,118	445,622	459,645	501,112	504,885
Net assets per share (RM)	1.00	1.02	1.05	1.14	1.15

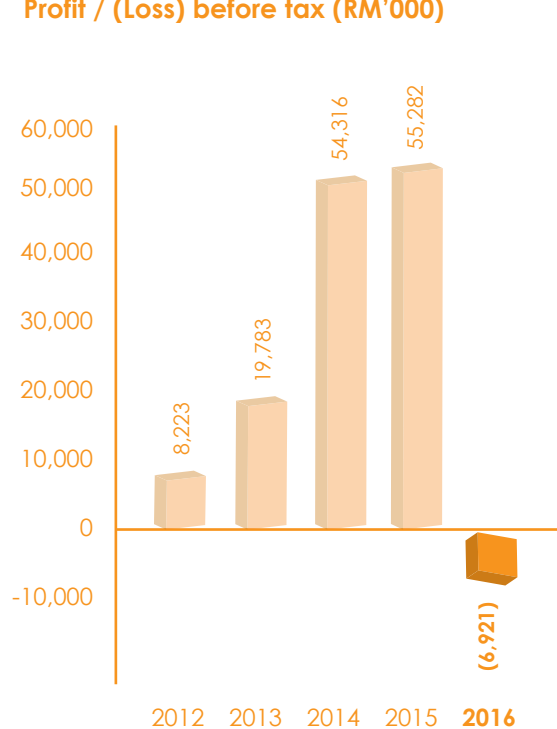
Revenue (RM'000)



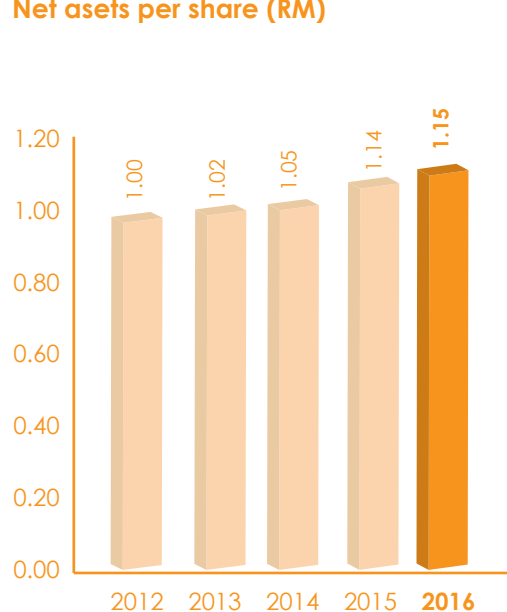
Shareholders' funds (RM'000)



Profit / (Loss) before tax (RM'000)



Net assets per share (RM)



## BOARD OF DIRECTORS



### TAN SRI DATUK HUSSIN BIN HAJI ISMAIL

A Malaysian, aged 64, was appointed to the Board on 28 June 2011 as an Independent Non-Executive Director of the Company and on 28 September 2012, he was appointed as Chairman of the Company. He is a member of Audit Committee, Remuneration Committee and Nomination Committee.

Tan Sri Hussin holds a Diploma in Police Science from Universiti Kebangsaan Malaysia and a Master's degree of Occupational Safety and Health Risk Management from Open University Malaysia, and is a former Deputy Inspector General of Police in Royal Malaysian Police (RMP). His excellent achievements are attributed to 39 years of working experience in various senior positions in RMP. The exposure of managing at various levels in RMP are added values to extensive policing knowledge and skills which have further enhanced personal capabilities and credibility in managing the Force in the higher position. Currently, Tan Sri Hussin is also the chairman of Koperasi Polis Diraja Malaysia and the Deputy Chairman of Yayasan Pengaman Malaysia.

Tan Sri Hussin also sits on the board of Rohas Tecnic Berhad and EP Manufacturing Berhad, both public companies listed on the Main Market of Bursa Malaysia Securities Berhad.

Tan Sri Hussin does not have any family relationship with any other Director and/or major shareholder of the company and has no other conflict of interest with the Company. He has no convictions for offence within the past five years.



### ANG LAM POAH

A Malaysian, aged 49 was appointed to the Board on 23 December 2003. He is the Chief Executive Officer of the Company. He is a member of the Remuneration Committee.

He holds a Diploma in Business Administration from Toronto School of Business. Upon obtaining his diploma in 1990, he started his career in JAKS.

He has been actively involved in the day-to-day operations and management of the water construction projects and properties construction activities undertaken by JAKS upon his graduation. Apart from the water and properties construction activities, he has also been involved in setting up companies manufacturing mild steel pipes and manufacturing common clay bricks. He also holds directorships in several other private limited companies.

Ang Lam Poah is the brother to the Director, Ang Lam Aik. Save as disclosed, he does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offence within the past five years.



### DATO' RAZALI MERICAN BIN NAINA MERICAN

A Malaysian, aged 46 was appointed to the Board on 23 December 2003. He is an Executive Director of the Company.

He has been actively involved in business after the completion of his University degree in 1995. Since then, he has acquired extensive experience and expertise especially in water and properties construction and steel manufacturing.

Dato' Razali does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offence within the past five years.

## Board Of Directors (cont'd)



### ANG LAM AIK

A Malaysian, aged 43, was appointed to the Board on 23 December 2003. He is an Executive Director of the Company.

He holds a Diploma in Computer Science from Canada and has been involved in project management and construction related fields since 1995.

Ang Lam Aik is the brother to the Director/Chief Executive Officer, Ang Lam Poah. Save as disclosed, he does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offence within the past five years.



### DATO' AZMAN BIN MAHMOOD

A Malaysian, aged 65, was appointed to the Board as Director on 23 December 2003. He is an Independent Non-Executive Director of the Company and the Chairman of the Audit Committee as well as the Nomination Committee.

Dato' Azman is a member of the Institute of Chartered Accountants in England and Wales. He has vast experience working in a number of auditing firms in London and Johor Bahru, Malaysia.

He joined Kumpulan Perangsang Selangor Berhad in 1983 and left in 1990 to become the Managing Director of Worldwide Holdings Berhad, a public listed company in Bursa Malaysia Securities Berhad until 1996.

Presently, Dato' Azman is the Executive Chairman of Fine Access Sdn Bhd, a company involved with property development and the Chairman of Cocoland Holdings Berhad, a food confectionary manufacturer listed on the Main Market of Bursa Malaysia Securities Berhad.

Dato' Azman does not have any family relationship with any other Director and/or major shareholder and has no conflict of interest with the Company. He has no convictions for offence within the past five years.



### LIEW JEE MIN @ CHONG JEE MIN

A Malaysian, aged 58, was appointed to the Board on 23 December 2003. He is an Independent Non-Executive Director of the Company and the Chairman of the Remuneration Committee. He is also a member of the Audit Committee and Nomination Committee.

He holds the LLB (Hons) degree from University of Leeds, England and was admitted as an advocate and solicitor at the High Court of Malaya in 1986. He is a partner of the legal firm, J.M. Chong, Vincent Chee & Co and has been practicing since the date of admission. He also sits on the board of Lion Industries Corporation Berhad, YKGI Holdings Berhad, Weida (M) Berhad and Sunsuria Berhad.

Chong Jee Min does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offence within the past five years.

## CHAIRMAN'S STATEMENT

On behalf of the Board, it is my privilege to present to you JAKS Resources Berhad's (JAKS) Annual Report and Financial Statements of the Group and Company for the financial year ended 31 December 2016.

### FINANCIAL REVIEW

For the financial year ended 31 December 2016, the Group achieved revenue of RM632.2 million compared to RM461.2 million in the preceding year. The Construction division was the biggest contributor with revenue of RM440.9 million, representing a 72.9% increase from the previous year. Out of this revenue, RM150.1 million was derived from the construction works recognised from the engineering, procurement and construction ("EPC") contracts in Vietnam. The Property Development division contributed revenue of RM160.3 million in the financial year 2016 compared to RM129.0 million in the previous year. There was minimal revenue contribution of RM31.0 million from the Trading and Manufacturing divisions in the financial year 2016 as the Group focused its resources on the construction and property development activities.

On the back of higher revenue, the Construction division derived profit before tax of RM49.8 million in the financial year 2016, of which RM36.0 million profit was derived from the Vietnam EPC contract. Although the revenue from the Trading and Manufacturing divisions represented approximately 4.9% of the Group's revenue in the year under review, it contributed profit before tax of RM3.8 million following a gain on disposal of asset held for sales in the year. However, the losses from the Property Development and Investment divisions had affected the profitability achieved by other divisions. The Property Division incurred a loss before tax of RM36.7 million following the competitive pricing and slowdown in the property market as well as higher operating and financing expenses after the opening of the EVOLVE mall. With the mall in full operation during the year, there was also higher depreciation charge. The Investment division also incurred loss before tax of RM23.8 million in the year due to the allowance of the impairment on receivables of RM8.1 million and also RM8.2 million realised and unrealised loss on the foreign exchange.

As a result thereof, the Group incurred a loss before tax of RM6.9 million in the financial year 2016. The Group's basic earnings per share ("EPS") fell from 9.46 sen in financial year 2015 to 0.18 sen in financial year 2016. However, the net asset per share rose from RM1.14 in the previous year end of 31 December 2015 to RM1.15 for the year ended 31 December 2016.

Please refer to the Management Discussion and Analysis for more details on the performance of the Group.

### DIVIDEND

The Company is not recommending any dividends to be paid out for the financial year ended 31 December 2016 due to the losses incurred. Although the Group has retained earnings that it can distribute, the priority is to bring down the Group's gearing to a healthier level. The total borrowings as at 31 December 2016 stood at RM530.9 million as compared to RM556.6 million in the preceding year end as repayments were made during the year under review.

### CORPORATE EXERCISE IN 2016

During the year 2016, the Company sought and obtained the shareholders' approval to terminate the Employees' Share Option Scheme that was established in April 2008 and this was replaced with a new long-term incentive plan ("LTIP") comprising of a share option scheme and a share grant scheme. The shareholders also approved the issuance of share options and share grants of up to fifteen percent (15%) of the issued share capital of the Company for eligible Directors and employees ("Eligible Persons"). The implementation of the LTIP is to recognise the contribution of the Eligible Persons whose services are valued and considered vital to the operations and continued growth of the JAKS Group and motivate the Eligible Persons towards improved performance through greater productivity and loyalty. It is also a retention tool for the Group as key talents are important to the success of the Group.

The Company has yet to grant any of the share options and share grants at this point of time.

## Chairman's Statement (cont'd)

### BUSINESS OUTLOOK

In the latest Economic Report 2016/2017, the government expects Malaysia's underlying real GDP growth to be at a range of 4 to 5% in 2017, an improvement from 4 to 4.5% in 2016. The key variance lies in the higher growth projection on private sector spending, where private consumption and private investment are projected to expand by 6.3% and 5.8% respectively in 2017. This is on the back of a cautiously optimistic view of a modest recovery in the global economy.

With the existing order book in hand on jobs from the domestic market and construction jobs that have come on-stream from the Vietnam venture, the Group's Construction division is expected to perform satisfactorily as the progress of work moves according to schedule.

However, the property market remains challenging on the back of the slower economic momentum, due to the weaker purchasing sentiment post-GST, coupled with the tighter lending from banks that impacts both the sales of commercial and residential units of the Property Development division.

Barring any adverse developments, the Group will endeavor to improve its present performance in 2017.

### ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my utmost gratitude to our shareholders for your steadfast trust and confidence in JAKS. To our employees, as well as the Management team and the Boards of all our Group's companies, I wish to convey my deep appreciation for their worthy sacrifices, hard work and loyalty. My sincere thanks to the many external partners that work with or alongside us whose support and reliability has been critical to our success. Our heartfelt appreciation also to our valued customers and clients, bankers, government departments and agencies, vendors, suppliers and all others who have lent us their unwavering support and cooperation.

I also wish to thank my colleagues on the Board for their guidance and counsel. I am grateful that JAKS has a formidable Board with the vision, expertise and experience to provide sound counsel and corporate strategies in propelling the Group forward.

**Tan Sri Datuk Hussin Bin Haji Ismail**  
Chairman



## PERUTUSAN PENERUSI

Bagi pihak Ahli Lembaga Pengarah, saya dengan sukacitanya ingin membentangkan Laporan Tahunan dan Penyata Kewangan untuk Kumpulan dan Syarikat JAKS Resources Berhad (JAKS) bagi tahun kewangan berakhir 31 Disember 2016.

### TINJAUAN KEWANGAN

Bagi tahun kewangan berakhir 31 Disember 2016, Kumpulan telah mencatatkan pendapatan sebanyak RM632.2 juta berbanding pendapatan sebanyak RM461.2 juta pada tahun sebelumnya. Divisyen Pembinaan merupakan penyumbang terbesar dengan pendapatan sebanyak RM440.9 juta, iaitu peningkatan sebanyak 72.9% daripada tahun sebelumnya. Daripada hasil pendapatan ini, sebanyak RM150.1 juta telah diperolehi daripada kerja pembinaan yang diiktiraf daripada kerja-kerja dari kontrak "Engineering, procurement and construction ("EPC")" di Vietnam. Divisyen Pembangunan Hartanah mencatatkan pendapatan sebanyak RM160.3 juta pada tahun kewangan 2016 berbanding dengan RM129.0 pada tahun sebelumnya. Divisyen Perdagangan dan Pembuatan pula hanya mencatatkan pendapatan sebanyak RM31.0 juta pada tahun kewangan 2016 kerana Kumpulan telah menfokuskan kepada aktiviti pembinaan dan pembangunan hartanah.

Berikutan dengan pencapaian pendapatan yang lebih tinggi ini, divisyen Pembinaan telah memperolehi keuntungan sebelum cukai sebanyak RM49.8 juta pada tahun kewangan 2016, di mana keuntungan sebanyak RM36.2 juta diperolehi daripada kerja-kerja kontrak EPC di Vietnam. Walaupun pendapatan dari divisyen Perdagangan dan Pembuatan hanya berjumlah 4.9% daripada pendapatan Kumpulan pada tahun kewangan ini, ia telah menyumbang keuntungan sebelum cukai sebanyak RM3.8 juta berikutan keuntungan daripada penjualan aset yang sedia ada. Walau bagaimanapun, kerugian daripada divisyen Pembangunan Hartanah dan divisyen Pelaburan telah menjejaskan keuntungan yang diperolehi oleh divisyen-divisyen lain. Divisyen Pembangunan Hartanah mengalami kerugian sebelum cukai sebanyak RM36.7 juta berikutan harga yang kompetitif dan kelembapan dalam pasaran hartanah serta operasi dan pembiayaan perbelanjaan yang



lebih tinggi selepas pembukaan EVOLVE Mall. Disamping itu, terdapat caj susut nilai yang lebih tinggi apabila bermulanya operasi pusat membeli-belah tersebut pada tahun ini. Divisyen Pelaburan juga mengalami kerugian sebelum cukai sebanyak RM23.8 juta pada tahun ini disebabkan oleh kemerosotan nilai atas penghutang sebanyak RM8.1 juta dan RM8.2 juta dari kerugian pertukaran asing yang telah dan masih belum direalisasikan.

Kumpulan mencatatkan kerugian sebelum cukai sebanyak RM6.9 juta pada tahun kewangan 2016. Pendapatan Kumpulan sesaham ("EPS") jatuh dari 9.46 sen pada tahun kewangan 2015 kepada 18 sen pada tahun kewangan 2016. Walau bagaimanapun, aset bersih sesaham meningkat daripada RM1.14 pada akhir tahun 31 Disember 2015 kepada RM1.15 bagi tahun berakhir 31 Disember 2016.

Sila rujuk kepada "Management Discussion & Analysis" untuk maklumat lanjut mengenai prestasi Kumpulan.

### DIVIDEN

Syarikat tidak mencadangkan sebarang dividen bagi tahun kewangan berakhir 31 Disember 2016 kerana mengalami kerugian pada tahun ini. Walaupun Kumpulan telah mengekalkan pendapatan tertahan yang boleh diagihkan, keutamaan Kumpulan adalah untuk mengurangkan penggearingan ke tahap yang lebih baik. Jumlah pinjaman pada 31 Disember 2016 berjumlah RM530.9 juta berbanding RM556.6 juta pada akhir tahun sebelumnya. Penurunan ini adalah disebabkan oleh pembayaran balik pinjaman yang telah dibuat dalam tahun yang dilaporkan.

## Perutusan Pengerusi (sambungan)

### LANGKAH KORPORAT PADA 2016

Pada tahun 2016, Syarikat telah memperolehi kelulusan untuk menamatkan Skim Opsyen Saham Kakitangan Syarikat yang diasaskan pada April 2008 dan telah digantikan dengan Pelan Insentif Jangka Panjang baru ("LTIP") yang terdiri daripada skim opsyen saham dan skim geran saham. Pemegang-pemegang saham juga meluluskan penerbitan opsyen saham dan geran saham sehingga lima belas peratus (15%) daripada modal saham terbitan Syarikat bagi Pengarah dan kakitangan yang layak ("Eligible Persons"). Pelaksanaan LTIP adalah untuk mengiktiraf sumbangan Eligible Persons yang perkhidmatannya dihargai dan dianggap penting kepada operasi dan pertumbuhan Kumpulan JAKS. Ini akan memberi motivasi kepada Eligible Persons ke arah prestasi yang lebih baik melalui produktiviti yang lebih tinggi, serta kesetiaan mereka kepada Kumpulan. Ini akan mengekalkan bakat yang sedia ada dan ianya adalah penting bagi kejayaan Kumpulan.

Syarikat masih belum memberikan apa-apa opsyen saham dan geran saham pada masa ini.

### TINJAUAN PERNIAGAAN

Dalam Laporan Ekonomi 2016/2017, kerajaan menjangkakan pertumbuhan KDNK sebenar Malaysia berkembang dari 4 hingga 5% pada tahun 2017, dimana pada tahun 2016, peningkatannya adalah daripada 4 hingga 4.5%. Faktor utama adalah disebabkan oleh pertumbuhan yang lebih tinggi daripada perbelanjaan penggunaan swasta dan pelaburan swasta dijangka berkembang masing-masing 6.3% dan 5.8% pada tahun 2017. Ini adalah hasil daripada pandangan yang optimis terhadap pemulihan yang sederhana dalam ekonomi global.



Berdasarkan buku pesanan yang sedia ada iaitu kerja-kerja dari pasaran domestik dan pembinaan daripada Vietnam, divisyen Pembinaan Kumpulan dijangka mencatat prestasi yang memuaskan di atas kemajuan kerja yang mengikut jadual.

Walau bagaimanapun, pasaran hartanah terus memberi cabaran kepada Kumpulan berikutan momentum ekonomi yang lebih perlahan, disebabkan sentimen pembelian yang lemah selepas pelaksanaan GST. Tambahan lagi, syarat pinjaman yang lebih ketat dari bank-bank juga memberi kesan kepada jualan unit komersil dan kediaman daripada divisyen Pembangunan Hartanah.

Kumpulan akan terus berusaha untuk meningkatkan prestasi bagi tahun 2017.

### PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin mengucapkan ribuan terima kasih kepada para pemegang saham di atas kepercayaan penuh dan keyakinan terhadap JAKS. Kepada kakitangan-kakitangan serta bahagian pengurusan dan Lembaga Pengarah bagi kesemua syarikat-syarikat Kumpulan, saya ingin menyampaikan penghargaan saya di atas kerja keras dan kesetiaan mereka. Beberapa kakitangan telah bersama kami lebih daripada 10 tahun dan kami memuji mereka atas kesabaran dan komitmen padu mereka. Saya mengucapkan terima kasih kepada rakan kongsi di atas kepercayaan dan sokongan mereka kepada kejayaan Kumpulan. Penghargaan yang tulus ikhlas juga kepada para pelanggan kami yang dihargai, pihak bank, jabatan-jabatan serta agensi-agensi kerajaan, para pembekal dan semua pihak yang telah memberi kerjasama dan sokongan yang tidak berbelah bahagi.

Saya juga ingin mengucapkan terima kasih kepada rakan-rakan ahli Lembaga Pengarah atas bimbingan dan nasihat mereka. Saya bersyukur bahawa Kumpulan JAKS mempunyai Lembaga Pengarah yang mantap dengan visi, kepakaran dan berpengalaman dalam menyediakan bimbingan dan strategi korporat yang bernas demi menggerakkan Kumpulan untuk terus maju ke hadapan.

**Tan Sri Datuk Hussin Bin Haji Ismail**  
Pengerusi

# MANAGEMENT DISCUSSION & ANALYSIS

## Forward-Looking Statements

This Management Discussion and Analysis ("MD&A") contains forward-looking statements with respect to expected financial performance, strategy and business conditions. The words "believe", "estimate", "plan", "expect", "intend", "will", "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward looking statements involve significant known and unknown risks and uncertainties. Many factors could cause actual results, performance or achievement to be materially different from any future forward looking statements. The Company and management assume no obligation to update or revise them to reflect new events or circumstances except as required by securities laws. The Company and management caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made.

## Introduction

This MD&A is dated as of 25 April 2017, the date it was approved by the Board of Directors of the Company, and reflects all material events for the financial year 2016. It should be read in conjunction with the audited consolidated financial statements, including the notes thereof, of JAKS Resources Berhad ("JRB" or the "Company") for the financial year ended 31 December 2016.

## Significant developments in 2016

The year 2016 saw the JRB Group recognising revenue and profits from its first maiden venture in Vietnam. In the year 2011, the Group had secured the project to undertake the design, engineering, procurement, construction and operation of the 2 x 600 MW coal-fired thermal power plant project at Hai Duong Province, Vietnam pursuant to a Build-Operate-Transfer contract under a 25 year operation term ("IPP Project"), via its then wholly owned subsidiary, JAKS Hai Duong Power Company Limited ("JHDP"). Various agreements for power purchase, coal supply and land lease were executed in 2011 and the plant is scheduled to commence generation of power in 2020. To finance and complete the IPP Project with an estimated total project cost of USD1.9 billion, the Group had on 15 September 2015 obtained its shareholders' approval to enter into a joint venture with China Power Engineering Consulting Group Co. Ltd ("CPECC"), an integrated power engineering service provider that have been involved in engineering and construction of approximately 49,000 MW of power plant projects. Through subscription of securities, CPECC will have 70% effective economic interest in the IPP project and the Group will have 30% effective economic interest, with an option to increase to 40% under the Call Option Agreement.

Further to this, JHDP had in August 2015 entered into a Engineering Procurement Construction ("EPC 1") contracts with the consortium of wholly-owned subsidiaries of CPECC and another Engineering Procurement Construction ("EPC 2") contract with Golden Keen Holdings Limited ("GKHL"), a wholly owned subsidiary of JRB. The terms of the agreement for subscription of securities was completed in December 2015 and during the year 2016, approximately RM75.0 million being advances incurred by the Group for and on behalf of JHDP in relation to the development of the IPP Project was refunded by JHDP to the Group. The Group recognised a gain on disposal of the subsidiary, JHDP amounting to RM50.1 million in 2015 and a share of result of this joint venture of RM0.4 million in 2016. GKHL through the EPC 2 contract recognised revenue and profit of RM150.1 million and RM36.2 million respectively in the year under review.

With the joint venture intact, the Group is now planning for long-term growth. To encourage the Board and employees to reach those goals as well as help retain top talent in a highly competitive working environment, the Company has on 28 June 2016, obtained the shareholders' approval to terminate the Employees' Share Option Scheme that was established in April 2008 and replaced it with a new long-term incentive plan ("LTIP") comprising of a share option scheme and a share grant scheme. The shareholders have also approved the issuance of share options and share grants of up to fifteen percent (15%) of the issued share capital of the Company for its eligible Directors and employees. The JRB Board believes that when objectives in a company's growth plan are aligned with those of the Company's LTIP, key employees will focus on performance factors that will help improve and grow the Company. The long term plans are still on drawing board and once finalised, the Company will grant the share options and share grants.

## Management Discussion & Analysis (cont'd)

### Consolidated Operating Results

The JRB Group's revenue increased by 37% to RM632.2 million in the financial year 2016 compared to RM461.1 million in the preceding year. This was mainly attributable to the higher contribution from the Construction division with revenue of RM440.9 million, of which RM150.1 was derived from the EPC2 contract on works done in Vietnam. The gross profit however declined by 2% to RM90.8 million in the financial year 2016 compared to RM93.0 million in the preceding year. The higher EPC 2 contract margin contribution was offset by the higher cost of sales incurred at the Property Development division on the back of weak property market sentiment. .

Other Operating Income of RM4.3 million in the financial year 2016 was lower compared to RM88.8 million in the preceding year where the Group had recognised a gain on disposal of its subsidiary in Vietnam of RM50.1 million and the disposal of the land at Meru, Klang for RM35.9 million. Selling and distribution expenses, mainly attributed by the Property Development division, was lower by RM3.2 million compared to the preceding year as higher sales commission was paid in 2015. Administrative expenses were higher by RM8.1 million compared to the preceding year mainly due to provision of liquidated and ascertained damages in our property development project. Other operating expenses were lower by RM33.9 million as the Group had made impairment loss on goodwill of RM30.0 million on its operating subsidiaries in financial year 2015. For the financial year 2016, the finance costs increased by RM4.2 million from 2015, even though the total borrowing had reduced year-on-year. This was due to the recognition of the finance cost of Evolve Concept Mall as an expense in 2016 compared to finance cost that was earlier capitalised when the mall was under construction in 2015.

The Group incurred a loss before tax of RM6.9 million in the financial year 2016 as compared to a profit before tax of RM55.2 million in the preceding year 2015, which has included the gain on disposal of subsidiary and disposal of land totalling RM86.0 million. The loss incurred in financial year 2016 was due to competitive pricing and slowdown in the property market as well as higher operating, depreciation charge and financing expenses after the opening of the EVOLVE Concept Mall, allowance for impairment on receivables of RM8.1 million and also RM8.2 million realised and unrealised loss on the foreign exchange that had adversely affected the results of the Group.



### Taxation

Although the Group incurred a loss before tax of RM6.9 million in the financial year 2016, a tax provision of RM4.5 million was made based on the estimated taxable amount. The tax charge of the Group was mainly from profitable subsidiaries' taxation, and for tax purposes, cannot be utilised to set off against losses of other companies within the Group.

There was a reversal of deferred tax asset of RM5.0 million in the year under review following the cessation of business of the manufacturing operations in one of the subsidiaries. Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, hence the reversal was put through.

## Management Discussion & Analysis (cont'd)

### Liquidity and Capital Resources

The table below highlights the major cash flow components for the Group for the year ended 31 December 2016 and 2015.

	Statements of cash flow for financial year ended		
	31.12.2016 RM'000	31.12.2015 RM'000	Change RM'000
Cash flows from operating activities	55,394	93,652	(38,258)
Cash flows used in investing activities	(2,978)	(122,058)	119,080
Cash flows used in financing activities	(50,316)	(44,488)	(5,828)
Increase / (Decrease) in cash and cash equivalents	2,100	(72,894)	74,994

The decrease in cash flows from operating activities for the financial year 2016 was due to slower collection of receivables.

The higher cash used in investing activities in 2015 was mainly due to capital expenditure incurred for EVOLVE Concept Mall. The mall was completed and handed over in 4th quarter of 2015, hence lower cash used in investing activities in 2016.

The cash used in financing activities for the financial year 2016 increased primarily due to the repayment of RM62.3 million on the term loan and partially offset by RM37.2 million drawdown of trade facilities.

### Borrowings

As at 31 December 2016, the Group's total borrowings stood at RM530.9 million, RM25.7 million lower than the previous year end of RM556.6 million. Net gearing (after netting off cash and deposits) stood at 0.85x.

### Operational review of Construction division

Revenue from our Construction division was RM440.9 million and RM255.0 million (69.7% and 55.3% of our total revenue) in 2016 and 2015, respectively. The revenue of the Construction division in 2016 was derived mainly through our wholly owned subsidiaries, JAKS Sdn Bhd (RM290.8 million for local projects) and GKHL (RM150.1 million for EPC 2 contract works in Vietnam) and it is derived from both public and private sector clients. The Construction division performs construction management, as well as various civil construction projects with a large portion of the work in 2016 focused on new construction and improvement of streets, roads, highways, bridges, site work, power-related facilities, water-related facilities, utilities and other infrastructure projects.

The current on-going construction projects in Malaysia are:

- (i) Four (4) water-related facilities projects with contract sum of RM683.3 million;
- (ii) Two (2) construction of roadworks projects with contract sum of RM715.5 million;
- (iii) One (1) building construction project with contract sum of RM83.1 million; and
- (iv) Three (3) property construction works projects with contract sum of RM767.0 million.

The Construction division contributed profit before tax ("PBT") of RM49.8 million to the Group's PBT, where RM36.2 million PBT was derived from the Vietnam EPC 2 contract. The revenue and PBT for this division would have been higher as there has been significant fabrication works done by the sub-contractors on the Vietnam EPC 2 contract. However, as the Group has adopted accounting policies where revenue from work done on construction contracts is to be recognised based on the stage of completion method, the Group has only recognised PBT of RM36.2 million in the financial year 2016. We expect contributions from the Vietnam EPC 2 contract to gather pace as work progresses. The expected earnings contribution from the USD454.5 million EPC 2 contract will be more material in the coming years.

## Management Discussion & Analysis (cont'd)

### Construction division - Looking Forward

Our unbilled order book as at end March 2017 is RM2.6 billion and this will keep us busy up for the next few years. We remain optimistic about the coming financial year and beyond given the long-term nature of our ongoing projects as well as the Malaysian Government's commitment to see through various major infrastructure projects that have been announced. These include the Light Rapid Transit Line 3, Kuala Lumpur-Singapore High Speed Rail, Pan Borneo Highway in East Malaysia and the East Coast Rail Link. In addition, there are plans for the privatisation projects such as the West Coast Expressway and highways within the Klang Valley.

We will focus on meeting the deadlines and stipulated budgets set for current projects and also look to further strengthen our order book. The construction division has diversified its business from the initial water-related infrastructure construction works into the property construction works via the property projects undertaken by the Group itself as well as by third parties.



### Operational review of Property Development division

The Property Development division contributed revenue of RM160.3 million in the financial year 2016 compared to RM129.0 million in the previous year. However, it incurred a loss before tax of RM36.7 million following the competitive pricing and slowdown in the property market as well as higher operating and financing expenses after the opening of the EVOLVE Concept Mall at Ara Damansara in Petaling Jaya. With the mall in full operation during the year, there was also higher depreciation charge.

The four storey shopping mall had its soft launch in 2016 and is connected to the upcoming Ara Damansara Light Rail Transit ("LRT") station. It has gross floor area of 478,318 sq. ft. with 2,650 car parks and currently it is about 70% occupied based on net lettable area. The Group's immediate focus is to further increase the mall occupancy to enhance the value of the mall.

The current ongoing mixed development project at Section 13, Petaling Jaya known as Pacific Star has achieved sales to-date of RM575 million (2015 : RM536 million), being 58% of the total GDV of approximately RM1.1 billion. The expected handover date will be in 2nd half of 2017.

As at the end of March 2017, the Group has unbilled sales of RM197.7 million from its property development projects, giving the Group clear earnings visibility for the coming years.

### Property Development division - Looking Forward

The uncertainties and concerns over the large market supply remains unabated and loan growth is expected to slow further as the weak credit cycle continues. Apart from the stringent loan requirements from financial institutions that are said to have caused the drop in the number of property transactions, the increasing cost of living and economic uncertainties have led to an upswing in worries about job security, resulting in more cautious consumer spending.

The Malaysian property market is expected to continue to be soft in 2017 with lower transactional volumes and values due to slower economic growth, higher cost of living and weaker consumer sentiments. The Group is looking into a more effective marketing plan to push the sales of its property units.

### Other Operating Divisions

There was minimal revenue contribution of RM31.0 million from the Trading and Manufacturing divisions in the financial year 2016 as the Group focused its resources on the construction and property development activities. Although the revenue from the Trading and Manufacturing divisions represented approximately 4.9% of the Group's revenue in the year under review, it contributed profit before tax of RM3.8 million following a gain on disposal of asset held for sales in the year under review.

## Management Discussion & Analysis (cont'd)

### Risk Management

The Company is in the business of infrastructure development of independent power plant, which is capital intensive and have long gestation periods between 4 years to 6 years. The Company is working on an enterprise wide comprehensive risk management policy, including risk appetite, tolerance and risk limits for more effective, informed and measurable risk management. This study and internal risk rating of potential geographies, sectors and clients are to improve opportunity identification and evaluation. The Company has started engaging third-party EPC contractors as a part of its risk diversification process. The Company remains focused on the risk profiles of potential vendors and contractors, with an internal vendor risk rating mechanism. This is to ensure smooth construction of projects and avoid risks due to any third party dependence. The Company understands the risk environment encompassing its business which are classified broadly below with some illustrations to indicate / describe the risks.

#### Operational Risks:

Risks arising out of inefficiencies, internal failures or collusion from regular operations, such as:

1. Project Opportunity Risk through erroneous omission and inadequate or inappropriate assessment of a project opportunity available for development;
2. Bidding Risk on account of inadequate or erroneous assumptions made while arriving at the financial bid variable;
3. Financing Risk on account of not achieving a financial closure or achieving a financial closure at a cost higher than assumptions;
4. Project Implementation Risk on account of not meeting the project schedule, quality or budget; and
5. Ownership & Maintenance Risk on account of several risks faced during the operations and maintenance phase of a project.

#### Mitigation Efforts

A careful selection and a thorough evaluation of the prospective projects will minimise the chances of getting into non-profitable projects. The Company undertakes review of the project feasibility (technical review) and project financial viability (financial review). Further, the Company follows a risk specific bid / project risk assessment framework to identify key risks associated with various opportunities and projects, along with their mitigation planning and continuous monitoring. The Company has laid down standard operating procedures at the function and department levels to ensure business process productivity, responsibility and accountability at various levels. The standard operating procedures are further being strengthened and supported by adequate checks and balances, including risk-based internal audit, documentation management systems and the introduction of delegation of financial and nonfinancial powers. This will ensure that a culture of proactive risk management is embedded at all levels of the organisation with required support systems in place.

#### External Risks:

Risks arising out of changes in the external environment, such as:

1. Interest Risk on account of volatility experienced in the Interest Rates in Capital Markets on outstanding project debts
2. Competition Risk on account of strategies applied by existing and new entrants in the infrastructure development business
3. Natural Calamities (Act of God), civil disturbance etc.

#### Mitigation Efforts

The Company pro-actively identifies each significant 'change' and adapts to it with foresight. The Company continues to build strategies not only to sustain, but thrive owing to its meticulous processes. The Company understands its competition and keeps an update of its contemporaries to stay a notch above them. The Company has a focused strategy for client, partner, vendor and contract management to avoid various possible external risks. Though the Company cannot avoid a natural calamity, it is adequately geared up with appropriate insurance covers to minimise losses and restore normalcy within a short time.

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors supports high standards of corporate governance and assumes responsibility in ensuring that principles and recommendations of the Malaysian Code on Corporate Governance 2012 ("the Code") are followed where possible or provide alternatives in meeting them. The Group believes that good governance will help to realise long-term shareholders value, whilst taking into account the interest of other stakeholders.

Set out herewith are the corporate governance principles and recommendations that were applied during the financial year ended 31 December 2016.

## A. THE BOARD OF DIRECTORS

### a. Duties of Board of Directors

The Board of Directors takes full responsibility for the performance of the Group. The Board provides stewardship to the Group's strategic direction and operations which will ultimately maximise shareholders' value. To fulfill this role, the Board provides advice to the Management in monitoring and achieving the Group's goals.

The Board's most important functions are as follows:

- ensuring that the Group's goals are clearly established, and strategies are in place to achieve them;
- establishing policies for strengthening the performance of the Company including ensuring that Management is proactively seeking to build business through innovation, initiative, technology and the development of its business capital;
- monitoring the performance of Management;
- appointing the Chief Executive Officer ("CEO") and setting the terms of his employment contract;
- deciding on steps which are deemed necessary to protect the Company's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- ensuring that the Company's financial statements are true and fair and conform with law;
- ensuring that the Company adheres to high standards of ethics and corporate behavior; and
- ensuring that the Company has appropriate risk management or regulatory compliances policies in place.

In discharging its fiduciary duties, the Board has delegated specific tasks to three Board Committees namely Audit Committee, Nomination Committee and Remuneration Committee. All the Board Committees have its own terms of reference and the authority to act on behalf of the Board within the authorities as lay out in the terms of reference and report to the Board with the necessary recommendation.

The Company has adopted a Board Charter in 2004 which sets out the Board Governance process and Board-Management relationship. A review of the Board Charter was conducted recently in view of the impending changes expected on the Code of Corporate Governance. A formal schedule of matters reserved for the Board had been adopted covering the limits of authority for:

- Acquisition & Disposal of Assets
- Investments in Capital Projects
- Treasury Policies
- Risk Management policies

## Corporate Governance Statement (cont'd)

### b. Board Composition and Balance

The Board of JAKS Resources Berhad has six members comprising of the CEO, two Executive Directors and three Independent Non-Executive Directors.

The Board Meetings are presided by the Chairman, whose role is clearly separated from role of the CEO to ensure a balance of power and authority.

The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as managing the development and implementation of business and corporate strategies. The Independent Non-Executive Directors are independent of Management and free from any business relationship which could materially interfere with their independent judgement. Their presence ensures that issues of strategies, performance and resources proposed by the Management are objectively evaluated and thus provide a capable check and balance for the Executive Directors.

On the tenure of the independent directors who have exceeded the term of 9 years, the Company's shareholders had at the Annual General Meeting in 2013 pass the resolution to allow Mr. Liew Jee Min @ Chong Jee Min and Dato' Azman Bin Mahmood who have both served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company and the shareholders also granted authority to the Board of Directors henceforth to determine on a year to year basis the continuation in office of these independent directors until such authority is revoked at a general meeting.

### c. Board Meetings

During the financial year ended 31 December 2016, five Board Meetings were held and the respective Directors' attendance record is as shown in the table below:

Director	No. of meetings attended
Tan Sri Datuk Hussin Bin Haji Ismail	5/5
Ang Lam Poah	5/5
Ang Lam Aik	4/5
Dato' Razali Merican Bin Naina Merican	5/5
Dato' Azman Bin Mahmood	5/5
Liew Jee Min @ Chong Jee Min	5/5

The Board meets at least five times a year and as and when it is necessary. Due notice of matters to be discussed are provided to the Board. The proceedings, deliberations and conclusions made by the Board were properly recorded in the minutes of meetings kept by the Company Secretary and was confirmed by the Board and signed by the Chairman of the meeting.

### d. Supply of Information

The Board is provided with the agenda and board papers prior to Board Meetings with sufficient time to enable the Board to solicit further explanations and/or information, where necessary, to enable them to discharge their duties.

The board papers provided include inter alia, financial results, business plan and budget, status of major projects, minutes of meetings of Board/ Board Committees, circulars from Bursa Malaysia Securities Berhad ("Bursa Securities"), announcements made to Bursa Securities, Directors' resolution in writing that had been passed and other major operational and financial issues for the Board's information and/or approval.

All Directors have access to the advices and services of the Company Secretary and all information in relation to the Group whether as a full Board or in their individual capacity to assist them in discharging their duties. The Board or the individual Director may seek independent advice from independent professional advisers at the Group's expense, if necessary in accordance to the prescribed policy.

## Corporate Governance Statement (cont'd)

### e. Directors' Training

The Group acknowledges that continuous education is vital for the Board members to gain insight into the state of economy, technological advances, regulatory updates and management strategies. The Directors are encouraged to attend continuous education programmes to further enhance their skills and knowledge, where relevant. New directors appointed are required to attend the Mandatory Accreditation Programme pursuant to the Listing Requirements of Bursa Securities and will be briefed by Management on the operations and policies of the Company to familiarise themselves with the Company's business.

During the financial year ended 31 December 2016, all the Directors attended an in-house training on the topic of "Latest Emerging Issues". Directors also attended the following training programs:-

Director	Mode of Training	Title of Training	Duration of Training
Tan Sri Datuk Hussin Bin Haji Ismail	Seminar	Future of Auditor Reporting : The Game Changer For Boardroom	1 day
	Seminar	I Am Ready to Managed Risk	1 day
	Seminar	Leadership Excellence from the Chair	1 day
	Seminar	The Interplay Between Corporate Governance, Non-Financial Information and Investment Decision - What Boards of listed companies need to know.	1 day
	Seminar	The Cybersecurity threat and how Boards should mitigate the risks.	1 day
Dato' Azman Bin Mahmood	Internal Training	Directors' Continuing Education Programme 2016 on Sustainability	1 day
	Internal Training	Project Department and Sales Department workflow	1 day
Liew Jee Min @ Chong Jee Min	Seminar	New Auditor Reporting : Why it matters to you	½ day
	Internal Training	Finance for Non Finance – " Finance Language in the Boardroom" a) The Key Factors of Goods and Services Tax ("GST") & its Implementation b) Transfer Pricing	1 day
	Seminar	Nomination Committee Programme Part 2 : Effective Board Evaluations	1 day
	Seminar	New Company Law's Impact on your Business and Duties	½ day
	Seminar	Risk Management Programme – I am Ready to Manage Risk.	1 day

## Corporate Governance Statement (cont'd)

### f. Appointments and Re-election of Directors

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board shall hold office only until the next annual general meeting after their appointment and shall then be eligible for re-election. The Articles also provide that at least one-third of the remaining Directors be subject to retirement by rotation at each annual general meeting provided always that all Directors including the CEO shall retire from office at least once every three years but shall be eligible for re-election.

The Board has empowered the Nomination Committee to consider and make their recommendation to the Board for the continuation in service of those Directors who are due for retirement and recommendation of new Directors, if required to enhance the composition of the Board. The Nomination Committee will recommend candidates for all directorships to be filled to the Board. The Nomination Committee also review the composition of the Board to ensure that the Board has the required mix of skills, expertise, attributes and core competencies to discharge their duties efficiently and effectively.

The Company does not have policy on diversity of gender, ethnicity and age. The age of the Directors range from 43 to 65 and the Board believes that this creates an environment where each generation brings different skills, experience and talents to the Board. The Board is of the view that it is important to recruit and retain the best available talent regardless of gender, ethnicity and age to maximise the effectiveness of the Board. Should there be a vacancy on the Board, the Directors will take into consideration the gender diversity.

## B. DIRECTORS' REMUNERATION

### a. Level and Make-up

The Company has adopted the objective as recommended by the Code to determine the remuneration of the Directors so as to ensure that the Company attracts and retains the Directors needed to run the Group successfully. The component parts are designed to link rewards to corporate and individual performance in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual Non-Executive Director concerned.

### b. Procedure

The Remuneration Committee recommends for the Board's approval on all elements of remuneration and terms of employment for Executive Directors with the Director concerned abstaining from deliberations and voting on decisions in respect of his remuneration package. The Remuneration Committee met two (2) times during the financial year 2016 to review the bonuses and increments of the Executive Directors.

Non-Executive Directors' fees are determined by the Board as a whole. The fees payable to Non-Executive Directors are subject to the approval of shareholders.

### c. Details of Remuneration

Details of the remuneration received by the Directors from the Group and Company for the financial year ended 31 December 2016 are set out on page 109 of the Audited Financial Statements.

The aggregate remuneration paid/payable to all Directors of the Company are further categorised into the following components.

	Fees (RM)	Salaries (RM)	EPF & SOCSO (RM)	Total (RM)
Executive Directors	-	1,768,240	189,425	1,957,665
Non-Executive Directors	126,000	-	-	126,000

## Corporate Governance Statement (cont'd)

The number of Directors whose remuneration falls under the following remuneration bands:

Remuneration Bands	Executive Directors	Non-Executive Directors
RM50,000 and below	-	3
RM350,001 – RM400,000	1	-
RM650,001 – RM700,000	1	-
RM900,001 – RM950,000	1	-

### C. SHAREHOLDERS

The Company recognises the importance of transparency and accountability in the disclosure of the Group's business activities to its shareholders and investors. The Board has maintained an effective communication policy that enables both the Board and Management communicate effectively with its stakeholders, investors and even the public.

The Company uses its annual general meeting as the main channel of communication with its shareholders where the Board of Directors and Auditors of the Company are present to answer any queries from shareholders.

### D. ACCOUNTABILITY AND AUDIT

#### a. Financial Reporting

In presenting the annual financial statements and quarterly announcements of its results, the Board of Directors has ensured that the financial statements represent a true and fair assessment of the Company and Group's financial position. The Responsibility Statement by the Directors pursuant to the Bursa Securities Listing Requirements is set out on page 31.

#### b. Internal Control and Risk Management

The Board acknowledges its responsibility for establishing a sound system of internal control to safeguard shareholders' investment and Group's assets and to provide assurance on the reliability of the financial statements.

While the internal control system is devised to cater for particular needs of the Group, such controls by their nature can only provide reasonable assurance but not absolute assurance against material misstatement or loss. A Statement on Risk Management and Internal Control is set out on pages 27 and 28.

#### c. Relationship with Auditors

The Company maintains a transparent relationship with the auditors in seeking their professional advice and towards ensuring compliance with the accounting standards.

### E. ADDITIONAL COMPLIANCE INFORMATION

#### 1. Non-audit Fees

The amount of non-audit fees paid to the external auditors by the Company and its subsidiaries for the financial year ended 31 December 2016 amounting to RM3,000. The amount of audit fees paid to the external auditors by the Company was RM68,000 and by the Group was RM325,677.

#### 2. Material Contract

There was no material contract entered into by the Company and/or its subsidiary companies which involves Directors' and Major Shareholders' interest during the financial year ended 31 December 2016.

## BOARD COMMITTEES REPORT

### A. AUDIT COMMITTEE REPORT

#### a. Members

The Audit Committee consists of the following members:

<b>Chairman</b>	<b>Dato' Azman Bin Mahmood</b> (Independent Non-Executive Director)
<b>Members</b>	<b>Tan Sri Datuk Hussin Bin Haji Ismail</b> (Independent Non-Executive Director)
	<b>Liew Jee Min @ Chong Jee Min</b> (Independent Non-Executive Director)

#### b. Functions and Responsibilities

The key functions and responsibilities of the Audit Committee are:

- To consider the appointment of the External Auditor, the audit fee and any questions of resignation or dismissal;
- To discuss with the External Auditor before the audit commences, the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;
- To review the quarterly and year-end financial statements of the Company, focusing particularly on:
  - Any changes in accounting policies and practices;
  - Significant adjustments arising from the audit;
  - The going concern assumption;
  - Compliance with accounting standards and other legal requirements.
- To discuss problems and reservations arising from the interim and final audits, and any matter the External Auditor may wish to discuss (in the absence of management where necessary);
- To review the External Auditors' management letter and management's response;
- To consider any related party transactions that may arise within the Company or the Group;
- To consider the major findings of internal investigations and Management's response;
- To do the following in relation to the internal audit function:
  - Identify the head of internal audit;
  - Review the adequacy of the scope, functions, competency and resources of the internal audit function and the necessary authority to carry out its work;
  - Review the internal audit programme and results of the internal audit programme and the results of the internal audit process and where necessary ensure that appropriate actions taken on the recommendations of the internal audit function;
  - Review any appraisal or assessment of the performance of members of the internal audit functions;
  - Approve any appointment or termination of senior staff members of the internal audit function;
  - Inform the Company on the resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning; and
  - To consider other topics as defined by the Board.

## Board Committees Report (cont'd)

### c. Summary of Activities of Audit Committee for the financial year ended 31 December 2016

The Audit Committee held five meetings during the financial year ended 31 December 2016.

The attendance record for the financial year ended 31 December 2016 of each member of the Audit Committee is shown in the table below:

Audit Committee Members	Meeting Attendance	
	No of meetings attended	Percentage of attendance
Dato' Azman Bin Mahmood	5/5	100
Liew Jee Min @ Chong Jee Min	5/5	100
Tan Sri Datuk Hussin Bin Haji Ismail	5/5	100

The minutes of each Audit Committee Meeting were distributed to the Board members at the subsequent Board Meeting. The Audit Committee Chairman will inform the Directors at Board Meetings, matters and recommendations which the Audit Committee's view ought to be highlighted to the Board.

For the financial year ended 31 December 2016, the Audit Committee:

- i. Reviewed the quarterly results and Audited Financial Statements;
- ii. Reviewed the internal audit report tabled by Internal Auditors;
- iii. Reviewed and approve the Internal Audit Plan;
- iv. Reviewed the Audit Review Memorandum and discussed with External Auditors on their findings;
- v. Reviewed the Statement on Risk Management & Internal Control and Audit Committee Report prior to the Board's approval for inclusion in the Annual Report;
- vi. Review Audit Planning Memorandum for the financial year ended 31 December 2016;
- vii. Reviewed the performance of Internal Auditors; and
- viii. Recommended the External Auditors' fees and re-appointment of External Auditors.

### d. Summary of Activities of the Internal Audit Division for the financial year ended 31 December 2016.

The Group outsourced its internal audit function to external consultant who assist in the setting up as well as manage a sound system of internal control to safeguard the shareholders' interest and the Group's assets.

The total cost incurred for the Group's internal audit function was RM51,535.72.

The Group's Statement on Risk Management & Internal Control is set out on pages 27 and 28 of this Annual Report.

## Board Committees Report (cont'd)

### B. NOMINATION COMMITTEE REPORT

#### a. Members

The Nomination Committee comprises exclusively of Non-Executive Directors. The Chief Executive Officer ("CEO") and Group Senior General Manager, Finance attend the meeting on the invitation of the Committee.

**Chairman**                      **Dato' Azman Bin Mahmood**  
(Independent Non-Executive Director)

**Members**                      **Liew Jee Min @ Chong Jee Min**  
(Independent Non-Executive Director)

**Tan Sri Datuk Hussin Bin Haji Ismail**  
(Independent Non-Executive Director)

#### b. Functions and Responsibilities

The key functions and responsibilities of the Nomination Committee are:

- To review regularly the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary.
- To review and recommend new nominees for appointment to the Board of Directors.
- To assess Directors on an on-going basis, the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director.
- To recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board. In making its recommendations, the Committee should consider the candidates'
  - skills, knowledge, expertise and experience;
  - professionalism;
  - integrity; and
  - in the case of candidates for the position of independent non-executive directors, the Committee should also evaluate the candidates' ability to discharge such responsibilities/ functions as expected from independent non-executive directors.
- To consider, in making its recommendations, candidates for directorships proposed by the CEO and, within the bounds of practicability, by any other senior executive or any director or shareholder.
- To recommend to the Board, Directors to fill the seats on Board Committees.
- To review annually the Board's mix of skills and experience and other qualities including core competencies which non-executive Directors should bring to the Board. This should be disclosed in the Annual Report.
- To recommend to the Board for continuation (or not) in service of executive Director(s) and Directors who are due for retirement by rotation.
- On invitation of Chairman or the Board, recommend to the Board for continuation (or not) in service of executive Directors(s) and Directors who are due for retirement by rotation.
- To orient and educate new Directors as the nature of the business, current issues within the Company and the corporate strategy, the expectations of the Company concerning input from the Directors and the general responsibilities of Directors.

## Board Committees Report (cont'd)

### c. Summary of Activities of Nomination Committee for the financial year ended 31 December 2016

The Nomination Committee met once during the financial year ended 31 December 2016. For the financial year ended 31 December 2016, the following activities were carried out by the Nomination Committee:

- i. Reviewed the size and composition of the Board and Board Committees;
- ii. Reviewed the mix of skill and experience and other qualities of the Board;
- iii. Assessed the effectiveness of the Board as a whole, the Board Committees and the Directors;
- iv. Discussed and recommended the re-election of retiring Directors; and
- v. Reviewed the term of office and performance of the Audit Committee and each of its members and concluded that the Audit Committee members have carried out their duties in accordance with their terms of reference.

The Nomination Committee upon its annual assessment carried out for financial year 2016, was satisfied that:

- The size and composition of the Company Board is optimum with appropriate mix of knowledge skills, attribute and core competencies;
- The Board has been able to discharge its duties professionally and effectively;
- All the Directors continues to uphold the highest governance standards in discharging their duties and responsibilities;
- All the members of the Board are well qualified to hold their positions as Directors of the Company in view of their respective working experience, academic and professional qualifications, depth of knowledge, skills and experience and their personal qualities;
- The Independent Directors, namely Tan Sri Datuk Hussin Bin Haji Ismail, Dato' Azman Bin Mahmood and Mr Liew Jee Min @ Chong Jee Min are demonstrably independent;
- The Directors are able to devote sufficient time commitment to their roles and responsibilities as evidenced by their attendance records; and
- The Directors have received training during the financial year ended 31 December 2016 that is relevant and would serve to enhance their effectiveness in the Board.

### C. REMUNERATION COMMITTEE REPORT

The Remuneration Committee comprises of a majority of Non-Executive Directors.

**Chairman**      **Liew Jee Min @ Chong Jee Min**  
(Independent Non-Executive Director)

**Members**      **Ang Lam Poah**  
(Chief Executive Officer)

**Tan Sri Datuk Hussin Bin Haji Ismail**  
(Independent Non-Executive Director)

The Committee met two (2) times during the financial year ended 31 December 2016.

The Remuneration Committee shall ensure that the levels of remuneration are sufficient to attract and retain Directors of the quality required to manage the business of the Group. The Remuneration Committee is entrusted under its terms of reference to assist the Board, amongst others, to recommend to the Board the remuneration of the Executive Directors, by linking their rewards to corporate and individual performance with the Director concerned abstaining from deliberations and voting on decisions in respect of his remuneration package. In the case of Non-Executive Directors, the level of remuneration shall reflect the experience and level of responsibilities undertaken by the Non-Executive Directors concerned and is determined by the Board as a whole.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## Introduction

The Board of Directors of JAKS Resources Berhad ("JAKS") is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 31 December 2016 which has been prepared pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ('the Guidelines'). This statement outlines the nature and state of the risk management and internal control of the Group during the financial year.

## Board Responsibility

The Board acknowledges its responsibility for maintaining a sound and effective systems of risk management and internal controls and for reviewing the adequacy and integrity of the said systems to ensure shareholders' interests and the Group's assets are safeguarded. These responsibilities have been delegated to the Audit Committee, which is empowered by its terms of reference to seek the assurance on the adequacy and effectiveness of the Group's internal controls system through independent reviews conducted by the internal audit function and the annual statutory audits conducted by the external auditors. The Audit Committee reports significant controls matters to the Board at their scheduled meetings.

However, as there are inherent limitations in any system of risk management and internal control, such system can only manage rather than eliminate all possible risks that may impede the achievement of the Group's business objectives or goals. Therefore, the system can only provide reasonable and not absolute assurance against material misstatements or losses.

## Risk Management Framework

The Group has a structured risk management framework where an assessment process is available to identify, evaluate and manage significant risks that may affect the achievement of the Group's business objectives. The respective Heads of Department and key management staffs are assigned with responsibilities to manage identified risks within defined parameters and standards. Periodic management meetings were held in which key risks and the appropriate mitigating controls were discussed and communicated to Senior Management. Significant risks are also brought to the attention of Board members at their scheduled meetings.

The above-mentioned risk management practices of the Group serves as the on-going process used to identify, evaluate and managed significant risks of the Group for the year under review and up to the date of approval of this Statement. The Board shall continue to evaluate the Group's risk management process to ensure it remains relevant to the Group's requirements.

## Internal Audit Function

The Group's internal audit function is outsourced to a professional services firm, to assist the Board and the Audit Committee in providing independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system. The internal audit function reports directly to the Audit Committee.

During the financial year ended 31 December 2016, internal audits were carried out in accordance with the risk based internal audit plan approved by the Audit Committee. The business processes reviewed were sales & billing and project management processes of JAKS Island Circle Sdn Bhd and sales & marketing and building management & maintenance processes of MNH Global Assets Management Sdn Bhd. The results of the audit reviews were discussed with Senior Management and subsequently, the audit findings, including the recommendations for improvement were presented to the Audit Committee at their scheduled meetings. In addition, follow up reviews on previous auditable activities of JAKS Resources Berhad, JAKS Sdn Bhd and JAKS Island Circle Sdn Bhd were also conducted to ensure that corrective actions have been implemented in a timely manner and the results of follow up reviews were also reported to the Audit Committee at their scheduled meetings.

Based on the internal audit review conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in the annual report.

Total costs incurred for the outsourcing of the Internal Audit Function for the financial year ended 31 December 2016 was RM51,535.72.

## Statement On Risk Management And Internal Control (cont'd)

### Others Key Elements of Internal Control

The other key elements of the Group's internal control systems are described below:

- An organisational structure with clearly defined lines responsibility, accountability, and proper segregation of duties;
- Written operational policies and procedures that are established and regularly reviewed and updated to ensure that it maintains its effectiveness and continues to support the Group's business activities as the Group's grows;
- Human resource policies encompassing areas of recruitment, training and development, health and safety, staff performance, appraisal and succession planning with the objective to enhance staff integrity and the development of professionalism and competency of employees in the Group;
- Quality management in the form of policies and objectives as outlined in the Quality Manual issued by the Chief Executive Officer. The Management Review Team periodically reviews this quality management process that is implemented throughout the financial year;
- Monitoring of results by the senior management team on a monthly basis where appropriate management action will be undertaken to address deviations. The Chief Executive Officer also reviews the management accounts covering financial performance, key business indicators on a quarterly basis and the cash flow position on a regular basis;
- Executive Directors are actively involved in the running of the business and operations of the Group and they report to the Board on significant changes in the business and external environment, which affect the operations of the Group; and
- The Group's risk management process, internal audit process and internal control system do not apply to jointly controlled operations and joint ventures where the Group does not have full management control. The Group's interest in these jointly controlled operations are closely monitored through periodic receipt of the operations management accounts and representation in the jointly controlled operations' Board.

The Board obtained assurance from the Chief Executive Officer that the Group's risk management and internal controls systems are operating adequately and effectively in all material respects.

The Board is of the view that the risk management and internal control system is satisfactory and have not resulted in any material losses or contingencies that would require disclosure in the Group's annual report. The Board shall continue to take the pertinent measures to improve the Group's risk management and internal control in meeting the Group's corporate objectives.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board of Directors dated 25 April 2017.

# CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Group has consistently taken considerable effort in maintaining corporate social responsibility. As part of the corporate vision and mission, the Group is not only aiming at maximising shareholders' return but at the same time emphasising on the importance of environmental factors as well as protecting the health and safety of our employees and communities in which we operate.

To achieve these goals, the Group is committed to deploy and implement policies and guidelines that help to ensure the operations are conducted in compliance with applicable regulations and standards. It is always the Group's objectives to incorporate these environmental, health and safety standards into the business operations to reduce risks and work towards an accident-free workplace.

In this regards, the Group always believes that this will build public confidence and hence strengthen the stakeholders' relationship with all these social, economic, environmental and ethical responsibilities in place.

## Employees

Employees are always the greatest assets of the Group. Appropriate training on skills development, team building, motivation courses and internal recognition programmes are developed for employees. These employment development opportunities are structured to enhance the employees' skills. Leadership development and succession are also critical to the success of the business. Leadership courses are provided to develop and enhance the leadership qualities and managerial capabilities of the employees to meet our business needs. In addition, safety measures workshops were also conducted to ensure high level of awareness of safety requirements at all levels.

The Group does not have a policy on workforce diversity of gender, ethnicity and age. However, the Group is committed to cultivate a climate of diversity and inclusiveness via our non-discriminatory recruitment processes. The Group is committed to practice fair opportunity to all existing and prospective employees without unlawful or unfair. In so doing, employees from all functional discipline and at all levels will have the opportunity to contribute and provide input on how our business is to be managed. Suggestion box is made available for staff to contribute constructive ideas to the Management.

In addition, activities organised by sports club such as trips, family days, badminton events, bowling competitions etc. also promote better team spirit among the employees and also improve the work-life balance of employees.

## Health and Safety

As part of recognising our employees as the greatest asset, the Group aims to ensure a safe and healthy working environment for all our employees. The Group makes great effort to protect the well-being of its employees through the effective and stringent implementation of good Occupational Safety and Health practices in the business operations. Guidelines are developed, implemented and continuously improved to meet the current international best practices. Safety and Healthy committee meetings are held regularly to update and improve on the business operations practices.

The Group aims to comply with all relevant local legislation or regulations, and best practice guidelines recommended by national health and safety authorities. We also liaise with staff regarding our policies and practices so that we can continue to maintain a healthy, safe and enjoyable environment.

The Group is consistently providing updated information and encouraging self consciousness of importance of the healthy and safe working environment. The Group continuously provides first aid training and fire drills for the employees. As for the properties and equipments, the Group continues to ensure that equipment and building systems are functioning properly and are well maintained. All these will lead to a conducive and safe working environment to the employees.

## Corporate Social Responsibility Statement (cont'd)

### Environment

In today's world, environmental protection is a global necessity. In the course of our operations we seek to identify opportunities to reduce consumption of energy, water and other natural resources. All staffs are encouraged in the process to recycle papers, use electronic mail and also other energy saving practices to protect our surrounding environment.

It is anticipated that by adopting simple, environmentally friendly initiatives, the Group will raise awareness amongst stakeholders and the wider community.

The Group regularly reviews its environmental policy to ensure that it reflects changes in regulations and best practice. We aim to continually to manage the impact of our operations and develop initiatives to improve our environmental footprint.

In addition, as part of the our support for a greener environment, we have established proper disposal of toxic and hazardous waste as per the Environment Quality Regulation. These scheduled wastes are treated and disposed-off at facility approved by the authorities. Relevant budget has been allocated for environment protection expenditure. This includes environment monitoring for noise and dust, audiometric hearing test, filtering system, internal audit, awareness training and also personnel protective equipments. We undertake measures to minimise any adverse impact of our operations on the environment.

### Community

The Group actively participates in social and community event to help the less fortunate. As a mean of serving the community, the Group elevates the standards of living and the quality of life of communities by supporting worthy causes and sponsoring educational, welfare and sports events. The Group also assists in developing fresh young talent from local universities, where industrial trainings are provided for interested students.

Employees are also encouraged to volunteer their time and talent to assist in various societies and programmes. Staff members who volunteer regularly in these community service projects have demonstrated improved personal development and also better leadership qualities. The employees also responded to the donations from various organisations for those in need.

### Clients

The Group strongly believes that integrity is a key to success in building sustainable business relationship with our clients.

The Group aims at providing products and services which are value for money, coupled with consistent quality, reliability and safety in return for fair reward. We operate policies of continual improvement, with processes and the skills of our staff, to take best advantage of technology advancement. This safeguards our operations in the future, ensuring that we continue to add value to our customers' businesses.

The Board always believes that a good corporate citizen should fulfill its responsibilities owing to its shareholders, employees, communities, environment and the clients and this will bring business success to a greater height. We at JAKS will continue to improve and execute policies set out regularly to address any new concerns or issues that may arise.

## DIRECTORS' RESPONSIBILITY STATEMENT

The Board is responsible to ensure that the financial statements are properly drawn up in accordance with the provisions of the Companies Act 1965 and approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the results and cash flows of the Group for the financial year then ended.

The Directors are satisfied that in preparing the financial statements of the Group for the year ended 31 December 2016, the Group has adopted suitable accounting policies and applied them consistently, prudently and reasonably. The Directors also consider that all applicable approved accounting standards have been followed in the preparation of financial statements. The financial statements have been prepared on the going concern basis.

The Directors are responsible for ensuring that the Group keeps sufficient accounting records to disclose the financial position of the Group with reasonable accuracy and ensure that the financial statements are comply with the Companies Act, 1965.

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## DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

### Principal activities

The principal activities of the Company are that of investment holding and general contractor. The principal activities of the subsidiaries are set out in Note 8 to the financial statements.

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

### Results

	Group RM	Company RM
Net loss for the financial year	(16,412,363)	(13,803,894)
Attributable to:		
Owners of the Company	795,858	(13,803,894)
Non-controlling interests	(17,208,221)	-
	(16,412,363)	(13,803,894)

### Dividend

No dividend has been paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2016.

### Reserves and provisions

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

### Issue of shares and debentures

The Company did not issue any new shares or debentures during the financial year.

### Options granted over unissued shares

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company apart from the share options pursuant to the Employees Share Option Scheme and Long Term Incentive Plan below.

### Employees' share option scheme ("ESOS")

At an extraordinary general meeting held on 28 April 2008, the Company's shareholders approved the establishment of an ESOS of up to 10% of the issued and paid-up share capital of the Company, to eligible Executive and Non-Executive Directors and employees of the Company and its subsidiaries. Bursa Malaysia Securities Berhad ("Bursa Securities") had approved in-principle the listing of the additional 10% of the issued and paid-up share capital of the Company to be issued pursuant to the exercise of the share options granted under the ESOS.

## Directors' Report (cont'd)

### Employees' share option scheme ("ESOS") (cont'd)

On 6 March 2013, the Company extended the duration of its ESOS which expired on 28 April 2013 for another 5 years to 28 April 2018. This was in accordance with the terms of the ESOS By-Laws. The ESOS extension was not subject to any regulatory or shareholders' approval. However, at the Extraordinary General Meeting held on 28 June 2016, the shareholders of JRB approved the termination of the existing ESOS.

### Long Term Incentive Plan ("LTIP")

On 13 April 2016, JAKS Resources Berhad ("JRB") undertake the proposals to establish and implement a new LTIP of up to fifteen percent (15%) of the issued and paid-up share capital of JRB (excluding treasury shares) at any point in time for the Directors and employees of JRB and its subsidiaries, who meet the criteria of eligibility for participation, comprising the following:

- i) a share option scheme which will entitle the Eligible Persons, upon exercise, to subscribe for new ordinary shares of RM1.00 each in JRB at a specified future date at a pre-determined price; and
- ii) a share grant scheme comprising the restricted share plan and performance share plan which entitles the Eligible Persons to receive new fully paid JRB Shares.

On 28 June 2016, the shareholders of JRB have at the Extraordinary General Meeting approved the Proposed LTIP.

Pursuant to Paragraph 6.43 (1) of the Listing Requirements, the effective date for the implementation of the LTIP has been fixed on 5 July 2016, being the date of full compliance of the LTIP. As at end of 31 December 2016, there was no LTIP allocation yet.

### Directors

The Directors who served since the date of the last report are as follows:

Ang Lam Aik  
 Ang Lam Poah  
 Dato' Azman Bin Mahmood  
 Dato' Razali Merican Bin Naina Merican  
 Liew Jee Min @ Chong Jee Min  
 Tan Sri Datuk Hussin Bin Haji Ismail

### Directors' interests

According to the Register of Directors' Shareholdings, the interests of Directors who held office in the shares of the Company and its related corporation at the end of the financial year were as follows:

The Company	Number of ordinary shares of RM1 each			
	At 1.1.2016	Bought	Sold	At 31.12.2016
<b>Direct</b>				
Ang Lam Poah	32,600,002	4,897,900	-	37,497,902
<b>Indirect</b>				
Dato' Razali Merican Bin Naina Merican	*25,000,000	1,121,000	-	*26,121,000

\* Deemed interest by virtue of his shareholdings in Original Invention Sdn. Bhd..

## Directors' Report (cont'd)

### Directors' interests (cont'd)

By virtue of their interests in shares of the Company, Ang Lam Poah and Dato' Razali Merican Bin Naina Merican are deemed to have interest in the shares of the Company's subsidiaries to the extent the Company has an interest.

Other than as disclosed above, none of the other Directors in office at the end of the financial year had any interests in the ordinary shares and options in the Company and its related corporations.

### Directors' benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary as a full-time employee of the Company as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the 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, other than as disclosed in Note 39 to the financial statements.

Neither during nor at the end of the financial year was the Company or any of its related corporations a party to any arrangement, whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than as may arise from the Directors' entitlements to subscribe for new ordinary shares in the Company under the ESOS and LTIP of the Company of which the entitlement is to be determined by the Committee.

### Other statutory information

#### (I) As at the end of the financial year

- (a) Before the financial statements 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 impairment and have satisfied themselves that there are no known bad debts and that adequate allowance had been made for impairment; and
  - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature, other than those disclosed in Note 35 to the financial statements.

#### (II) From the end of the financial year to the date of this report

- (a) The Directors are not aware of any circumstances:
  - (i) which would necessitate the writing off of bad debts or render the amount of the allowance for impairment in the financial statements of the Group and of the Company inadequate to any material extent; or
  - (ii) which would render the value attributed to current assets in the financial statements of the Group and of the Company misleading; and
  - (iii) 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.

# Directors' Report (cont'd)

## Other statutory information (cont'd)

### (II) From the end of the financial year to the date of this report (cont'd)

(b) In the opinion of the Directors:

- (i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
- (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

### (III) As at the date of this report

- (a) There are no changes on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (b) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (c) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

## Significant events during the financial year

Significant events that occurred during the financial year are disclosed in Note 42 to the financial statements.

## Significant events subsequent to the financial year

Significant events that occurred subsequent to the financial year are disclosed in Note 43 to the financial statements.

## Material Litigation

Details of material litigation are disclosed in Note 44 to the financial statements.

## Auditors

The auditors, ECOVIS AHL PLT, do not wish to seek for re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 25 April 2017.

.....  
**Ang Lam Poah**

Director

.....  
**Dato' Razali Merican Bin Naina Merican**

Director

## STATEMENT BY DIRECTORS

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

We, **Ang Lam Poah** and **Dato' Razali Merican Bin Naina Merican**, being two of the Directors of **JAKS Resources Berhad**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 43 to 126 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the supplementary information set out in Note 47, on page 127 has been prepared in accordance with the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 25 April 2017.

.....  
**Ang Lam Poah**  
 Director

.....  
**Dato' Razali Merican Bin Naina Merican**  
 Director

## STATUTORY DECLARATION

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

I, **Ang Lam Poah**, being the Director primarily responsible for the financial management of **JAKS Resources Berhad**, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 43 to 126 and the supplementary information in Note 47 on page 127 are 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.

.....  
**Ang Lam Poah**

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory dated 25 April 2017.

Before me,

.....  
 Commissioner for Oaths  
**YM TENGKU FARIDDUDIN BIN TENGKU SULAIMAN**  
**No. W533**

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF JAKS RESOURCES BERHAD

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of JAKS Resources Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 2016, and of their financial performance and their cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

#### *Basis for Opinion*

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing (ISAs). 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 opinion.

#### *Independence and Other Ethical Responsibilities*

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

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional 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.

#### Goodwill

Under FRS 136, the Group is required to annually test the amount of goodwill for impairment. This annual impairment test was significant to our audit because the balance of RM148,500,905 as at 31 December 2016 is material to the financial statements. In addition, management's assessment process is complex and highly judgemental and is based on assumptions, specifically growth rates, gross profit margin and discount rates, which are affected by expected future market or economic conditions, particularly those in construction, property development and management of shopping mall industry.

The key assumptions to the impairment test and the sensitivity of changes in these assumptions to the risk of impairment are disclosed in Note 12 to the financial statements.

Our audit procedures included the following:

- i) reviewed the cash flow projections prepared by management and identified the key assumptions used in the projections;
- ii) assessing the reasonableness of the key assumptions used for the projections; and
- iii) performing a stress test on the key assumptions used in the projections.

We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

# Independent Auditors' Report

## To The Members Of JAKS Resources Berhad (cont'd)

### Report on the Audit of the Financial Statements (cont'd)

#### Key Audit Matters (cont'd)

##### Investment properties

As at 31 December 2016, the carrying value of investment properties amounted to RM449,980,293 and is representing 29% of total assets of the Group. The Group's investment properties comprise various categories of properties, the most significant being the leasehold shopping mall and car parks amounted to RM390,055,772. The fair value measurement of the investment properties will be required while performing the annual impairment review.

The Group appointed an independent professional valuer to determine the fair value of the leasehold shopping mall and car parks. The areas that involved significant audit efforts and judgement were the assessment of possible variations in the amount and timing of cash flows and the determination of an appropriate discount rate as disclosed in Note 6 to the financial statements.

Our audit procedures included the following:

- i) assessed the reasonableness of management's key assumptions and critical judgement areas, including discount rate, estimated capitalisation rate, occupancy rate and/or estimated replacement costs used;
- ii) assessed the independent professional valuer's competence, capabilities and objectivity. In addition, we obtained declaration of independence from the valuer to determine that there were no matters that affected their independence and objectivity;
- iii) on a tested basis, we compared the data inputs and assumptions used in the valuation models to the financial information as applicable; and
- iv) performed site visits on the properties.

We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

##### Revenue from construction contract and sale of property development

The Group's result for 31 December 2016 is significantly contributed by the results of large and complex construction contract and sale of property development amounting RM440,881,586 and RM154,201,533 respectively for the financial year ended 31 December 2016.

The Group's recognition of revenue from sales of property development and construction contracts is largely dependent on estimated total revenue/contract revenue, estimated total construction/development costs as well as the estimated stage of completion of each project.

The stage of completion is determined based on the proportion of contract/development costs incurred for work performed to-date compared to the estimated total construction/development costs.

This is a risk that the estimated revenue, costs or margins may be different from actuals, resulting in material variance in the amount of revenue and/or profit recognised in the current period.

Our audit procedures included the following:

- i) we tested the operating effectiveness of the Group's control relating to approvals of construction/development costs, budgets, authorising and recording of revenue and costs incurred;
- ii) we assessed the reasonableness of management's key assumptions used in the estimates, and where possible compared them to historical evidence or results and retrospective review of the estimates;
- iii) tested the calculation of stage of completion including testing the costs incurred and recorded for occurrence and accuracy, and reperforming the percentage of completion calculations; and
- iv) enquired key personnel regarding variances, if any, to the estimated revenue or costs in respect of ongoing or completed projects.

We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

# Independent Auditors' Report

## To The Members Of JAKS Resources Berhad (cont'd)

### Report on the Audit of the Financial Statements (cont'd)

#### *Information Other than the Financial Statements and Auditor's Report*

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of our auditors' report, and the other sections of the annual report not including the financial statements of the Group and of the Company and our auditors' report thereon ("the other sections"), which are expected to be made available after that date.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of our auditors' report, 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 and the Audit Committee for the Financial Statements*

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give true and fair view in accordance with the Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine are 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 has no realistic alternative but to do so.

#### *Auditor's 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 auditor's 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 ISAs 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 basis of these consolidated financial statements.

As part of an audit in accordance with approved standard on auditing in Malaysia and ISAs, 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, or, 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 of 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.

# Independent Auditors' Report

## To The Members Of JAKS Resources Berhad (cont'd)

### Report on the Audit of the Financial Statements (cont'd)

#### Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- (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 and 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group and 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.

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

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

### Report on Other Legal and Regulatory Requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) Other than those subsidiaries without the audited financial statements and auditors' report as disclosed in Note 8 to the financial statements, we have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 8 to the financial statements being accounts that have been included in the consolidated accounts.
- (c) Other than those subsidiaries without audited financial statements as disclosed in Note 8 to the financial statements, we are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) Other than those subsidiaries with material uncertainty related to going concern in the auditors' report as disclosed in Note 8 to the financial statements, the audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

# Independent Auditors' Report

## To The Members Of JAKS Resources Berhad (cont'd)

### Other Reporting Responsibilities

The supplementary information set out in Note 47 on page 127 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### Other Matter

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.

**ECOVIS AHL PLT**  
AF 001825  
Chartered Accountants

Kuala Lumpur

25 April 2017

**CHUA KAH CHUN**  
No. 2696/09/17 (J)  
Chartered Accountant

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	5	17,096,347	19,855,380	1,042,331	1,368,893
Investment properties	6	449,980,293	450,482,130	6,877,717	6,926,927
Land held for property development	7	38,879,225	38,879,225	-	-
Investment in subsidiaries	8	-	-	221,608,151	219,673,151
Investment in joint venture	9	127,289,520	62,089,543	-	-
Golf club memberships	11	342,106	350,000	-	-
Goodwill on consolidation	12	148,500,905	148,500,905	-	-
Development expenditure	13	-	-	-	-
Deferred tax assets	14	2,406,457	7,421,985	-	-
Other receivables	15	1,325,557	-	-	-
		785,820,410	727,579,168	229,528,199	227,968,971
<b>CURRENT ASSETS</b>					
Property development costs	16	301,119,759	301,839,940	-	-
Amount due from customers on contracts works	17	101,770,479	68,565,859	1,191,040	1,090,201
Inventories	18	4,170,288	9,186,112	-	-
Trade receivables	19	87,903,238	71,205,620	7,187,573	25,189,950
Other receivables, deposits and prepayments	15	70,506,222	63,760,485	225,297	206,602
Amount owing by subsidiaries	20	-	-	425,122,664	480,729,457
Amount owing by joint venture	21	70,350,869	151,151,368	-	-
Tax recoverable		2,541,643	1,255,846	390,999	-
Deposits placed with licensed banks	22	60,536,366	41,369,569	-	8,194,431
Cash and bank balances	23	41,202,712	46,047,813	952,802	1,344,530
		740,101,576	754,382,612	435,070,375	516,755,171
Asset classified as held for sale	24	-	3,248,594	-	-
		740,101,576	757,631,206	435,070,375	516,755,171
<b>TOTAL ASSETS</b>		1,525,921,986	1,485,210,374	664,598,574	744,724,142

The accompanying notes form an integral part of the financial statements.

# Statements Of Financial Position

As At 31 December 2016 (cont'd)

			Group		Company
	Note	2016 RM	2015 RM	2016 RM	2015 RM
<b>EQUITY AND LIABILITIES EQUITY</b>					
Share capital	25	438,361,072	438,361,072	438,361,072	438,361,072
Share premium		8,368,710	8,368,710	8,368,710	8,368,710
Other reserves	26	2,976,716	-	-	-
Retained profits		55,178,394	54,382,536	41,480,815	55,284,709
Equity attributable to owners of the Company		504,884,892	501,112,318	488,210,597	502,014,491
Non-controlling interests		77,704,571	94,912,792	-	-
<b>TOTAL EQUITY</b>		<b>582,589,463</b>	<b>596,025,110</b>	<b>488,210,597</b>	<b>502,014,491</b>
<b>LIABILITIES</b>					
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	27	247,464,121	326,216,038	56,507	386,883
Deferred tax liabilities	14	172,301	227,690	-	-
		247,636,422	326,443,728	56,507	386,883
<b>CURRENT LIABILITIES</b>					
Trade payables	28	197,983,882	150,445,833	-	-
Progress billings	29	7,444,787	2,068,877	-	-
Other payables and accruals	30	201,512,702	177,770,720	57,666,914	57,811,077
Amount owing to subsidiaries	20	-	-	67,601,106	129,564,256
Borrowings	27	283,451,193	230,346,326	51,063,450	54,667,768
Tax payable		5,303,537	2,109,780	-	279,667
		695,696,101	562,741,536	176,331,470	242,322,768
<b>TOTAL LIABILITIES</b>		<b>943,332,523</b>	<b>889,185,264</b>	<b>176,387,977</b>	<b>242,709,651</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,525,921,986</b>	<b>1,485,210,374</b>	<b>664,598,574</b>	<b>744,724,142</b>

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Revenue	31	632,201,223	461,178,578	7,854,562	37,156,684
Cost of sales	32	(541,384,198)	(368,203,077)	(1,741,116)	(31,938,192)
<b>GROSS PROFIT</b>		90,817,025	92,975,501	6,113,446	5,218,492
Other income		4,312,349	88,816,309	1,945,000	50,312,777
Selling and distribution expenses		(953,841)	(4,178,761)	-	-
Administrative expenses		(56,822,471)	(48,703,191)	(10,136,943)	(9,936,637)
Other operating expenses		(20,522,659)	(54,448,543)	(7,989,159)	(9,841,684)
<b>OPERATING PROFIT/ (LOSS)</b>		16,830,403	74,461,315	(10,067,656)	35,752,948
Finance income	33	2,217,131	2,945,936	224,385	435,245
Finance costs	34	(26,329,967)	(22,125,222)	(3,960,623)	(4,224,744)
Share of result of a joint venture		361,109	-	-	-
<b>(LOSS)/PROFIT BEFORE TAX</b>	35	(6,921,324)	55,282,029	(13,803,894)	31,963,449
Tax expense	36	(9,491,039)	(8,119,664)	-	168,280
<b>NET (LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		(16,412,363)	47,162,365	(13,803,894)	32,131,729
Other comprehensive income					
- Foreign currency translation		2,976,716	-	-	-
<b>TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE FINANCIAL YEAR</b>		(13,435,647)	47,162,365	(13,803,894)	32,131,729
<b>NET (LOSS)/PROFIT ATTRIBUTABLE TO:</b>					
Owners of the Company		795,858	41,467,071	(13,803,894)	32,131,729
Non-controlling interests		(17,208,221)	5,695,294	-	-
		(16,412,363)	47,162,365	(13,803,894)	32,131,729
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:</b>					
Owners of the Company		3,772,574	41,467,071	(13,803,894)	32,131,729
Non-controlling interests		(17,208,221)	5,695,294	-	-
		(13,435,647)	47,162,365	(13,803,894)	32,131,729
<b>EARNING PER ORDINARY SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (SEN)</b>					
- Basic	37(a)	0.18	9.46		
- Diluted	37(b)	0.18	9.46		

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Attributable to Owners of the Company					Total Equity RM
	Non-Distributable		Distributable			
	Share Capital RM	Share Premium RM	Foreign Currency Translation Reserve RM	Retained profits RM	Total RM	
<b>GROUP</b>						
At 1 January 2015	438,361,072	8,368,710	-	12,915,465	459,645,247	548,862,745
Total comprehensive income for the financial year	-	-	-	41,467,071	41,467,071	47,162,365
At 31 December 2015/ 1 January 2016	438,361,072	8,368,710	-	54,382,536	501,112,318	596,025,110
Profit/(loss) for the year	-	-	-	795,858	795,858	(16,412,363)
Other comprehensive income for the year	-	-	2,976,716	-	2,976,716	2,976,716
At 31 December 2016	438,361,072	8,368,710	2,976,716	795,858	3,772,574	(13,435,647)
At 31 December 2016	438,361,072	8,368,710	2,976,716	55,178,394	504,884,892	582,589,463
	Attributable to Owners of the Company					
	Share Capital RM	Non-Distributable Share Premium RM	Distributable Retained profits RM	Total RM		
<b>COMPANY</b>						
At 1 January 2015	438,361,072	8,368,710	23,152,980	469,882,762		
Total comprehensive income for the financial year	-	-	32,131,729	32,131,729		
At 31 December 2015/ 1 January 2016	438,361,072	8,368,710	55,284,709	502,014,491		
Total comprehensive loss for the financial year	-	-	(13,803,894)	(13,803,894)		
At 31 December 2016	438,361,072	8,368,710	41,480,815	488,210,597		

The accompanying notes form an integral part of the financial statements.

## STATEMENTS OF CASH FLOWS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
(Loss)/profit before tax	(6,921,324)	55,282,029	(13,803,894)	31,963,449
Adjustments for:				
Allowance for impairment				
- subsidiaries	-	-	-	91,684
- third parties	8,068,085	10,486,067	7,954,257	7,600,000
Amortisation of golf club membership	7,894	7,894	-	-
Depreciation:				
- property, plant and equipment	3,060,451	3,673,565	330,187	469,518
- investment properties	11,490,477	3,044,937	49,210	49,210
Loss on disposal of property, plant and equipment, net	206,165	2,783,106	-	-
Gain on disposal of asset held for sale	(3,247,639)	(35,936,935)	-	-
Gain on disposal of subsidiaries	-	(50,055,066)	-	-
Impairment loss on investment in subsidiaries	-	-	-	2,150,000
Interest income (Note 33)	(2,217,131)	(2,945,936)	(224,385)	(435,245)
Interest expense (Note 34)	26,329,967	22,125,222	3,960,623	4,224,744
Property, plant and equipment write off	-	642	-	-
Provision for foreseeable losses	-	758,521	-	-
Reversal of impairment on amount owing by subsidiaries	-	-	-	(7,304,886)
Reversal of impairment on investment in subsidiaries	-	-	(1,945,000)	-
Reversal on provision for foreseeable losses	(377,496)	-	-	-
Share of result of joint venture	361,109	-	-	-
Impairment of receivable no longer required	(125,833)	-	-	-
Impairment on golf club membership	-	171,054	-	-
Impairment on goodwill	-	30,000,000	-	-
Inventories written down to net realisable value	-	3,725,201	-	-
Inventories written off	-	151,081	-	-
Unrealised loss/(gain) on foreign exchange, net	5,889,853	6,614,937	34,902	(42,256,316)
<b>Operating profit/(loss) before working capital changes</b>	42,524,578	49,886,319	(3,644,100)	(3,447,842)
<b>Changes in working capital:</b>				
Inventories	5,015,824	12,599,614	-	-
Amount due from customers on contract works	(29,901,852)	(5,543,956)	(100,839)	6,407,888
Receivables	(35,802,051)	43,958,018	10,029,425	(6,800,332)
Payables	69,489,035	49,185,533	(179,065)	33,680,071
Joint venture	19,842,747	-	-	-
Property development costs	1,097,677	(30,545,303)	-	-
Land held for property development	-	(299,503)	-	-
<b>Cash generated from operations</b>	72,265,958	119,240,722	6,105,421	29,839,785
Interest paid	(14,248,709)	(14,172,835)	(3,935,017)	(4,186,928)
Tax paid	(2,626,490)	(11,415,597)	(670,666)	(482,533)
Tax refund	3,550	-	-	-
<b>Net cash generated from operating activities</b>	55,394,309	93,652,290	1,499,738	25,170,324

The accompanying notes form an integral part of the financial statements.

# Statements Of Cash Flows

For The Financial Year Ended 31 December 2016 (cont'd)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Increase in development expenditure (Note 13)	-	(20,636,921)	-	(5,835,590)
Proceeds from disposal of property, plant and equipment	89,682	2,038,086	-	-
Interest received	2,217,131	2,945,936	224,385	435,245
Purchase of property, plant and equipment (Note A)	(294,928)	(2,180,171)	(3,625)	(307,616)
Addition to investment properties (Note 6)	(11,486,296)	(161,800,327)	-	-
Addition to asset classified as held for sale	-	(91,075)	-	-
Net proceeds from disposal of asset held for sale	6,496,233	58,136,075	-	-
Disposal of subsidiaries, net of cash disposed (Note 8)	-	(469,272)	-	-
<b>Net cash (used in)/generated from investing activities</b>	(2,978,178)	(122,057,669)	220,760	(5,707,961)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Advances to subsidiaries (Placement)/withdrawal of deposits and debt service reserve	(10,493,511)	41,993,307	8,194,431	15,395,362
Interest paid	(12,081,258)	(7,952,387)	(25,606)	(37,816)
Net movement on bill payables	6,849,675	19,134,451	-	-
Net movement on trade commodity financing	29,359,862	-	-	-
Net movement on factoring loan	-	(10,389,825)	-	-
Repayments of hire purchase liabilities	(2,628,311)	(3,016,558)	(346,608)	(406,632)
Net movement on revolving loan	1,000,000	(20,000,000)	1,000,000	(20,000,000)
Net movement on term loans	(62,322,492)	(64,257,565)	-	-
<b>Net cash (used in)/generated from financing activities</b>	(50,316,035)	(44,488,577)	2,475,860	(36,994,856)
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,100,096	(72,893,956)	4,196,358	(17,532,493)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>	(48,469,778)	24,424,178	(37,976,630)	(20,444,137)
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE B)</b>	(46,369,682)	(48,469,778)	(33,780,272)	(37,976,630)

The accompanying notes form an integral part of the financial statements.

# Statements Of Cash Flows

For The Financial Year Ended 31 December 2016 (cont'd)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>NOTE A :</b>				
<b>PURCHASE OF PROPERTY, PLANT AND EQUIPMENT</b>				
Purchase of property, plant and equipment (Note 5)	661,055	3,649,171	3,625	1,261,616
Financed by hire purchase liabilities	(366,127)	(1,469,000)	-	(954,000)
Cash payments on purchase of property, plant and equipment	294,928	2,180,171	3,625	307,616
<b>NOTE B :</b>				
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>				
Deposits placed with licensed banks	60,536,366	41,369,569	-	8,194,431
Cash and bank balances	41,202,712	46,047,813	952,802	1,344,530
Bank overdrafts - secured (Note 27)	(86,380,300)	(84,652,211)	(34,733,074)	(39,321,160)
	15,358,778	2,765,171	(33,780,272)	(29,782,199)
Less: Deposits held as security values	(60,536,366)	(41,369,569)	-	(8,194,431)
Less: Debt service reserve account (Note 23)	(1,192,094)	(9,865,380)	-	-
	(46,369,682)	(48,469,778)	(33,780,272)	(37,976,630)

The accompanying notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. General information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are that of investment holding and general contractor. The principal activities of the subsidiaries are disclosed in Note 8 to the financial statements.

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

The principal place of business and the registered office are as follows:

Principal place of business : Lot 526, Persiaran Subang Permai,  
Sungai Penaga Industrial Park,  
USJ 1, 47600 Subang Jaya,  
Selangor Darul Ehsan.

Registered office : 802, 8th Floor, Block C,  
Kelana Square,  
17, Jalan SS 7/26,  
47301 Petaling Jaya,  
Selangor Darul Ehsan

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 25 April 2017.

## 2. Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRSs") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise stated in the financial statements.

The financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM"), which is also their functional currency.

### 2.1 Adoption of FRS and Amendments to FRSs during the Current Financial Year

The accounting policies adopted by the Group and the Company are consistent with those of the previous financial year, except for the adoption of the following FRS and Amendments to FRSs:

#### **Effective for financial periods beginning on or after 1 January 2016**

- |  |   |
|--|---|
| • FRS 14                                   | <i>Regulatory Deferral Accounts</i>   |
| • Amendments to FRS 5                      | <i>Annual Improvements to FRSs 2012 - 2014 Cycle</i>                        |
| • Amendments to FRS 7                      | <i>Annual Improvements to FRSs 2012 - 2014 Cycle</i>                        |
| • Amendments to FRS 10, FRS 12 and FRS 128 | <i>Investment Entities: Applying the Consolidation Exception</i>            |
| • Amendments to FRS 11                     | <i>Accounting for Acquisitions of Interests in Joint Operations</i>         |
| • Amendments to FRS 101                    | <i>Disclosure Initiative</i>  |
| • Amendments to FRS 116 and FRS 138        | <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> |
| • Amendments to FRS 119                    | <i>Annual Improvements to FRSs 2012 - 2014 Cycle</i>                        |
| • Amendments to FRS 127                    | <i>Equity Method in Separate Financial Statements</i>                       |
| • Amendments to FRS 134                    | <i>Annual Improvements to FRSs 2012 - 2014 Cycle</i>                        |

The adoption of FRS and Amendments to FRSs did not result in significant changes in the accounting policies of the Group and Company and has no significant effect on the financial performance or position of the Group and Company for the current financial year.

## Notes To The Financial Statements (cont'd)

### 2. Basis of preparation (cont'd)

#### 2.2 FRSs, Amendments to FRSs and IC Interpretations that Have Been Issued, But Not Yet Effective and Not Yet Adopted

The following are FRSs, Amendments to FRSs and IC Interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Group and the Company:

##### **Effective for financial periods beginning on or after 1 January 2017**

- Amendments to FRS 12      *Annual Improvements to FRSs 2014 - 2016 Cycle*
- Amendments to FRS 107      *Disclosure Initiative*
- Amendments to FRS 112      *Recognition of Deferred Tax Assets for Unrealised Losses*

##### **Effective for financial periods beginning on or after 1 January 2018**

- FRS 9      *Financial Instruments (IFRS 9 as issued by International Accounting Standards Board ("IASB") in July 2014)*
- Amendments to FRS 1      *Annual Improvements to FRSs 2014 - 2016 Cycle*
- Amendments to FRS 2      *Classification and Measurement of Share-based Payment Transactions*
- Amendments to FRS 4      *Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts*
- Amendments to FRS 128      *Annual Improvements to FRSs 2014 - 2016 Cycle*
- Amendments to FRS 140      *Transfers of Investment Property*
- IC Interpretation 22      *Foreign Currency Transactions and Advance Consideration*

##### **To be announced**

- Amendments to FRS 10 and FRS 128      *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group and of the Company upon their initial application, except as described below:

##### FRS 9 Financial Instruments

In November 2014, the MASB issued the final version of FRS 9 Financial Instruments, replacing FRS 139. This Standard made changes to the requirements for classification and measurement, impairment, and hedge accounting. The adoption of this Standard will have an effect on the classification and measurement of the Group and of the Company's financial assets, but no impact on the classification and measurement of the Group and of the Company's financial liabilities.

FRS 9 Financial Instruments also requires impairment assessments to be based on an expected loss model, replacing the FRS 139 incurred loss model. Finally, FRS 9 Financial Instruments aligns hedge accounting more closely with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies and weaknesses in the previous model.

This Standard will come into effect on or after 1 January 2018 with early adoption permitted. Retrospective application is required, but comparative information is not compulsory. The impact of the adoption of this Standard in relation to the new requirements for classification and measurement and impairment are still being assessed, but the requirements for hedge accounting is not relevant to the Group and the Company.

## Notes To The Financial Statements (cont'd)

### 2. Basis of preparation (cont'd)

#### 2.3 Malaysian Financial Reporting Standards ("MFRSs Framework") That Have Been Issued, But Have Yet To be Adopted

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

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

On 8 September 2015, MASB confirmed the effective date of MFRS 15 Revenue from Contracts with Customer will be deferred to annual periods beginning on or after 1 January 2018. However, early application of MFRS 15 is still permitted. MFRS 15 was issued in September 2014 with the original effective date of 1 January 2017.

The Company falls within the scope definition of Transitioning Entities and accordingly, will prepare its first set of MFRSs financial statements for the financial year ending 31 December 2018. In presenting its first set of MFRSs financial statements, the Company will quantify the financial effects arising from the differences between MFRSs and the currently applied FRSs. The majority of the adjustments required on transition are expected to be made, retrospectively, against opening retained earnings of the Company.

Certain subsidiaries of the Group prepare their financial statements using the MFRS framework. However, these do not have significant impact to these consolidated financial statements.

#### 2.4 Companies Act 2016 effective beginning 31 January 2017

The Minister of Domestic Trade, Co-operatives and Consumerism has appointed 31 January 2017 as the date on which Companies Act 2016 ("the Act") comes into operation, except section 241 and Division 8 of Part III of the Act. The Act will be implemented on a staggered basis. With the enforcement of the first phase of the Act on 31 January 2017, the Companies Act 1965 is repealed. The Group and the Company shall prepare their financial statements for the year ending 31 December 2017 in accordance with the requirements of the Act.

The Act introduces the following changes to the current basis of preparation:

- All shares issued before or upon the commencement of the Act shall have no par or nominal value. Where a share is issued before the commencement of the Act, the amount paid on the share shall be the sum of all amounts paid to the company at any time for the share, but not including any premium.
- Upon commencement of the Act, any amount standing to the credit of the Group and of the Company's share premium account shall become part of the Group and of the Company's share capital. However, the Group and the Company may, within 24 months upon the commencement of the Act, use the amount standing to the credit of its share premium account for specific purposes set out in the transitional provisions of the Act. Thereafter, any unutilised credit balance in the share premium account shall be transferred and credited to share capital of the Group and of the Company.

The financial statements disclosure requirements under the Act (other than the disclosure requirements of FRS) are different from those requirements set out in Companies Act 1965. Consequently, the items to be disclosed in the financial statements of the Group and of the Company for the year ending 31 December 2017 may be different from those disclosed in the financial statements for the current financial year.

The Group and the Company are currently assessing the impact of the Act on financial statements for the year ending 31 December 2017.

## Notes To The Financial Statements (cont'd)

### 3. Significant accounting policies

#### (a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries 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 to like transactions and events in similar circumstances.

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

- i) power over the entity;
- ii) exposure, or rights, to variable returns from its involvement with the entity; and
- iii) the ability to use its power over the entity to affect the amount of the investor's returns.

Potential voting rights are considered when assessing control only if the rights are substantive. The Group reassesses whether it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

All intra-group balances, income and expense and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

#### **Business combinations**

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

#### **Transaction with non-controlling interest**

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Transactions with non-controlling interests are accounted for as transactions with owners and are recognised directly in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

At the end of each reporting period, the carrying amount of non-controlling interests in the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

## Notes To The Financial Statements (cont'd)

### 3. Significant accounting policies (cont'd)

#### (a) Basis of Consolidation (cont'd)

##### *Transaction with non-controlling interest (cont'd)*

Changes in the Company ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

##### *Loss of control*

Upon loss of control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amount previously recognised in other comprehensive income in relation to the former subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained profits) in the same manner as would be required if the relevant assets or liabilities were disposed off. The value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS139 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

#### (b) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses. The cost investments includes transaction costs.

On disposal, the difference between the net disposal proceeds and the carrying amount of the subsidiary disposed is recognised in profit or loss.

#### (c) Joint Arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follow:-

- i) A joint arrangement is classified as "joint operation" when the Group has rights to the assets and obligations for the liabilities relating to an arrangement. The Group account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.

## Notes To The Financial Statements (cont'd)

### 3. Significant accounting policies (cont'd)

#### (c) Joint Arrangements (cont'd)

Joint arrangements are classified and accounted for as follow:- (cont'd)

- ii) A joint arrangement is classified as "joint venture" when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using equity method. Investments in joint venture are measured in a subsidiary's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled activities. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Equity accounting is discontinued when the carrying amount of the investment in a jointly controlled entity diminishes by virtue of losses to zero, unless the Group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity.

The results and reserves of jointly controlled entities are accounted for in the consolidated financial statements based on audited and/or unaudited management financial statements made up to the end of the financial year and prepared using accounting policies that conform to those used by the Group for like transactions in similar circumstances.

#### (d) Goodwill on Consolidation

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

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

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

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

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 3(r).

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in Ringgit Malaysia ("RM") at the rates prevailing at the date of acquisition.

## Notes To The Financial Statements (cont'd)

### 3. Significant accounting policies (cont'd)

#### (e) Development Expenditure

Development expenditure is stated at cost less accumulated amortisation and impairment loss, if any. Development costs are amortised from the commencement of the income recognition.

Development expenditures are expenditure incurred for development of Coal Fired Thermal Power Plant. Development expenditures are capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Other development expenditures which do not meet these criteria are expensed when incurred.

#### (f) Property, Plant and Equipment, and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any. The policy for the recognition and measurement of impairment loss is in accordance with Note 3(m) to the financial statements.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

The cost of replacing part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits embodied within the part will flow to the Group and the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All repairs and maintenance are charged to profit or loss as incurred.

Freehold land is not depreciated as it has indefinite useful life. All property, plant and equipment are depreciated on the straight line basis to write off the cost over the estimated useful lives of the assets concerned. The principal annual rates used for this purposes are as follows:

	Rate (%)
Freehold buildings	2
Leasehold buildings and factory buildings	2
Plant and machineries	2 - 10
Motor vehicles	10 - 20
Furniture, fittings, office equipment and renovation	10 - 33.3

The residual values and useful lives of assets and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. The effects of any revisions of the residual values, useful lives and depreciation method are included in profit or loss for the financial year in which the changes arise.

Fully depreciated assets are retained in the financial statements until the assets are no longer in use.

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 arising on derecognition of the asset is included in the profit or loss in the financial year the asset is derecognised.

## Notes To The Financial Statements (cont'd)

### 3. Significant accounting policies (cont'd)

#### (g) Investment Properties

Investment properties are freehold and leasehold land and buildings which are held either to earn rental income or capital appreciation or for both, but not for sale in the ordinary course of business, use in the productivity or supply of goods or services or for administrative purposes. Such properties are measured initially at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Subsequent to the initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Investment under construction are measured at cost and not depreciated until the assets are ready for its intended use. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(m) to the financial statements.

Properties that occupied by companies in the Group are accounted for as owner-occupied rather than as investment properties in the consolidated financial statements.

No depreciation is provided on the freehold land as it has indefinite useful life.

Depreciation of freehold investment properties are provided on the straight line basis to write off the cost of investment properties to their residual value over their estimated useful lives of the investment properties.

The annual rate used to depreciate the freehold and leasehold buildings is 2%.

Leasehold land is depreciated evenly over their remaining lease periods of 81 years (2015: 82 years).

Investment properties are derecognised when they have been disposed off or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from their disposals. The gain or loss arising from the retirement or disposal of an investment properties are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss in the period of the retirement or disposal.

Transfers are made to or from investment properties only when there is a change in use.

#### (h) Golf Club Memberships

Golf club memberships are stated at cost less accumulated amortisation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(m) to the financial statements.

On disposal of the golf club memberships, the difference between the net disposal proceeds and its carrying amount is recognised in the profits or loss.

#### (i) Property Development Activities

##### *Land held for property development*

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

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duty, commission, conversion fees and other relevant levies.

Land held for property development is classified 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.

## Notes To The Financial Statements (cont'd)

### 3. Significant accounting policies (cont'd)

#### (i) Property Development Activities (cont'd)

##### *Property development costs*

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to the development activities or that can be allocated on a reasonable basis to such activities. They comprise the costs of land under development, construction costs and other related development costs common to the whole project including administrative overheads and borrowing costs.

When the outcome of the development activity can be estimated reliably, property development revenue and expenses are recognised by using the stage of completion. The stage of completion is measured by reference to the proportion of property development costs incurred for work performed up to the end of the reporting period over the estimated total property development costs.

When the 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 immediately in profit or loss.

Property development costs not recognised as an expense is recognised as an asset, which is measured at the lower of cost and net realisable value. Upon the completion of development, the unsold completed development properties are transferred to inventories.

Where revenue recognised in the profit or loss exceeds billings to purchasers, the balance is shown as accrued billings (within current assets). Where the billings to purchasers exceed revenue recognised in the profit or loss, the balance is shown as progress billings under (within current liabilities).

#### (j) Construction Contract

Contract cost comprises cost related directly to the specific contract and those that are attributable to the contract activity in general and can be allocated to the contract and such other costs that are specifically chargeable to the customer under the terms of the contract. Contract costs includes direct materials, expenses, labour and an appropriate proportion of construction overheads.

Revenue from work done on construction contracts is recognised based on the stage of completion method. The stage of completion is determined based on the proportion of contract costs incurred for work performed up to the reporting period over the estimated total contract costs and/or survey of work performed.

When the outcome of a construction contract cannot be estimated reliably, contract revenue shall be recognised only to the extent of contract costs incurred that is probable to be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

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

The aggregate costs incurred and profit or loss recognised on each contract is compared against the progress billings up to the financial year end. Where costs incurred plus recognised profits (less recognised losses) exceed progress billings, the balance is shown as amounts due from customers on contract works. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amounts due to customers on contract works.

## Notes To The Financial Statements (cont'd)

### 3. Significant accounting policies (cont'd)

#### (k) Inventories

Inventories comprise raw materials, work-in-progress, finished goods and building materials that are stated at the lower of cost and net realisable value. Cost is determined on weighted average basis.

The costs of raw material consist of purchase and costs incurred in bringing the inventories to their present location and condition. Costs for work-in-progress and finished goods include cost of materials, direct labour and an appropriate proportion of fixed and variable production overheads.

The cost of unsold properties comprises cost associated with the acquisition of land, direct costs and an appropriate proportion of allocated costs attributable to property development activities.

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

#### (l) Financial Instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company becomes a party to the contract provisions of the financial instruments.

A financial instrument is recognised initially, at its fair value, plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

The Group and the Company categorise the financial instruments as follows:

##### (i) Financial Assets

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

Financial assets are classified as fair value through profit or loss if they are held for trading, including derivatives, or are designated as such upon initial recognition.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised as other gains or losses in statements of profit or loss and other comprehensive 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

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

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

# Notes To The Financial Statements (cont'd)

## 3. Significant accounting policies (cont'd)

### (I) Financial Instruments (cont'd)

#### (i) Financial Assets (cont'd)

##### Loans and receivables (cont'd)

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

##### Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are quoted in an active market and the Group have the positive intention and ability to hold the investment to maturity is classified as held-to-maturity.

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 assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

##### 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.

After initial recognition, available-for-sale financial assets are measured at fair value with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Investment in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

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

#### (ii) Financial Liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated as fair value through profit or loss upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss is subsequently measured at their fair values with the gain or loss recognised in profit or loss.

Financial liabilities are classified as current liabilities unless the Group and Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

## Notes To The Financial Statements (cont'd)

### 3. Significant accounting policies (cont'd)

#### (l) Financial Instruments (cont'd)

##### (iii) 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.

The Group and the Company designate corporate guarantees given to financial institutions for credit facilities granted to related / subsidiaries and third parties as insurance contracts as defined in FRS 4 Insurance Contracts. The Group and the Company recognise these corporate guarantees as liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

##### (iv) Regular Way Purchase or Sale of Financial Assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
- (ii) the derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

##### (v) Derecognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the profit or loss.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

#### (m) Impairment of Assets

##### (i) Impairment of Financial Assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed at the end of each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

## Notes To The Financial Statements (cont'd)

### 3. Significant accounting policies (cont'd)

#### (m) Impairment of Assets (cont'd)

##### (i) *Impairment of Financial Assets (cont'd)*

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised in the fair value reserve. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and 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.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through the profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

With the exception of available-for-sales equity instruments, if, in a subsequent period, the fair value of the instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed.

##### (ii) *Impairment of Non-financial Assets*

The carrying values of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and where there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in profit or loss, a reversal of that impairment is recognised as income in profit or loss.

#### (n) Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash in hand, bank balances, demand deposits and other short term and highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are stated net of bank overdrafts, deposits and designated bank balances pledged to banks.

## Notes To The Financial Statements (cont'd)

### 3. Significant accounting policies (cont'd)

#### (o) Revenue Recognition

##### (i) Construction Contract

Revenue from construction contracts is recognised based on the stage of completion method as described in Note 3(j) to the financial statements.

##### (ii) Property Development

Revenue from sale of development properties is recognised based on the stage of completion method as described in Note 3(i).

Revenue from the sale of completed development properties is measured at the fair value of the consideration receivable and is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

##### (iii) Sales of Finished Goods

Revenue from sale of finished goods is measured at the fair value of the consideration receivable and is recognised in the profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

##### (iv) Management Fee

Management fee is recognised upon services rendered.

##### (v) Rental Income

Rental income from investment properties are recognised on an accrual basis based on the agreed upon rental rates.

##### (vi) Interest Income

Interest income is recognised on an accrual basis.

##### (vii) Dividend Income

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

#### (p) Taxation

##### i) Current tax

The tax expense in the profit or loss represents the aggregate amount of current tax and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date, and adjustment of tax payable in respect of the previous financial year.

##### ii) Deferred tax

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at time of the transaction, affects neither accounting profit nor taxable profit.

## Notes To The Financial Statements (cont'd)

### 3. Significant accounting policies (cont'd)

#### (p) Taxation (cont'd)

##### ii) Deferred tax (cont'd)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the profit or loss, except when it arises from transaction which is recognised in other comprehensive income or directly in equity, in which case the deferred tax is charged or credited in other comprehensive income or directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

##### iii) Goods and service tax ("GST")

Revenue, expenses and assets are recognised net of GST, unless the GST is not recoverable from the tax authority. The amount of GST not recoverable from the tax authority is recognised as an expense or as part of cost of acquisition of an asset. Receivables and payables related to such revenue, expenses or acquisitions of assets are presented in the statement of financial position inclusive of GST recoverable or GST payable.

GST recoverable from or payable to tax authority may be presented on net basis should such amounts are related to GST levied by the same tax authority and the taxable entity has a legally enforceable right to set off such amounts.

#### (q) Employee Benefits

##### (i) Short-term Employee Benefits

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

##### (ii) Post-Employment Benefits

The Group and the Company contributes to the Employees' Provident Fund, the national defined contribution plan. The contributions are charged to the profit or loss in the period to which they are related. Once contributions have been paid, the Group and the Company has no further payment obligations.

##### (iii) Share-based Compensation

The Company's Employees' Share Option Scheme ("ESOS"), when it becomes operative, is an equity-settled, share-based compensation plan for employees of the Group which allows the Group's employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable on the vesting date.

## Notes To The Financial Statements (cont'd)

### 3. Significant accounting policies (cont'd)

#### (q) Employee Benefits (cont'd)

##### (iii) Share-based Compensation (cont'd)

At each reporting date, the Company revises its estimates of the number of options that are expected to become exercisable on the vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to the share premium account, or until the option expires, upon which it will be transferred directly to retained profits.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

#### (r) Foreign Currencies

##### (i) Functional and presentation currency

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

##### (ii) Foreign currency transactions and translations

Transactions in foreign currencies are translated into Ringgit Malaysia at exchange rates ruling at the transaction date. Monetary assets and liabilities in foreign currencies at the statements of financial position are translated into Ringgit Malaysia at the rates ruling at the reporting date. All exchange differences are included in the profit or loss.

Non-monetary items are measured in term of historical cost in a foreign currency or translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

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

## Notes To The Financial Statements (cont'd)

### 3. Significant accounting policies (cont'd)

#### (r) Foreign Currencies (cont'd)

##### (iii) Translation of foreign operations

For consideration purposes, all assets and liabilities of foreign operations that have a functional currency other than RM (including goodwill and fair value adjustments arising from the acquisition of the foreign operations) are translated at the exchange rates ruling at the reporting date.

Income and expense items are translated at exchange rates approximating those ruling on transactions dates.

All exchange differences arising from the translation of the financial statements of foreign operations are dealt with through the exchange translation reserve account within equity. On the disposal of a foreign operation, the exchange translation differences relating to that foreign operation are recognised in profit or loss as part of gain or loss on disposal.

#### (s) Operating Segments

Segment reporting in the financial statements is presented on the same basis as it is used by management internally for evaluating operating segment performance and in deciding how to allocate resources to each operating segment. Operating segments are distinguishable components of the Group that engage in business activities from which they may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's results are reviewed regularly by the chief operating decision maker to decide how to allocate resources to the segment and assess its performance, and for which discrete financial information is available.

Segment revenues, expenses, assets and liabilities are those amounts resulting from operating activities of a segment that are directly attributable to the segment and a relevant portion that can be allocated on a reasonable basis to the segment.

Segment revenues, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment.

#### (t) Leases

##### (i) Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses, if any. The corresponding liability is included in the statements of financial position as borrowings.

In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowings rate is used. Any initial direct costs are also added to the carrying amount of such assets.

## Notes To The Financial Statements (cont'd)

### 3. Significant accounting policies (cont'd)

#### (t) Leases (cont'd)

##### (i) Finance leases (cont'd)

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 3(f) to the financial statements.

##### (ii) Operating leases

Leases of assets where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. 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.

#### (u) Equity Instruments

Ordinary shares are recorded at the nominal value and the consideration in excess of nominal value of shares issued, if any, is accounted for as share premium. Both ordinary shares and share premium are classified as equity.

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the reporting date. A dividend proposed or declared after the reporting date, but before the financial statements are authorised for issue, is not recognised as a liability at the reporting date.

Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, if any, otherwise it is charged to profit or loss. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

#### (v) Borrowing Costs

Borrowing costs incurred on property development projects are capitalised and included as part of property development costs. The capitalisation of borrowing costs commences when expenditure for the property development projects and borrowing costs are being incurred and the activities that are necessary to prepare the property development projects for its intended sale are in progress. However, capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

Capitalisation of borrowing costs should cease when substantially all the activities necessary to prepare the property development projects for its intended sale are completed.

Borrowing costs incurred in financing the construction-in-progress are capitalised as part of the cost of the assets. Capitalisation will cease when the relevant assets are ready for their intended use.

All other borrowing costs are charged to the profit or loss as an expense in the period in which they are incurred.

## Notes To The Financial Statements (cont'd)

### 3. Significant accounting policies (cont'd)

#### (w) Related Parties

A party is related to an entity if:

- i. directly, or indirectly through one or more intermediaries, the party:
  - control, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
  - has an interest in the entity that gives it significant influence over the entity; or
  - has joint control over the entity;
- ii. the party is an associated of the entity;
- iii. the party is a joint venture in which the entity is a venturer;
- iv. the party is a member of the key management personnel of the entity or its parent;
- v. the party is a close member of the family of any individual referred to in (i) or (iv);
- vi. the party is an entity that is controlled, joint controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- vii. the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

#### (x) Provisions

Provision are recognised when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligations. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

#### (y) 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, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principle market or in the absence of a principle market, in the most advantageous market, for non-financial asset, the fair value measurement 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.

For financial reporting purpose, the fair value measurements are analysed into level 1 to level 3 as follows:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;
- Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or in indirectly; and
- Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

## Notes To The Financial Statements (cont'd)

### 4. Significant accounting judgements and estimates

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

#### (a) Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, the Directors are of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements excepts for the matter discussed below:

##### *Revenue recognition on property development projects*

The Group recognises property development projects in the profit or loss by using the percentage of completion method, which is the standard for similar industries.

The percentage of completion is determined by the proportion that property development and contract costs incurred for work performed to date bear to the estimated total property development and contract costs. Estimated losses are recognised in full when determined. Property development projects and expenses estimates are reviewed and revised periodically as work progresses and as variation orders are approved.

Significant judgement is required in determining the percentage of completion, the extent of the property development projects incurred, the estimated total property development and contract revenue and costs as well as the recoverability of the project undertaken. In making the judgement, the Group evaluates based on the past experience and by relying on the work of specialists. If the Group is unable to make reasonably dependable estimates, the Group would not recognise any profit before a contract is completed, but would recognise a loss as soon as the loss become evident.

Adjustments based on the percentage of completions method are reflected in property development and contract revenue in the reporting period. To the extent that these adjustments result in a reduction or elimination of previously reported property development and contract revenue and costs, the Group recognises a charge or credit against current earnings and amounts in prior periods, if any, are not restated.

#### (b) 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 judgement to the carrying amounts of assets and liabilities within the next financial year are as stated below:

##### *(i) Impairment of investment properties*

The Group and the Company assesses at each reporting date whether there is any objective evidence that the investment properties are impaired to determine whether there is objective of impairment. The Group and the Company considers internal and external factors such as market price of properties within the same vicinity and nature.

The Group and the Company assessed the market price of the investment properties based on information available through internal research, valuation report and Directors' best estimates.

Where there is objective evidence, impairment losses are recognised in profit or loss. As at reporting date, the Directors of the Company are of the opinion that there is no impact resulting from the impairment review.

## Notes To The Financial Statements (cont'd)

### 4. Significant accounting judgements and estimates (cont'd)

#### (b) Key sources of estimation uncertainty (cont'd)

##### (ii) *Deferred tax assets*

Deferred tax assets are recognised for all unutilised tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total recognised and unrecognised deferred tax assets of the Group were RM2,406,457 (2015: RM7,421,985) and RM22,694,721 (2015: RM16,669,639) respectively as disclosed in Note 14 to the financial statements.

##### (iii) *Impairment of goodwill on consolidation*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimation 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 goodwill as at 31 December 2016 was RM148,500,905 (2015: RM148,500,905) with Nil (2015: RM30,000,000) impairment was recognised during the financial year.

##### (iv) *Revenue recognition on property development projects*

The Group recognises property development projects in profit or loss by using the stage of completion method, which is the standard for similar industries.

The stage of completion is determined by the proportion of the property development costs incurred to date over the estimated total property development costs. Estimated losses are recognised in full when determined. Property development projects and expenses estimates are reviewed and revised periodically as work progresses and as variation orders are approved.

Estimation is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs as well as the recoverability of the project undertaken. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

##### (v) *Construction contracts*

The Group and the Company recognises construction revenue and expenses in profit or loss by using the stage of completion method. The stage of completion is determined by the survey of work performed. Significant judgement is required in determining the stage of completion, the extent of the costs incurred and the estimated total revenue and costs, as well as recoverability of the construction projects. In making the judgement, the Group and the Company evaluates based on past experience, external economic factors and by relying on the work of specialists.

## Notes To The Financial Statements (cont'd)

## 5. Property, plant and equipment

Group	Freehold land RM	Freehold buildings RM	Plant and machineries RM	Motor vehicles RM	Furniture, fittings, office equipment and renovation RM	Total RM
<b>2016</b>						
<b>At cost</b>						
At 1 January	4,853,200	2,747,043	15,990,005	10,773,861	7,354,607	41,718,716
Additions	-	-	-	402,033	259,022	661,055
Reclassified to property development cost	-	-	-	-	(63,790)	(63,790)
Disposals	-	-	(1,016,751)	(370,101)	(48,862)	(1,435,714)
At 31 December	4,853,200	2,747,043	14,973,254	10,805,793	7,500,977	40,880,267
<b>Accumulated depreciation</b>						
At 1 January	-	408,223	9,154,740	7,134,990	4,296,865	20,994,818
Depreciation for the financial year (Note 35)	-	50,641	811,632	1,288,878	909,300	3,060,451
Disposals	-	-	(839,990)	(259,947)	(39,930)	(1,139,867)
At 31 December	-	458,864	9,126,382	8,163,921	5,166,235	22,915,402
<b>Accumulated impairment</b>						
At 1 January/31 December	-	-	868,518	-	-	868,518
<b>Carrying amount</b>						
At 31 December	4,853,200	2,288,179	4,978,354	2,641,872	2,334,742	17,096,347

## Notes To The Financial Statements (cont'd)

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

Group	Freehold land RM	Freehold buildings RM	Leasehold land RM	Factory buildings RM	Plant and machineries RM	Motor vehicles RM	Furniture, fittings, office equipment and renovation RM	Total RM
<b>2015</b>								
<b>At cost</b>								
At 1 January	4,853,200	2,822,643	1,108,760	3,331,654	36,423,614	10,043,243	6,127,212	64,710,326
Additions	-	-	-	-	243,880	1,882,460	1,522,831	3,649,171
Transfer to investment property (Note 6)	-	(75,600)	-	-	-	-	-	(75,600)
Transfer to asset classified as held for sale (Note 24)	-	-	(1,108,760)	(3,331,654)	(7,152,282)	(55,542)	(90,535)	(11,738,773)
Disposals	-	-	-	-	(13,525,207)	(1,096,300)	(121,539)	(14,743,046)
Written off	-	-	-	-	-	-	(83,362)	(83,362)
At 31 December	4,853,200	2,747,043	-	-	15,990,005	10,773,861	7,354,607	41,718,716
<b>Accumulated depreciation</b>								
At 1 January	-	357,582	191,770	1,059,206	21,461,732	6,268,959	3,611,719	32,950,968
Depreciation for the financial year (Note 35)	-	50,641	20,920	66,799	988,950	1,652,828	893,427	3,673,565
Transfer to asset classified as held for sale (Note 24)	-	-	(212,690)	(1,126,005)	(7,005,426)	(55,538)	(90,520)	(8,490,179)
Disposals	-	-	-	-	(6,290,516)	(731,259)	(35,041)	(7,056,816)
Written off	-	-	-	-	-	-	(82,720)	(82,720)
At 31 December	-	408,223	-	-	9,154,740	7,134,990	4,296,865	20,994,818
<b>Accumulated impairment</b>								
At 1 January	-	-	-	-	3,648,744	-	84,812	3,733,556
Disposals	-	-	-	-	(2,780,226)	-	(84,812)	(2,865,038)
	-	-	-	-	868,518	-	-	868,518
<b>Carrying amount</b>								
At 31 December	4,853,200	2,338,820	-	-	5,966,747	3,638,871	3,057,742	19,855,380

## Notes To The Financial Statements (cont'd)

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

	Motor Vehicles RM	Office Equipment and Renovation RM	Total RM
<b>Company 2016</b>			
<b>At cost</b>			
At 1 January	3,350,903	539,650	3,890,553
Additions	-	3,625	3,625
At 31 December	3,350,903	543,275	3,894,178
<b>Accumulated Depreciation</b>			
At 1 January	2,359,485	162,175	2,521,660
Depreciation for the financial year (Note 35)	261,476	68,711	330,187
At 31 December	2,620,961	230,886	2,851,847
<b>Carrying amount</b>			
At 31 December	729,942	312,389	1,042,331
	Motor Vehicles RM	Office Equipment and Renovation RM	Total RM
<b>Company 2015</b>			
<b>Cost</b>			
At 1 January	2,133,873	549,922	2,683,795
Additions	1,217,030	44,586	1,261,616
Written off	-	(54,858)	(54,858)
At 31 December	3,350,903	539,650	3,890,553
<b>Accumulated Depreciation</b>			
At 1 January	1,955,613	151,387	2,107,000
Depreciation for the financial year (Note 35)	403,872	65,646	469,518
Written off	-	(54,858)	(54,858)
At 31 December	2,359,485	162,175	2,521,660
<b>Carrying amount</b>			
At 31 December	991,418	377,475	1,368,893

## Notes To The Financial Statements (cont'd)

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

- a) Carrying amounts for property of the Group that have been pledged to licensed banks to partially secure the credit facilities granted to the Group as disclosed in Note 27 to financial statements are as follows:

	<b>Group</b>	
	<b>2016 RM</b>	<b>2015 RM</b>
Freehold land	4,853,200	4,853,200
Freehold buildings	2,024,519	2,073,727
	<b>6,877,719</b>	<b>6,926,927</b>

- b) Carrying amounts for motor vehicles and plant and machinery of the Group and of the Company that have been acquired under hire purchase instalment plans are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2016 RM</b>	<b>2015 RM</b>	<b>2016 RM</b>	<b>2015 RM</b>
Motor vehicles	2,508,452	3,452,913	729,942	991,418
Plant and machinery	4,752,900	5,459,400	-	-

### 6. Investment properties

	<b>Group</b>		<b>Company</b>	
	<b>2016 RM</b>	<b>2015 RM</b>	<b>2016 RM</b>	<b>2015 RM</b>
<b>Carrying amounts</b>				
<b>Investment properties</b>				
- freehold land and buildings	274,328	280,309	6,877,717	6,926,927
- leasehold shopping mall and car parks	390,055,772	396,848,682	-	-
	<b>390,330,100</b>	<b>397,128,991</b>	<b>6,877,717</b>	<b>6,926,927</b>
<b>Investment properties under construction</b>				
- shopping mall and car park podium	59,650,193	53,353,139	-	-
	<b>449,980,293</b>	<b>450,482,130</b>	<b>6,877,717</b>	<b>6,926,927</b>

## Notes To The Financial Statements (cont'd)

### 6. Investment properties (cont'd)

#### (a) Investment properties

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>Cost</b>				
At 1 January	400,188,335	223,418	7,313,681	7,313,681
Additions	5,189,242	-	-	-
Reclassified from investment properties under construction	-	399,889,317	-	-
Reversal during the year	(497,656)	-	-	-
Transfer from property, plant and equipment (Note 5)	-	75,600	-	-
At 31 December	404,879,921	400,188,335	7,313,681	7,313,681
<b>Accumulated depreciation</b>				
At 1 January	3,059,344	14,407	386,754	337,544
Depreciation for the financial year (Note 35)	11,490,477	3,044,937	49,210	49,210
At 31 December	14,549,821	3,059,344	435,964	386,754
<b>Carrying amount</b>	390,330,100	397,128,991	6,877,717	6,926,927

#### (b) Investment properties under construction

	Group	
	2016 RM	2015 RM
<b>Cost</b>		
At 1 January	53,353,139	291,442,129
Additions	5,624,439	161,800,327
Re-allocation of costs (Note 16)	672,615	-
Reclassified to investment properties	-	(399,889,317)
At 31 December	59,650,193	53,353,139

## Notes To The Financial Statements (cont'd)

### 6. Investment properties (cont'd)

#### (b) Investment properties under construction (cont'd)

- (i) The investment properties and investment properties under construction of the Group and of the Company are pledged to licensed banks to secure the credit facilities granted to the Group and to the Company as disclosed in Note 27 to the financial statements.
- (ii) The fair values of the investment properties of freehold land and buildings of the Group and of the Company were estimated at RM274,328 (2015: RM280,309) and RM22,000,000 (2015: RM22,000,000) respectively at Directors' valuation which were made based on current prices in an active market for the said properties.
- (iii) The fair values of the investment properties of leasehold shopping mall and car parks (exclude investment properties under construction) of the Group were estimated at RM450,000,000 by Raine & Horne International Zaki + Partners Sdn. Bhd., an independent professional valuer, registered with Board of Valuers, Appraisers and Estate Agents, based on comparison and investment method.
- (iv) Rental income earned from the investment properties of the Group during the financial year amounted to RM6,086,306 (2015: RM542,719).
- (v) Direct operating expenses on income generating investment properties of the Group during the financial year amounted to RM13,501,375 (2015: RM4,707,123).
- (vi) Interest expense capitalised during the financial year under investment properties under construction amounted to RM267,373 (2015: RM252,239).
- (vii) Interest expense capitalised during the financial year under investment properties amounted to RM2,804,754 (2015: RM5,699,498).
- (viii) The Group is obliged to rent 900 units of car park podium to Star Publication (Malaysia) Berhad in accordance with the terms agreed in the Land Sale and Purchase Agreement as disclosed in Note 28 to the financial statements.

### 7. Land held for property development

	<b>Group</b>	
	<b>2016 RM</b>	<b>2015 RM</b>
<b>Freehold land</b>		
<b>At cost</b>		
At 1 January	38,879,225	38,579,722
Additions	-	299,503
At 31 December	38,879,225	38,879,225

Land held for property development have been charged to banks to partially secure the bank borrowings as disclosed in Note 27 to the financial statements.

## Notes To The Financial Statements (cont'd)

### 8. Investment in subsidiaries

	Company	
	2016 RM	2015 RM
Unquoted shares, at cost	238,276,615	238,286,615
Less: Accumulated impairment losses	(16,668,464)	(18,613,464)
	221,608,151	219,673,151

The movements in accumulated impairment losses in subsidiaries are as follows:

At 1 January	18,613,464	16,463,464
Impairment during the financial year (Note 35)	-	2,150,000
Reversal during the financial year (Note 35)	(1,945,000)	-
At 31 December	16,668,464	18,613,464

a) Details of the subsidiaries are as follows:

Name of subsidiaries	Country of Incorporation	Effective Equity Interest		Principal Activities
		2016 %	2015 %	
Direct subsidiaries				
JAKS Sdn. Bhd. *	Malaysia	100	100	General contractor and supplier of building materials
Pipe Technology System Sdn. Bhd. *	Malaysia	70	70	Pipe manufacturer. However, temporarily ceased operation
JAKS Steel Industries Sdn. Bhd. *	Malaysia	98.05	98.05	General trading of building materials and other steel related products
Surge System Sdn. Bhd. #	Malaysia	100	100	General trading and construction. However, temporarily inactive
Empire Deluxe Sdn. Bhd. *#	Malaysia	100	100	Manufacturing of ductile steel pipes and investment holding. However, temporarily ceased operation
Gain World Trading Limited ^	British Virgin Islands	100	100	Investment holding
Golden Keen Holdings Limited	British Virgin Islands	100	100	General contractor
JAKS Power Holding Limited #	British Virgin Islands	100	100	Investment holding
JAKS Offshore Sdn. Bhd. *	Malaysia	51	51	Offshore drilling, oil, gas and general trading. However, not commenced operation
Harbour Town Sdn. Bhd. #	Malaysia	100	100	Investment holding

## Notes To The Financial Statements (cont'd)

### 8. Investment in subsidiaries (cont'd)

a) Details of the subsidiaries are as follows: (cont'd)

Name of subsidiaries	Country of Incorporation	Effective Equity Interest		Principal Activities
		2016 %	2015 %	
Direct subsidiaries (cont'd)				
Premier Place Property Sdn. Bhd. #	Malaysia	100	100	Property development
Harbour Front Development Sdn. Bhd.	Malaysia	100	100	Dormant
Indirect subsidiaries held through JAKS Sdn. Bhd.				
JAKS-KDEB Consortium Sdn. Bhd. #	Malaysia	70	70	Investment holding
JAKS Marketing Sdn. Bhd. *	Malaysia	100	100	General trading of steel and construction related products
JAKS Power Sdn. Bhd. #	Malaysia	100	100	Investment holding
JAKS Island Circle Sdn. Bhd.	Malaysia	51	51	Property development
Indirect subsidiary held through JAKS-KDEB Consortium Sdn. Bhd.				
Integrated Pipe Industries Sdn. Bhd. #	Malaysia	70	70	Pipes manufacturer. However, temporarily ceased manufacturing operation
Indirect subsidiary held through Empire Deluxe Sdn. Bhd.				
Wing Tiek Ductile Iron Pipe Sdn. Bhd. *#	Malaysia	100	100	General trading of steel and other related products. However, temporarily ceased operation
Indirect subsidiary held through JAKS Power Holding Limited				
JAKS-MPC (HD) Limited ^	British Virgin Islands	100	100	Investment holding
Indirect subsidiary held through Harbour Town Sdn. Bhd.				
MNH Global Assets Management Sdn. Bhd. ^	Malaysia	51	51	Investment holding, property development and management of mall and other properties

## Notes To The Financial Statements (cont'd)

### 8. Investment in subsidiaries (cont'd)

a) Details of the subsidiaries are as follows: (cont'd)

Name of subsidiaries	Country of Incorporation	Effective Equity Interest		Principal Activities
		2016 %	2015 %	
Indirect subsidiary held through MNH Global Assets Management Sdn. Bhd.				
Evolve Concept Mall Sdn. Bhd. #	Malaysia	51	51	Yet to commenced business operations since the date of incorporation

\* Not audited by ECOVIS AHL PLT.

^ The audited financial statements and auditors' report of these subsidiaries are not available for consolidation. These subsidiaries are currently dormant or inactive.

# The audited reports of these subsidiaries contain a material uncertainty relating to the appropriateness of the going concern basis used in the preparation of their financial statements. The Company has confirmed to provide continued financial support to these subsidiaries to continue its business without any significant curtailment of its operations.

Δ The shares held in this subsidiary are pledged to bank for banking facilities granted to the Group as disclosed in Note 27 to the financial statements.

b) Disposal of subsidiaries

As disclosed in Note 13 to the financial statements, on 6 July 2015, JAKS Resources Berhad ("the Company"), JAKS Power Holding Limited ("JPH") and JAKS Pacific Power Limited ("JPP") entered into Subscription Agreement, Shareholders Agreement and Call Option Agreement (collectively referred to as "Agreements") with China Power Engineering Consulting Group Co., Ltd ("CPECC"), a wholly-owned subsidiary of China Energy Engineering Group Co., Ltd, a company registered under the laws of People's Republic of China.

The Agreements entered between the parties above was to regulate JPH's and CPECC's ordinary shares participation in JPP of 50% and 50% respectively, to jointly develop the 2x600 MW coal-fired thermal power plant project undertaken by JAKS Hai Duong Power Company Limited ("JHDP"), a subsidiary of JPP. Based on the terms of the Agreements, JPP Group is presented as a joint venture of the Group, as disclosed in Note 9 to the financial statements. Pursuant to the Agreements, the effective economic interest of JPH and CPECC shall be distributed at 30% and 70% respectively.

## Notes To The Financial Statements (cont'd)

### 8. Investment in subsidiaries (cont'd)

#### b) Disposal of subsidiaries (cont'd)

The disposal is deemed completed on 15 December 2015 and has the following financial effects to the Group as at the end of the previous financial year:

	<b>At the date of disposal RM</b>
Development expenditure (Note 13)	173,995,579
Receivables	291,516
Cash and bank balances	469,327
Payables	(224,811,433)
Net liabilities	(50,055,011)
Net liabilities disposed (at 70%)	(35,038,508)
Total disposal proceeds settled by cash	(55)
Gain on disposal to the Group	(35,038,563)
Gain on re-measurement of interest retained in JPP Group	(15,016,503)
Total gain on disposal to the Group (Note 35)	(50,055,066)
Disposal proceeds settle by cash:	55
Cash outflow arising on disposals:	
Cash consideration	55
Cash and bank balances of subsidiaries disposed	(469,327)
Net cash outflow on disposal	(469,272)

#### c) Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interest are provided below:-

Proportion of equity interest held by non-controlling interest in:

Name	Country of incorporation	Proportion of ownership interest	
		2016 %	2015 %
JAKS Island Circle Sdn. Bhd. ("JIC")	Malaysia	49	49
MNH Global Assets Management Sdn. Bhd. ("MNH")	Malaysia	49	49

## Notes To The Financial Statements (cont'd)

### 8. Investment in subsidiaries (cont'd)

#### c) Material partly-owned subsidiaries (cont'd)

	2016 RM	Group 2015 RM
Accumulated balances of material non-controlling interest:		
JIC	1,603,917	3,346,660
MNH	71,509,665	87,699,357
Other individually immaterial non-controlling interest	4,590,989	3,866,775
	77,704,571	94,912,792
Total comprehensive (loss)/income allocated to material non-controlling interest:		
JIC	(1,742,743)	1,375,228
MNH	(16,189,692)	4,577,194
Other individually immaterial non-controlling interest	724,214	(257,128)
	(17,208,221)	5,695,294

The summarised financial information for these subsidiaries that have material non-controlling interest (amounts before intra-group eliminations) is as follows:

Summarised statements of profit or loss and other comprehensive income for the year ended 2016:

	JIC RM	MNH RM	Total RM
Revenue	145,673,167	14,602,672	160,275,839
Expenses including taxation	(149,229,785)	(47,642,860)	(196,872,645)
Net loss for the financial year, representing total comprehensive loss for the financial year	(3,556,618)	(33,040,188)	(36,596,806)
Attributable to:			
Non-controlling interest	(1,742,743)	(16,189,692)	(17,932,435)
Other individually immaterial non-controlling interest			724,214
Total non-controlling interest			(17,208,221)

## Notes To The Financial Statements (cont'd)

### 8. Investment in subsidiaries (cont'd)

#### c) Material partly-owned subsidiaries (cont'd)

Summarised statements of profit or loss and other comprehensive income for the year ended 2015:

	<b>JIC RM</b>	<b>MNH RM</b>	<b>Total RM</b>
Revenue	93,193,733	35,818,077	129,011,810
Expenses including taxation	(90,387,145)	(26,476,865)	(116,864,010)
Net profit for the financial year, representing total comprehensive income for the financial year	2,806,588	9,341,212	12,147,800
Attributable to:			
Non-controlling interest	1,375,228	4,577,194	5,952,422
Other individually immaterial non-controlling interest			(257,128)
Total non-controlling interest			5,695,294

Summarised statements of financial position as at 31 December 2016:

	<b>JIC RM</b>	<b>MNH RM</b>	<b>Total RM</b>
Non-current assets	59,832,747	392,709,847	452,542,594
Current assets	328,761,757	142,885,289	471,647,046
Total assets	388,594,504	535,595,136	924,189,640
Current liabilities	379,360,730	148,657,043	528,017,773
Non-current liabilities	5,960,474	241,000,000	246,960,474
Total liabilities	385,321,204	389,657,043	774,978,247
Total equity	3,273,300	145,938,093	149,211,393
Attributable to:			
Non-controlling interest	1,603,917	71,509,665	73,113,582
Other individually immaterial non-controlling interest			4,590,989
Total non-controlling interest			77,704,571

## Notes To The Financial Statements (cont'd)

### 8. Investment in subsidiaries (cont'd)

#### c) Material partly-owned subsidiaries (cont'd)

Summarised statements of financial position as at 31 December 2015:

	<b>JIC RM</b>	<b>MNH RM</b>	<b>Total RM</b>
Non-current assets	53,678,444	398,596,451	452,274,895
Current assets	337,012,826	158,934,114	495,946,940
<b>Total assets</b>	<b>390,691,270</b>	<b>557,530,565</b>	<b>948,221,835</b>
Current liabilities	306,322,739	132,052,285	438,375,024
Non-current liabilities	77,538,613	246,500,000	324,038,613
<b>Total liabilities</b>	<b>383,861,352</b>	<b>378,552,285</b>	<b>762,413,637</b>
<b>Total equity</b>	<b>6,829,918</b>	<b>178,978,280</b>	<b>185,808,198</b>
Attributable to:			
Non-controlling interest	3,346,660	87,699,357	91,046,017
Other individually immaterial non-controlling interest			3,866,775
<b>Total non-controlling interest</b>			<b>94,912,792</b>

Summarised statements of cash flows for the year ended 31 December 2016:

	<b>JIC RM</b>	<b>MNH RM</b>
Operating	(28,098,051)	(28,553,739)
Investing	(227,201)	(15,290,998)
Financing	30,352,032	38,641,800
<b>Net increase/(decrease) in cash and cash equivalents during the financial year</b>	<b>2,026,780</b>	<b>(5,202,937)</b>

Summarised statements of cash flows for the year ended 31 December 2015:

	<b>JIC RM</b>	<b>MNH RM</b>
Operating	(81,781,792)	157,490,204
Investing	(58,392)	(113,490,257)
Financing	82,504,617	(73,859,215)
<b>Net increase/(decrease) in cash and cash equivalents during the financial year</b>	<b>664,433</b>	<b>(29,859,268)</b>

## Notes To The Financial Statements (cont'd)

### 9. Investment in joint venture ("JV")

	2016 RM	Group 2015 RM
Unquoted shares, at cost	126,928,411	62,089,543
Share of post-acquisition results and reserves	361,109	-
	127,289,520	62,089,543

a) Details of the JV are as follows:

Name of JV	Country of Incorporation	Effective Economic Interest		Principal Activities
		2016 %	2015 %	
JV held through JAKS Power Holding Limited ("JPH")				
JAKS Pacific Power Limited* ("JPP")	Hong Kong	30	30	Investment holding
Indirect JV held through JAKS Pacific Power Limited				
JAKS Hai Duong Power Company Limited* ("JHDP")	Vietnam	30	30	Develop and operate coal-fired thermal power plant

\* Not audited by ECOVIS AHL PLT.

b) The summarised financial information of the above joint venture is as follow:-

	JPP RM	JHDP RM	Total RM
<b>2016</b>			
<b>Summarised statement of profit or loss and other comprehensive income</b>			
Revenue	-	-	-
Other operating income	158	2,539,258	2,539,416
Expenses including taxation	(189,978)	(1,145,741)	(1,335,719)
Net (loss)/profit for the financial year, representing total comprehensive (loss)/income for the financial year	(189,820)	1,393,517	1,203,697

## Notes To The Financial Statements (cont'd)

### 9. Investment in joint venture ("JV") (cont'd)

b) The summarised financial information of the above joint venture is as follow:- (cont'd)

	JPP RM	JHDP RM	Total RM
<b>2016</b>			
<b>Summarised statement of financial position</b>			
Non-current assets	724,081,092	480,754,886	1,204,835,978
Current assets	115,268	974,741,314	974,856,582
<b>Total assets</b>	<b>724,196,360</b>	<b>1,455,496,200</b>	<b>2,179,692,560</b>
Non-current liabilities	-	737,168,820	737,168,820
Current liabilities	6,758,329	24,286,394	31,044,723
<b>Total liabilities</b>	<b>6,758,329</b>	<b>761,455,214</b>	<b>768,213,543</b>
<b>Total equity</b>	<b>717,438,031</b>	<b>694,040,986</b>	<b>1,411,479,017</b>
Interest in joint venture as at the end of financial year	30%	30%	
Carrying value of Group's interest	215,231,409	208,212,296	423,443,705
Shareholder's advances	(74,556,000)	-	(74,556,000)
Foreign exchange differences	(13,999,745)	-	(13,999,745)
Capital injection by JPP	-	(222,614,998)	(222,614,998)
Fair value adjustment	195,746	14,820,757	15,016,503
Goodwill	55	-	55
<b>Carrying amount at end of financial year</b>	<b>126,871,465</b>	<b>418,055</b>	<b>127,289,520</b>
<b>2015</b>			
<b>Summarised statement of financial position</b>			
Non-current assets	-	173,995,579	173,995,579
Current assets	419,557,569	678,118	420,235,687
<b>Total assets</b>	<b>419,557,569</b>	<b>174,673,697</b>	<b>594,231,266</b>
<b>Total current liabilities</b>	<b>213,245,097</b>	<b>224,076,220</b>	<b>437,321,317</b>
<b>Total equity</b>	<b>206,312,472</b>	<b>(49,402,523)</b>	<b>156,909,949</b>
Net liabilities acquired during the financial year	(652,488)	(49,402,523)	(50,055,011)
Capital contribution during the year	206,964,960	-	206,964,960
Net assets/(liabilities) as at end of financial year	206,312,472	(49,402,523)	156,909,949
Interest in joint venture as at the end of financial year	30%	30%	
Carrying value of Group's interest	61,893,742	(14,820,757)	47,072,985
Fair value adjustment	195,746	14,820,757	15,016,503
Goodwill	55	-	55
<b>Carrying amount at end of financial year</b>	<b>62,089,543</b>	<b>-</b>	<b>62,089,543</b>

## Notes To The Financial Statements (cont'd)

### 10. Jointly controlled operations

The details of the jointly controlled operations are as follows:

Name of Jointly Controlled Operations	Country of Incorporation	Effective Equity Interest		Principal Activities
		2016 %	2015 %	
KACC - JAKS Joint Venture *#	Malaysia	50	50	Construction
JAKS - KACC Joint Venture *	Malaysia	50	50	Construction
JAVEL - JAKS Joint Venture *#	Malaysia	50	50	Construction

\* Not audited by Ecovis AHL PLT

# The audited financial statements are not available and the management's financial statements were used in the preparation of the consolidated financial statements.

The Group's share of assets and liabilities of the jointly controlled operations are as follows:

	2016 RM	Group 2015 RM
Non-current assets	112,256	97,013
Current assets	52,546,388	26,931,872
Current liabilities	(36,993,964)	(12,162,084)
Net assets	15,664,680	14,866,801

The Group's share of the revenue and expenses of the jointly controlled operations are as follows:

	2016 RM	Group 2015 RM
Revenue	102,005,113	54,355,105
Expenses including taxation	(92,806,743)	(46,070,845)
Net profit for the financial year	9,198,370	8,284,260

## Notes To The Financial Statements (cont'd)

### 11. Golf club memberships

	2016 RM	Group 2015 RM
<b>At cost</b>		
At 1 January/31 December	600,000	600,000
<b>Less: Accumulated amortisation</b>		
At 1 January	78,946	71,052
Amortisation for the financial year (Note 35)	7,894	7,894
At 31 December	86,840	78,946
<b>Less: Accumulated impairment</b>		
At 1 January	171,054	-
Impairment for the financial year (Note 35)	-	171,054
At 31 December	171,054	171,054
<b>Carrying amount</b>		
At 31 December	342,106	350,000

The golf club membership is amortised over the period of 80 years which expires on 31 December 2082.

### 12. Goodwill on consolidation

	2016 RM	Group 2015 RM
<b>At cost</b>		
At 1 January/31 December	211,092,762	211,092,762
<b>Accumulated impairment</b>		
At 1 January	62,591,857	32,591,857
Impairment for the financial year (Note 35)	-	30,000,000
At 31 December	62,591,857	62,591,857
<b>Carrying amount</b>		
At 31 December	148,500,905	148,500,905

## Notes To The Financial Statements (cont'd)

### 12. Goodwill on consolidation (cont'd)

#### Impairment test of goodwill

Goodwill as at the end of the financial year has been allocated to the Group's cash generating units ("CGUs") identified according to business segments as follows:

	2016 RM	Group 2015 RM
Construction	125,499,000	125,499,000
Property development and management of shopping mall	23,001,905	23,001,905
	148,500,905	148,500,905

#### (a) Key assumptions used in value-in-use calculations

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

##### i) Construction

	2016 RM	Group 2015 RM
Period covered	5 years	5 years
Gross profit margin	8%	8% - 9%
Growth rate	5% - 27%	5% - 12%
Pre-tax discount rate	9.1%	11.5%

##### ii) Property development and management of shopping mall

	2016# RM	2015 RM
Period covered	80.7 years	5 years
Gross profit margin	76%	26% - 55%
Growth rate	-	14% - 64%
Pre-tax discount rate	6%	7.85%
Yield Rate	5.5%	-

# The assumptions are only related to rental income generated from the management of shopping mall and car parks.

#### (b) Sensitivity to changes in assumptions

The following provides sensitivities related to the significant estimates and assumptions as noted above:

##### i) Construction

- a 3% increase in discount rate would result in RM10.54 million impairment charges;
- a 3% decrease in gross profit margin would result in RM146.80 million impairment charges; and
- a 3% decrease in growth rate would result in Nil impairment charges.

##### ii) Property development and management of shopping mall

With the regard to the assessment of value-in-use of the CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value, including goodwill, of the CGU to materially exceed its recoverable amount.

## Notes To The Financial Statements (cont'd)

### 13. Development expenditure

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At 1 January	-	153,358,658	-	66,869,630
Addition	-	20,636,921	-	5,835,590
Transfer from a subsidiary	-	-	-	24,036,817
Transfer to a subsidiary	-	(173,995,579)	-	(96,742,037)
At 31 December	-	-	-	-

The development expenditure represented expenditure and incidental costs incurred for the development of the 2 units of 600 MW Coal Fired Thermal Power Plant Project at Phuc Thanh Commune, Kinh Mon District in Hai Duong Province, Vietnam ("the Project"). The construction of the Project is expected to take 4 years for the first unit, followed by the second unit 6 months later, with investment capital of approximately USD1.9 billion.

On 13 May 2009, a Memorandum of Understanding was signed between the Ministry of Industry and Trade ("MOIT") and the Company for the construction of the Power Plant on a "Build, Operate and Transfer" ("BOT") basis. The Principles of the Project Agreement which sets out the common principles for all project agreements was completed and signed on 10 July 2009.

On 8 April 2010, the relevant authorities and Government agencies in Vietnam entered into various Memorandum of Agreements ("MOA") with the Company to confirm the terms and conditions of the documents as follows:

- (i) MOA with Ministry of Industry and Trade of Vietnam ("MOIT"), in relation to the BOT Contract, where the parties confirmed their agreement on all terms of the BOT Contract.
- (ii) MOA with Electricity of Vietnam ("EVN"), in relation to the Power Purchase Agreement ("PPA") where the parties confirmed their agreement to the terms and conditions to the PPA subject to the finalisation of the BOT Contract, including without limitation the tariff stated therein.
- (iii) MOA with Vietnam National Coal-Mineral Industries Group ("VINACOMIN") in relation to the Coal Supply Agreement ("CSA") whereby the parties confirmed their agreement to the terms and conditions to the CSA, including without limitation the coal price as stated therein.
- (iv) MOA with the Hai Duong People's Committee, in relation to the Land Lease Agreement ("LLA") whereby the parties confirmed their agreement to the terms and conditions for the lease of the project site land.

On 24 November 2010, the application for Investment Certificate was submitted to the Ministry of Planning and Investment of Vietnam ("MPI") and was subsequently granted by MPI on 30 June 2011. A Vietnam registered company, JAKS Hai Duong Power Company Limited ("JHDP") was incorporated to undertake the Project.

## Notes To The Financial Statements (cont'd)

### 13. Development expenditure (cont'd)

On 26 August 2011, JHDP entered into various Project Agreements for the Project, the details of which are as follows:

- (i) BOT Contract with MOIT and the Government Guarantee and Undertakings Agreement with the Government of the Socialist Republic of Vietnam;
- (ii) Power Purchase Agreement with EVN;
- (iii) Coal Supply Agreement with VINACOMIN; and
- (iv) Land Lease Agreements with Department of Natural Resources and Environment of Hai Duong People's Committee.

In 2012, JAKS Power Holding Limited ("JPH") entered into several agreements and supplementary agreements with Meiya Power (HD) Limited ("Meiya Power") and Island Circle Investment Holding Limited to formalise the entry as equity partner in the Proposed Joint Venture for the investment project in Vietnam. However, as a result of non-fulfilment of certain conditions stipulated in the joint venture agreements for the Meiya Power Proposed Joint Venture, the Group terminated the said proposed joint venture agreements and the supplementary agreements.

Following to the termination of the agreements with Meiya Power, the Group entered into various agreements with Wuhan Kaidi Electric Power Engineering Co. Ltd ("Kaidi") to facilitate the entry of Kaidi as equity partner cum engineering procurement construction contractor in relation to the Group investment in Vietnam on 12 December 2012 and 15 April 2013. After numerous extensions given to Kaidi in relation to the cut-off date, on 1 April 2014, the Group announced that the various agreements signed with Kaidi have lapsed following the non-fulfilment of the condition precedents by Kaidi on or before the extended cut-off date of 31 March 2014. Accordingly, the Proposed Joint Venture with Kaidi shall not take effect.

Over the years from 2012 to 2015, the Group had applied to MOIT to extend the required date for completion of the preconditions of the Project (including to achieve financial close) and so far, MOIT has granted the extensions requested. On 22 May 2015, the Group has obtained approval from MOIT to extend the required date from completion of the preconditions of the Project (including to achieve Financial close) to 31 October 2015.

On 6 July 2015, JRB, JPH, and JPP had entered into the following agreements to facilitate the Proposed Joint Venture with China Power Engineering Consulting Group. Ltd. ("CPECC"):

- (a) subscription agreement between JPH, CPECC, JPP and JRB ("Subscription Agreement") in relation to the following:-
  - i) JPH to subscribe for approximately 140.14 million USD ordinary shares in JPP ("JPP USD Shares") at the subscription price of approximately USD140.14 million; and
  - ii) CPECC to subscribe for approximately 140.14 million JPP USD Shares at subscription price of approximately USD140.14 million, 186.85 million redeemable convertible preference shares in JPP ("RCPS") at subscription price of USD186.85 million and 100 ordinary shares in JPP ("JPP HKD Shares") at subscription price of HKD100.
- (b) shareholders agreement between JPH, CPECC and JPP to regulate JPH and CPECC's relationship inter se as shareholders of JPP (collectively, "JPP Shareholders") ("SHA"); and

## Notes To The Financial Statements (cont'd)

### 13. Development expenditure (cont'd)

- (c) call option agreement between JPH and CPECC in which JPH shall have the option to purchase from CPECC such number of RCPS or such equivalent number of JPP USD Shares upon conversion of the RCPS into JPP USD Shares or such combination of number of JPP USD Shares and/or RCPS whereby upon exercise of such option by JPH, JPH's effective economic interest in JPP (i.e. computed based on enlarged JPP USD Shares after conversion of RCPS) shall be up to 40% ("Option Agreement").

The Agreements were entered into to facilitate the entry of CPECC as an equity partner for the power plant project.

On 3 August 2015, JHDP entered into the following contracts in respect of the services and work to be provided in relation to the engineering, procurement and construction ("EPC") of the Project:

- (i) EPC contract with the Consortium of Southwest Electric Power Design Institute Co., Ltd and China Power Engineering Consulting Group International Engineering Company Ltd; and
- (ii) EPC contract with Golden Keen Holdings Limited, a wholly-owned subsidiary of JRB.

On 28 August 2015, the shareholders of JRB have at the Extraordinary General Meeting ("EGM") approved the ordinary resolution for the proposed joint venture between JPH and CPECC to invest in the 2 x 600 megawatt coal-fired thermal power plant project located in Hai Duong Province, Vietnam.

On 9 October 2015, JRB, JPH, JPP and China Power Engineering Consulting Group (Hong Kong) Investment Co., Limited ("CPECHK") mutually agreed to extend the cut-off date for the fulfilment of the conditions precedent of the Subscription Agreement to 31 October 2015. For information, the Subscription Agreement was executed by CPECC and as allowed under the Subscription Agreement, CPECC had assigned and transferred all rights, title, interests, benefits and obligations in relation to the Subscription Agreement, SHA and Option Agreement to CPECHK, an indirect wholly-owned subsidiary of CPECC. On 29 October 2015, the parties to the Subscription Agreement again mutually agreed to extend the cut-off date from 31 October 2015 to 31 January 2016 to fulfil the conditions precedent of the Subscription Agreement.

In addition, JHDP had on 29 October 2015 informed MOIT vide a letter dated 28 October 2015, that JHDP had achieved the Financial Close of the BOT Contract, subject to amongst others, the registration of the shareholder loan agreement between CPECHK and JHDP dated 19 September 2015 with State Bank of Vietnam and the issuance of legal opinion by the Ministry of Justice of Vietnam. JHDP had received an acknowledgement from the State Bank of Vietnam dated 30 November 2015 in relation to the registration of the shareholder loan agreement between CPECHK and JHDP dated 19 September 2015. JHDP had also received the legal opinion from the Ministry of Justice of the Socialist Republic of Vietnam dated 11 December 2015. On 11 December 2015, the Group has fulfilled all the conditions precedent of the Subscription Agreement and accordingly, the Subscription Agreement has become unconditional.

As provided under the Agreements, the parties of the agreements agreed to reimburse JRB the advances that were incurred by Group in the Project. As such, the Group has transferred the total sum of its development expenditure incurred for the project to JHDP in the previous financial year.

## Notes To The Financial Statements (cont'd)

### 14. Deferred tax assets/(liabilities)

The components and movements of deferred tax assets and liabilities during the financial year are as follows:

#### (a) Deferred Tax Assets

	2016 RM	Group 2015 RM
At 1 January	7,421,985	9,277,481
Recognised in profit or loss	(5,015,528)	(1,855,496)
At 31 December	2,406,457	7,421,985

The components of the deferred tax assets recognised are as follows:

	2016 RM	Group 2015 RM
Tax effects of:		
- Unabsorbed capital allowances and unutilised tax losses	2,406,457	7,421,985

The statutory tax rate reduced to 24%, effective from year of assessment 2016. The computation of deferred tax has reflected these changes.

Deferred tax assets have not been recognised in respect of the following items:

	2016 RM	Group 2015 RM	Company 2016 RM	2015 RM
Unutilised tax losses	86,097,900	61,645,645	3,958,452	2,258,238
Unabsorbed capital allowances	8,463,439	7,811,186	164,096	116,090
	94,561,339	69,456,831	4,122,548	2,374,328
Potential deferred tax assets not recognised at 24%	22,694,721	16,669,639	989,411	569,839

Deferred tax assets have not been recognised as it is not probable that there is sufficient future taxable profit to utilise these items.

## Notes To The Financial Statements (cont'd)

### 14. Deferred tax assets/(liabilities) (cont'd)

#### (b) Deferred Tax Liabilities

	2016 RM	Group 2015 RM
At 1 January	(227,690)	(197,798)
Recognised in profit or loss	55,389	(29,892)
At 31 December	(172,301)	(227,690)

The components of the deferred tax liabilities recognised are as follows:

	2016 RM	Group 2015 RM
Tax effects of:		
- Deductible temporary differences	(172,301)	(227,690)

### 15. Other receivables, deposits and prepayments

	2016 RM	Group 2015 RM	Company 2016 RM	2015 RM
<b>Non-current assets</b>				
Other receivables	1,325,557	-	-	-
<b>Current assets</b>				
Other receivables	57,186,821	44,755,839	15,057	65,016
Deposits	13,635,455	18,599,679	109,564	103,840
Prepayments	1,236,194	1,957,215	100,676	37,746
Less: Allowance for impairment	(1,552,248)	(1,552,248)	-	-
	70,506,222	63,760,485	225,297	206,602
	71,831,779	63,760,485	225,297	206,602

The movement of the allowance accounts used to record the impairment are as follows:

	2016 RM	Group 2015 RM
At 1 January	1,552,248	-
Charge for the financial year (Note 35)	-	1,552,248
At 31 December	1,552,248	1,552,248

## Notes To The Financial Statements (cont'd)

### 15. Other receivables, deposits and prepayments (cont'd)

- (i) Included in other receivables is an amount of RM2,638,787 which has fixed term of repayment and effective interest rate at 7.5%. The carrying amount of the other receivables are approximate to its fair value.
- (ii) In the previous year, included in deposits of the Group is an amount of RM3,501,875 which represents deposit paid for the purchase of raw materials.
- (iii) Included in other receivables and deposits of the Group, there are RM30,291,715 in which its currency exposure profile is United States Dollar.
- (iv) In the previous year, included in other receivables is an amount of RM11,609,455 due from a single receivable which is non-controlling interest in a subsidiary. The Directors are of the opinion that no impairment is required based on past experience and that likelihood of recoverability of this receivable.
- (v) Included in other receivables is an amount of RM758,929 (2015: RM163,312) due from a single (2015: one) receivables which related to the family members of a director of the Company. The Directors are of the opinion that no impairment is required based on past experience and that likelihood of recoverability of this receivable.
- (vi) Included in other receivables is an amount of RM2,008,787 (2015: RM1,163,703) due from a single (2015: three) receivables which related to a director of a subsidiary company. The Directors are of the opinion that no impairment is required based on past experience and that likelihood of recoverability of this receivable.
- (vii) Included in other receivables is an amount of RM24,684,215 due from a party in relation to an aborted contract. The outstanding amount has been settled subsequently to the financial year end.

### 16. Property development costs

Group	Leasehold Land and Conversion Premium RM	Development costs RM	Total RM
<b>2016</b>			
<b>At cost</b>			
At 1 January	194,582,643	899,458,949	1,094,041,592
Incurred during the financial year	-	134,187,663	134,187,663
Re-allocation of costs (Note 6)	(672,615)	-	(672,615)
Completed development projects	(22,606,872)	(612,381,799)	(634,988,671)
At 31 December	171,303,156	421,264,813	592,567,969
<b>Accumulative Development Costs Recognised in Profit or Loss</b>			
At 1 January	49,041,688	743,159,964	792,201,652
Development costs recognised during the financial year (Note 32)	21,768,419	112,844,306	134,612,725
Reversal for allowance of foreseeable losses (Note 32)	-	(377,496)	(377,496)
Completed development projects	(22,606,872)	(612,381,799)	(634,988,671)
At 31 December	48,203,235	243,244,975	291,448,210
<b>Carrying Amount</b>			
At 31 December	123,099,921	178,019,838	301,119,759

## Notes To The Financial Statements (cont'd)

### 16. Property development costs (cont'd)

Group	Leasehold Land and Conversion Premium RM	Development costs RM	Total RM
<b>2015</b>			
<b>At cost</b>			
At 1 January	193,292,572	787,355,108	980,647,680
Incurred during the financial year	552,110	129,026,499	129,578,609
Re-allocation of costs	737,961	(16,922,658)	(16,184,697)
At 31 December	194,582,643	899,458,949	1,094,041,592
<b>Accumulative Development Costs Recognised in Profit or Loss</b>			
At 1 January	34,018,771	674,575,697	708,594,468
Development costs recognised during the financial year (Note 32)	15,022,917	67,825,746	82,848,663
Provision for foreseeable losses (Note 32)	-	758,521	758,521
At 31 December	49,041,688	743,159,964	792,201,652
<b>Carrying Amount</b>			
At 31 December	145,540,955	156,298,985	301,839,940

The property development costs of the Group represent expenditures incurred in relation to the mixed residential and commercial development.

The leasehold land with carrying amount of RM123,099,921 (2015: RM145,540,955) is pledged as security for bank borrowings as detailed in Note 27 to the financial statements.

Property development costs incurred during the year include the capitalisation of the finance costs amounted to RM5,513,832 (2015: RM10,807,377).

### 17. Amount due from customers on contract works

	2016 RM	Group 2015 RM	Company 2016 RM	2015 RM
Aggregate costs incurred to date	2,561,564,455	2,180,095,779	337,717,240	335,976,124
Attributable profits	441,932,938	392,099,466	21,571,340	21,457,894
Less: Progress billings	3,003,497,393 (2,901,726,914)	2,572,195,245 (2,503,629,386)	359,288,580 (358,097,540)	357,434,018 (356,343,817)
Amount due from customers on contract works	101,770,479	68,565,859	1,191,040	1,090,201
Construction contract revenue recognised as contract revenue during the financial year (Note 31)	440,881,586	255,011,323	1,854,562	33,976,684
Construction contract costs recognised as contract expense during the financial year (Note 32)	364,464,250	206,939,030	1,741,116	31,938,192

Include in amount due from customers on contract works of the Group, there are RM43,449,312 in which its currency exposure profile is United States Dollar.

# Notes To The Financial Statements (cont'd)

## 18. Inventories

	2016 RM	Group 2015 RM
<b>At cost</b>		
Properties held for sales	4,170,288	9,186,112

## 19. Trade receivables

	2016 RM	Group 2015 RM	Company 2016 RM	2015 RM
Trade receivables	106,072,266	81,432,396	22,741,830	32,789,950
Less: Allowance for impairment	(18,169,028)	(10,226,776)	(15,554,257)	(7,600,000)
	87,903,238	71,205,620	7,187,573	25,189,950

- (i) The Group's and the Company's normal trade credit terms range from 14 to 90 (2015: 14 to 120) days from the date of invoice. Other credit terms are assessed and approved on a case-to-case basis.

The Group and the Company have no concentration of credit risk except for the amounts owing by to three (2015: one) and one (2015: one) customer which constituted approximately 57% (2015: 35%) and 100% (2015: 100%) of its trade receivables respectively as at the end of the reporting period.

- (ii) Included in trade receivables of the Group and of the Company is the retention sums of RM14,332,443 (2015: RM20,281,800) and RM8,327,490 (2015: RM16,654,980).
- (iii) Included in trade receivables is an amount of RM28,381,191 (2015: RM18,734,252) due from a single (2015: one) receivable which related to a director of a subsidiary.
- (iv) Included in trade receivables is an amount of RM6,991,537 (2015: Nil) due from a single (2015: Nil) receivable which is non-controlling interest in a subsidiary.
- (v) Ageing analysis on trade receivables

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

	2016 RM	Group 2015 RM	Company 2016 RM	2015 RM
Neither past due nor impaired	15,227,378	46,018,612	7,187,573	25,189,950
<b>Past due but not impaired</b>				
Past due 1 to 30 days	19,884,279	6,031,593	-	-
Past due 31 to 60 days	18,491,176	7,525,228	-	-
Past due 61 to 90 days	11,654,721	610,632	-	-
Past due more than 90 days	22,645,684	11,019,555	-	-
	72,675,860	25,187,008	-	-
Impaired	18,169,028	10,226,776	15,554,257	7,600,000
	106,072,266	81,432,396	22,741,830	32,789,950

## Notes To The Financial Statements (cont'd)

### 19. Trade receivables (cont'd)

#### (v) Ageing analysis on trade receivables (cont'd)

##### (a) Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group and the Company.

None of the trade receivables that are neither past due nor impaired have been negotiated during the financial year.

##### (b) Receivables that are past due but not impaired

The Group has not made any allowance for impairment for receivables that are past due but not impaired as there has not been a significant change in the credit quality of these receivables and the amounts due are still recoverable.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The Group has policies in place to ensure that credit is extended only to customers with acceptable credit history and payment track records. Allowances for impairment are made on specific trade receivable when there is objective evidence that the Group will not be able to collect the amounts due.

The Directors are of the opinion that no impairment is required based on past experience and the likelihood of recoverability of these receivables.

##### (c) Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the impairment are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2016 RM</b>	<b>2015 RM</b>	<b>2016 RM</b>	<b>2015 RM</b>
<b>Individually impaired</b>				
Trade receivables				
- Nominal amounts	35,926,117	35,416,726	22,741,830	32,789,950
Less : Allowance for impairment	(18,169,028)	(10,226,776)	(15,554,257)	(7,600,000)
	17,757,089	25,189,950	7,187,573	25,189,950

## Notes To The Financial Statements (cont'd)

### 19. Trade receivables (cont'd)

(v) Ageing analysis on trade receivables (cont'd)

(c) *Receivables that are impaired (cont'd)*

Receivables that are individually determined to be impaired at the reporting date relate to receivables that are in significant financial difficulties and have defaulted on payments or the Directors are of the opinion that it is not recoverable.

The movement of the allowance accounts used to record the impairment are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2016 RM</b>	<b>2015 RM</b>	<b>2016 RM</b>	<b>2015 RM</b>
At 1 January	10,226,776	1,317,981	7,600,000	-
Charge for the financial year (Note 35)	8,068,085	8,933,819	7,954,257	7,600,000
Reversal of impairment no longer required (Note 35)	(125,833)	-	-	-
Written off	-	(25,024)	-	-
At 31 December	18,169,028	10,226,776	15,554,257	7,600,000

Trade receivables that are individually determined to be impaired at the reporting date relate to receivables that are defaulted on payments or the Directors are of the opinion that it is not recoverable. These receivables are not secured by any collateral or credit enhancements, other than receivables amounting to RM1,178,666 (2015: RM1,179,361) are secured by the indemnity agreements given by guarantors.

### 20. Amount owing by/(to) subsidiaries

	<b>Company</b>	
	<b>2016 RM</b>	<b>2015 RM</b>
<b>Amount owing by subsidiaries:</b>		
Non-trade		
- Non-interest bearing	430,647,691	486,254,484
Less: allowance for impairment	(5,525,027)	(5,525,027)
	425,122,664	480,729,457

The movement of the allowance accounts used to record the impairment are as follows:

	<b>Company</b>	
	<b>2016 RM</b>	<b>2015 RM</b>
As at 1 January	5,525,027	12,738,229
Charge for the financial year (Note 35)	-	91,684
Reversal of impairment (Note 35)	-	(7,304,886)
As at 31 December	5,525,027	5,525,027

## Notes To The Financial Statements (cont'd)

### 20. Amount owing by/(to) subsidiaries (cont'd)

Included in amount owing by subsidiaries, there are RM142,428,477 (2015: RM212,724,400) in which its currency exposure profile is United States Dollar.

	Company	
	2016 RM	2015 RM
<b>Amount owing to subsidiaries:</b>		
<i>Trade</i>		
- Non-interest bearing	(27,933,838)	(93,851,538)
<i>Non-trade</i>		
- Non-interest bearing	(39,667,268)	(35,712,718)
	(67,601,106)	(129,564,256)

The amount owing by/(to) subsidiaries are unsecured and repayable on demand.

### 21. Amount owing by joint venture

	Group	
	2016 RM	2015 RM
<i>Trade</i>		
- Non-interest bearing	60,558,815	-
<i>Non-trade</i>		
- Non-interest bearing	9,792,054	151,151,368
	70,350,869	151,151,368

The amount owing by joint venture represents unsecured, interest free and repayable on demand. Included in amount owing by joint venture, there are RM68,182,256 (2015: RM151,151,368) in which its currency exposure profile is United States Dollar.

### 22. Deposits placed with licensed banks

#### Group and Company

Deposits placed with licensed banks are pledged to the banks to secure credit facilities granted to the Group and the Company as disclosed in Note 27 to the financial statements.

The effective interest rates for the Group's and the Company's deposits range from 2.50% to 3.15% and 2.50% to 3.20% (2015: 2.70% to 3.20% and 2.95% to 3.20%) per annum respectively.

The deposits have maturity period range from 4 days to six months (2015: one month to three months).

## Notes To The Financial Statements (cont'd)

### 23. Cash and bank balances

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Housing development accounts	2,251,012	2,914,167	-	-
Project development account	5,659,234	7,521,569	-	-
Debt service reserve account	1,192,094	9,865,380	-	-
Cash and bank balances	32,100,372	25,746,697	952,802	1,344,530
	41,202,712	46,047,813	952,802	1,344,530

- (a) Housing Development Accounts are maintained pursuant to the Housing Developers (Control and Licensing) Act, 1966 and Housing Regulations, 1991 in connection with the Group's property development projects. The utilisation of these balances are restricted before completion of the housing development projects and fulfilling all relevant obligations to the purchasers and therefore restricted from use in other operations.
- (b) Project Developments Account, Debt Service Reserve Account, Escrow Account and Operating Account are opened in accordance with the terms and conditions set out in the term loan arrangements referred to in Note 27 to the financial statements.

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	40,576,797	45,792,659	326,891	1,153,938
United States Dollar	625,915	255,154	625,911	190,592
	41,202,712	46,047,813	952,802	1,344,530

### 24. Asset classified as held for sale

	Group	
	2016 RM	2015 RM
As at 1 January	3,248,594	19,048,391
Addition during the year	-	91,075
Transfer from property, plant and equipment (Note 5)	-	3,248,594
Disposal during the year	(3,248,594)	(19,139,466)
As at 31 December	-	3,248,594

On 9 September 2015, a subsidiary of the Company, Pipe Technology System Sdn. Bhd. has entered into Sales and Purchases Agreements with Truck World Assembly Sdn. Bhd. to dispose a piece of its leasehold industrial land known as HS (D) 11480, No. PT 12186, Mukim and District of Bentong and State of Pahang together with a single storey factory/office building with a lean to extension thereto and a separate single storey factory erected thereon, measuring approximately 25,657 square metres for a total cash consideration of RM5,600,000. The disposal was completed during the year.

## Notes To The Financial Statements (cont'd)

### 25. Share capital

	No. of shares	Group and Company		No. of shares	RM
		2016		2015	
		RM			RM
<b>Ordinary shares of RM1 each:</b>					
<b>Authorised:</b>					
At beginning and end of financial year	1,000,000,000	1,000,000,000		1,000,000,000	1,000,000,000
<b>Issued and fully paid:</b>					
At beginning and end of financial year	438,361,072	438,361,072		438,361,072	438,361,072

#### Employees' Share Option Scheme ("ESOS")

At an extraordinary general meeting held on 28 April 2008, the Company's shareholders approved the establishment of an ESOS of up to 10% of the issued and paid-up share capital of the Company, to eligible Executive and Non-Executive Directors and employees of the Company and its subsidiaries. Bursa Malaysia Securities Berhad ("Bursa Securities") had approved in-principle the listing of the additional 10% of the issued and paid-up share capital of the Company to be issued pursuant to the exercise of the share options granted under the ESOS.

On 6 March 2013, the Company extended the duration of its ESOS which expired on 28 April 2013 for another 5 years to 28 April 2018. This was in accordance with the terms of the ESOS By-Laws. The ESOS extension was not subject to any regulatory or shareholders' approval.

The salient terms of the ESOS are as follows:

- Eligible employees, Non-Executive and Executive Directors must be at least eighteen years of age and must have been confirmed on that date of offer.
- The Eligible employees must be on full time employment basis with at least one year of period of employment, save for the non-executive Directors of the Company.
- The exercise price shall be discounted by not more than 10% from the weighted average of the market price of the Shares as shown in the daily official list issued by Bursa Securities for the five trading days immediately preceding the date of offer in writing to the grantee or at the par value of the ordinary shares of the Company, whichever is the higher.
- The new shares to be allotted and issued upon any exercise of the options shall rank pari passu in respect with the existing shares of the Company except that the new shares will not be entitled to any dividends, rights, allotments and other distributions in which entitlement date precedes the date of allotment of the said shares.
- The option granted may be exercised at any time within a period of five years from the effective date provided. The Board of Directors shall have the discretion to extend the tenure of the ESOS for another five years immediately or such shorter period as it deems fit from the expiry of the first five years.

At an extraordinary general meeting held on 28 June 2016, the Company's shareholders approved the termination of the existing ESOS.

## Notes To The Financial Statements (cont'd)

### 25. Share capital (cont'd)

#### Long Term Incentive Plan ("LTIP")

On 13 April 2016, JAKS Resources Berhad ("JRB") undertake the proposals to establish and implement a new LTIP of up to fifteen percent (15%) of the issued and paid-up share capital of JRB (excluding treasury shares) at any point in time for the Directors and employees of JRB and its subsidiaries, who meet the criteria of eligibility for participation, comprising the following:

- i) a share option scheme which will entitle the Eligible Persons, upon exercise, to subscribe for new ordinary shares of RM1.00 each in JRB at a specified future date at a pre-determined price; and
- ii) a share grant scheme comprising the restricted share plan and performance share plan which entitles the Eligible Persons to receive new fully paid JRB Shares.

On 28 June 2016, the shareholders of JRB have at Extraordinary General Meeting approved the Proposed LTIP.

Pursuant to Paragraph 6.43 (1) of the Listing Requirements, the effective date for the implementation of the LTIP has been fixed on 5 July 2016, being the date of full compliance of the LTIP. As at end of 31 December 2016, there was no LTIP allocation yet.

The salient terms of the LTIP are as follows:

- (a) The maximum number of Shares to be allotted and issued pursuant to the LTIP shall not at any point in time in aggregate exceed fifteen percent (15%) of the issued and paid-up share capital of the Company (excluding treasury shares) or such other percentage that may be permitted by relevant authorities.
- (b) The basis of allocation of the number of shares which may be offered to an Eligible Person pursuant to LTIP shall be determined entirely at the discretion of the LTIP Committee. The LTIP Committee will ensure that there should be equitable allocation to the Eligible Persons, after taking into consideration, amongst others, the appraised performance, seniority and/or length of service, contributions to the success and development as well as such other criteria as the LTIP Committee may deem fit and relevant. The LTIP Committee has the discretion in determining whether the allocation available shall be staggered over the duration of the LTIP period.
- (c) A person who fulfils the following criteria as at the date of and LTIP Grant shall be eligible to be considered by the LTIP Committee as an Eligible Person:-
  - has attained the age of eighteen (18) years;
  - has not been adjudicated a bankrupt;
  - has entered into a full-time of fixed-term contract of service/employment within the Group;
  - whose service/employment has been confirmed in writing;
  - for the LTIP, the person is required to be a Director or Senior Management of JRB Group;
  - has fulfilled any other eligibility criteria to be determined by the LTIP Committee from time to time at its discretion, as the case may be.
- (d) The LTIP shall be in force for a duration of five (5) years from the effective date of the implementation. The LTIP may be extended or renewed for a further period of five (5) years, at the sole discretion of the Board upon recommendation of the LTIP Committee.
- (e) The new shares to be issued pursuant to the LTIP shall upon allotment and issue, rank pari passu in respects with the existing shares except that the new shares shall not be entitled to any dividends, rights, allotment and/or other distributions which entitlement date precedes the date of allotment of the said shares.

## Notes To The Financial Statements (cont'd)

### 26. Other reserves

	Group 2016 RM	2015 RM
Foreign currency translation reserve	2,976,716	-

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in the functional currency of the foreign operation.

### 27. Borrowings

	Group 2016 RM	2015 RM	Company 2016 RM	2015 RM
<b>Secured</b>				
<b>Current liabilities</b>				
Hire purchase liabilities	1,978,262	2,563,011	330,376	346,608
Term loans	42,704,452	27,952,462	-	-
Trade Commodity Financing	29,359,862	-	-	-
Bill payables	107,028,317	100,178,642	-	-
Revolving credits	16,000,000	15,000,000	16,000,000	15,000,000
Bank overdrafts	86,380,300	84,652,211	34,733,074	39,321,160
	283,451,193	230,346,326	51,063,450	54,667,768
<b>Non-current liabilities</b>				
Hire purchase liabilities	503,647	2,181,082	56,507	386,883
Term loans	246,960,474	324,034,956	-	-
	247,464,121	326,216,038	56,507	386,883
<b>Total borrowings</b>				
Hire purchase liabilities	2,481,909	4,744,093	386,883	733,491
Term loans	289,664,926	351,987,418	-	-
Trade Commodity Financing	29,359,862	-	-	-
Bill payables	107,028,317	100,178,642	-	-
Revolving credits	16,000,000	15,000,000	16,000,000	15,000,000
Bank overdrafts	86,380,300	84,652,211	34,733,074	39,321,160
	530,915,314	556,562,364	51,119,957	55,054,651
<b>Maturities of borrowings</b>				
Not later than one year	283,451,193	230,346,326	51,063,450	54,667,768
Later than 1 year and not later than 5 years	35,464,121	106,216,038	56,507	386,883
More than 5 years	212,000,000	220,000,000	-	-
	530,915,314	556,562,364	51,119,957	55,054,651

## Notes To The Financial Statements (cont'd)

### 27. Borrowings (cont'd)

The range of interest rates per annum at the reporting date for borrowings were as follows:

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Hire purchase liabilities	2.40 - 4.83	2.40 - 4.83	2.40	2.40 - 2.65
Term loans	6.00 - 7.81	6.00 - 7.85	-	-
Trade Commodity Financing	5.84	-	-	-
Bill payables	4.61 - 8.06	4.70 - 8.10	-	-
Revolving credits	6.79	7.50	6.79	7.50
Bank overdrafts	7.60 - 8.45	7.85 - 8.85	8.15	8.10 - 8.35

#### Hire purchase liabilities

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Future minimum hire purchase payments				
- not later than one year	2,060,593	2,770,982	340,896	372,183
- later than one year and not later than five years	520,576	2,251,701	56,816	397,712
Less: Future interest charges	2,581,169 (99,260)	5,022,683 (278,590)	397,712 (10,829)	769,895 (36,404)
Present value of hire purchase liabilities	2,481,909	4,744,093	386,883	733,491
Represented by:				
Current				
- not later than one year	1,978,262	2,563,011	330,376	346,608
Non-current				
- later than one year and not later than five years	503,647	2,181,082	56,507	386,883
	503,647	2,181,082	56,507	386,883
	2,481,909	4,744,093	386,883	733,491

The term loans, bill payables, trade commodity financing, revolving credits and bank overdrafts of the Group and of the Company are secured as follows:

- (i) fixed charges over certain property as disclosed in Note 5 to the financial statements;
- (ii) fixed charges over certain land held for property development and property development costs as disclosed in Notes 7 and 16 to the financial statements;
- (iii) fixed charge over all investment properties as disclosed in Note 6 to the financial statements;

## Notes To The Financial Statements (cont'd)

### 27. Borrowings (cont'd)

The term loans, bill payables, trade commodity financing, revolving credits and bank overdrafts of the Group and of the Company are secured as follows: (cont'd)

- (iv) legal assignment of all cashflows, sale or tenancy agreements, insurance policies, construction contracts, construction guarantees and performance bonds in relation to a project developed by certain subsidiaries;
- (v) fixed and floating charge over the present and future assets of certain subsidiaries;
- (vi) first legal charge over the equity acquired in a subsidiary;
- (vii) facilities agreements together with interest, commission and all other charges thereon;
- (viii) assignment over proceeds under certain contracts, Letter of Notification and Letter of Instruction;
- (ix) assignment of all dividends and/or distribution from a subsidiary's shares;
- (x) negative pledge;
- (xi) corporate guarantees provided by the Company and a subsidiary;
- (xii) deposits, debt service reserve, housing development account, project development account, escrow and operating account as indicated in Notes 22 and 23 to the financial statements;
- (xiii) specific debenture by way of fixed and floating charge over investment properties as disclosed in Note 6;
- (xiv) first legal charge over investment properties as disclosed in Note 6;
- (xv) lodgement of private caveat over strata titles of the investment properties as disclosed in Note 6;
- (xvi) legal assignment of the present and future proceeds from the car parks' rental income in a subsidiary; and
- (xvii) first legal charge over all its unencumbered shares of a non-controlling interest of a subsidiary.

### 28. Trade payables

	2016 RM	Group 2015 RM
Trade payables	156,564,341	73,478,770
Deferred contract revenue	41,419,541	76,967,063
	197,983,882	150,445,833

- (a) The normal trade credit terms granted to the Group range from 1 to 90 (2015: 1 to 90) days from date of invoice.
- (b) Included in trade payables is retention sums of RM4,417,525 (2015: RM5,732,458).
- (c) Included in trade payables of the Group and the Company, there are RM101,639,461 in which its currency exposure profile is United States Dollar.

## Notes To The Financial Statements (cont'd)

### 28. Trade payables (cont'd)

(d) Deferred contract revenue

	2016 RM	Group 2015 RM
Deferred contract revenue	135,000,000	135,000,000
Deposit paid	(500,000)	(500,000)
Contract revenue recognised	(93,080,459)	(57,532,937)
	41,419,541	76,967,063

On 19 August 2011, a subsidiary of the Company, JAKS Island Circle Sdn. Bhd. ("JICSB") and Star Publication (Malaysia) Berhad entered into a Land Sale and Purchase Agreement to purchase a 99 years leasehold land which is located at PN97384, Lot 141 (previously known as HS(D) 259880, Lot PT 16), Seksyen 13, Bandar Petaling Jaya, to develop into a mixed residential and commercial development, with a purchase consideration of RM135,000,000.

The purchase consideration is to be satisfied within 3 years by the completion, delivery and transfer of legal title with vacant possession and Certified of Completion and Compliance, free from all encumbrances of Tower A of the mixed residential and commercial development of JICSB.

During the financial year, RM35,547,522 (2015: RM22,901,007) has been recognised based on the stage of completion of the said development.

### 29. Progress billings

	2016 RM	Group 2015 RM
Revenue recognised in profit or loss to date	232,918,401	1,013,620,673
Progress billings to date	(240,363,188)	(1,015,689,550)
	(7,444,787)	(2,068,877)
Accrued billings	23,667,187	29,588,268
Progress billings	(31,111,974)	(31,657,145)
	(7,444,787)	(2,068,877)

### 30. Other payables and accruals

	2016 RM	Group 2015 RM	Company 2016 RM	2015 RM
Other payables	28,512,965	8,233,253	276,330	1,392,191
Deposits received	35,204,711	36,492,900	31,412,500	31,504,000
Accruals	137,795,026	133,044,567	25,978,084	24,914,886
	201,512,702	177,770,720	57,666,914	57,811,077

## Notes To The Financial Statements (cont'd)

### 30. Other payables and accruals (cont'd)

Included in accruals of the Group and of the Company is an amount of RM25,691,953 (2015: RM24,584,121) which represents amount payable to consultants of the Vietnam Coal Fired Thermal Power Plan Project as disclosed in Note 13 to the financial statements.

Included in deposits received of the Group was an amount of RM1,308,971 (2015: RM2,157,865) which represents the earnest deposits and advances received from properties buyers.

Included in deposit received of the Group and of the Company is an amount of RM31,412,500 (2015: RM30,058,000) which represents security deposits received upon the execution of the Subscription Agreement as disclosed in Notes 13.

Included in accruals of the Group is an amount of RM86,120,010 (2015: RM101,934,703) owing to various vendors of the Group in relation to development costs incurred.

Included in other payables of the Group is an amount of RM221,646 (2015: Nil) due to a single (2015: Nil) payables which is non-controlling interest in a subsidiary.

Included in other payables of the Group is an amount of RM2,324,039 (2015: Nil) due to two (2015: Nil) payables which related to a director of a subsidiary.

Included in other payables, deposits received and accruals of the Group and the Company, there are RM57,104,453 (2015: RM54,642,121) in which its currency exposure profile is United States Dollar.

### 31. Revenue

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Construction contract works (Note 17)	440,881,586	255,011,323	1,854,562	33,976,684
Property development activities	154,201,533	128,501,292	-	-
Sales of goods	31,043,798	77,155,445	-	-
Management fee	-	-	6,000,000	3,180,000
Property investment	6,074,306	510,518	-	-
	632,201,223	461,178,578	7,854,562	37,156,684

### 32. Cost of sales

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Construction contract works (Note 17)	364,464,250	206,939,030	1,741,116	31,938,192
Property development activities	139,251,053	83,607,184	-	-
Cost of finished goods	26,947,324	76,512,962	-	-
Property investment	10,721,571	1,143,901	-	-
	541,384,198	368,203,077	1,741,116	31,938,192

## Notes To The Financial Statements (cont'd)

### 33. Finance income

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Interest income				
- deposits placed with licensed bank	1,925,556	2,323,106	224,385	435,245
- debt service reserve account	22,772	23,152	-	-
- housing development accounts	101,583	215,267	-	-
- interest income	167,220	384,411	-	-
	2,217,131	2,945,936	224,385	435,245

### 34. Finance costs

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Interest expenses				
- bank overdrafts	6,973,794	6,311,402	3,008,613	2,840,919
- bill payables	5,894,640	5,982,708	-	-
- factoring loan	-	531,272	-	-
- hire purchase	213,971	350,615	25,606	37,816
- term loans	11,867,287	7,601,772	-	-
- bank guarantee	40,589	1,444	-	-
- revolving credit	1,023,657	1,346,009	926,404	1,346,009
- trade commodity financing	316,029	-	-	-
	26,329,967	22,125,222	3,960,623	4,224,744

Interest expense on borrowings amounted to RM3,072,127 and RM5,513,832 (2015: RM5,951,737 and RM10,807,377) respectively has been capitalised in investment properties and property development costs as disclosed in Notes 6 and 16 to the financial statements.

### 35. (Loss)/Profit before tax

In addition to items disclosed in Notes 33 and 34, (loss)/profit before tax has been arrived at:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
After charging:				
Allowance for impairment				
- subsidiaries	-	-	-	91,684
- third party (Notes 15 and 19)	8,068,085	10,486,067	7,954,257	7,600,000
Amortisation of golf club memberships (Note 11)	7,894	7,894	-	-
Auditors' remuneration				
- current year	325,677	276,000	68,000	68,000
- under/(over) provision in prior year	-	1,700	-	(6,000)
Depreciation				
- property, plant and equipment (Note 5)	3,060,451	3,673,565	330,187	469,518
- investment properties (Note 6)	11,490,477	3,044,937	49,210	49,210

## Notes To The Financial Statements (cont'd)

### 35. (Loss)/Profit before tax (cont'd)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
After charging (cont'd):				
Directors' remuneration				
- fees	174,000	266,000	126,000	126,000
- salaries, allowances and bonuses	2,398,765	2,387,221	1,768,240	1,670,000
- Employees' Provident Fund	262,932	278,131	187,200	192,000
- others	3,856	3,542	2,225	1,859
Impairment loss on:				
- investment in subsidiaries	-	-	-	2,150,000
- goodwill (Note 12)	-	30,000,000	-	-
- golf club memberships (Note 11)	-	171,054	-	-
Inventories written down to net realisable value	-	3,725,201	-	-
Inventory written off	-	151,081	-	-
Loss on disposal of property, plant and equipment	206,165	2,783,106	-	-
Liquidated and ascertained damages	13,461,683	4,019,784	-	-
Management fees	655,745	3,707,138	-	-
Property, plant and equipment write off	-	642	-	-
Provision for foreseeable losses	-	758,521	-	-
Rental expenses	475,549	496,545	-	-
Realised loss on foreign exchange	2,348,100	-	-	-
Staff costs				
- salaries, allowances and bonuses	17,040,562	17,574,014	3,755,788	3,878,665
- Employees' Provident Fund	1,673,904	1,978,993	427,950	436,722
- other staff related costs	368,470	465,426	93,643	67,956
Unrealised loss on foreign exchange	5,889,853	6,614,937	34,902	-
And crediting:				
Administrative fees received	32,091	148,789	-	-
Bad debt recovered	-	11,543	-	-
Forfeiture of deposits from purchasers	190,120	176,004	-	-
Disposal of scrap	200,000	-	-	-
Gain on disposal of:				
- subsidiaries (Note 8b)	-	50,055,066	-	-
- asset held for sale	3,247,639	35,936,935	-	-
Gain on foreign exchange				
- realised	-	156,806	-	156,806
- unrealised	-	-	-	42,256,316
Impairment of receivables no longer required (Note 19)	125,833	-	-	-
Late payment interest received	154,291	848,780	-	-
Management fee	-	-	6,000,000	3,180,000
Rental income	251,044	349,896	-	-
Reversal on provision for foreseeable losses	377,496	-	-	-
Reversal on impairment on amount owing by subsidiaries	-	-	-	7,304,886
Reversal on impairment on investment in subsidiaries	-	-	1,945,000	-
Salary payment in lieu	21,800	-	-	-
Share of result of joint venture	361,109	-	-	-
Other income	79,034	-	-	-

## Notes To The Financial Statements (cont'd)

### 35. (Loss)/Profit before tax (cont'd)

The Directors' remuneration and staff costs capitalised in development expenditure in Note 13 to the financial statements of the Group are as follows:

	Group	
	2016 RM	2015 RM
Directors' remuneration		
- salaries, allowances and bonuses	-	540,000
- Employees' Provident Fund	-	32,400
- others	-	443
Staff costs		
- salaries, allowances and bonuses	-	1,090,961
- Employees' Provident Fund	-	127,745
- others	-	3,247

### 36. Tax expense

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Income tax				
- current year	(3,722,354)	(8,934,472)	-	-
- (under)/over provision in prior year	(561,528)	3,184,535	-	168,280
	(4,283,882)	(5,749,937)	-	168,280
Real property gain tax	(247,018)	(484,339)	-	-
	(4,530,900)	(6,234,276)	-	168,280
Deferred tax				
- current year	(4,664,632)	(1,472,893)	-	-
- under provision in prior year	(295,507)	(412,166)	-	-
- effect of change in corporate tax rate from 25% to 24%	-	(329)	-	-
	(4,960,139)	(1,885,388)	-	-
	(9,491,039)	(8,119,664)	-	168,280

## Notes To The Financial Statements (cont'd)

### 36. Tax expense (cont'd)

The reconciliation of income tax expense applicable to (loss)/profit before tax at the statutory tax rate to tax expense at the effective tax rate of the Group and of the Company are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2016 RM</b>	<b>2015 RM</b>	<b>2016 RM</b>	<b>2015 RM</b>
(Loss)/profit before tax	(6,921,324)	55,282,029	(13,803,894)	31,963,449
Taxation at statutory tax rate of 24% (2015: 25%)	1,661,118	(13,820,507)	3,312,935	(7,990,862)
Tax effects in respect of:				
- non-taxable income	9,210,068	22,624,153	520,652	14,125,481
- non-deductible expenses	(13,244,623)	(16,717,399)	(3,401,195)	(5,112,108)
- deferred tax assets not recognised in the financial statements	(1,058,094)	(3,499,007)	(432,392)	(1,022,511)
- utilisation of previously unrecognised deferred tax assets	(4,969,344)	1,005,395	-	-
- real property gain tax	(247,018)	(484,339)	-	-
- (under)/over provision of current tax in prior years	(561,528)	3,184,535	-	168,280
- under provision of deferred tax in prior years	(295,507)	(412,166)	-	-
- Effect of change in corporate tax rate from 25% to 24%	13,889	(329)	-	-
Tax expense for the financial year	(9,491,039)	(8,119,664)	-	168,280

### 37. Earnings per share

#### (a) Basic

The basic earnings per share is calculated by dividing the net earnings for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	<b>Group</b>	
	<b>2016 RM</b>	<b>2015 RM</b>
Profit for the financial year attributable to owners of the Company	795,858	41,467,071
Weighted average number of ordinary shares in issue	438,361,072	438,361,072
Basic earnings per ordinary share (sen)	0.18	9.46

#### (b) Diluted

For diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential ordinary shares.

The Group has no dilutive potential ordinary shares. As such, there is no dilutive effect on the earnings per share of the Group.

## Notes To The Financial Statements (cont'd)

### 38. Corporate guarantees

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>Unsecured</b>				
Bank guarantees issued for				
- execution of contracts of the subsidiaries	149,876,017	132,643,469	-	-
- others	-	76,853,818	-	76,853,818
Corporate guarantees given to licensed banks to secure credit facilities granted to the subsidiaries	-	-	682,759,190	634,151,182
Guarantees given to suppliers of goods for credit terms granted to subsidiaries	2,000,000	2,000,000	-	-
	151,876,017	211,497,287	682,759,190	711,005,000

The corporate guarantees are financial guarantees given to banks for credit facilities granted to subsidiaries. The fair value on initial recognition of corporate guarantees was not material as the possibility of default by subsidiaries is negligible.

The Company is exposed to credit risk arising from financial guarantee contracts given to banks for certain subsidiaries' borrowings where the maximum credit risk exposure is the amount of borrowings utilised by the certain subsidiaries. The Company believes that the financial guarantee contracts are unlikely to be called by the subsidiaries' banks.

The maximum amount of the financial guarantees issued to the banks for subsidiaries companies' borrowings is limited to the amount utilised by the subsidiaries companies, amounting to RM496.76 million (2015: RM497.50 million) as at 31 December 2016. The earliest period the financial guarantee can be called upon by the banks is within the next 12 months. The Company believes that the liquidity risk in respect of the financial guarantees is minimum as it is unlikely that the subsidiaries companies will not make payment to the banks when their respective borrowings fall due.

### 39. Significant related party transactions

#### (a) Significant Related Party Transactions

In addition to the information detailed elsewhere in the financial statements, the Group and the Company carried out the following transactions with its related parties during the financial year:

	Company	
	2016 RM	2015 RM
Management fees received/receivable from subsidiaries		
- JAKS Sdn. Bhd.	6,000,000	3,000,000
- JAKS-KDEB Consortium Sdn. Bhd.	-	60,000
- JAKS Marketing Sdn. Bhd.	-	45,000
- Integrated Pipe Industries Sdn. Bhd.	-	30,000
- Pipe Technology System Sdn. Bhd.	-	45,000
Construction costs charged by a subsidiary		
- JAKS Sdn. Bhd.	1,741,116	31,938,192

## Notes To The Financial Statements (cont'd)

### 39. Significant related party transactions (cont'd)

#### (a) Significant Related Party Transactions (cont'd)

	2016 RM	Group 2015 RM
Management fee paid to a non-controlling interest of a subsidiary company	600,000	3,707,138
Sales of property to a non-controlling interest of a subsidiary company	-	2,870,701
Sales of properties to a director and family members of the director of a subsidiary company	-	1,006,320
Rental expense paid to a non-controlling interest of a subsidiary company	121,200	116,600
Rental income from a company related to a director of a subsidiary company	459,525	96,083
Rental income from a company related to the family members of a director of the Company	241,600	35,611
Service charges received/receivable from a company related to a director of a subsidiary company	1,378,575	288,247
Service charges received/receivable from a company related to the family members of a director of the Company	411,708	48,656
Construction cost charged to a non-controlling interest of a subsidiary company	21,081,122	-

#### (b) Key Management Personnel Compensation

The remuneration of key management personnel, which included the Directors' remuneration, is disclosed as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Short term employees benefits	6,281,223	6,744,497	3,929,556	3,766,300
Defined contribution plans	645,220	687,649	428,346	426,500

## Notes To The Financial Statements (cont'd)

### 40. Capital commitment

	2016 RM	Group 2015 RM
Capital contribution contracted but not provided for in respect of shares subscription in JAKS Pacific Power Limited, joint venture of the Group amounted to USD110.1million (2015: USD125.8million) #	494,076,825	540,185,200

# If JAKS Power Holdings Limited ("JPH"), a subsidiary of the Group, fails or refuses to contribute Shareholder's Funding in the manner contemplated in the Subscription Agreement, China Power Engineering Consulting Group Co. Ltd ("CPECC") is obliged to do the following:-

- i) CPECC shall provide Shareholder Funding to JAKS Pacific Power Limited ("JPP") in lieu of such Shareholder Funding that was contemplated to be paid by JPH, and CPECC may subscribe for a corresponding number of additional Redeemable Convertible Preference Shares ("RCPS"), which subscription shall result in the dilution of the Effective Economic Interest of JPH in JPP; and/or
- ii) CPECC shall provide Shareholder Funding to JPP by way of interest-bearing shareholder's loan to JPP to cover such Shareholder Funding that is outstanding from JPH. JPH shall rectify its default and restore CPECC as soon as possible but in any event no later than three (3) months from the date of default, failing which CPECC, have the right, at any time to convert the said shareholder's loans to additional RCPS of equivalent amount of the outstanding Shareholder Funding at the conversion ratio of 1 RCPS for each USD 1.00 of the outstanding shareholder's loan.

### 41. Segment information

#### Operating Segments

For management purposes, the Group is organised into business units based on their nature of businesses, and has six reportable operating segments as follows:

Manufacturing	:	Comprise mainly manufacturing of pipes.
Trading	:	Comprise mainly trading in sheet piles, steel bars, mild steel and special pipes, other steel related products, building materials and supply of products for water supply industry.
Construction	:	Comprise mainly provision of sub-contracting activities, general contractor, supplier of building materials and also construction.
Investment	:	Investment holding
Property Development / property investment	:	Development of residential and commercial properties and management of shopping mall.

## Notes To The Financial Statements (cont'd)

## 41. Segment information (cont'd)

## Operating Segment (cont'd)

2016

Business Segment	Manufacturing RM	Trading RM	Construction RM	Property Development/ Property Investment RM	Investment RM	Elimination RM	Total RM
<b>Revenue</b>							
External revenue	-	31,043,798	440,881,586	160,275,839	-	-	632,201,223
Inter-company	-	-	137,039,018	-	6,000,000	(143,039,018)	-
	-	31,043,798	577,920,604	160,275,839	6,000,000	(143,039,018)	632,201,223
<b>Results</b>							
Segment results	(489,323)	3,074,506	56,204,962	(25,814,397)	(20,096,585)	-	12,879,163
Other income	3,572,776	12,696	221,044	495,336	10,497	-	4,312,349
Finance costs - (net)	131,752	(2,493,116)	(6,595,401)	(11,419,833)	(3,736,238)	-	(24,112,836)
Profit/(loss) before tax	3,215,205	594,086	49,830,605	(36,738,894)	(23,822,326)	-	(6,921,324)
Tax expense	(243,468)	(5,018,332)	(4,093,328)	(135,911)	-	-	(9,491,039)
Profit/(loss) for the financial year	2,971,737	(4,424,246)	45,737,277	(36,874,805)	(23,822,326)	-	(16,412,363)
Attributable to:							
Owners of the Company	2,141,880	(4,349,968)	45,737,277	(18,942,370)	(23,790,961)	-	795,858
Non-controlling interests	829,857	(74,278)	-	(17,932,435)	(31,365)	-	(17,208,221)
	2,971,737	(4,424,246)	45,737,277	(36,874,805)	(23,822,326)	-	(16,412,363)

## Notes To The Financial Statements (cont'd)

## 41 Segment information (cont'd)

## Operating Segment (cont'd)

2016

Business Segment	Manufacturing RM	Trading RM	Construction RM	Property Development/ Property Investment RM	Investment RM	Total RM
<b>OTHER INFORMATION</b>						
Segment assets	1,009,083	13,065,976	359,197,587	844,398,444	303,302,796	1,520,973,886
Total assets	1,168,014	15,677,254	359,197,587	846,167,631	303,711,500	1,525,921,986
Segment liabilities	68,544	57,378,112	294,945,081	476,412,647	109,052,301	937,856,685
Total liabilities	68,544	57,380,955	300,418,076	476,412,647	109,052,301	943,332,523
Capital Expenditure	-	-	431,302	11,712,424	3,625	12,147,351
Depreciation and amortisation	36,632	75,706	2,234,563	12,208,836	3,085	14,558,822

## Notes To The Financial Statements (cont'd)

## 41. Segment information (cont'd)

## Operating Segment (cont'd)

2015

Business Segment	Manufacturing RM	Trading RM	Construction RM	Property Development/ Property investment RM	Investment RM	Elimination RM	Total RM
<b>Revenue</b>							
External revenue	1,856,908	75,298,537	255,011,323	129,011,810	-	-	461,178,578
Inter-company	687,786	6,959,735	211,472,040	-	3,180,000	(222,299,561)	-
	2,544,694	82,258,272	466,483,363	129,011,810	3,180,000	(222,299,561)	461,178,578
<b>Results</b>							
Segment results	(8,415,905)	5,176,900	20,676,212	17,818,115	(49,610,316)	-	(14,354,994)
Other income	28,700	31,543	278,304	3,001,181	85,476,581	-	88,816,309
Finance costs - (net)	(44,646)	(3,139,933)	(6,638,779)	(3,219,507)	(6,136,421)	-	(19,179,286)
(Loss)/profit before tax	(8,431,851)	2,068,510	14,315,737	17,599,789	29,729,844	-	55,282,029
Tax expense	-	(1,860,496)	(2,064,561)	(4,308,347)	113,740	-	(8,119,664)
(Loss)/profit for the financial year	(8,431,851)	208,014	12,251,176	13,291,442	29,843,584	-	47,162,365
Attributable to:							
Owners of the Company	(8,232,557)	161,859	12,251,176	7,345,986	29,940,607	-	41,467,071
Non-controlling interests	(199,294)	46,155	-	5,945,456	(97,023)	-	5,695,294
	(8,431,851)	208,014	12,251,176	13,291,442	29,843,584	-	47,162,365

## Notes To The Financial Statements (cont'd)

## 41. Segment information (cont'd)

## Operating Segment (cont'd)

2015

Business Segment	Manufacturing RM	Trading RM	Construction RM	Property Development/ Property Investment RM	Investment RM	Total RM
<b>OTHER INFORMATION</b>						
Segment assets	4,395,041	37,237,811	155,068,635	873,346,110	406,484,946	1,476,532,543
Total assets	4,550,344	44,661,734	155,068,635	874,441,086	406,488,575	1,485,210,374
Segment liabilities	1,015,997	71,476,393	124,205,407	576,571,996	113,578,001	886,847,794
Total liabilities	1,015,997	71,481,393	124,870,017	577,951,407	113,866,450	889,185,264
Capital Expenditure	-	-	1,086,000	163,098,149	21,902,270	186,086,419
Depreciation and amortisation	246,814	98,925	2,107,387	3,742,952	530,318	6,726,396

## Notes To The Financial Statements (cont'd)

### 41. Segment information (cont'd)

#### Geographical Segments

Segment information is presented in respect of the Group's geographical segments. The geographical segments are based on the Group's management and internal reporting structure.

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of assets. The Group's principal geographical areas for its operations are located in Malaysia and Vietnam.

	Malaysia RM	Vietnam RM	Total RM
<b>2016</b>			
Revenue from external customer by location of Customer	482,050,617	150,150,606	632,201,223
Segment assets by location of assets	1,391,622,139	134,299,847	1,525,921,986
Capital expenditure by location of assets	12,147,351	-	12,147,351
<b>2015</b>			
Revenue from external customer by location of Customer	461,178,578	-	461,178,578
Segment assets by location of assets	1,485,210,374	-	1,485,210,374
Capital expenditure by location of assets	186,086,419	-	186,086,419

### 42. Significant events during the financial year

- i) On 13 April 2016, JAKS Resources Berhad ("JRB") undertake the following proposals:-
- to terminate JRB's existing Employees' Share Option Scheme; and
  - to establish and implement a new long-term incentive plan ("LTIP") of up to fifteen percent (15%) of the issued and paid-up share capital of JRB (excluding treasury shares) at any point in time for the Directors and employees of JRB and its subsidiaries, who meet the criteria of eligibility for participation ("Eligible Person(s)"), comprising the following:
    - a share option scheme which will entitle the Eligible Persons, upon exercise, to subscribe for new ordinary shares of RM1.00 each in JRB ("JRB Shares") at a specified future date at a pre-determined price; and
    - a share grant scheme comprising the restricted share plan and performance share plan which entitles the Eligible Persons to receive new fully paid JRB Shares.

(Collectively, referred to as Proposed LTIP)

On 28 June 2016, the shareholders of JRB have at Extraordinary General Meeting approved the termination of Employees' Share Option Scheme which was established on 28 April 2008 and also approved the Proposed LTIP.

Pursuant to Paragraph 6.43 (1) of the Listing Requirements, the effective date for the implementation of the LTIP has been fixed on 5 July 2016, being the date of full compliance of the LTIP. As at end of 31 December 2016, there was no LTIP allocation yet.

## Notes To The Financial Statements (cont'd)

### 43. Significant events subsequent to the financial year

- i) On 24 March 2017, JAKS Resources Berhad has completed private placement following the listing of and quotation for 43,836,100 placement shares on the main market of Bursa Securities.
- ii) On 29 March 2017, a wholly-owned subsidiary of the Group, JAKS Sdn Bhd has acquired 51 ordinary shares, representing 51% equity interest of the company, Fortress Pavilion Sdn. Bhd. ("FPSB") at a cash consideration of RM51. FPSB is a company incorporated in Malaysia on 27 February 2017 and its intended principal activities are investment holding and property asset management.

### 44. Material litigation

#### Kuala Lumpur High Court Suit No. 22C-26-05/2014

On 16 May 2014, JAKS Sdn. Bhd., a wholly-owned subsidiary of JAKS Resources Berhad, filed a suit against Multi-Purpose Insurans Berhad in relation to the project known as "Pembinaan Loji Air Beaufort Fasa II dan Pemasangan Paip Dasar Laut dan Loji Ke Labuan – Kontrak 2: Pemasangan Paip Dasar Laut dan Loji ke Labuan dan Kerja-Kerja Berkaitan di Beaufort dan Labuan" ("Project") under Kuala Lumpur High Court Suit No. 22C-26-05/2014.

In the suit, JAKS Sdn. Bhd. is claiming from Multi-Purpose Insurans Berhad the sum of RM14,806,723.46 together with interest at the rate of 5% per annum from 16 May 2014 (being the date of the Writ of Summons) until full realisation in respect of JAKS Sdn. Bhd.'s insurance claim in relation to the Project.

On 27 October 2016, the Kuala Lumpur High Court delivered its decision whereby the case with Multi-Purpose Insurans Berhad was dismissed with costs of RM50,000. However, the Company had appealed on the court decision and the Notice of Appeal was filed on 23 November 2016.

On 13 April 2017, the lawyer attended the Court and was given the following directions where:

- a) Common Core Bundles of 'Common Chronology of Facts' are to be filed by 17 July 2017;
- b) The next Case Management Date is 18 July 2017;
- c) Written Submission is to be filed by 3 August 2017; and
- d) The Hearing Date is 17 August 2017.

#### Shah Alam High Court Suit No. 22NCVC-630-11/2015

JAKS Sdn. Bhd. is the main contractor for the project known as "Cadangan Pembangunan Perniagaan 5 Blok Komersial - 15 Tingkat dan 4 Tingkat Aras Basement (Phase 1) di atas Lot 59215 (PM 55) dan Lot 59216 (PN 8025), Jalan PJU 1A/44, Ara Damansara, Mukim Damansara, Daerah Petaling, Negeri Selangor".

Everfort Builders Sdn. Bhd. ("Everfort") was engaged by JAKS Sdn. Bhd. as the sub-contractor for "Design, Fabricate, Supply, Deliver, Install, and Guarantee of Structural Steel Works for Shops Apartments for Blocks A, B, C, D and E" ("Works") under the said project.

On 24 April 2015, Everfort filed a suit in the Shah Alam Sessions Court against JAKS Sdn. Bhd. claiming the sum of RM447,511.97 based on its alleged completion of the Works and the final payment certificate.

On 25 June 2015, JAKS Sdn. Bhd. counterclaimed for the sum of RM15,566,367.74 against Everfort for Everfort's failure in the completion of its scope of work, additional costs incurred due to delay in Everfort's work and liquidated and ascertained damages.

In view of the amount of the counterclaim, the case was transferred to the Shah Alam High Court, and the trial has been fixed on 25 September 2017 to 27 September 2017.

## Notes To The Financial Statements (cont'd)

### 45. Financial instruments

#### (a) Classification of Financial Instruments

The table below provides an analysis of financial instruments categorised as follows:

- i) Loans and receivables ("L&R")
- ii) Other liabilities ("OL")

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>L&amp;R</b>				
<b>Financial Assets</b>				
Trade receivables	87,903,238	71,205,620	7,187,573	25,189,950
Other receivables and deposits	70,595,585	61,803,270	124,621	168,856
Amount owing by joint venture	70,350,869	151,151,368	-	-
Amount owing by subsidiaries	-	-	425,122,664	480,729,457
Deposits placed with licensed banks	60,536,366	41,369,569	-	8,194,431
Cash and bank balances	41,202,712	46,047,813	952,802	1,344,530
	330,588,770	371,577,640	433,387,660	515,627,224
<b>OL</b>				
<b>Financial Liabilities</b>				
Trade payables	197,983,882	150,445,833	-	-
Other payables and accruals	201,512,702	177,770,720	57,666,914	57,811,077
Amount owing to subsidiaries	-	-	67,601,106	129,564,256
Borrowings	530,915,314	556,562,364	51,119,957	55,054,651
	930,411,898	884,778,917	176,387,977	242,429,984

#### (b) Financial Risk Management and Objectives

The operations of the Group and of the Company are subject to a variety of financial risks, including credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group and the Company have formulated a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

##### (i) Credit Risk

Credit risk is the risk of a financial loss to the Group or the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. The Company's exposure to credit risk arises primarily from loan, advances and financial guarantees to subsidiaries.

The management has in place a credit procedure to monitor and minimise the exposure of default. Receivables are monitored on a regular and an ongoing basis. Credit evaluations are performed on all customers requiring credit over certain amount.

## Notes To The Financial Statements (cont'd)

### 45. Financial instruments (cont'd)

#### (b) Financial Risk Management and Objectives (cont'd)

##### (i) Credit Risk (cont'd)

###### a. *Exposure to credit risk*

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of trade and other receivables recognised in the statements of financial position.

Information regarding credit enhancements for trade receivables is disclosed in Note 19 to the financial statements.

###### b. *Credit risk concentration profile*

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The Group's trade receivables credit risk is concentrated in Malaysia.

The Group has no significant concentration of credit risk except as disclosed in Note 19 to the financial statements. The maximum exposures to credit risk are represented by the carrying amounts of the financial assets in the statements of financial position.

###### c. *Financial assets that are either past due or impaired*

Information regarding financial assets that are past due or impaired is disclosed in Note 19 to the financial statements.

###### d. *Intercompany balances*

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

As at the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount in the statements of financial position.

###### e. *Financial guarantee*

As disclosed in Note 38 to the financial statements, the Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting period, there was no indication that any subsidiary would default on repayment. The financial guarantees have not been recognised since the fair value on initial recognition was not material.

##### (ii) Liquidity Risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables and borrowings.

The Group and the Company maintain 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.

# Notes To The Financial Statements (cont'd)

## 45. Financial instruments (cont'd)

### (b) Financial Risk Management and Objectives (cont'd)

#### (ii) Liquidity Risk (cont'd)

##### *Maturity analysis*

The maturity profile of the Group's and the Company's financial liabilities based on undiscounted contractual repayment at the reporting date are as follows:

Group Financial liabilities	Carrying amount RM	Contractual undiscounted cash flows RM	On demand or within one year RM	Two to five years RM	Over five years RM
<b>2016</b>					
Trade payables	197,983,882	197,983,882	197,983,882	-	-
Other payables and accruals	201,512,702	201,512,702	201,512,702	-	-
Borrowings	530,915,314	625,953,074	299,942,265	89,628,024	236,382,785
	930,411,898	1,025,449,658	699,438,849	89,628,024	236,382,785
<b>2015</b>					
Trade payables	150,445,833	150,445,833	150,445,833	-	-
Other payables and accruals	177,770,720	177,770,720	177,770,720	-	-
Borrowings	556,562,364	686,467,971	255,391,663	169,693,632	261,382,676
	884,778,917	1,014,684,524	583,608,216	169,693,632	261,382,676
<b>Company</b>					
<b>2016</b>					
Other payables and accruals	57,666,914	57,666,914	57,666,914	-	-
Amount owing to subsidiaries	67,601,106	67,601,106	67,601,106	-	-
Borrowings	51,119,957	51,130,786	51,073,970	56,816	-
	176,387,977	176,398,806	176,341,990	56,816	-
<b>2015</b>					
Other payables and accruals	57,811,077	57,811,077	57,811,077	-	-
Amount owing to subsidiaries	129,564,256	129,564,256	129,564,256	-	-
Borrowings	55,054,651	55,091,055	54,693,343	397,712	-
	242,429,984	242,466,388	242,068,676	397,712	-

# Notes To The Financial Statements (cont'd)

## 45. Financial instruments (cont'd)

### (b) Financial Risk Management and Objectives (cont'd)

#### (iii) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of the Group's and Company's financial instrument will fluctuate because of changes in foreign exchange rates.

The Group and the Company has transactional currency exposure arising from cash and bank balances that are denominated in a currency other than Ringgit Malaysia ("RM"). The foreign currencies in which these transactions are denominated are mainly United States Dollar ("USD").

The Group's and the Company's exposure to foreign currency (a currency which is other than currency of the Group entities) risk, based on carrying amounts as at the end of reporting period is as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2016 RM</b>	<b>2015 RM</b>	<b>2016 RM</b>	<b>2015 RM</b>
<b>Denominated in United States Dollar</b>				
Cash and bank balances	625,915	255,154	625,911	190,592
Other receivables and deposits	30,291,715	-	-	-
Amount owing by subsidiaries	-	-	142,428,477	212,724,400
Amount owing by joint venture	68,182,256	151,151,368	-	-
Trade payables	(101,639,461)	-	-	-
Other payables and accruals	(57,104,453)	(54,642,121)	(57,104,453)	(54,642,121)
	(59,644,028)	96,764,401	85,949,935	158,272,871

#### *Sensitivity analysis for foreign currency risk*

A 5% strengthening of the RM against following currencies at the end of reporting period would (decrease)/increase profit before tax as per below. This analysis assumes that all other variables remain unchanged.

	<b>Group Profit before tax (Decrease)/ Increase RM</b>	<b>Company Profit before tax Increase RM</b>
<b>2016</b>		
United States Dollar	(2,982,201)	4,297,497
<b>2015</b>		
United States Dollar	4,838,220	7,913,644

A 5% weakening of the RM against above currencies at the end of the reporting period would have had an equal but opposite effect on the above currency to the amounts shown above on the basis that all other variable remain constant.

## Notes To The Financial Statements (cont'd)

### 45. Financial instruments (cont'd)

#### (b) Financial Risk Management and Objectives (cont'd)

##### (iv) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group manages the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an ongoing basis. The Management does not enter into interest rate hedging transactions as the cost of such instruments outweighs the potential risk of interest rate fluctuation.

The interest rate profile of the Group's and the Company's significant interest bearing financial instruments, based on the carrying amounts as at the end of the reporting period was:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>Fixed rate instruments</b>				
<i>Financial assets</i>				
Deposits placed with licensed banks	60,536,366	41,369,569	-	8,194,431
<i>Financial liabilities</i>				
Hire purchase liabilities	(2,481,909)	(4,744,093)	(386,883)	(733,491)
Term loans	(248,965,000)	(252,247,918)	-	-
	(190,910,543)	(215,622,442)	(386,883)	7,460,940
<b>Floating rate instruments</b>				
<i>Financial liabilities</i>				
Bank overdrafts				
- secured	(86,380,300)	(84,652,211)	(34,733,074)	(39,321,160)
Bills payables	(107,028,317)	(100,178,642)	-	-
Revolving credits	(16,000,000)	(15,000,000)	(16,000,000)	(15,000,000)
Term loans	(40,699,926)	(99,739,500)	-	-
Trade Commodity Financing	(29,359,862)	-	-	-
	(279,468,405)	(299,570,353)	(50,733,074)	(54,321,160)

##### Sensitivity analysis for interest rate risk

- Sensitivity analysis for fixed rate instruments

A change of 50 basis point ("bp") in interest rates at the end of reporting period would have increase or decrease the Group's and the Company's loss/profit before tax by RM954,553 and RM1,934 (2015: RM1,078,112 and RM37,305) respectively. This analysis assumes that all other variables remain unchanged.

- Sensitivity analysis for floating rate instruments

A change of 50 basis point ("bp") in interest rates at the end of reporting period would have increase or decrease the Group's and the Company's loss before tax by RM1,397,342 and RM253,665 (2015: RM1,497,852 and RM271,606) respectively. This analysis assumes that all other variables remain unchanged.

## Notes To The Financial Statements (cont'd)

### 45. Financial instruments (cont'd)

#### (c) Fair value of financial instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values except for the following:

	Carrying Amount RM	2016 Fair Value RM	Carrying Amount RM	2015 Fair Value RM
Fixed rate term loan	248,965,000	249,733,877	252,247,918	253,095,192

The following summarise the methods used to determine the fair values of the financial instruments:

- (i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.
- (ii) The fair value of finance lease liabilities is determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period.
- (iii) The carrying amounts of the term loans approximated their fair values as these instruments bear interest at variable rates.

#### (d) Fair value hierarchy

The Group and the Company do not have any financial instruments carried at fair value as at 31 December 2016.

### 46. Capital management

The primary objective of the Group's and Company's capital management is to ensure that it maintains a strong capital base and safeguard the Group's and Company's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The Group and Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances. Capital refers to equity attributable to the equity holders of the Company.

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Borrowings	530,915,314	556,562,364	51,119,957	55,054,651
Trade and other payables	399,496,584	328,216,553	57,666,914	57,811,077
Amount owing to subsidiaries	-	-	67,601,106	129,564,256
Less:				
Deposits placed with licensed banks	(60,536,366)	(41,369,569)	-	(8,194,431)
Cash and bank balances	(41,202,712)	(46,047,813)	(952,802)	(1,344,530)
Net debt	828,672,820	797,361,535	175,435,175	232,891,023
Equity attributable to the owners of the Company	504,884,892	501,112,318	488,210,597	502,014,491
Capital and net debt	1,333,557,712	1,298,473,853	663,645,772	734,905,514
Gearing ratio	0.62	0.61	0.26	0.32

## SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

### 47. Supplementary information on the disclosure of realised and unrealised profits or losses

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained profits or accumulated losses as at the end of reporting period, into realised and unrealised profits and/or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

Pursuant to the directive, the amounts realised and unrealised profits included in the retained profits of the Group and of the Company as at financial year end are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
The retained profits of the Group and of the Company				
- Realised	58,834,091	53,803,178	41,480,815	55,284,709
- Unrealised	(3,655,697)	579,358	-	-
	55,178,394	54,382,536	41,480,815	55,284,709

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements* as issued by the Malaysian Institute of Accountants on 20 December 2010.

The determination of realised and unrealised profits or losses is solely for complying with the disclosure requirements as stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

## PROPERTIES OF THE GROUP

### AS AT 31 DECEMBER 2016

Location/Address	Tenure	Area	Age of Building Approximate Years	Existing Use	Net Book Value RM'000	Date Of Company Acquisition/ Revaluation
Lot No 526, 527, 528 and 62506 Mukim of Damansara District of Petaling Selangor Darul Ehsan	Freehold land	Land area: 59,883 sq. metres	N/A	Land held for Property Development	38,879	17/5/2004
Lot No. 541 Mukim of Damansara District of Petaling Selangor Darul Ehsan	Freehold land	Land area: 12,140 sq. metres Gross building area: 6,023 sq. metres	22 Years	Office & Warehouse	6,878	17/5/2004
No. 924/1F, Storey No.1st Floor, Building No. Block: Front Unit Type 3, Taman Desa Cheras, Kuala Lumpur	Freehold Property. 1st Floor of 3 Storey Shophouse	Building area : 64.82 sq. metres (697.72 sq. feet)	14 Years	Vacant	49	23/12/2003
PN 30824, Lot. No. 18503, Mukim of Rawang, District of Gombak, State of Selangor	Leasehold Land (Duration - 99 Years) (Expiry date 11/7/2060)	Land area: 1,496 sq. feet Built up area : 1,280 sq. feet	5 years	Shoplot for investment	200	27/3/2012
H S (D) 224763 Lot No. PTD 42125 Mukim Senai, Kulai Daerah Johor Bahru Johor Darul Takzim	Freehold Single-storey Terrace House	Land area: 133.96 sq. metres (1,442 sq. feet)	14 Years	Vacant	105	5/11/2003
H S (D) 224752 Lot No. PTD 42114 Mukim Senai, Kulai Daerah Johor Bahru Johor Darul Takzim	Freehold Single-storey Terrace House	Land area: 133.96 sq. metres (1,442 sq. feet)	14 Years	Vacant	110	5/11/2003
B-17-09 Villa Kejora Type A Rilau Penang	Freehold Apartment	700 Sq feet	18 Years	Apartment for investment	74	12/3/1999
PT No. 35295 H.S. (D) 283505 Mukim Damansara, Petaling Selangor	Leasehold Property (Duration - 99 Years) (Expiry Date: 4/9/2097)	Land area: 182,952 sq feet	2 year	Investment Properties with Shopping Mall and Car Parks	338,270	23/8/2013
PN Lot 97384 Lot 141 Seksyen 13 Bandar Petaling Jaya Petaling Selangor	Leasehold Land (Duration - 99 Years) (Expiry Date: 21/5/2112)	Land area: 121,500 sq feet	N/A	Investment Properties under construction	59,650	19/8/2011

## ANALYSIS OF SHAREHOLDINGS

as at 13 April 2017

Issued Share Capital	:	482,197,172 ordinary shares
Class of Share	:	Ordinary Shares
Voting Right	:	One Vote per Ordinary Share held

### ANALYSIS OF SHAREHOLDINGS

as at 13 April 2017

Size of Holdings	No. of Shareholders	(%)	No. of Shares	(%)
1 – 99	961	7.810	35,309	0.007
100 – 1,000	6,407	52.068	1,925,712	0.399
1,001 – 10,000	3,287	26.713	16,851,731	3.495
10,001 – 100,000	1,356	11.020	44,280,310	9.183
100,001 – 24,109,857 (*)	294	2.389	419,104,110	86.916
24,109,858 and above (**)	0	0	0	0
	12,305	100.000	482,197,172	100.000

NOTES: \* Less than 5% of the issued shares  
 \*\* 5% and above of the issued shares

### 30 LARGEST SHAREHOLDERS

as at 13 April 2017

Names	No. of Shares	(%)
1. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ang Lam Poah	18,537,900	3.844
2. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Kit Pheng	18,519,500	3.840
3. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koon Yew Yin	16,671,700	3.457
4. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koon Yew Yin (002)	16,333,700	3.387
5. Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koon Yew Yin	15,950,800	3.307
6. HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koon Yew Yin (M)	14,817,800	3.072
7. Citigroup Nominees (Tempatan) Sdn Bhd Exempt an for AIA Bhd.	13,715,000	2.844
8. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Kit Pheng	12,950,000	2.685
9. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ang Lam Poah (KLC)	12,250,000	2.540
10. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koon Yew Yin	10,802,400	2.240

# Analysis Of Shareholdings

as at 13 April 2017 (cont'd)

## 30 LARGEST SHAREHOLDERS (cont'd)

as at 13 April 2017

	<b>Names</b>	<b>No. of Shares</b>	<b>(%)</b>
11.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koon Yew Yin	9,849,800	2.042
12.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Insurance (Malaysia) Berhad (LSF)	9,000,000	1.866
13.	Malacca Equity Nominees (Tempatan) Sdn Bhd Exempt an for Phillip Capital Management Sdn Bhd (EPF)	8,917,300	1.849
14.	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Kit Pheng (M)	8,445,100	1.751
15.	Malacca Equity Nominees (Tempatan) Sdn Bhd Exempt an for Phillip Capital Management Sdn Bhd	8,423,569	1.746
16.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Original Invention Sdn Bhd (MY2532)	7,500,000	1.555
17.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ang Lam Poah	6,480,000	1.343
18.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Original Invention Sdn Bhd (Positif Tiara)	6,000,000	1.244
19.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Upper Prestige Sdn Bhd	5,410,000	1.121
20.	CitiGroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	5,154,700	1.069
21.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Original Invention Sdn Bhd	5,121,000	1.062
22.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt an for Affin Hwang Asset Management Berhad (TSTAC/CLNT-T)	5,070,000	1.051
23.	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Jamian Bin Mohamad @ Md. Semaal (MX3357)	5,000,000	1.036
24.	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account – Ambank (M) Berhad for Ang Ken Seng	5,000,000	1.036
25.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Original Invention Sdn Bhd (51408459122A)	5,000,000	1.036
26.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Koon Yew Yin (MY0951)	4,980,000	1.032
27.	Cartaban Nominees (Asing) Sdn Bhd Exempt an for Standard Chartered Bank Singapore Branch (SG PVB CL AC)	4,000,000	0.829
28.	Cartaban Nominees (Tempatan) Sdn Bhd Exempt an for Standard Chartered Bank Singapore Branch (SG PVB CL AC-LR)	4,000,000	0.829
29.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yap Sung Pang	3,537,100	0.733
30.	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Jamian Bin Mohamad @ Md. Semaal (MX3356)	3,500,000	0.725

# Analysis Of Shareholdings

as at 13 April 2017 (cont'd)

## DIRECTORS' SHAREHOLDING

as at 13 April 2017

Names of Directors	Direct Interest		Indirect Interest	
	No. of Shares	(%)	No. of Shares	(%)
Ang Lam Poah	40,147,902	8.33	-	-
Dato' Razali Merican Bin Naina Merican	-	-	*26,121,000	5.42
Ang Lam Aik	-	-	-	-
Dato' Azman Bin Mahmood	-	-	-	-
Liew Jee Min @ Chong Jee Min	-	-	-	-
Tan Sri Datuk Hussin Bin Haji Ismail	-	-	-	-

### NOTES:

\* Deemed interest by virtue of his shareholdings in Original Invention Sdn Bhd

## SHARES IN RELATED CORPORATION

None of the above Directors has any direct interest in shares in the related corporation as at 13 April 2017.

## SUBSTANTIAL SHAREHOLDERS

as at 13 April 2017

Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	(%)	No. of Shares	(%)
1. Ang Lam Poah	40,147,902	8.33	-	-
2. Original Invention Sdn Bhd	26,121,000	5.42	-	-
3. Dato' Razali Merican Bin Naina Merican	-	-	*26,121,000	5.42
4. Koon Yew Yin	95,262,300	19.76	-	-
5. Tan Kit Pheng	39,914,600	8.28	-	-

### NOTES:

\* Deemed interest by virtue of his shareholdings in Original Invention Sdn Bhd

# NOTICE OF FIFTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifteenth Annual General Meeting of the Company will be held at Grand Pacific Event Hall, 3rd Floor, Evolve Concept Mall, Pacific Place @ Ara Damansara, Jalan PJU 1A/4, Ara Damansara, Petaling Jaya, 47301 Selangor Darul Ehsan on Thursday, 22 June 2017 at 10.00 a.m. for the purpose of considering the following businesses:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon.
2. To re-elect the following Directors who are retiring pursuant to the Company's Article of Association :
  - (i) Dato' Azman Bin Mahmood (Article 101) **Resolution 1**
  - (ii) Dato' Razali Merican Bin Naina Merican (Article 101) **Resolution 2**
3. To approve the payment of Directors' Fees of RM5,000 per month for each of the Non-Executive Directors for the financial year ending 31 December 2017. **Resolution 3**
4. To approve the payment of Meeting Attendance Allowances of RM1,500 per meeting for each Director and an additional RM500 per meeting for the Chairman of the meeting with effect from February 2017 until otherwise resolved. **Resolution 4**
5. To appoint Messrs UHY as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 5**
6. To consider and if thought fit, pass the following resolution:

## **ORDINARY RESOLUTION:**

### **Authority to allot shares pursuant to Section 76 of the Companies Act, 2016**

## **Resolution 6**

"THAT pursuant to Section 76 of the Companies Act, 2016 and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

**LEONG OI WAH** (MAICSA 7023802)

**Company Secretary**

Petaling Jaya

28 April 2017

## Notice Of Fifteenth Annual General Meeting (cont'd)

### Notes:

1. A Member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a proxy or in the case of a corporation a duly authorised representative to attend and to vote in his stead.
2. When a Member appoints two or more proxies, the proxies shall not be valid unless the Member specifies the proportion of his shareholdings to be represented by each proxy.
3. The instrument appointing proxy shall be in writing under the hands of the appointed or of his attorney duly authorised in writing or, if such be executed appointed is a corporation under its common seal, or the hand of its attorney.
4. The instrument appointing a proxy together with the power of attorney (as the case may be) must be deposited at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur at least 48 hours before the time appointed for holding the meeting or adjourned meeting.
5. Depositors who appear in the Record of Depositors as at 15 June 2017 shall be regarded as Member of the Company entitled to attend the Fifteenth Annual General Meeting or appoint a proxy to attend and vote on his behalf.

### NOTES:

#### Resolution 6:

The proposed Resolution 6 will give powers to the Directors to issue up to a maximum ten per centum (10%) of the issued share capital of the Company for the time being for such purposes as the Directors would consider in the best interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting of the Company.

The general mandate sought for issue of securities is a renewal of the mandate that was approved by the shareholders on 28 June 2016. The Company had utilised the earlier mandate for the private placement of 43,836,100 ordinary shares of the Company on 24 March 2017 and raised proceeds of RM59,617,096.00. The status of utilisation of proceeds as at 31 March 2017 is as follows.

Proposed utilisation of proceeds	Proceeds raised RM'000	Utilised as at 31.3.2017 RM'000	Timeframe for utilisation RM'000
On-going projects undertaken by JRB and its subsidiaries ("JRB Group" or "Group")	34,000	-	Within 12 months
Working capital	24,326	14,500	Within 6 months
Estimated expenses relating to the Proposed Private Placement	1,291	-	Within 3 months
	<b>59,617</b>	<b>14,500</b>	

The renewal of the general mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions or the issuance of shares as consideration for the acquisition of assets.

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**JAKS RESOURCES BERHAD**  
585648-T

**PROXY FORM**

Number of Shares Held

\*I/We \_\_\_\_\_ (Full Name in Block Letters) of  
\_\_\_\_\_ (Address) being a

member / members of JAKS Resources Berhad hereby appoint \*Mr/Ms \_\_\_\_\_  
of \_\_\_\_\_

(the next name and address should be completed where it is desired to appoint two/more proxies)

or \*Mr/Ms \_\_\_\_\_ of \_\_\_\_\_

or failing \*him/\*her/\*them, the Chairman of the Meeting as \*my/our \*proxy/proxies to attend and vote for \*me/us on \*my/our behalf, and if necessary, to demand a poll, at the Fifteenth Annual General Meeting of the Company to be held at Grand Pacific Event Hall , 3rd Floor, Evolve Concept Mall, Pacific Place @ Ara Damansara Jalan PJU 1A/4, Ara Damansara, Petaling Jaya, 47301 Selangor Darul Ehsan on Thursday, 22 June 2017 at 10.00 a.m. and at any adjournment thereof.

\*I/We direct \*my/our \*proxy/proxies to vote for or against the Resolutions to be proposed at the meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any item arising not summarised below, \*my/our \*proxy/proxies may vote or abstain from voting at his/her discretion.

No.	Resolutions	For#	Against#
1.	Re-election of Dato' Azman Bin Mahmood as Director		
2.	Re-election of Dato' Razali Merican Bin Naina Merican as Director		
3.	Payment of Directors' Fees		
4.	Payment of Meeting Allowance		
5.	Appointment of Messrs UHY as Auditors		
6.	Approval to allot shares pursuant to Section 76 of the Companies Act, 2016		

# Please indicate your vote "For" or "Against" with an "X" within the box provided.

\* Delete if not applicable

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2017

\_\_\_\_\_  
Signature/Common Seal of Shareholder(s)

**Notes: -**

1. A Member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a proxy or in the case of a corporation a duly authorised representative to attend and to vote in his stead.
2. When a Member appoints two or more proxies, the proxies shall not be valid unless the Member specifies the proportion of his shareholdings to be represented by each proxy.
3. The instrument appointing proxy shall be in writing under the hands of the appointed or of his attorney duly authorised in writing or, if such be executed appointed is a corporation under its common seal, or the hand of its attorney.
4. The instrument appointing a proxy together with the power of attorney (as the case may be) must be deposited at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur at least 48 hours before the time appointed for holding the meeting or adjourned meeting.
5. Depositors who appear in the Record of Depositors as at 15 June 2017 shall be regarded as Member of the Company entitled to attend the Fifteenth Annual General Meeting or appoint a proxy to attend and vote on his behalf.

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**JAKS RESOURCES BERHAD** (585648-T)  
c/o TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD  
Unit 32-01, Level 32, Tower A,  
Vertical Business Suite, Avenue 3,  
Bangsar South, No. 8, Jalan Kerinchi,  
59200 Kuala Lumpur

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## **JAKS RESOURCES BERHAD**

585648-T

Lot 526 Persiaran Subang Permai,  
Sungai Penaga Industrial Park, USJ 1,  
47600 Subang Jaya, Selangor Darul Ehsan, Malaysia.

Tel : 603 - 5633 1988

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