KIMLUN

KIMLUN CORPORATION BERHAD

(Company No. 867077-X)
(Incorporated in Malaysia under the Companies Act, 1965)

Uplifting Standards

ANNUAL REPORT 2016

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CORPORATE INFORMATION

Board Of Directors

Pang Tin @ Pang Yon Tin
Executive Chairman

Sim Tian Liang
Chief Executive Officer and
Executive Director

Chin Lian Hing
Executive Director

Yam Tai Fong
Executive Director

Pang Khang Hau
Executive Director

Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah
Independent
Non-Executive Director

Kek Chin Wu
Independent
Non-Executive Director

Chua Kee Yat @ Koo Kee Yat
Independent
Non-Executive Director

AUDIT COMMITTEE

Chairman
Kek Chin Wu
Independent
Non-Executive Director

Members
Chua Kee Yat @ Koo Kee Yat
Independent
Non-Executive Director

Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah
Independent
Non-Executive Director

REMUNERATION COMMITTEE

Chairman
Sim Tian Liang
Chief Executive Officer and
Executive Director

Members
Chua Kee Yat @ Koo Kee Yat
Independent
Non-Executive Director

Kek Chin Wu
Independent
Non-Executive Director

NOMINATION COMMITTEE

Chairman
Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah
Independent
Non-Executive Director

Members
Chua Kee Yat @ Koo Kee Yat
Independent
Non-Executive Director

Kek Chin Wu
Independent
Non-Executive Director

COMPANY SECRETARIES

Wong Peir Chyun
(MAICSA 7018710)
Tay Lee Shya (MIA 16982)
Yeng Shi Mei (MAICSA 7059759)

HEAD OFFICE

Suite 19.06, Level 19,
Johor Bahru City Square
106-108, Jalan Wong Ah Fook
80000 Johor Bahru,
Johor Darul Takzim
Telephone No. : (+607) 222 8080
Facsimile No. : (+607) 223 8282
E-mail : info@kimlun.com
Web-site : www.kimlun.com

REGISTRAR & TRANSFER OFFICE

Tricor Investor & Issuing House Services Sdn. Bhd
Unit 32-01, Level 32,
Tower A, Vertical Business Suite,
Avenue 3, Bangsar South,
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59200 Kuala Lumpur.
Telephone No. : (+603) 2783 9299
Facsimile No. : (+603) 2783 9222

REGISTERED OFFICE

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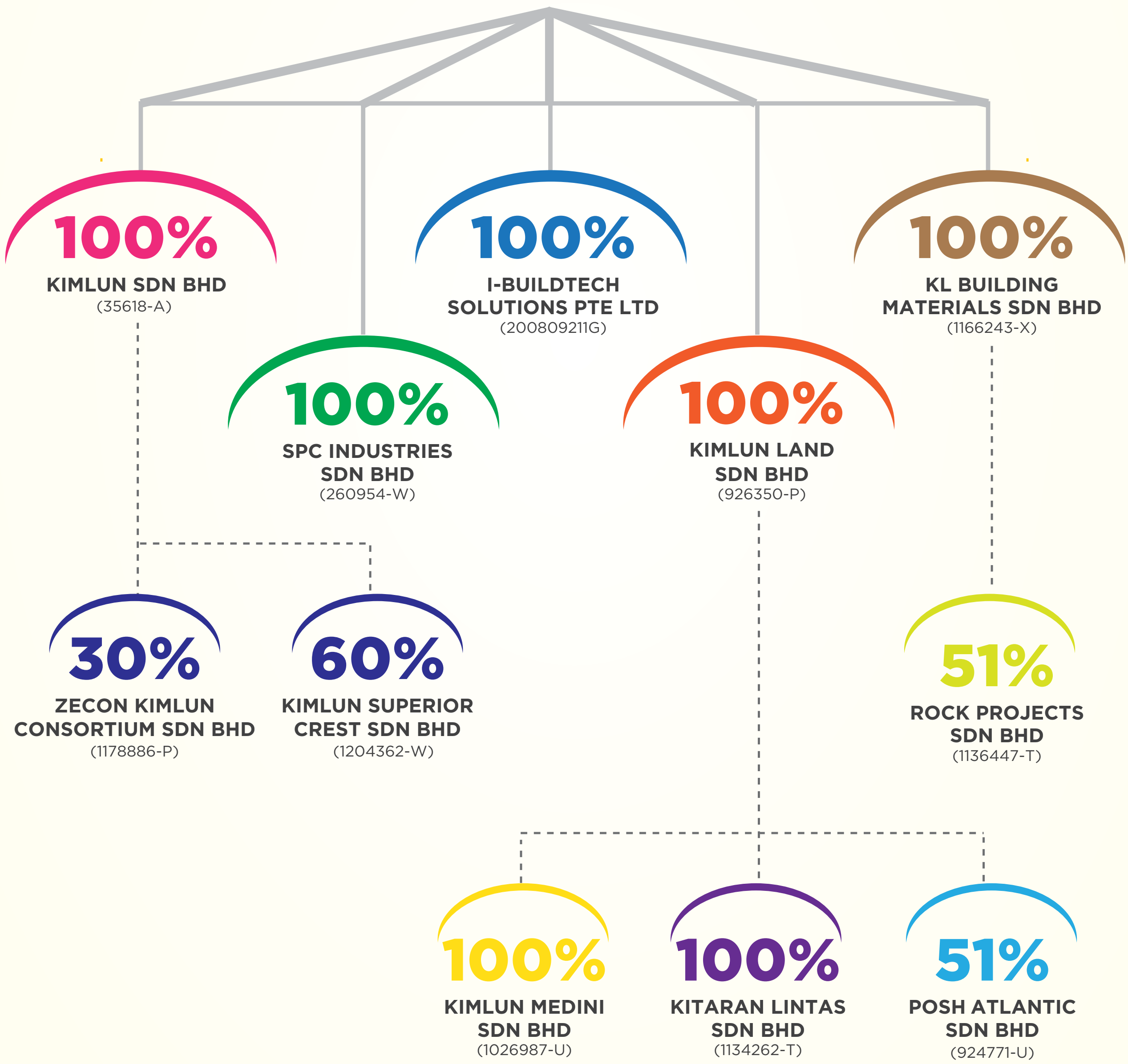
Tower A, Vertical Business Suite,
Avenue 3, Bangsar South,
No.8, Jalan Kerinchi,
59200 Kuala Lumpur
Telephone No. : (+603) 2783 9191
Facsimile No. : (+603) 2783 9111

AUDITOR

Ernst & Young (AF: 0039)
Suite 11.2, Level 11,
Menara Pelangi 2,
Jalan Kuning, Taman Pelangi
80400 Johor Bahru,
Johor Darul Takzim
Telephone No. : (+607) 334 1740
Facsimile No. : (+607) 334 1749

CORPORATE STRUCTURE

KIMLUN CORPORATION BERHAD
(Company No. 867077-X)
(Incorporated in Malaysia under the Companies Act, 1965)



CORP MILEST

1977
- Our humble beginnings started when Kimlun Earthworks Sdn Bhd was incorporated

1994
- Kimlun Earthworks Sdn Bhd changed its name to Kimlun Sdn Bhd ("KLSB")

1997-2002
- KLSB Involved in building construction and infrastructure projects with contract value less than RM20.0 million each in Johor, Malaysia

2002
- SPC Industries Sdn Bhd ("SPC") commenced its pre-cast concrete business

2003
- KLSB secured its first contract with a value exceeding RM20.0 million for the construction of apartments and townhouses
- SPC was accredited with ISO9001:2000 Quality Management

2004
- SPC supplied concrete sewerage tunnel segments to Pantai Trunk Sewerage Bored Tunnel project in Kuala Lumpur

2005
- KLSB ventured into specialised infrastructure construction by constructing the Tanjung Puteri flyover in Johor Bahru
- KLSB ventured into Klang Valley with the construction of 70 units of semi detached houses
- SPC secured its first sales contract for the supply of concrete tunnel lining segments to Singapore MRT project

2006
- KLSB secured specialised infrastructure construction project for the upgrading works of the Perling Interchange in Johor Bahru

2007
- KLSB was accredited the "ISO 9001:2000, Quality Management System" certification

2008
- KLSB secured the project for the construction of the elevated interchangealong Johor Bahru Inner Ring Road – Package 3B Jalan Abu Bakar Interchange with a contract value exceeding RM100 million
- KLSB formed IBS Department to promote IBS construction methods
- I-Buildtech Solutions Pte Ltd ("IBT") was incorporated in Singapore

2009

- KLSB secured its first IBS building project from Iskandar Regional Development Authority at a contract value of RM142.81 million
- Kimlun Corporation Berhad was incorporated as an investment holding company

2010

- Kimlun Corporation Berhad acquired KLSB, SPC and IBT in conjuction with its proposed initial public offering exercise
- Kimlun Corporation Berhad was successfully listed on the Main Market of Bursa Malaysia Securities Berhad on 29 June 2010
- Kimlun Corporation Berhad incorporated a new wholly-owned subsidiary namely, Kimlun Land Sdn Bhd ("KLLSB")

2011

- KLLSB subscribed for 51% equity interest in Posh Atlantic Sdn Bhd ("PASB"). The principal activity of PASB is property development
- Kimlun Group ventured into property development with its first development land in Cyberjaya, Selangor

2012

- SPC was appointed by Mass Rapid Transit Corporation Sdn Bhd as the designated supplier for the supply of segmental box girders ("SBG") to certain packages of the Projek Mass Rapid Transit Lembah Kelang: Jajaran Sungai Buloh-Kajang for RM223.18 million
- KLSB secured more than RM400 million worth of IBS projects during 2012
- KLLSB incorporated a wholly-owned subsidiary, Kimlun Medini Sdn Bhd ("KMSB"). The principal activities of KMSB are property investment and property development

2013

- Kimlun Group launched its first property development project, the Hyve SOHO and Offices in Cyberjaya, Selangor
- KLSB secured its first contract with a value exceeding RM290 million for the construction of service apartments and ancillary buildings
- SPC set up a new precast concrete products manufacturing plant on a piece of land measuring approximately 130 acres in Negeri Sembilan, and commenced production 2008 during the year

2015

- Kimlun Corporation Berhad incorporated a wholly-owned subsidiary, KL Building Materials Sdn Bhd ("KBMSB"). The principal activities of KBMSB are manufacturing and trading of building and construction materials, and provision of quarry services and machinery rental services.

2016

- KBMSB purchased and subscribed for 51% equity interest in Rock Projects Sdn Bhd ("RPSB"). The principal activities of RPSB are quarry and quarry related services.
- KLSB purchased and subscribed for 30% equity interest in Zecon Kimlun Consortium Sdn Bhd ("ZKC").
- ZKC was awarded a work package contract for the Proposed Development and Upgrading of the Pan Borneo Highway in Sarawak for a contract sum of RM1.46 billion. This signifies the Group's geographical diversification to East Malaysia, and expansion of its construction services to highway project. The Project is the single largest contract which the Group won in its history.
- SPC won SBG and tunnel lining segments supply contracts in relation to Projek Mass Rapid Transit Lembah Kelang: Jajaran Sungai Buloh-Putrajaya Line, with aggregate contract value of RM252 million.
- KLSB incorporated a 60%-owned subsidiary, Kimlun Superior Crest Sdn Bhd ("KSCSB"). The principal activity of KSCSB is building and infrastructure contractor.

DIRECTORS' PROFILE

PANG TIN @ PANG YON TIN

Executive Chairman

Pang Tin @ Pang Yon Tin, a Malaysian aged 70, male, was appointed to the Board as Executive Chairman of Kimlun Corporation Berhad on 24 October 2009 and is responsible for overseeing the management of our Group.

He completed Senior Middle Three at Foon Yew High School in Johor Bahru, Johor, in 1966. He commenced his career in the construction industry in 1966 by assisting his late father in his construction business. He, together with Phang Piow @ Pang Choo Ing, incorporated Kimlun Sdn Bhd in 1977 to continue their venture in the construction industry. With the experience gained in the construction industry, he ventured into quarry business in 1970s and into property development in 1980s.

He has more than 30 years of experience in various sectors, encompassing property development, property investment, construction, quarrying, manufacturing and hotel management. He also sits on the Board of several private limited companies.

SIM TIAN LIANG

Chief Executive Officer & Executive Director

Sim Tian Liang, a Malaysian aged 63, male, was appointed to the Board as Chief Executive Officer of Kimlun Corporation Berhad on 24 October 2009 and is responsible for strategic planning and for the overall management of the Group. He is the Chairman of the Remuneration Committee.

He graduated from Universiti Teknologi Malaysia in 1978, obtaining a Bachelor Degree (Honours) in Engineering. Currently, he is the Past Chairman of the Institution of Engineers Malaysia Southern Branch and the President of Johor Master Builders Association. He is also a member of the Chartered Institution of Highway and Transportations of the UK.

He is a professional engineer registered with the Board of Engineers, Malaysia, and has been in the construction industry since 1978 where he commenced work as a civil engineer with the Malaysian Government. He joined Pang Hock Constructions Sdn Bhd (now known as Tebrau Bay Constructions Sdn Bhd) towards the end of 1996 and was appointed as its Project Director in 1997 where his responsibilities included overseeing, monitoring and management of building and infrastructure construction projects. In 2003, he left Pang Hock Constructions Sdn Bhd and joined Kimlun Sdn Bhd as Chief Executive Officer. His primary role is to oversee the execution of corporate objectives, as well as to provide the strategic direction of the company.

DIRECTORS' PROFILE

CHIN LIAN HING

Executive Director

Chin Lian Hing, a Malaysian aged 53, male, was appointed to the Board as Executive Director of Kimlun Corporation Berhad on 24 October 2009 and is responsible for the operations and business development activities of our construction business.

He graduated from Tunku Abdul Rahman College, Malaysia, in 1988, obtaining a Diploma in Technology (Building). He holds a Bachelor Degree of Applied Science (Constructions Management and Economics) from Curtin University of Technology, Australia.

He has been in the construction industry since 1988 where he commenced work as an Assistant Quantity Surveyor in Rukumas Sdn Bhd, leaving in 1989 to join AJ Construction Sdn Bhd as a Quantity Surveyor. In 1990, he joined Hoon Lay Kien Construction also as a Quantity Surveyor. Thereafter, he joined Chin Kek Ling Transport in mid-1990 before leaving to join Pang Hock Constructions Sdn Bhd (now known as Tebrau Bay Constructions Sdn Bhd) in January 1992. During his time at Pang Hock Constructions Sdn Bhd, his last held position was General Manager (Operations and Contracts) and he was responsible for overseeing the tendering of building and infrastructure construction projects, and project implementation. He left Pang Hock Constructions Sdn Bhd in 2002 to join Kimlun Sdn Bhd, where he is responsible for the operations and business development activities of the company.

YAM TAI FONG

Executive Director

Yam Tai Fong, a Malaysian aged 50, female, was appointed to the Board as Executive Director of Kimlun Corporation Berhad on 24 October 2009 and is responsible for all financial matters concerning our Group.

She graduated from Monash University, Australia, in 1990, obtaining a Bachelor Degree in Economics. Since 1994, she has been a member of the Malaysian Institute of Accountants.

She commenced her career at Ernst & Young, Malaysia, in 1991, with responsibilities for audit, taxation and corporate advisory matters, leaving in 1994 to join Pang Hock Constructions Sdn Bhd (now known as Tebrau Bay Constructions Sdn Bhd). Whilst at Pang Hock Constructions Sdn Bhd, she was responsible for the financial management and management reporting of its affairs. She left Pang Hock Constructions Sdn Bhd in 2003 to join Kimlun Sdn Bhd to assume similar responsibilities.

DIRECTORS' PROFILE

PANG KHANG HAU

Executive Director

Pang Khang Hau, a Malaysian aged 36, male, was appointed to the Board as Executive Director of Kimlun Corporation Berhad on 24 October 2009 and is responsible for the corporate affairs of our Group, including business development activities, public relations activities, human resource, administration and management.

He graduated from the University of Western Australia in 2005, obtaining a Bachelor Degree in Civil Engineering. He completed a Master of Business Administration degree at the University of Liverpool, UK, in 2010. He commenced his career in the construction industry in 2006 with his appointment as a Director of Kimlun Sdn Bhd where he is responsible for business development activities, human resource, administration and management.

DATO' PADUKA (DR.) IR. HJ. KEIZRUL BIN ABDULLAH

Independent Non-Executive Director

Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah, a Malaysian aged 66, male, was appointed to the Board as Independent Non-Executive Director of Kimlun Corporation Berhad on 24 October 2009. He is the Chairman of the Nomination Committee and a member of the Audit Committee.

He holds a Bachelor Degree (Honours) in Civil Engineering from Universiti Malaya and a Masters degree in Water Resources Engineering from the University of Newcastle Upon Tyne, UK. Upon graduation in 1975, he joined the Department of Irrigation and Drainage (DID) Malaysia, and over an illustrious career, rose to become the Director General in 1997 until his retirement from public service eleven years later. He oversaw the development of a Flood Mitigation Master Plan for Kuala Lumpur and managed the SMART Tunnel Project (a unique and innovative flood mitigation project utilising a tunnel for both flood and traffic use) from conception to commissioning. In 2015, Dato' Paduka Keizrul was one of the recipients of the first ever CIDB Fellowship Awards conferred to individuals who have contributed greatly in building the nation.

On the corporate side, he is Chairman of Wetlands International Malaysia, a not-for-profit company limited by guarantee ; as well as an Independent Non-Executive Director with George Kent (Malaysia) Bhd., an engineering based company listed on the Main Board of Bursa Malaysia. He is an alumni of the Senior Executive Programme at the London Business School (1997), and the Advanced Management Programme at the Harvard Business School (2002).

DIRECTORS' PROFILE

KEK CHIN WU

Independent Non-Executive Director

Kek Chin Wu, a Malaysian aged 46, male, was appointed to the Board as Independent Non-Executive Director of Kimlun Corporation Berhad on 24 October 2009. He is the Chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee.

He graduated from the Association of Chartered Certified Accountants ("ACCA") UK, with a professional degree in accounting and he is currently a Fellow Member of ACCA UK.

He has over 20 years of experience in the fields of auditing, corporate finance and business advisory services. He commenced his career in the field of auditing in BDO Binder Malaysia in 1993 before moving on to join Price Waterhouse in 1995 where he gained experience in auditing various industries. He then joined Bumiputra Merchant Bankers Berhad in 1997 where he provided advisory services to various public listed companies. He later served as the Corporate Finance Manager of Paracorp Berhad, a company listed on the then Main Board of Bursa Securities, from 1998 to 1999 where he was involved in the planning and execution of corporate exercises. He is currently the Managing Director of Paragon Advisory Sdn Bhd, a consulting firm which provides business advisory services.

CHUA KEE YAT @ KOO KEE YAT

Independent Non-Executive Director

Chua Kee Yat @ Koo Kee Yat, a Singaporean aged 63, male, was appointed to the Board as Independent Non-Executive Director of Kimlun Corporation Berhad on 24 October 2009. He is a member of the Audit Committee, Remuneration Committee and Nomination Committee.

He is a senior member of The Institution of Engineers, Singapore. He graduated from the University of Singapore (now the National University of Singapore) in 1977 with a Bachelor Degree in Engineering (Mechanical).

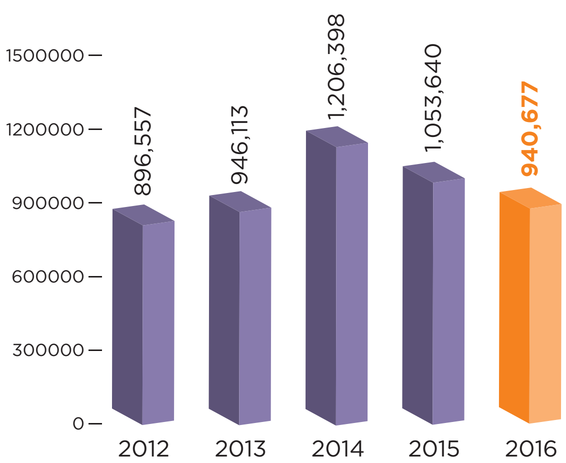
Upon graduation, he served his national service with Singapore Armed Forces from 1977 to 1979 and continued as Naval Engineering Officer and later as Defence Engineering Scientific Officer in Republic of Singapore Navy until 1989. He joined MTU Asia Pte Ltd in 1989 as Head of Application Engineering in Sales and Application Department overseeing the diesel engines sales and business development in marine sector within the company and providing the operations support to the Agents/Distributors in the Asia region. He was responsible for the operations of MTU Singapore Pte Ltd in 2002 to 2003 before posted to The People's Republic of China as Head of Greater China Operations in 2004 to 2006. During this period, a new factory was constructed while the operations were further developed with the establishment of in-country sales and service network. In 2006, he was engaged by Draka Cableteq Asia Pacific Holding Pte Ltd, as President for Greater China Operations, responsible for setting up a new production factory and growth of sales and operations of Draka China Operations in Suzhou. He joined Luerssen Marine Technology Ltd as Director from July 2014 to September 2015. He was engaged as consultant and later as a Director for the acquired KSL-Kuttler Automation Systems GmbH till end 2016.

Notes to Directors' Profile :

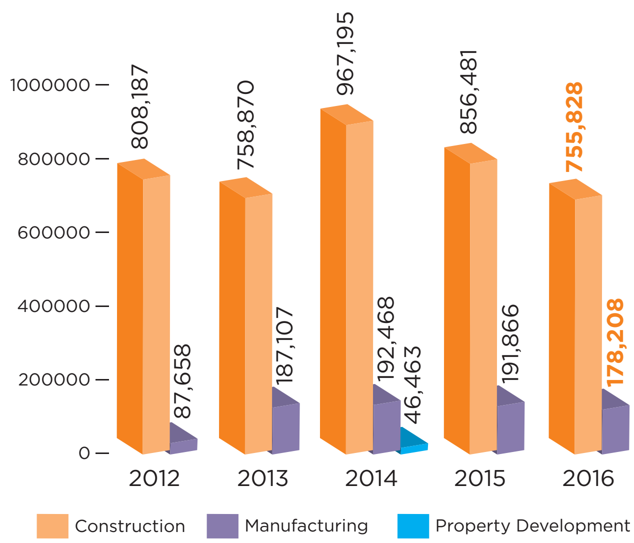
1. Pang Tin @ Pang Yon Tin is the father of Pang Khang Hau. Save as disclosed, none of the directors have any family relationship with any other director and/or major shareholder of the Company.
2. Save for Pang Tin @ Pang Yon Tin and Pang Khang Hau, who have interest in recurrent related party transactions as disclosed under Note 31 to the financial statements contained in this Annual Report, none of the directors have any conflict of interest with the Company.
3. None of the directors have been convicted of any offences within the past five (5) years and imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2016 other than traffic offences, if any.

GROUP FINANCIAL HIGHLIGHTS

REVENUE
RM'000



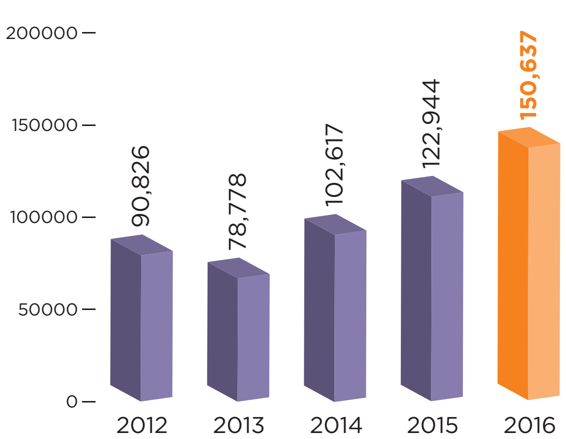
REVENUE BY SEGMENT
RM'000



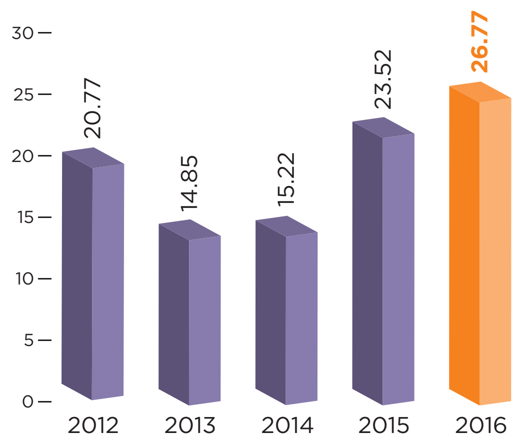
Revenue derived from investment activities in year 2012 to 2016, and property development activities in year 2015 to 2016 were negligible and could not be shown on chart.

GROUP FINANCIAL HIGHLIGHTS

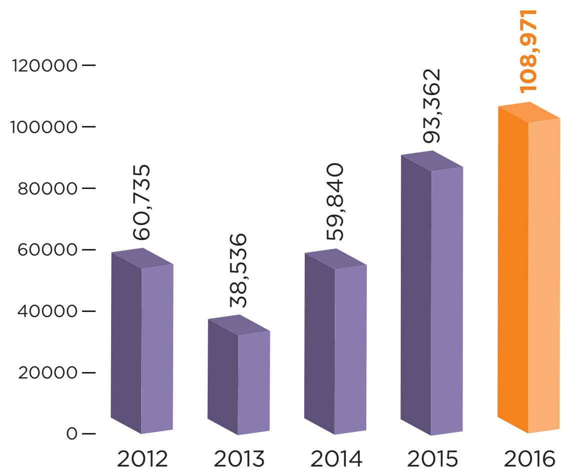
GROSS PROFIT
RM'000



BASIC EARNINGS PER SHARE
Sen

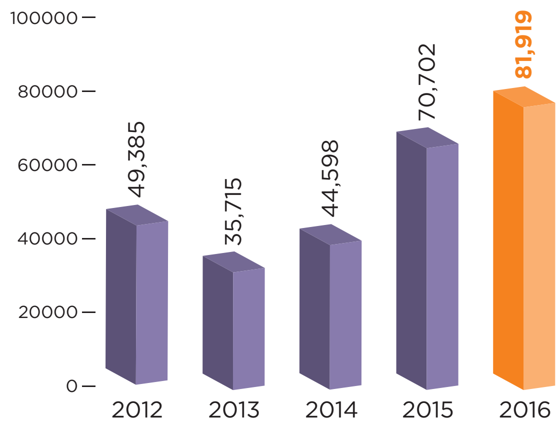


PROFIT BEFORE TAX
RM'000

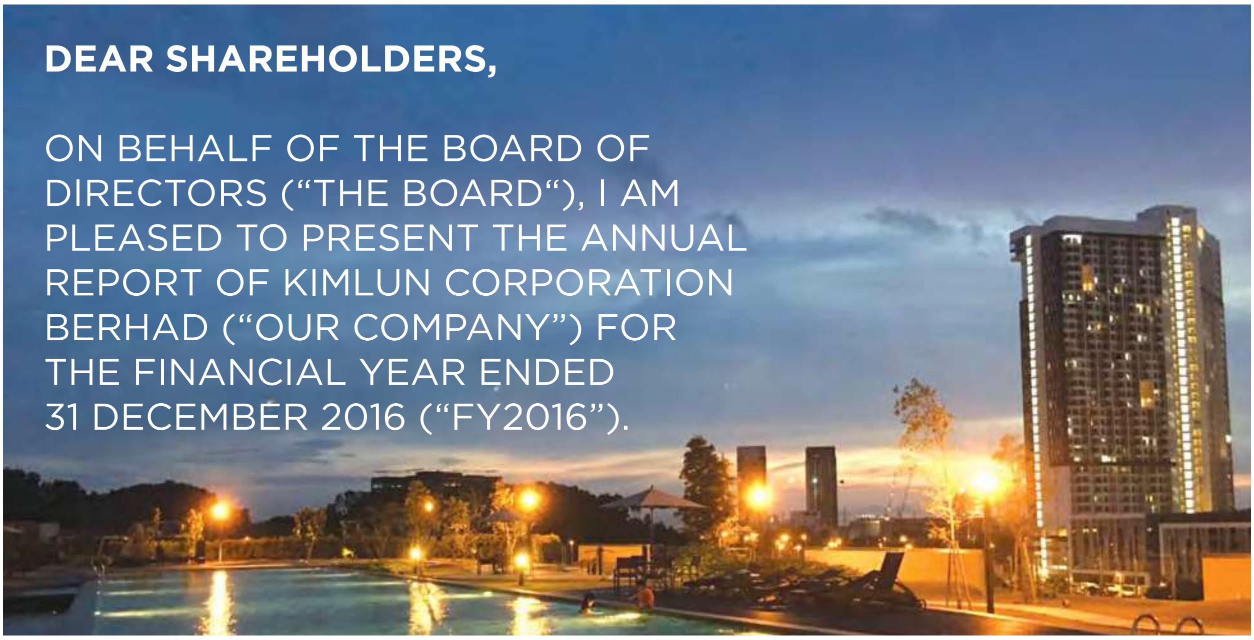


PROFIT AFTER TAX
RM'000

CAGR 13.5%



CHAIRMAN'S STATEMENT



DEAR SHAREHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS ("THE BOARD"), I AM PLEASED TO PRESENT THE ANNUAL REPORT OF KIMLUN CORPORATION BERHAD ("OUR COMPANY") FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 ("FY2016").

Our Performance

For FY2016, we achieved a revenue of RM940.68 million, which was 10.7% lower compared to RM1,053.64 million registered in the financial year ended 31 December 2015 ("FY2015"). The lower revenue achieved in FY2016 was due to the lower revenue generated by all the active business divisions save for property development division. Nonetheless, we achieved a historical high in our profit attributable to owners of the Company of RM81.92 million in FY2016, which was 15.9% higher compared to the results achieved in FY2015. This was attributable to amongst others, execution of projects and sales orders with better margins, lower raw material costs and fuel prices, and lower finance cost in FY2016.

Business Review

During FY2016, we secured, amongst others the following sizable projects and sales orders:

(i) Pan Borneo Highway Sarawak ("PBH") – our 30% held joint venture company, Zecon Kimlun Consortium Sdn Bhd was awarded with a work package under the PBH for a contract sum of RM1.46 billion ("Project"). The winning of the Project signifies our geographical diversification to East Malaysia, and expansion of our construction services to highway projects. To-date, the Project is the single largest contract won by us in our history;

(ii) the construction of 5 blocks of Selangorku affordable apartments in Mukim Petaling, Selangor for a contract sum of approximately RM166 million; and

(iii) the supply contracts in relation to the supply of segmental box girders and tunnel lining segments to Klang Valley MRT Line 2, with aggregate contract value of approximately RM252 million.

Looking Ahead

The Board is consciously optimistic of our performance in 2017 on the back of estimated construction and manufacturing balance order book of approximately RM1.67 billion and RM0.26 billion respectively as at 31 December 2016. The Board is optimistic that the construction sector of Malaysia and Singapore will continue to be vibrant in 2017, thus offer order book replenishment prospects.

Recent Corporate Development

During FY2016, the Company established a dividend reinvestment plan ("DPR") that provides the shareholders with an option to elect to reinvest their dividends in new shares in the Company ("New Shares").

CHAIRMAN'S STATEMENT

The Company applied the DRP to the entire FY2015 final dividend ("First DRP"). 87.6% of shareholders had elected to reinvest their dividend pursuant to the First DRP. The electable portion of the FY2015 final dividend which was not reinvested in new shares in the Company was paid in cash on 19 August 2016.

Reward to Shareholders – Dividend

While we do not adopt a formal dividend policy, our Company has been declaring dividends within a range from 23% to 30% of the profit attributable to owners of the Company for the past 6 financial years. In respect of FY2016, the Board recommends a final single tier dividend of 6.5 sen per share. The recommended final dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting ("AGM"), and it represents a pay-out ratio of approximately 24.6% of FY2016's profit attributable to owners of the Company.

The Board has determined that the DRP will apply to the proposed final dividend in respect of FY2016 and all shareholders of the Company be given an option to reinvest the entire final dividend in New Shares ("Reinvestment Option"), subject to approvals being obtained from the following:

(i) Bursa Securities for the listing of and quotation for the New Shares to be issued pursuant to the implementation of the DRP for the final dividend on the Main Market of Bursa Securities;

(ii) Shareholders in the forthcoming AGM for the declaration of the final dividend and the issuance of such number of New Shares as may be required pursuant to the exercise of the Reinvestment Option by the shareholders; and

(iii) Approval from other relevant authorities and/ or parties, if required.

The Company is always mindful to reward our loyal shareholders who have supported our growth over the years while trying to strike a balance with the funding needs at our different development phases.
Acknowledgement

On behalf of the Board, I would like to extend my heartfelt gratitude to our shareholders, bankers, customers, business partners and regulatory authorities for their continued support, guidance and assistance. The Board would like to express our appreciation to our management team and employees for their hard work and dedication.

Pang Tin @ Pang Yon Tin
Chairman

主席文告

敬爱的股东，

本人谨代表董事局提呈金轮企业有限公司（“本公司”）截至2016年12月31日财政年（“2016财政年”）的年度报告。

我們的表現

我们在2016财政年的营业额报九亿四千零六十八万令吉，比较2015财政年的十亿五千三百六十四万令吉，下跌幅度为10.7%。

2016财政年的营业额减少，主要是因为除了房地產發展部門以外的所有活跃业务皆贡献较低营业额。

无论如何，我们在2016财政年的盈利創下了历史新高，达八千一百九十二万令吉，比2015财政年的盈利高出15.9%。這主要归功于我们在2016财政年執行了更佳賺幅的工程与銷售订单，较低的原料成本,汽油价格和融資开销。

业务回顧

我們在2016财政年接獲多宗的工程与銷售订单,包括以下几項大型的工程与订单:

1. **泛婆罗州大道**
   金轮私人有限公司与亿强工程有限公司(Zecon)联手成立的联营公司，获颁总值十四亿六千万令吉的合约，以在砂拉越州承建与提升泛婆罗州大道。金轮私人有限公司持有该联营公司的30%股权。赢得这项合约，意味着我们将业务拓展至东马，并扩大我们的建筑服务至高速大道计划。该工程也是我们史上最大项的单一合约。

2. **可负担房屋**
   获颁总值一亿六千六百万令吉的合约，以在雪兰莪州八打靈區建設五棟Selangorku可負担公寓。

3. **KVMRT**
   获颁总值二亿五千兩百万令吉的供应合约，為巴生谷捷运 (KVMRT)第二条路线供应阶段性箱桥（“SBG”）和隧道衬砌（“TLS”）。

前景与展望

董事局对2017年的业务前景抱着谨慎乐观的态度。截至2016年12月31日，建筑与制造订单额分别为十六亿七千万令吉以及二亿六千万令吉。

董事局对马来西亚和新加坡的建筑领域在2017年的发展维持乐观。因此，我们接下来的合约订单前景仍将令人鼓舞。

主席文告

企业最新进展

我們在2016财政年設立了股息再投資计划（DRP），在该计划下股东们可以选择把他们的股息再投資在公司所发出的新股。

我們為2015财政年的終期股息進行了DRP。多达87.6%的股东选择了把股息再投資，其餘的股息則已在2016年8月19日以現金的方式付給股东。

股东回馈—股息

虽然本公司没有实行正规的股息政策，本公司在过去六个财政年的派息率都介于集团净利的23%至30%。

随着我们在2016财政年取得更佳盈利，董事局建议派发每股6.5仙的终期单层股息，惟需在来临的股东常年大会上获得股东批准。该终期单层股息，代表着2016财政年派息率为集团净利的大约24.6%。

董事局决定让股东们可以在DRP下选择把他们的2016财政年的終期股息再投資在公司所发出的新股，惟需获得以下的批准:

1. 大馬交易所批准在DRP下所發出的新股在大馬交易所主板上市
2. 股东们批准2016財政年的終期股息以及在DRP下發出新股
3. 其他監管單位的批准

一直以来，本公司都谨慎地透过派发股息来回馈支持我们的股东，但也没有忘记保留资金以供作未来发展用途。

致谢

我谨代表董事会，衷心感谢我们的股东、来往银行、客户、业务伙伴以及有关监管当局对我们的持续支持，指导以及协助。董事会谨借此机会感谢我们的管理层以及员工的辛勤工作以及奉献精神。

彭廷
主席

MANAGEMENT DISCUSSION AND ANALYSIS

MISSION:

We aim to continuously improve, promote and provide construction activities and services to the society at which we operate. By providing one stop construction design and build services, we aim to add value to our clients that in turn will be beneficial to the society at large. We will treat all partners including suppliers, subcontractors and consultants with trust, honesty and fairness in all business dealings.

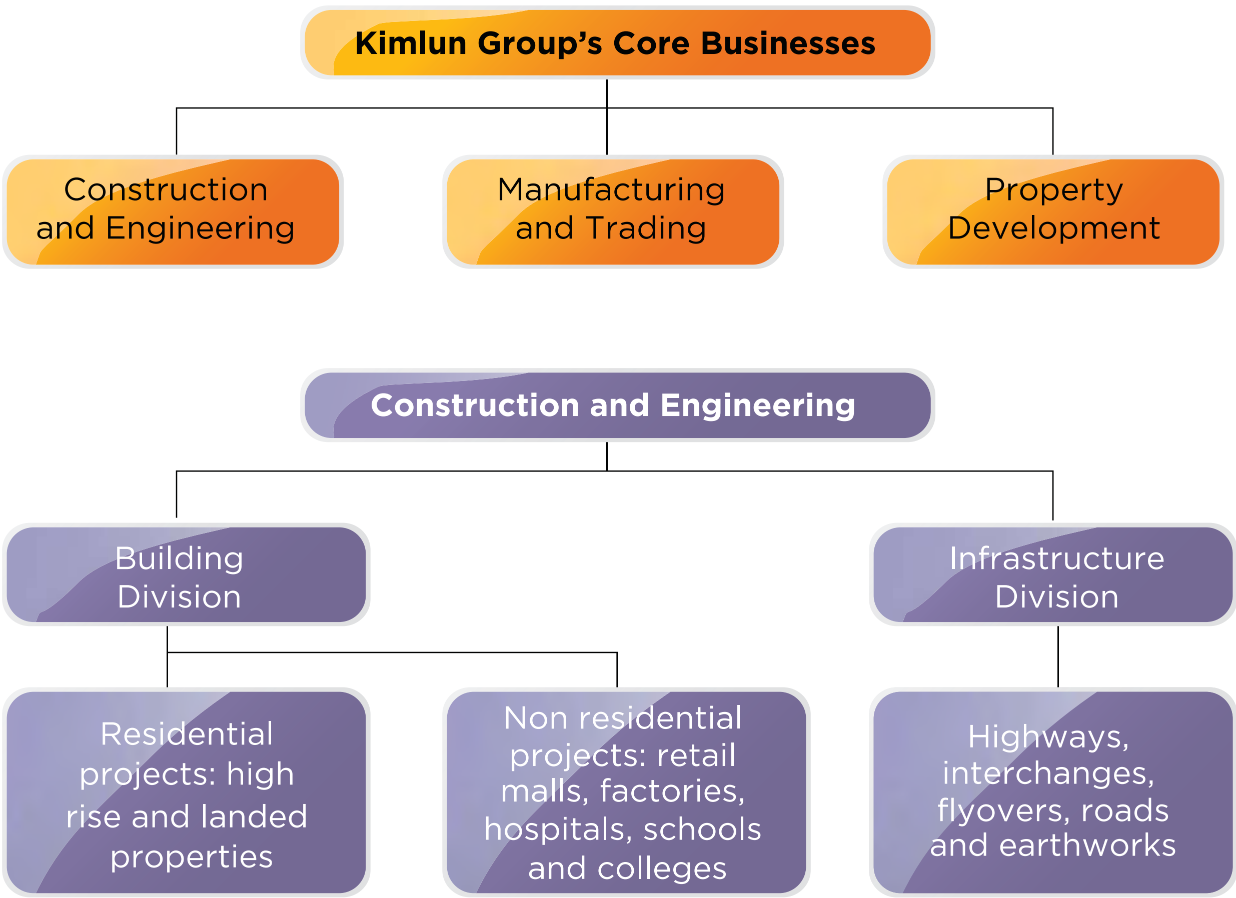
Towards our employees, we balance our focus on their personal skills development while taking care of their welfare.

While seeking for the maximization of shareholders' wealth, we strive to maintain harmony with the interest of the society to enhance our corporation's sustainability.

VISION:

We aspire to be a reliable, innovative and profitable provider of full range construction services and products in the South East Asia region

Segmental Breakdown of Our Business



MANAGEMENT DISCUSSION AND ANALYSIS

- Manufacturing & Trading
  - Precast Concrete Products
    - Tailor made products for infrastructure related projects
    - Customised products for IBS building related projects
  - Quarry Products
    - Armour rocks and crusher run

- **Property Development**
  - Launched Development
    - HYVE at Cyberjaya, Selangor: SOHO and offices
    - Taman Puteri @ Pekan Nenas, Johor: landed residential properties
  - Future Development
    - SOHO, retail properties, township development in Johor and Selangor

Production Plant and Products

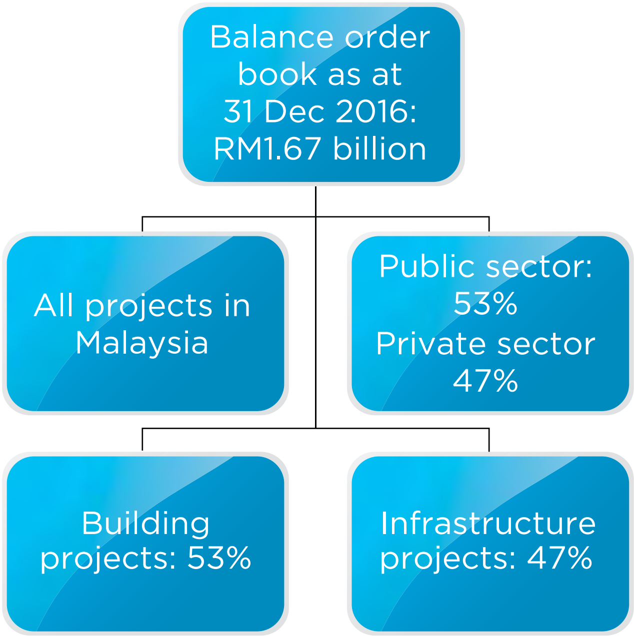
Ulu Choh, Johor
- Tunnel lining segment
- Rail sleeper
- jacking pipe
- Vertical cast pipe
- Box culverts and u drain
- Pre-cast concrete bathroom
- Hollow core slab
- Column and beam

Senawang, Negeri Sembilan
- Tunnel lining segment
- Segmental box girder
- Parapet walls
- Column and beam

Samarahan, Sarawak
- Armour rock
- Crusher run

MANAGEMENT DISCUSSION AND ANALYSIS

Construction Projects



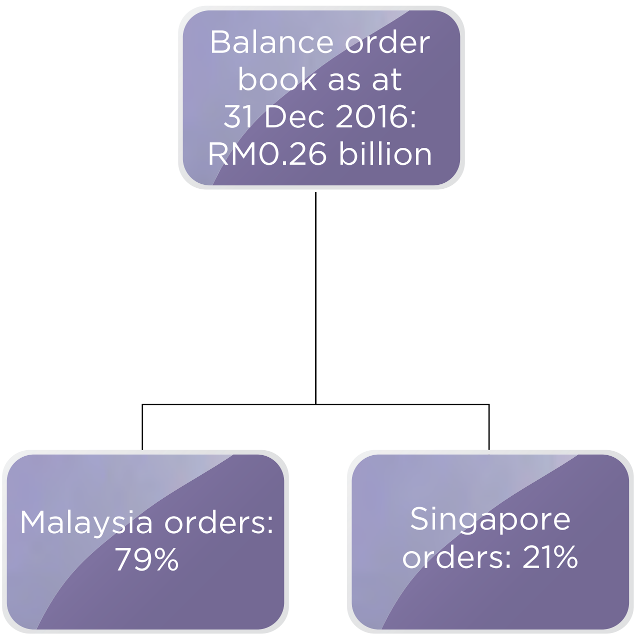
Notable completed projects include:

- Main building works for Marlborough College East, Johor
- Mall of Medini, Johor
- Granada Hotel, Johor
- The Sky Loft Suites, Johor
- Infrastructure for Southern Industrial and Logistics Cluster, Johor

On-going projects include:

- Pan Borneo Highway Sarawak
- Gleneagle Medini Hospital, Johor
- Pagoh Student Village
- Various apartment and landed properties projects in Selangor and Johor

Manufacturing Orders



Completed sales orders include:

- Segmental box girders ("SBG") and tunnel lining segment ("TLS") to Klang Valley MRT ("KVMRT") Line 1
- TLS to Singapore MRT Circle Line and Downtown Line
- TLS to Singapore Power's underground power transmission network
- Precast Bathroom to Michael and Festive Hotel, Singapore

On-going sales orders include:

- SBG and TLS to KVMRT Line 2
- TLS to Singapore MRT Thomson Line and Eastern Region Line

MANAGEMENT DISCUSSION AND ANALYSIS

Property Development Projects as at 31 December 2016

Location/ Land Area	Gross Development Value (RM)	Type of Land Usage /Planned Development
Completed Project		
Hyve at Cyberjaya, Selangor / 4.95 acres	232 million	Freehold enterprise land / A combination of 804 units of SOHO and offices
On-going Project		
Taman Puteri @ Pekan Nenas, Johor / 6 acres	48 million	Freehold residential land / 131 units of various types of landed properties
Land Bank		
Seksyen U10 Shah Alam / 8.87 acres	#	41 units of 99-years leasehold vacant detached lots for bungalow development
Medini Iskandar Malaysia, Johor / 5.31 acres	#	99-years lease on freehold commercial land / A combination of SOHO and retail properties
Kota Tinggi, Johor / 140.836 acres	#	Freehold agriculture land/ township development

#: The gross development value cannot be ascertained as the development details have yet to be finalised

Diversified Clientele

We are not materially dependent on any single customer for business. We have been securing projects from different clients. Our diversified clientele Include:

Private Sector:
- IOI Properties Bhd
- Mah Sing Group Bhd
- IJM Land Bhd
- United Malayan Land Bhd
- MMC Gamuda KVMRT (UGW) Joint Venture
- Sunway Construction Sdn Bhd

Government and Government link companies
- Mass Rapid Transit Corporation Sdn. Bhd.
- UEM Sunrise Land Bhd
- SP Setia Bhd

International Contractors:
- Shimizu Corporation
- Shanghai Tunnel Engineering Ltd
- SK Engineering & Construction
- Alstom Transport (S) Pte Ltd
- Mc Connell Dowell SEA Pte Ltd

MANAGEMENT DISCUSSION AND ANALYSIS

Group Financial Highlights

Year ended/ As at 31 December		2012	2013	2014	2015	2016
FINANCIAL RESULTS (RM' mil)						
Revenue		896.56	946.11	1206.4	1053.6	940.68
Gross Profit		90.83	78.78	102.62	122.94	150.64
Profit Before Taxation		60.74	38.54	59.84	93.36	108.97
Profit After Taxation		49.39	35.71	44.60	70.70	81.92
Profit Attributable to Owners of the Company		49.50	35.72	44.60	70.70	81.92
FINANCIAL POSITION (RM' mil)						
Cash and Bank Balances		44.73	31.67	84.67	97.15	79.03
Total Assets		733.13	819.68	890.88	973.68	985.20
Total Borrowings		169.83	209.91	161.02	162.97	115.04
Shareholders' Equity		274.92	299.10	400.52	459.74	539.26
FINANCIAL RATIOS						
Gross Profit Margin	%	10.13	8.33	8.51	11.67	16.01
Basic Earnings per share ("EPS")	Sen	20.77	14.85	15.22	23.52	26.77
Dividend per Share	Sen	4.80	3.00	3.80	5.80	6.50
Dividend Yield	%	3.5	1.6	3.2	4.2	3.1
Net Assets per Share	RM	1.14	1.24	1.33	1.53	1.74
Net Gearing Ratio (note 1)	times	0.31	0.37	0.16	0.13	0.06
CASH FLOW (RM' mil)						
Net cash flows generated from/ (used in) operating activities		(60.23)	(5.61)	74.77	62.90	86.85
Net cash flows generated from/ (used in) investing activities		(75.56)	(37.16)	(18.14)	(41.41)	(46.61)
Net cash flows generated from/ (used in) financing activities		91.51	16.81	13.20	(16.91)	(55.13)
SHARES PERFORMANCE						
Share Price as at 30 December*	RM	1.39	1.83	1.19	1.38	2.08
Share Price - High	RM	1.69	2.49	1.95	1.48	2.26
Share Price - Low	RM	1.28	1.29	1.15	1.05	1.36
Trading volume (no of shares)	Mil	74	201	66	57	178
Market Capitalisation (note 2)	RM' mil	334	440	358	415	645
Price Earnings Ratio (note 3)	times	6.7	12.3	7.8	5.9	7.9

Note 1: Being net debt/ shareholders' equity plus net debt
Note 2: Market capitalisation as at 30 December 2016
Note 3: Being share price as at 30 December 2016/ EPS for FY2016

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Group Revenue and Profitability

For FY2016, we achieved a lower revenue of RM940.68 million, which was 10.7% lower compared to RM1,053.64 million registered in the financial year ended 31 December 2015 ("FY2015"). The lower revenue achieved in FY2016 was attributable to the lower revenue generated by all the active business divisions save for property development division. Construction and manufacturing divisions contributed 79% and 19% respectively of our revenue in FY2016, while the remaining revenue was contributed by property development and investment activities.

We achieved a higher gross profit margin of 16.0% in FY2016 compared to 11.7% in FY2015 due to better gross profit margin derived by the construction and manufacturing divisions. Due to the improved gross profit margin, our gross profit increased by 22.5% to RM150.64 million in FY2016.

In FY2016, selling and administrative expenses increased by RM7.98 million compared to FY2015 mainly attributable to variance in foreign exchange difference of RM5.13 million, increase in provision for doubtful debts by RM1.07 million, and stamp duty of RM0.98 million incurred for additional banking facilities. In FY2016, foreign exchange gains was RM1.19 million compared to RM6.32 million recorded in FY2015. The variance in the foreign exchange gains was attributable to Ringgit Malaysia weakened against the Singapore Dollar in a greater quantum during FY2015 compared to FY2016.

Financing costs were lower in FY2016 due to lower utilisation of banking facilities.

Our share of profit of joint ventures in FY2016 declined by RM5.20 million compared to FY2015 mainly due to the completion of the SOHO and offices property development project known as Cyber Bistari (Hyve) in Cyberjaya, Selangor carried out by a joint venture company in FY2016, and liquidated damages of approximately RM1.6 million paid to the purchasers on late delivery of the properties.

On the back of higher gross profit earned and lower financing cost, which were partially offset by the increase in selling and administrative expenses and decline in share of profit of joint ventures and other income, we achieved another year of improved performance with profit before taxation ("PBT") and profit after taxation ("PAT") of RM108.97 million and RM81.92 million respectively in FY2016. This was 16.7% and 15.9% higher compared to PBT and PAT of RM93.36 million and RM70.70 million achieved in FY2015, respectively. Our net profit attributable to owners of the Company grew commendably over the past 5 years, from RM49.50 million in the financial year ended 31 December 2012 to RM81.92 million in FY2016, registering a compounded annual growth rate of 13.4% per annum.

Segmental Revenue and Gross Profit*

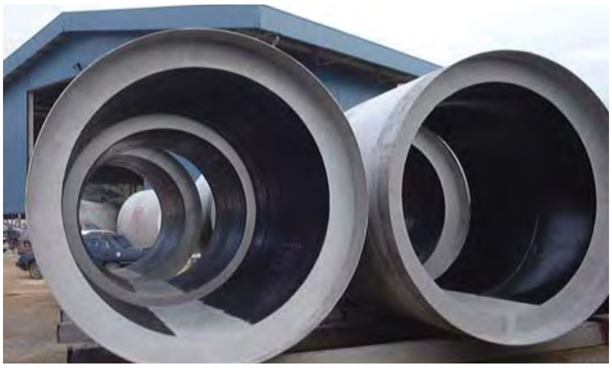
**: The segmental revenue and gross profit stated in the commentary in relation to the respective segment was inclusive of inter-segment transactions.*

Construction Division

The construction division achieved a lower revenue of RM761.98 million in FY2016 compared to RM873.91 million recorded in FY2015, which is a decline of 12.8%. The decrease in construction revenue was mainly due to lower amount of balance orders in hand carried forward from FY2015 for execution in FY2016 vis-à-vis the amount of balance order in hand carried forward from FY2014 for execution in FY2015, while new projects secured in FY2016 were mainly at initial construction stage.

Gross profit margin improved from 8.3% in FY2015 to 12.4% in FY2016 mainly due to the execution of better margin projects, lower raw material price and fuel price. In addition, the revenue from larger variation orders during the last quarter of FY2016 further enhanced the gross profit margin. Despite the lower revenue earned, gross profit increased by 30.8% from RM72.19 million in FY2015 to RM94.45 million in FY2016 on the back of improved gross profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS



Manufacturing and Trading Division

The manufacturing and trading division achieved a lower revenue of RM182.69 million in FY2016 compared to RM197.43 million recorded in FY2015, which is a decline of 7.5%. The decline was mainly due to lower revenue contribution from the sales orders in relation to the supply of TLS to Singapore's underground power transmission network, which was completed during FY2016. However, the decline in TLS sales revenue was partly offset by the increase in revenue from the sales of industrial building components, mainly to fast track projects in the refinery and petrochemical integrated development ("RAPID") in Pengerang, Johor.

Gross profit margin improved from 27.3% in FY2015 to 30.6% in FY2016 mainly due to the execution of KVMRT Line 1 SBG sales orders that carried a lower profit margin in FY2015. In addition, an overall weaker Ringgit Malaysia against the Singapore Dollar, and products mix with higher composition of better margin products during FY2016 also contributed to the improvement in gross profit margin.

Property Development Division

The property development division recorded a revenue of RM6.31 million in FY2016 against RM5.04 million in FY2015. Gross profit recorded in FY2016 was RM0.80 million, which was slightly higher compared to RM0.65 million recorded in FY2015, on the back of higher revenue recognised. The revenue was derived from a boutique residential development project in Johor.

Financial Position

Shareholders' funds increased from RM459.74 million as at 31 December 2015 to RM539.26 million as at 31 December 2016, attributable to comprehensive income generated and issuance of shares pursuant to the dividend reinvestment plan during FY2016.

Non-current assets increased from RM194.83 million as at 31 December 2015 to RM230.74 million as at 31 December 2016. This was largely due to the transfer of RM20.75 million from property development costs under current assets to land held for property development, and the increase in investments in joint ventures by RM7.20 million consequential upon investment in new joint ventures and recognition of share of profit of joint ventures during FY2016.

Current assets decreased from RM778.85 million as at 31 December 2015 to RM754.46 million as at 31 December 2016 mainly due to the combination effect of the followings:

(i) the decrease in property development costs by RM19.25 million after the transfer of RM20.75 million to non-current assets;

(ii) the net increase in trade and other receivables and other current assets by RM16.00 million during the period mainly due to preliminary cost incurred on new projects which were not due for billings against our clients, and further instalments of RM8.20 million paid on the acquisition of Medini land lease; and

(iii) the decrease in total cash and bank balances by RM18.13 million due to higher utilisation of cash in hand, rather than bank borrowings to finance the Group's business operation.

MANAGEMENT DISCUSSION AND ANALYSIS

Current liabilities and non-current liabilities declined during the period mainly due to lower loans and borrowings balances attributable to repayment of bank borrowings during FY2016, as well as lower utilisation of bank borrowings as at 31 December 2016.

Net gearing ratio decreased from 0.13 times as at 31 December 2015 to 0.06 times as at 31 December 2016. The improvement was attributable to the increase in shareholders' equity, while net loans and borrowings reduced from RM65.82 million as at 31 December 2015 to RM36.01 million as at 31 December 2016.

Cash Flow

For FY2016, the Group registered net cash inflow from operating activities of RM86.85 million. Net cash used in investing activities of RM46.61 million was mainly for land held for development and purchase of property, plant and equipment. Net cash used in financing activities of RM55.13 million was mainly for the payment of dividend and repayment of loans and borrowings, partly offset by the proceeds derived from the issuance of new shares pursuant to dividend reinvestment plan. Due to the total net cash outflow of RM14.89 million during FY2016, the Group's cash and cash equivalents was RM68.96 million as at 31 December 2016.

PROSPECTS AND OUTLOOK

Your Board is consciously optimistic of our performance in 2017 on the back of estimated construction and manufacturing balance order book of approximately RM1.67 billion and RM0.26 billion respectively as at 31 December 2016. The Board is optimistic that the construction sector in Malaysia and Singapore will continue to be vibrant in 2017, thus providing prospects to the Group to replenish its order book .

However, our key challenges and risks include unexpected economic downturn, sudden spike and unfavourable raw material price movements, shortage and rising costs of foreign labour, unexpected problems or delays in the execution of projects, and prolong softening of property market.

Focus and Strategies for 2017 and 2018

Construction Division:

- Focus in the execution of projects in hand
- Leverage on the diversified construction services track record to actively bid for new projects solely or jointly with parties whom have complementary strengths

Manufacturing Division:

- Focus in the production of pre-cast components for KVMRT Line 2 and Singapore MRT
- Set up a premix plant in Sarawak
- Leverage on the strong track record to bid for new public and private sector orders

Property Development Division:

- Development planning of land bank in hand;
- Engage experience real estate agents and participate in roadshow to market balance stocks
- Explore potential land bank in strategic locations

MANAGEMENT DISCUSSION AND ANALYSIS

Malaysian Construction Sector

The sector is expected to benefit from the construction projects to be rolled out under the 11th Malaysia Plan ("11MP") covering the period from 2016 to 2020 ("Plan Period"). The Malaysian construction sector is estimated to expand by 10.3% per annum during the Plan Period, attributable to continued civil engineering works and a growing residential subsector to fulfil the demand for housing, particularly from the middle-income group.

The Malaysian Government has allocated RM260 billion for development expenditure under the 11MP, up 13% as compared to the 10th Malaysia Plan. The Group has secured the following contracts under the 11MP, which will keep the Group busy for the next few years:

(a) The supply contracts in relation to the supply of SBG and TLS to KVMRT Line 2, with aggregate contract value of approximately RM252 million. The supplies of products under these contracts are expected to be completed in 2019; and

(b) Pan Borneo Highway Sarawak ("PBH") – our 30% held joint venture company, Zecon Kimlun Consortium Sdn Bhd was awarded with a work package under the PBH for a contract sum of RM1.46 billion ("Project"). The estimated completion period of the Project is end March 2020.

The winning of the Project signifies our geographical diversification to East Malaysia, and expansion of our construction services to highway projects. To-date, the Project is the single largest contract won by us in our history.

With the strong track record in various types of construction works, and the supply of pre-cast concrete components to KVMRT Line 1 and Singapore MRT projects, the Group will compete for potential contracts from civil engineering projects such as the Light Rail Transit Line 3, the Malaysia-Singapore High Speed Rail and Pan Borneo Highway Sabah, when opportunities arise.

Further, the Group will continue to seek for business opportunities from the public and private sector's housing projects.

The residential sub-sector in Malaysia is expected to remain strong in view of the increased demand for housing, particularly from the middle income group, and the Malaysian Government's continuous support for home ownership. In response to the strong demand for affordable housing, the Malaysian government targets to construct one million units of affordable houses over a period of five years (2013-2018) under various housing schemes.

For larger scale of affordable houses development, we believe that most of these projects will be constructed using IBS construction method due to the Malaysian Government's policy that the content of IBS components in every new government project is to be increased to no less than 70% with effect from 31 October 2008, save for certain exceptions. Being one of the few established contractors with IBS design capabilities backed by pre-cast concrete manufacturing plants, we are in the position to take advantage on the roll out of these projects.

In response to property market slowdown since 2014, there is an increasing number of private sector property developers shifting their focus to launch larger quantum of affordable houses of various types to capture the mass market demand.

MANAGEMENT DISCUSSION AND ANALYSIS

Prospects In Johor Iskandar Malaysia ("IM")

As to the business prospects in Johor, our home base, your Board remains positive of order book replenishment prospects despite of the oversupply of mixed-use and higher end high-rise residential properties in IM which have resulted in some developers scaling back and slowing down on their launches of such properties in IM hotspot areas. This is in view of the followings:

(i) some of these developers started to shift their focus to landed properties, industrial parks or affordable homes developments, or moving out to suburbs which continue to see healthy demand;

(ii) Potential growth arose from the implementation of 11MP which:

   (a) has identified strategies to accelerate investment and provide infrastructure for regional economic corridors including IM;

   (b) has identified Johor Bahru as one of the four competitive cities for which city competitiveness master plans will be developed under the 11MP, based on the key principles that increase liveability and stimulate economic growth; and

   (c) reaffirms that the Government will provide support to construct essential infrastructure such as roads, drainage, and utilities for RAPID development.

In addition, the proposed construction of Rapid Transit System Link connecting Johor Bahru and Singapore, and the High Speed Rail connecting Kuala Lumpur and Singapore which is under planning stages is expected to boost the connectivity of IM upon completion, thus benefitting the region's growth and development greatly.

Our on-going construction projects within IM include the construction of service apartments, affordable apartments, offices, factories, hospital and infrastructure for a diversified clientele including UEM Sunrise Bhd Group, SP Setia Bhd Group, Mah Sing Group, United Malayan Land Bhd Group, IGB Corporation Bhd Group and IOI Properties Bhd Group.

The variety of construction jobs that we undertake demonstrates our capability to fulfil various construction requirements of different types and phases of development.

Industrialised Building System

We have witnessed an increase in demand for IBS construction method and pre-cast building components consequential upon the following developments affecting the construction sector:

(a) the Malaysian Government's 70% IBS Content Policy;

(b) the Construction Industry Transformation Programme (CITP), a five-year plan formulated by the Ministry of Works and CIDB Malaysia, targets that by 2020, 100% of public projects worth RM10 million and above must achieve a minimum IBS score of 70 whereas for private projects, the goal is to attain a minimum IBS score of 50; and

(c) the shortage in the supply of foreign labour consequential upon the tightening of foreign labour policy by the Malaysian government from time to time, affecting in particular construction projects which adopts labour intensive conventional construction method.

With our IBS design capabilities, established pre-cast concrete manufacturing plants and proven track record in the construction of apartments, shopping malls, schools and semi-detached houses using IBS construction method, we believe that we are well positioned to reap greater opportunities arising from the above stated developments in the construction industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Singapore Construction Sector

The total construction demand in Singapore is projected to be between $28 billion to $35 billion in 2017. The public sector is expected to contribute about 70% of the total construction demand, boosted by an increase in demand for most building types and civil engineering works. This year's projects include new public housing projects, JTC's Logistics Hub @ Gul, and mega public sector infrastructure projects which include the second phase of the Deep Tunnel Sewerage System ("DTSS2"), North-South Corridor Expressway and MRT Circle Line 6. According to the Singapore Land Transport Master Plan, the Singapore government targets to extend its rail network to 360 km by 2030. There will be three new MRT lines with a total route length of 91 km and extension of a total route length of 8 km to existing lines to be built by 2030. According to Public Utilities Board of Singapore, the construction of Phase 2 of Singapore's underground water superhighway for used water management, the DTSS2, which comprises a 30 km long tunnel, 70 km link sewers and 12 km of deep seas outfalls, is expected to begin in 2017 and is targeted to complete by end 2024.

SPC has supplied TLS to Singapore MRT projects since 2006. It secured approximately 40% of the total TLS orders of the recently opened Downtown Line 2, the on-going Downtown Line 3 and Thomson Line. Further, SPC has been a frequent supplier of jacking pipes to various sewerage projects in Singapore.

With its strong track record in Singapore, SPC is well positioned to compete for further potential sales orders from future MRT and sewerage projects. The expansion of the rail network and DTSS2 present business opportunities for us to bid for TLS, sleepers and jacking pipes sales orders till 2030.

The increase in construction activities will have spill-over effects on the building and construction material industries, where we will bid for the supply of various types of pre-cast concrete products to MRT and non MRT projects in Singapore and Malaysia.

Property Development Ventures

The Hyve, which is within the central business district of Cyberjaya, Selangor was completed in July 2016. It achieved a take-up rate of 90% and the balance unsold stocks is valued at RM22 million.

Taman Puteri in Pekan Nenas, Johor was completed in March 2017, and the balance unsold stocks is valued at RM41 million.

Our Property Development division will continue its efforts to market the Hyve and Taman Puteri notwithstanding the softening of the property market.

In view of weaker market sentiment, we decided to defer the launching of our SOHO and retail properties development in Medini, and the bungalows development in Shah Alam U10. We are in the preliminary planning stage of our land bank in Kota Tinggi, Johor. The launching of the development on this land bank is not expected in the next 2 years.

We regularly evaluate our land bank portfolio, conduct assessment on the development potential of our land bank and look for small parcel of lands located in strategic locations.

DIVIDEND POLICY

While we do not adopt a formal dividend policy, our Company has been declaring dividends within a range from 23% to 30% of the profit attributable to owners of the Company for the past 6 financial years.

Further, the Company has established a dividend reinvestment plan that provides the shareholders with an option to elect to reinvest their dividends in new shares in the Company.

The Company is always mindful to reward our loyal shareholders who have supported our growth over the years while trying to strike a balance with the funding needs at our different development phases.

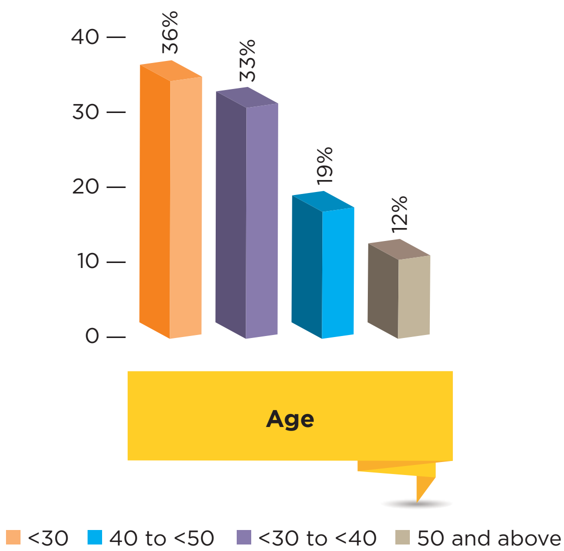
CORPORATE SOCIAL RESPONSIBILITY STATEMENT

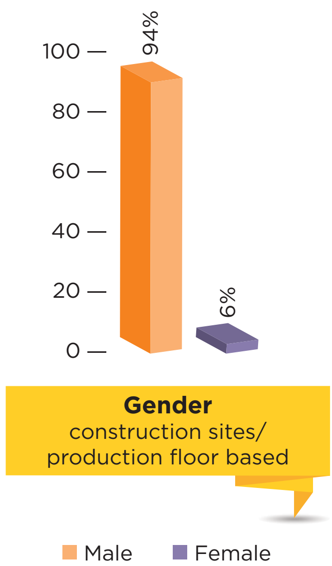
Corporate social responsibility has formed part of the core values that Kimlun Corporation Berhad will always uphold while conducting itself as a responsible business entity. We are always mindful of contributing back to the local community where we derive our economic benefits. We recognise the essential needs to safeguard the welfare of our employees and to contribute to the community where our Group operates in. In line with these core fundamental values, we always strive to seek a balance between our social responsibilities and our obligations to maximise value for our shareholders.

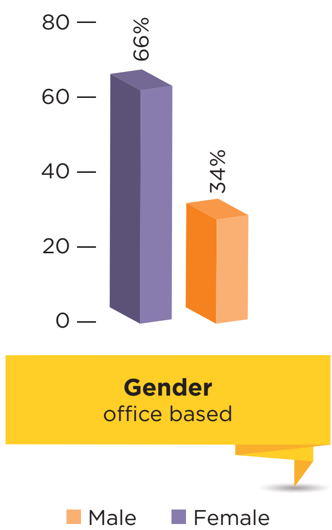
Welfare of Employees

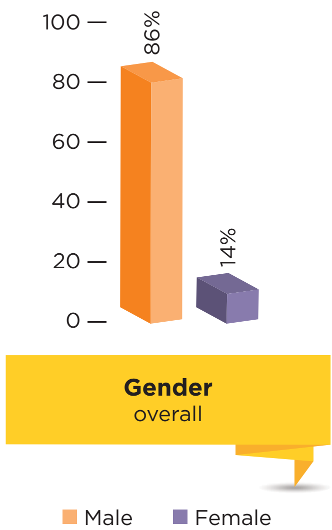
One of the greatest assets in any successful business is its employees and their role in driving the business forward. We practice equal employment opportunity and there are no barriers to employment or development in our Group by reason of an individual's gender, race, religion and age. The recruitment or promotion of a candidate is dependent on our organisational needs, the candidate's skills, experience, core competencies and other qualities.

The Group's workforce statistics as at 31 December 2016 are as follows:

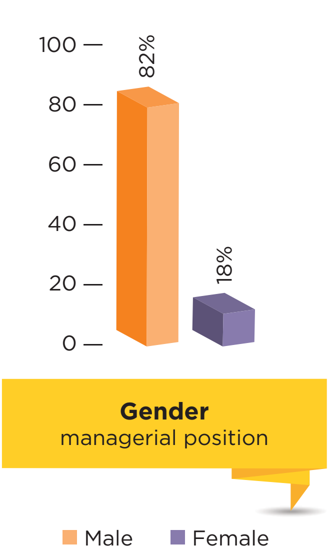


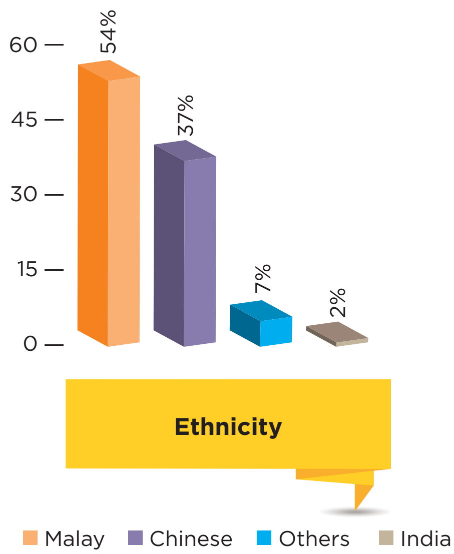






CORPORATE SOCIAL RESPONSIBILITY STATEMENT





We continuously undertake concerted efforts to groom our employees towards realising their fullest potential. During the year, we arranged numerous customised internal and external training programs in relation to our core businesses in order to improve our employees' technical knowhow.

Safety and quality continues to be a priority in our operations. Occupational health and safety not only contributes to corporate goals but also plays a part in the social and ethical role of the organisation. We inculcate the culture of safety, health and environmental consciousness in our business operations, and provide and maintain safe systems of work, make arrangements for ensuring the safe use, handling, storage and transport of equipment and materials, as well as provide necessary information, instruction, training and supervision to our employees.

Various courses in relation to occupational health and safety, and quality management system were conducted during the year to ensure a safe working environment, and that a systematic and efficient construction and production process was upheld.

For the year under review, we spent approximately RM152,000 for staff training and development.

Contribution to Community

We also serve the community to improve the quality of the lives of the less fortunate. During the year, we supported numerous organisations and causes, either directly or in conjunction with other enterprises, mainly via monetary contribution and sponsorship. In terms of charitable contributions to society, we had allocated and spent approximately RM236,000. Amongst the charitable bodies and events that we had supported were Tunku Laksamana Johor Cancer Foundation, Eco World Foundation, Mah Sing Foundation, National Cancer Society of Malaysia and Pertubuhan Membantu Pesakit Parah Miskin Malaysia. We have also supported various education initiatives such as Sin Chew Daily & Hai-O Foundation Chinese Education Charity Concert in the aid of Fund-Raising for the Construction of SRJK(C) Kuo Kuang New Administrative Building and Pelajar Cemerlang Orang Kurang Upaya of Persatuan Orang Cacat Johor Bahru.

We participated in various local government agencies' initiatives to build a caring society with united and harmonious living environment. We also supported the Rayuan Hari Pahlawan PBTM Bahagian Negeri Johor, Majlis Amal Cegah Jenayah and Kesatuan Pembantu Kesihatan Awam Sabah during the year.

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors ("the Board") is accountable and responsible for the performance and affairs of Kimlun Corporation Berhad ("the Company"), including practising a high level of good governance. All Board members are expected to show good stewardship and act in a professional manner, as well as upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.

Set out below is the manner in which the Group has applied the principles of good corporate governance and practice, in accordance to the Principles and Recommendations of the Malaysian Code on Corporate Governance 2012 (the "MCCG 2012").

BOARD OF DIRECTORS AND ITS COMMITTEE

The Board adopted a Board Charter which sets out the authority, role, responsibilities, membership and operation of the Board. The Board reviews the Board Charter from time to time and makes any necessary amendments to ensure it complies with relevant laws, regulations and practices, and remain relevant and effective in the light of the Board's objectives. The last review of the Board Charter was on 30 March 2017.

The Board Charter is accessible at www.kimlun.com.

Authority

The Board derives its authority to act from the Constitution of the Company and the law and regulations governing companies in Malaysia.

Board Composition

The Constitution of the Company provides for a minimum of two (2) directors and a maximum of ten (10) directors. In compliance with the requirement of Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), there shall be at least two (2) directors or one-third (1/3) of the Board, whichever is higher, are Independent Directors.

The Board consists of eight (8) qualified individuals with diverse set of skills, experience and knowledge necessary to govern the Company. Three of the Directors are Independent Non-Executive Directors. The composition and size of the Board is such that it facilitates the decision making of the Company.

The Independent Non-Executive Directors provide objective and independent views and judgement in decision-making processes of the Board covering issues of strategy, performance and risks. The presence of the Independent Non-Executive Directors fulfills a pivotal role in corporate governance accountability and ensures the interests of all shareholders are indeed taken into account by the Board.

The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. However, upon completion of the nine (9) years, the Independent Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Director. In the event the Director is to remain designated as an Independent Director, the Board shall first justify and obtain shareholders' approval. None of the Independent Director has served on the Board for more than nine (9) years.

STATEMENT ON CORPORATE GOVERNANCE

Although currently the Board does not have a formal policy on boardroom diversity, the Board is committed to ensuring directors of the Company possess diverse sets of skills, knowledge and experience. In addition, the directors of the Company must have the ability to devote sufficient time and attention to the Company, and are independent taking into account the candidate's character, integrity and professionalism. On boardroom diversity, the current composition of the Board is diverse in terms of skills, experiences, gender, age and nationality. The background of each Director can be found on pages 6 to 9 of this Annual Report. The Board is supportive of the boardroom gender diversity recommended by MCCG 2012 as the Board currently has a female member. Underpinning the Company's boardroom gender diversity is the commitment to ensure that all Directors are appointed on merit, in line with the standards as set out in Para 2.20A of the MMLR. The Board through the Nomination Committee ("NC") will review the proportion of the female to male board members during the annual assessment of the Directors' performance taking into consideration the appropriate skills, experience and characteristics required in the context of the needs of the Group. At the subsidiary companies level, 33% of the directors who are not a member of the Board are female.

The Board is satisfied with the level of time committed by its members in discharging their duties and roles as directors of the Company. All the directors have high attendance at the Board meetings or committee meetings (where applicable) and attended training during FY2016, and complied with the MMLR on the limit of five directorships in public listed companies.

The Board does not consider it is necessary to nominate a Senior Independent Non-Executive Director to whom concerns may be conveyed. All members of the Board have demonstrated that they are always available to members and stakeholders. All issues can be openly discussed during Board meetings.

The composition and size of the Board are reviewed from time to time to ensure its appropriateness.

Appointment

The NC is responsible for making recommendations to the Board for the appointment of new directors. All nomination to the Board shall first be considered by the NC, taking into consideration inter-alia the current and future needs of the Group and the credential of the potential Director.

The NC shall meet with the shortlisted candidates to assess their suitability before formally considering and recommending them for appointment to the Board. In assessing the suitability of candidates, the NC shall consider the candidates' character, experiences, competencies, integrity, time commitment and other qualities, and board diversity including gender diversity and the mix of skills, qualifications, expertise and experience, knowledge, professionalism and integrity which would contribute to the overall desired composition of the Board.

Based on the NC's recommendation, the Board will evaluate and decide on the appointment of the proposed candidates.

Prior to his appointment, the selected candidate will be briefed on the Company's vision and mission, its philosophy and nature of business, the corporate strategy and the expectations of the Company concerning input from Directors.

Election and re-election

Pursuant to Article 93 of the Company's Constitution, Directors appointed during the year by the Board shall hold office until the next AGM and shall then be eligible for re-election. In accordance with Article 86 of the Constitution, at least one-third (1/3) of the Directors shall retire from office at every AGM. All Directors shall retire from office at least once every three (3) years but shall be eligible for re-election. Retiring Directors who are seeking re-election are subject to Directors' assessment by the NC.

STATEMENT ON CORPORATE GOVERNANCE

In FY2016, the NC had reviewed all Directors who are due for retirement by rotation, and standing for re-election at the Company's eighth AGM. The NC found that they met the criteria of character, experience, integrity, competence and time to effectively discharge their respective roles as Directors as prescribed by the MMLR.

Independence of Director

The Board only considers Directors to be independent where they are independent of management and free from any business or other relationship that could materially interfere with or could reasonably be perceived to interfere with the exercise of their unfettered and independent judgement.

The NC reviews the independence of each Independent Non-Executive Director annually or whenever necessary, in light of information relevant to this assessment as disclosed by each Independent Non-Executive Director to the Board.

The NC has assessed the independence of all Independent Non-Executive Directors during FY2016, and has determined that all Independent Non-Executive Directors remain objective and independent.

New Directorship

While the Board allows its Directors to accept appointments to other boards, the Directors are required to discuss with the Chairman and the Chief Executive Officer ("CEO") before accepting the new appointment and to indicate the time expected to be spent on the new appointment.

Role of Board

The Board's role is to represent and serve the interests of the shareholders. It is primarily responsible for overseeing and supervising the management of the business affairs of the Group.

The responsibilities of the Board include:

(a) Reviewing and adopting strategic plans for the Group;
(b) Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed;
(c) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;
(d) Succession planning including assessing that all candidates for senior management position are of sufficient calibre;
(e) Developing and implementing an investor relation programme and shareholder communication policy for the Company; and
(f) Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines

Matters which shall be reserved for decision by the Board, supported by any recommendation as may be made from time to time by the Board Committees (as appropriate) include:

(a) Approval of corporate plans and programmes;
(b) Approval of annual budgets;
(c) Approval of new ventures;
(d) Approval of material acquisitions and disposals of undertakings and properties; and
(e) Approval of the annual financial statements and interim reports

The Board delegates responsibility for the day-to-day operation of the Group's business to the Executive Directors and recognizes its responsibility for ensuring that the Group operates within a framework of prudent and effective control.

STATEMENT ON CORPORATE GOVERNANCE

Chairman and Chief Executive Officer ("CEO")

The roles and responsibilities of the Chairman and the CEO are clearly defined and segregated to ensure a balance of power and authority such that no one individual has unfettered power of decision. The Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of its role.

The responsibilities of the Chairman include:

(a) leading the Board in its responsibilities for the business and affairs of the Company and its oversight of management;
(b) overseeing the Board in the effective discharge of its supervisory role;
(c) ensuring the integrity and effectiveness of the governance process of the Board;
(d) facilitating the effective contribution of all Directors and ensuring constructive relations be maintained between the Board and management; and
(e) ensuring that there is regular and effective evaluation of the Board's performance

The CEO is responsible for implementing the policies and decisions of the Board, overseeing day-to-day operations as well as development and implementation of business and corporate strategies and plans.

The Board acknowledges the recommendations by the MCCG 2012 that:

(a) the Chairman must be a Non-Executive Director; and
(b) where the Chairman is not an Independent Director, the Board must comprise a majority of Independent Directors

As the Chairman is an Executive Director, the Board will assess the impact of the recommendations on the composition of the Board, and the approaches available to adopt the recommendations of MCCG 2012 taking into consideration the appropriate skills, experience and characteristics required for the position.

The size and composition of the current Board is well balanced with a good and appropriate mix of knowledge, skills, attributes and core competencies. The Board which currently comprises of 3 Independent Non-Executive Directors and 5 Executive Directors has been able to discharge its duties professionally and effectively, uphold good governance standards in their conduct and that of the Board. The Independent Directors are able to exercise strong independent judgement and provide balance to the Board with their unbiased and independent views, advice and judgement to all Board deliberations. The Executive Chairman has demonstrated strong commitment and judgement in overseeing the management function, looking after the best interest of all shareholders and ensuring that contributions by all Directors were forthcoming on matters being deliberated and that no particular Board member dominated in any of the discussions. This ensures the balance of power and authority within the Board.

All the Independent Non-Executive Directors fulfill the criteria of independence as defined in the MMLR and they impartially provide check and balance to the Board.

Board Committees

The Board, in discharging its fiduciary duties, may from time to time establish Committees as it considers necessary to assist it in carrying out its responsibilities.

The Board has established (3) Board Committees, namely Audit Committee ("AC"), NC and Remuneration Committee ("RC"), each entrusted with specific tasks and operates within clearly defined terms of reference approved by the Board. The Chairman of the respective Committees reports to the Board on the outcome of the Committee meetings and such reports or minutes will be included in the Board papers.

STATEMENT ON CORPORATE GOVERNANCE

The respective committees' terms of reference are available for reference at the Company's website at http://www.kimlun.com.

a. Audit Committee

The members of the AC are set out on page 44 of this Annual Report.

b. Remuneration Committee

The current composition of the RC is as follows:

Name	Designation	Directorship
Sim Tian Liang	Chairman	Chief Executive Officer and Executive Director
Kek Chin Wu	Member	Independent Non-Executive Director
Chua Kee Yat @ Koo Kee Yat	Member	Independent Non-Executive Director

The RC shall review and recommend to the Board the remuneration of the Executive Directors. Please refer to the ensuing section on Director's remuneration for further details.

The remuneration packages of Non-Executive Directors shall be determined by the Board as a whole. The Director concerned shall abstain from any discussion on his/her individual remuneration.

During FY2016, one meeting was held and attended by all members.

c. Nomination Committee

The current composition of the NC is as follows:

Name	Designation	Directorship
Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah	Chairman	Independent Non-Executive Director
Kek Chin Wu	Member	Independent Non-Executive Director
Chua Kee Yat @ Koo Kee Yat	Member	Independent Non-Executive Director

During FY2016, one meeting was held and attended by all members. Please refer to the sections on Election and re-election, Independence of Director and Board Evaluation and Performance for further details on activities undertaken by the NC in the discharge of its duty during FY2016.

Board Meetings and Attendance

The Board shall meet at least five (5) times a year. Directors are informed at the end of each year about the number and the tentative dates of Board meeting and Board committee meetings in the following year. In exceptional circumstances, additional meetings may be convened. During Board meetings, the CEO and members of the Management team, will table and present reports for the Board's consideration, deliberation and direction.

Directors are required to inform the Board of conflicts or potential conflicts of interest they may have in relation to particular items of business transacted by the Group or the Company. The interested Directors should abstain themselves from discussion or decisions on matters in which they have a conflicting interest.

The Chairman of the AC, RC and NC would inform the Directors at Board meeting of any salient matters noted by the Committee and which require the Board's notice, direction or approval.

STATEMENT ON CORPORATE GOVERNANCE

Agenda, board papers and any other documents are made available around 7 days in advance to the Board to facilitate well-informed Board deliberation and decision-making. In addition, members of the Management are frequently invited to the Board meetings to explain and clarify the items tabled to the Board.

All proceedings of the Board meetings are minuted.

During FY2016, five (5) Board meetings were held. Details of attendance at the Board Meeting are as follows:

Directors	Number of Meetings Held During Director's Tenure In Office	Number of Meetings Attended	Percentage of Attendance
Pang Tin @ Pang Yon Tin	5	5	100%
Sim Tian Liang	5	5	100%
Pang Khang Hau	5	5	100%
Chin Lian Hing	5	5	100%
Yam Tai Fong	5	5	100%
Kek Chin Wu	5	5	100%
Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah	5	5	100%
Chua Kee Yat @ Koo Kee Yat	5	4	80%

Access to Information and Independent Professional Advice

All Directors, whether as a full Board or in their individual capacity have access to all information of the Group on a timely basis in an appropriate form and quality necessary to enable them to discharge their duties and responsibilities. In exercising their duties, the Directors have access to the advice and services of the Company Secretary and are also entitled to obtain professional opinions or advice from external consultants at the Company's expenses, when the need arises. Any request for professional opinions or advice from external consultants shall be raised for the consideration and consent of the Chairman. Upon his consent of the request, the Chairman shall authorise a Director or a member of the senior management to source for the advice of a suitable professional advisers or external consultants, based on the requirements of the Board.

Directors' Remuneration

The RC recommends to the Board, the remuneration package for the Directors. The Board, as a whole, will determine the level of remuneration paid to its Directors, taking into consideration the recommendation of the RC.

The level and make-up of remuneration should be effective and sufficient enough to:-

- attract and retain the Directors needed to run the Group successfully; and
- motivate and create incentives for Directors to perform at their best;

The remuneration package for Executive Directors comprises of a number of separate elements such as basic salary, allowances, bonuses and other benefit-in-kind. The level of remuneration of the Executive Directors takes into consideration the Directors' contribution and commitment to the Company, the performance of the Group, the compensation levels for comparable positions among other similar Malaysian public listed companies and market condition.

STATEMENT ON CORPORATE GOVERNANCE

In the case of Non-Executive Directors, the level of remuneration should reflect the experience and level of responsibilities undertaken by the particular Non-Executive Director concerned. Non-Executive Directors will be paid a basic fee as ordinary remuneration and they will also be paid a sum based on their responsibilities in Board committees and for their attendances at the meetings. The fee is subject to the approval of the shareholders.

No Board member, whether executive or non-executive, will be involved in deciding his own remuneration.

The aggregate remuneration of Directors received from the Company and subsidiary companies for FY2016 are as follows:

	Executive Directors RM	Non-Executive Directors RM
Fees	-	207,000∞
Salaries, Bonuses & EPF	6,554,965^	-
Allowances	60,000^	14,450∞
Estimated monetary value of benefits-in-kind	90,257^	-

^: The entire amount was received on group basis. None of the amount was received from the Company.
∞: The entire amount was received from the Company.

The number of Directors of the Company whose total remuneration falls within the following bands is as follows:-

Range of remuneration	Executive Directors	Non-Executive Directors
RM50,001 – RM100,000	-	3
RM1,250,001 – RM1,300,000	1	-
RM1,300,001 – RM1,350,000	1	
RM1,350,001 – RM1,400,000	3	-

During FY2016, the RC had reviewed the remuneration of the Directors taken into consideration the respective Director's experience, level of responsibility, contribution and commitment to the Company, the performance of the Group, the compensation levels for comparable positions among other similar Malaysian public listed companies and market condition. Based on the result of its review, the RC made recommendation to the Board on the remuneration package for the Directors for financial year ending 2017. The Board concurred with the recommendation of the RC, and that shareholders' approval be sought at the 8th AGM on the payment of Directors' fees and benefits for the financial year ending 31 December 2017.

Board Evaluation and Performance

The NC evaluates the effectiveness and performance of the Board as a whole, the Board Committees and the individual Directors on an annual basis.

This shall take the form of a questionnaire to be completed by each of the members of the NC. The criteria on which assessment is made is developed, maintained and reviewed by the NC. The assessment criteria includes the mix of skills, experience, competency, time commitment, character, independence, diversity and other qualities required to meet the needs of the Group and to comply with the provisions of the MMLR. The NC, upon discussion of the results, will present the findings to the Board.

Based on the evaluation conducted in FY2016, the NC found that the Board as a whole, the Board Committees and the individual Directors are effective and possess the criteria required to discharge their duties professionally and effectively, and uphold good governance standards in their conduct. The NC presented their findings to the Board, and the Board concurred with the findings of the NC.

STATEMENT ON CORPORATE GOVERNANCE

Directors' Training

All Directors of the Company have attended the Mandatory Accreditation Programme as required by the Bursa Securities, the Directors shall continue to update their knowledge and enhance their skills through appropriate continuing education programmes and life-long learning. This will enable Directors to effectively discharge duties and sustain active participation in the Board deliberations.

The Board is notified of a series of training programmes or workshop conducted by Bursa Securities for its consideration of participation and the Board receives updates of the MMLR from the Company Secretary from time to time. The external auditors also briefed the Directors on any changes to the Malaysian Financial Reporting Standards that would affect the Group's financial statements during the financial year under review. All the Directors after assessing their own training needs, had attended the following training/seminar/conference:-

Director	Training/Seminar/Conference	Date
Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah	• New Auditor Reporting : Why it matters to you	23 March 2016
Sim Tian Liang	• Invest Malaysia 2016 Conference : Thriving in A Connected World	12 – 13 April 2016
Chin Lian Hing	• Safety Operation and Work in Construction Industry	5 September 2016
Yam Tai Fong	• Practical Challenges and the Impact of the Companies Bill 2015	8 September 2016
Pang Khang Hau	• Safety Operation and Work in Construction Industry	5 September 2016
Kek Chin Wu	• I Am Ready to Manage Risks - Risk Management Training for Directors by Bursa Malaysia	20 October 2016
Pang Tin @ Pang Yon Tin	• Safety Operation and Work in Construction Industry	5 September 2016
Chua Kee Yat @ Koo Kee Yat	• Preparation and Implementation of Budget	16 February 2016

COMPANY SECRETARIES

All the Company Secretaries of the Company are qualified to act as Company Secretary under Section 235 of the Companies Act 2016 ("Act"). The Company Secretary plays an important advisory role and is a source of information and advice to the Board and Committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Company and Group.

The Board shall ensure that the Company Secretaries remain competent to fulfill the function for which they have been appointed. In this respect, the appointment and removal of the Company Secretaries are matters for the Board to consider as a whole.

The specific responsibilities of the Company Secretaries are as follows:-

(a) advise the Board and Management on governance issues;
(b) ensure compliance of listing and related statutory obligations;

STATEMENT ON CORPORATE GOVERNANCE

(c) attend Board, Committees and general meetings, and ensure the proper recording of minutes;
(d) ensure proper upkeep of statutory registers and records;
(e) assist the Chairman in the preparation for and conduct of meetings; and
(f) assist in the induction of new directors, and continuously update the Board on changes to Listing Requirements, other related legislations and regulations

The Company Secretary's appointments are subject to Board's approval.

DISCLOSURE POLICY, INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

The Board shall place great importance in ensuring high standards of transparency and accountability in its communication to shareholders, analysts and the public. The shareholders shall be informed of all material matters affecting the Company and Group.

The channels of communication, amongst others, are as follows:-

(a) timely announcements made to Bursa Securities, which includes quarterly financial results, material contracts awarded, changes in the composition of the Group and any other material information that may affect investors' decision making;
(b) conducts dialogues with financial analysts from time to time as a means of effective communication that enables the Board and Management to convey information relating to the Company's performance, corporate strategy and other matters affecting shareholders' interests;
(c) the Company's website which provides easy access to corporate information pertaining to the Company and its activities and is continuously updated. All announcements made to Bursa Securities are updated on the Company's website as soon as practical.

The Annual General Meeting ("AGM") is the principal forum for dialogue with shareholders. At each AGM, a presentation is given by the CEO or the Finance Director ("FD") to explain the Group's strategy, performance and major developments to shareholders. The Board also encourages shareholders to participate in the question and answer session at the AGM.

No poll voting was conducted in the last AGM which was held on 24 June 2016 as the Board was of the view that with the level of shareholders' attendance in the last AGM, voting by way of a show of hands continues to be efficient.

However, the Board will put all resolutions set out in the notice of any general meeting to be held on or after 1 July 2016 to voting by poll. An independent scrutineer shall be appointed to undertake the polling process.

Key investor relation activities during FY2016 include the followings:

- Semi-annually investors and financial analysts briefings;
- Participation in Invest Malaysia Kuala Lumpur event and other events or roadshows organised by investment banks;
- Private meetings with investors and financial analysts

The Board is mindful on the importance of maintaining proper corporate disclosure procedures with the aim to provide shareholders and investors with comprehensive, accurate and quality information on a timely basis. Personnel and working team for preparing the disclosure will conduct due diligence and proper verification, as well as coordinate the efficient disclosure of material information to the investing public. The Company also ensures that confidential information is handled properly by Directors, employees and relevant parties to avoid leakage and improper use of such information.

STATEMENT ON CORPORATE GOVERNANCE

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Company dispatches its notice of AGM to shareholders more than 21-days before the AGM, in advance of the notice period as required under the Act and MMLR. The additional time given to shareholders allows them to make necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney.

The Company allows a member to appoint a proxy who may be a member of the Company. If the proxy is not a member of the Company, he/she need not be an advocate, an approved company auditor or a person approved by the Companies Commission of Malaysia. The Company has also removed the limit on the number of proxies to be appointed by an exempt authorised nominee with shares in the Company for Omnibus account to allow greater participation of beneficial owners of shares at general meetings of the Company. The Constitution of the Company further accord proxies the same rights as members to speak at the general meeting. Essentially, a corporate representative, proxy or attorney is entitled to attend, speak and vote both on a show of hands and on a poll as if they were a member of the Company.

The AGM will be the principal forum for dialogue with individual shareholders, as it provides shareholders the opportunity to ask questions about the resolutions being proposed or about the Group's operations in general. The Share Registrar is available to attend to matters relating to shareholders' interests. The CEO or FD conducts a presentation on the performance of the Group during the AGM and encourages the shareholders to enquire about the Group's performance.

Extraordinary General Meetings ("EGM") are held as and when required. When an EGM is held to obtain shareholders' approval on certain business or corporate proposals, comprehensive circulars to shareholders will be sent within prescribed deadlines in accordance with regulatory and statutory provisions.

Effective from 1 July 2016, the Board will put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution.

CODE OF CONDUCT

The Directors, officers and employees of the Group are required to observe the Company's Corporate Code of Conduct. The core areas of conduct under the Code include the following:-

(a) conflict of interest;
(b) confidential information;
(c) fair dealing;
(d) protection of assets;
(e) knowledge and information;
(f) employment practices; and
(g) reporting of illegal and unethical behavior

The Board will review the Code regularly to ensure that it continues to remain relevant and appropriate. The Code is made available for reference in the Company's website at www.kimlun.com

STATEMENT ON CORPORATE GOVERNANCE

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present a balanced, clear and meaningful assessment of the Group's financial position and prospects in presenting the annual financial statements and quarterly reports as well as announcement to Bursa Securities. The Board is assisted by the AC in reviewing the Group's financial reporting processes and accuracy of its financial results, and scrutinising information for disclosure to ensure compliance with applicable approved accounting standards in Malaysia and the provisions of the Act.

Internal Control

The Board acknowledges its overall responsibility for maintaining a sound system of internal controls to safeguard shareholders' investment and the Group's assets. However, the Board recognises that such system is structured to manage rather than eliminate the possibility of encountering risk of failure to achieve corporate objectives.

The Statement on Risk Management and Internal Control is set out on page 47 of the Annual Report providing an overview of the state of internal controls, risk management framework and internal audit function within the Group.

Relationship with Auditors

The Company has established a formal, transparent and appropriate relationship with the Company's auditors, both internal and external. The internal auditor and the external auditors have direct access to the AC at all times. From time to time, the auditors will highlight to the AC and the Board matters that require the Board's attention.

The AC meets with the external auditors at least twice a year without the presence of Executive Directors and management to discuss their audit plan and audit findings. The AC reviews with the external auditors the annual audited financial statements before recommending them to the Board for its approval.

The AC assesses the effectiveness of both internal and external audit as well as the independence and objectivity of the external auditors. In its assessment, the AC considered several factors, which included adequacy of experience and resources of the firm and the professional staff assigned to the audit. Written assurance shall be obtained from the external auditors yearly, confirming their independence in accordance with the Bylaws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

Being satisfied with the external auditors, Ernst & Young's ("EY") performance, technical competency and audit independence, the AC recommended the appointment of EY as external auditors for FY2017. The Board at its meeting held on 30 March 2017 approved the AC's recommendation for the shareholders' approval to be sought at the 8th AGM on the appointment of EY as external auditors of the Company for FY2017.

STATEMENT ON CORPORATE GOVERNANCE

WHISTLEBLOWING POLICY

The Board is committed to achieving and maintaining the highest standards of integrity, openness, probity and accountability in the conduct of its businesses and operations. It aspires to conduct its affairs in an ethical, responsible and transparent manner.

Whistle blowing is a specific means by which an individual, whether employee or otherwise, can report or disclose through established channels, concerns about unethical behavior, malpractices, illegal acts or failure to comply with regulatory requirements that is taking place / has taken place / may take place in the future, without fear of reprisal or victimization, in a responsible and effective manner.

The policy addresses the following areas :

- Policy Statement
- Scope of Policy
- Reporting Procedure;
- Investigation Procedure; and
- Protection and Confidentiality

The Policy also provides the contact details of the Chairman of AC, should the reporting individual is in doubt of the Management's independence and objectivity on the concerns raised.

ADDITIONAL COMPLIANCE INFORMATION PURSUANT TO MAIN MARKET LISTING REQUIREMENTS of BURSA MALAYSIA SECURITIES BERHAD

Utilisation of Proceeds Raised From Corporate Proposal

Net proceeds raised from the Dividend Reinvestment Plan ("DRP") during FY2016 (after deducting estimated expenses of the DRP) had been fully utilised to fund general working capital of the Group.

Non-Audit Fees

During FY2016, non-audit fees incurred for services rendered to the Company and/or its subsidiaries by the Company's external auditors, or a firm affiliated to the external auditors were as follows:

	Audit Fee	Non-audit Fee
Company	RM30,000	RM11,000
Group	RM119,000	RM61,700

The non-audit fees were incurred mainly for corporate tax computation and submission services rendered to the Group by a firm affiliated to the external auditors.

Material Contracts

Save as disclosed under Note 31 to the financial statements contained in this Annual Report , there were no material contracts including contracts relating to any loans entered into by the Company and its subsidiaries involving Directors and major shareholders' interest, either still subsisting at the end of FY2016 or entered into since the end of the previous financial year.

STATEMENT ON CORPORATE GOVERNANCE

Recurrent Related Party Transactions of Revenue and Trading Nature ("RRPT")

The Company had at the 7th AGM of the Company held on 24 June 2016 obtained shareholders' mandate for the Group to enter into RRPT, which are necessary for its day-to-day operations and are in the ordinary course of business with related parties. The shareholders' mandate shall lapse at the conclusion of the Company's forthcoming AGM. The Company intends to seek a renewal of the shareholders' mandate for the RRPT at the Company's forthcoming AGM.

The details of the mandated RRPTs transacted during FY2016 are as follows:

Subsidiaries involved	Transacting Parties	Categories of transactions	Value transacted RM'000	Interested Directors and Major Shareholders
Kimlun Sdn Bhd ("KLSB")	Scudai Development Sdn Bhd ("SD")	Provision of construction services by KLSB to SD for construction of buildings and infrastructure	2,476	Pang Tin @ Pang Yon Tin^, his spouse and children collectively hold 90% interest in SD. Pang Khang Hau* holds 7.5% interest in SD. Phang Piow @ Pang Choo Ing# and Pang Chew Ngo# are also deemed interested by virtue of their family relationship to Pang Tin @ Pang Yon Tin. Phin Sdn Bhd ("Phin") is deemed interested by virtue of Pang Tin @ Pang Yon Tin's interest in Phin∞ pursuant to Section 8 of the Act.
KLSB, SPC Industries Sdn Bhd ("SPC"), I-Buildtech Solutions Pte. Ltd ("IBT")	Sri Pulai Granite Quarry Sdn Bhd ("Sri Pulai")	Purchase of quarry products and consumable materials from Sri Pulai	10,301	Pang Tin @ Pang Yon Tin^ and Phang Piow @ Pang Choo Ing# each hold 45% interest in Sri Pulai. Pang Khang Hau* and Pang Chew Ngo# are also deemed interested by virtue of their family relationship to Pang Tin @ Pang Yon Tin. Phin is deemed interested by virtue of Pang Tin @ Pang Yon Tin's interest in Phin∞ pursuant to Section 8 of the Act.
KLSB	Sri Pulai	Renting of premises from Sri Pulai	15	- As above -

STATEMENT ON CORPORATE GOVERNANCE

Subsidiaries involved	Transacting Parties	Categories of transactions	Value transacted RM'000	Interested Directors and Major Shareholders
KLSB, SPC	JB Enterprise Sdn Bhd ("JBE")	Renting of premises from JBE	12	Pang Tin @ Pang Yon Tin^ and his spouse collectively hold 100% interest in JBE. Phang Piow @ Pang Choo Ing#, Pang Khang Hau* and Pang Chew Ngo# are also deemed interested by virtue of their family relationship to Pang Tin @ Pang Yon Tin. Phin is deemed interested by virtue of Pang Tin @ Pang Yon Tin's interest in Phin∞ pursuant to Section 8 of the Act.
SPC	Sri Pulai Realty Sdn Bhd ("SPR")	Renting of premises from SPR	519	Phang Piow @ Pang Choo Ing#, his spouse and his children collectively hold 100% interest in SPR. Pang Tin @ Pang Yon Tin^ and Pang Chew Ngo# are deemed interested by virtue of their family relationship with Phang Piow@ Pang Choo Ing. Phin is deemed interested by virtue of Pang Tin @ Pang Yon Tin's interest in Phin∞ pursuant to Section 8 of the Act.
SPC	Properties Watch Sdn Bhd ("PWSB")	Renting of premises from PWSB	741	Pang Tin @ Pang Yon Tin^ and his spouse collectively hold 100% interest in PWSB. Phang Piow @ Pang Choo Ing#, Pang Khang Hau* and Pang Chew Ngo# are also deemed interested by virtue of their family relationship to Pang Tin @ Pang Yon Tin. Phin is deemed interested by virtue of Pang Tin @ Pang Yon Tin's interest in Phin∞ pursuant to Section 8 of the Act.

STATEMENT ON CORPORATE GOVERNANCE

Subsidiaries involved	Transacting Parties	Categories of transactions	Value transacted RM'000	Interested Directors and Major Shareholders
SPC and Kimlun Land Sdn Bhd ("Kimlun Land")	Mi Lun Woodworks Sdn Bhd ("MLW")	Provision of landscaping & maintenance service by MLW to SPC and Kimlun Land	43	Pang Tin @ Pang Yon Tin^ and his spouse collectively hold 100% interest in MLW. Phang Piow @ Pang Choo Ing#, Pang Khang Hau* and Pang Chew Ngo# are also deemed interested by virtue of their family relationship to Pang Tin @ Pang Yon Tin. Phin is deemed interested by virtue of Pang Tin @ Pang Yon Tin's interest in Phin∞ pursuant to Section 8 of the Act.

^ *Our Director and Major Shareholder*
* *Our Director and shareholder*
\# *Our shareholder and a Director of one of our subsidiary companies*
∞ *Our Major Shareholder*

The details of the renewal of the shareholders' mandate to be sought would be furnished in the Circular to Shareholders dated 27 Apr 2017 together with this Annual Report.

The details of the RRPTs transacted during FY2016 are disclosed in Note 31 to the financial statements contained in this Annual Report.

AUDIT COMMITTEE REPORT

MEMBERS OF THE AUDIT COMMITTEE

The members of the Audit Committee ("AC") comprise of:-

1. **Kek Chin Wu**
   Chairman / Independent Non-Executive Director

2. **Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah**
   Member / Independent Non-Executive Director

3. **Chua Kee Yat @ Koo Kee Yat**
   Member / Independent Non-Executive Director

The members of the AC consist solely of Independent Non-Executive Directors. All members of the AC, including the Chairman, will hold office only so long as they serve as Directors of the Company. The Nomination Committee shall review the term of office and performance of the AC and each of its members annually to determine whether the AC and members have carried out their duties in accordance with their terms of reference. All members shall be financially literate and at least one member must be a member of the Malaysian Institute of Accountants or possess such other qualifications and experience as approved by Bursa Malaysia.

ATTENDANCE OF MEETINGS

During the financial year ended 31 December 2016, the AC met five (5) times. The meeting attendance of the AC members is as follows :

Name of Directors	Number of Meetings Held During Director's Tenure in Office	Attendance	Percentage of Attendance
Kek Chin Wu	5	5	100%
Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah	5	5	100%
Chua Kee Yat @ Koo Kee Yat	5	4	80%

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The information on the terms of reference of the AC is available on the Company's website at www.kimlun.com

SUMMARY OF WORKS OF THE AUDIT COMMITTEE

During the financial year, the AC met five times. In line with the terms of reference of the AC, the following activities were carried out by the AC during the financial year ended 31 December 2016 in discharging its functions:

(a) Reviewed and discussed with the external auditors' on their scope of work, engagement team, audit timeline, areas of audit emphasis, and focus on key audit matters for their FY2016 audit plan;

(b) Reviewed and discussed with the external auditors the results of their audit, the audit report and internal control recommendations in respect of internal control weaknesses noted in the course of their audit;

AUDIT COMMITTEE REPORT

(c) Reviewed the quarterly unaudited financial results, audited financial statements and Annual Report before recommending for the Board's approval focusing particularly on:-

(i) changes in or implementation of major accounting policy changes;

(ii) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;

(iii) compliance with accounting standards and other legal requirements; and

(iv) the going concern assumption;

The AC obtained the advice of the Company's secretary and external auditors on compliance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements and the applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board, and other legal requirements.;

(d) Invited the Chief Financial Officer to all AC meetings to facilitate direct communication as well as to provide clarification on the financial results of the Group, the changes in or implementation of major accounting policy changes.

(e) Sought clarification from the Management on significant financial reporting issues, judgments made by the Management and matters highlighted by the external auditors. The AC was satisfied with the clarification from the Management and the actions taken by the Management to address the matters highlighted;

(f) Met with the external auditors three times, and the internal auditors four times during the year without the presence of any executive Board member and employees of the Group;

(g) Reviewed the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;

(h) Reviewed and deliberated on internal audit reports tabled during the year, the audit recommendations made and Management's response to these recommendations. The AC briefed the Board on audit findings, sought clarifications from the Executive Directors on internal control matters and provided its views and recommendations on areas where improvements could be made;

(i) Reviewed the results of follow-up audits conducted by the Internal Auditors on the Management's implementation of audit recommendations to ensure that all key risks and internal control weaknesses are properly addressed;

(j) Reviewed related party transactions ("RPTs") on a quarterly basis and also the internal audit report on RPTs to ascertain that the review procedures established to monitor the RPTs have been complied with. The Management presented the RPTs reports detailing the parties to the RPTs, the nature and quantum of the RPTs to the AC quarterly for their review;

(k) Reviewed the application of corporate governance principles and the extent of the Group's compliance with the best practices set out under the Malaysian Code on Corporate Governance ("MCCG"). In discharging its duty, the AC obtained the advices of the Company Secretary on MCCG, and discussed with the Executive Directors on the application of the best practices set out under the MCCG;

(l) Reviewed the Statement on Risk Management and Internal Control and recommended to the Board for inclusion in the Annual Report;

AUDIT COMMITTEE REPORT

(m) Assessed the suitability and independence of the external auditors. In its assessment, the AC considered several factors, which included adequacy of experience and resources of the firm, the professional staff assigned to the audit and the level of non-audit services to be rendered by the external auditors, Ernst & Young ("EY"). Written assurance was received from the external auditors confirming their independence in accordance with the Bylaws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants. Being satisfied with EY's performance, technical competency and audit independence, the AC recommended the appointment of EY as external auditors for the financial year ended 31 December 2016.

SUMMARY OF WORKS OF INTERNAL AUDIT FUNCTION

The Company has outsourced its internal audit function to a professional services firm. The internal audit function has been mandated to continually assess and monitor the Group's system of internal control.

During the financial year, the Internal Auditors carried out internal audit reviews to assess the adequacy and integrity of the system of internal control as established by the Management, so as to provide reasonable assurance that:-

- the system of internal control continues to operate satisfactorily and effectively;
- assets and resources are safeguarded;
- integrity of records and information is protected;
- internal policies, procedures and standards are adhered to; and
- applicable rules and regulations are complied with.

The scope of work, as approved by the AC, was essentially based on the risk profiles of individual business units in the Group, where areas of higher risk were included for internal audit. The internal audit covered key operational, financial and compliance controls, including the risk management process deployed by Management. Among the scope of coverage during the financial year were reviews of the information technology system, related party transactions, Goods and Services Tax accounting and inventory management system.

The internal audit reports ("IA Reports) with details on audit scope and methodology, process flow, critical process risks and relevant control activities, audit findings, areas of concern that need improvements, and audit recommendations were presented to the AC for its review and deliberation. The results of the audits in the IA Reports and the recommended corrective actions on reported weaknesses to be undertaken by the relevant management team members within the required timeframes would be discussed at the Board meetings. The IA Reports were also forwarded to the Management for the necessary corrective actions to be taken. The internal auditor also conducted follow-up audits on key engagements to ensure that the corrective actions were implemented appropriately.

This statement is made in accordance with the resolution of the Board of Directors dated 30 March 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board is committed to maintaining a sound system of risk management and internal control in the Group to safeguard shareholders' investments and the Group's assets. The Board is pleased to provide the Statement on Risk Management and Internal Control which outlines the nature and scope of risk management and internal control of the Group for the financial year ended 31 December 2016 ("FY2016") under review, in accordance with paragraph 15.26(b) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). For the purpose of this Statement, the Group comprises the holding company and its subsidiaries.

RESPONSIBILITIES OF THE BOARD

The Board acknowledges the importance of maintaining effective and sound system of risk management and internal control, covering all its financial and operating activities, to safeguard shareholders' investments and the Group's assets. Accordingly, the Board affirms its responsibility for the Group's system of risk management and internal controls and its commitment to review its effectiveness, adequacy and integrity to ensure implementation of an appropriate system to effectively and continuously identify, evaluate and manage principal risks of the Group and to mitigate the effects of the principal risks on achieving the Group's business objectives.

The Board continually reviews the system to ensure that it provides a reasonable but not absolute assurance against material misstatement of financial information and records, or against financial losses or fraud. The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group.

The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively in all material aspects.

The Board has taken the necessary steps to ensure that appropriate systems are in place for the assets of the Group to be adequately safeguarded through the prevention and detection of fraud and other irregularities and material misstatements. The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of issuance of the financial statements is adequate and effective.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT FRAMEWORK

The Board has overall accountability for ensuring that risks are effectively managed across the Group, and on behalf of the Board, the Audit Committee reviews the effectiveness of the Group's risk management process.

During the financial year ended 31 December 2016, the Group operates within an enterprise risk management framework. A Risk Management Committee ("RMC") that comprises Executive Directors of the Company and appointed key management personnel has been established to assume the following functions:

a) To oversee the risk management activities of the Group. The RMC supports the Board in fulfilling its responsibility for identifying significant risks and ensuring the implementation of appropriate systems to manage the overall risk exposure of the Group; and

b) To review and recommend the Group risk management policies and strategies for the Board's approval.

The main functions and duties of the RMC include, but are not limited to:

(i) Provides oversight, direction and counsel to the Group risk management process which includes:

- Evaluating and identifying new risks;
- Reviewing and updating the Risk Register and ensuring that significant risks are being responded to appropriately; and
- Monitoring the Group risk exposures and ensuring the implementation of management action plans to mitigate significant risks identified

(ii) Evaluates the effectiveness of the risk management processes and support system to identify, assess, monitor and manage the Group's key risks;

(iii) Meets with senior management on a semi-annual basis to discuss and deliberate on the significant risks affecting the Group within the context of the business objectives and strategy;

(iv) Establish Group risk management guidelines and policies and ensure implementation of the objectives outlined therein and compliance thereto;

(v) Recommends for the Board's approval the Group risk management policies, strategies and risk tolerance levels, and any proposed changes thereto;

(vi) Reviews significant investment proposals

A risk management report is to be tabled for Audit Committee and Board discussion annually or at shorter interval where necessary. The report identifies principal risks affecting or are likely to affect the Group, and the appropriate systems or actions to manage the risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The key risks and some of the control measures are set out below:

Risk Area	Risk Management Process
Strategic Risks	• Feasibility studies on new ventures • Engagement of consultant advisory services, where necessary
Operational Risk	• Organization structure outlining the lines of responsibilities and authorities for planning, executing, controlling and monitoring the business operations • Periodic operational review meetings attended by the Executive Directors, heads of department and key management staff to consider financial and operational risks and issues of the Group as well as any management proposal • Monitoring of actual performance against annual budget by the Executive Directors. The reports thereon are reviewed by the Board • Formalised whistle blowing policy, code of conduct and written policies and procedures on major processes to ensure compliance with internal control systems and relevant laws and regulations • Appointment of staff based on the required level of qualification, experience and competency
Credit Risk and Liquidity Risk	• Background check of prospective customers prior to accepting any engagement from such parties • Close monitoring of collection by the finance department with weekly update to the senior management as to collection received and incidence of delay • Timely follow up with the customers on overdue payment. • Review of the recoverability of retention sum due from customers. • Avoid over concentration of sales and credit exposure to any customer to prevent over-dependence on any customer • Actively monitor the Group's banking facilities to ensure the facilities are sufficient to meet the Group's working capital requirement
Market Risk	• Established quality control procedures and guidelines to ensure quality services and products to customers, and cost efficiency • Nurture close relationship with customers, sub-contractors and suppliers • Establish wide range of services and products to diversify product risks and reduce reliance on any particular services or products for revenue • Focus in more technical demanding products and services to create a market niche or speciality • Bid for projects jointly with parties which have complementary strength to the Group • Diversify base of customers, sub-contractors and suppliers
Human Resource	• Succession planning in human resources • Competitive remuneration packages to attract talent • Appropriate training and development to nurture and groom existing staff force • Internship program for university students to identify potential talent that the Group can employ

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL CONTROL

The Group has established an organisation structure outlining the lines of responsibilities and authorities for planning, executing, controlling and monitoring the business operations aligned to business and operations requirements which supports the maintenance of a strong control environment. It has extended the responsibilities of the Audit Committee of the Board to include the assessment of internal controls through the Internal Audit function.

Other key elements of the system of internal control of the Group are as follows:-

- The Board established a hierarchical organisation structure with proper segregation of duties for key functions of the operations of the Group;
- Delegation of authority including authorisation limits at various levels of management and those requiring the Board's approval are clearly defined to ensure accountability and responsibility;
- Formation of committee to evaluate and approve related party project tenders;
- Appointment of staff is based on the required level of qualification, experience and competency to fulfil their responsibilities. Training and development is provided for selected staff to further enhance their skill and capability;
- There is an annual budgeting process. The Board reviews the actual performance against budget;
- Regular and comprehensive information are provided to the Board for monitoring and tracking of performance of the Group;
- Periodic operational review meetings are held and attended by the Executive Directors, heads of department and key management staff to consider financial and operational issues of the Group as well as any management proposal;
- Active involvement of directors in the operation and management of newly set up branch;
- Centralised control of financial resources by head office of respective subsidiary companies;
- Formalised whistle blowing policy, code of conduct and written policies and procedures on major processes are in place to ensure compliance with internal control systems and relevant laws and regulations;
- ISO 9001:2008 Quality Management System has been implemented for certain subsidiaries of the Company. Annual surveillance audits are conducted by a certification body to provide assurance of compliance with ISO 9001:2008; and
- Adequate insurance coverage and physical safeguarding of major assets are in place to guard against any mishap that may result in material losses to the Group.

INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to a professional service firm. The internal audit function has been mandated to continually assess and monitor the Group's system of internal control. The total cost paid or payable by the Group to the professional service firm amounted to RM70,000 for FY2016. The internal audit function adopts a risk-based approach and prepares its audit strategy and plans based on the risk profiles of individual business unit of the Group. These plans are updated periodically and approved by the Audit Committee. The monitoring, review and reporting arrangements undertaken by the Internal Auditor gives reasonable assurance that the internal controls embedded within the major business processes of the Group are appropriate to the Group's operations to adequately manage the key risks of the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The key elements of the Group's Internal Audit Function are described below:

1. Prepare a detailed Audit Plan based on a risk-based methodology with the scope and frequency of the internal audit activities for the Audit Committee's approval.

2. Carry out all activities to conduct the audits in an effective, professional and timely manner.

3. Report to the Management upon completion of each audit on any significant control lapses and/or deficiencies noted from the reviews for their verification and corrective action plan.

4. Report to the Audit Committee on all significant non-compliance, internal control weaknesses and agreed actions taken by Management to resolve the audit issues identified.

5. Follow-up on internal audit issues identified to ascertain whether agreed corrective action plan has been carried out by the Management.

WEAKNESSES IN INTERNAL CONTROLS WHICH RESULTED IN MATERIAL LOSSES

There were no major weaknesses in internal controls which resulted in material losses during the financial year under review until the date of approval of this Statement.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control and reported to the Board that nothing has come to their attention that causes them to believe the Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the Group's internal control system.

This statement is made in accordance with the resolution of the Board dated 30 March 2017.

STATEMENT ON DIRECTORS' RESPONSIBILITY

For the audited financial statement

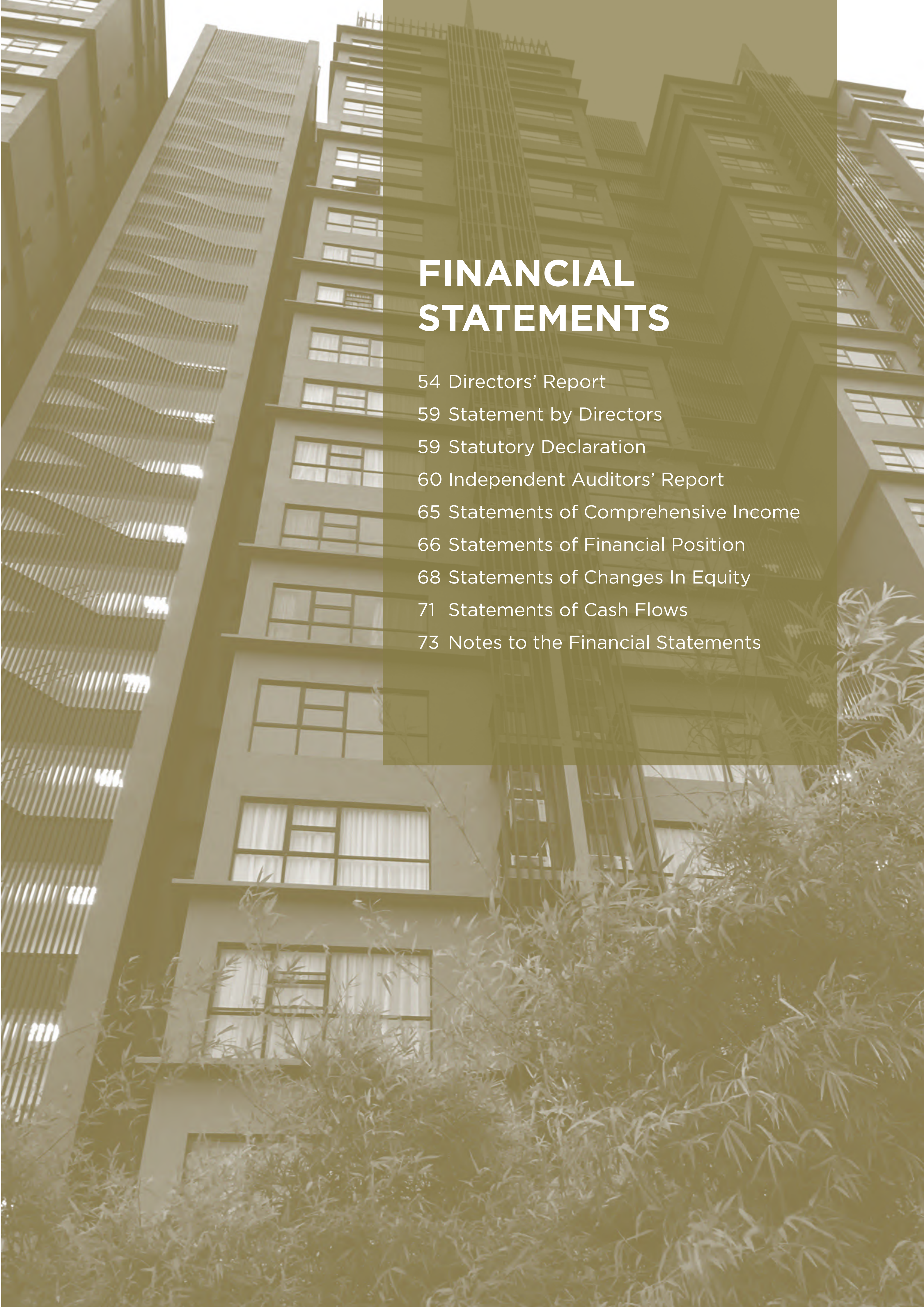
The Directors acknowledged their responsibilities as required by the Companies Act, 1965 to prepare the financial statements for each financial year so as to give a true and fair view of the state of affairs of the Group and the Company as at end of the financial year and of the results and cash flow of the Group and the Company for the financial year then ended.

In the preparation of the financial statements, the Directors have:

- adopted appropriate accounting policies and apply them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that applicable approved accounting standards have been complied with; and
- ensured the financial statement have been prepared on a going concern basis.

The Directors are responsible for ensuring that proper accounting and other records are kept which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

This statement on Directors' responsibility is made in accordance with the resolution of the Board of Directors dated 30 March 2017.



FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

Principal activities

The principal activity of the Company is investment holding.

The principal activities and other information of the subsidiaries are as disclosed in Note 15 to the financial statements.

Results

	Group RM	Company RM
Profit net of tax	81,919,028	13,828,985
Attributable to:		
Owner of the company	81,920,837	13,828,985
Non-Controlling Interests	(1,809)	-
	81,919,028	13,828,985

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividend

The amount of dividend paid by the Company since 31 December 2015 was as follows:

	RM
In respect of the financial year ended 31 December 2015 as reported in the directors' report of that year:	
Final (single-tier) dividend of 5.80 sen per ordinary share, on 300,542,500 ordinary shares, declared on 24 June 2016 and paid on 18 August 2016	17,431,465

The shareholders of the Company ("Shareholders") have been granted an option to elect to reinvest their entitlement of the abovementioned final dividend in new ordinary shares of RM0.50 each in the Company ("New Shares") in accordance with the approved Dividend Reinvestment Plan of the Company ("DRP"). The reinvestment rate for the abovementioned dividend was 87.6%.

DIRECTORS' REPORT

Dividend (cont'd)

At the forthcoming Annual General Meeting ("AGM"), a final (single-tier) dividend in respect of the financial year ended 31 December 2016, of 6.50 sen per ordinary share will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

The Board of Directors has determined that the DRP will apply to the final dividend and the Shareholders be given an option to reinvest the entire final dividend in New Shares ("Reinvestment Option"), subject to approvals being obtained from the following:

(i) Bursa Malaysia Securities Berhad for the listing of and quotation for the New Shares to be issued pursuant to the implementation of the DRP for the final dividend on the Main Market of Bursa Securities;

(ii) Shareholders in the forthcoming AGM for the declaration of the final dividend and the issuance of such number of New Shares as may be required pursuant to the exercise of the Reinvestment Option by the Shareholders; and

(iii) Approval from other relevant authorities and/ or parties, if required.

Directors

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

Pang Tin @ Pang Yon Tin
Sim Tian Liang
Chin Lian Hing
Yam Tai Fong (f)
Pang Khang Hau
Kek Chin Wu
Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah @ Lim Teik Keat
Chua Kee Yat @ Koo Kee Yat

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 31 to the financial statements.

Directors' interests

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

(a) Shares in the Company

	Number of ordinary shares of RM0.50 each			
	1 January 2016	**Bought**	**Sold**	**31 December 2016**
Direct interest :				
Pang Tin @ Pang Yon Tin	15,589,000	575,899	-	16,164,899
Sim Tian Liang	8,162,500	301,532	300,000	8,164,032
Chin Lian Hing	7,910,400	292,230	-	8,202,630
Yam Tai Fong (f)	8,100,600	299,257	-	8,399,857
Pang Khang Hau	17,559,700	648,702	-	18,208,402
Kek Chin Wu	378,500	-	50,000	328,500
Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah @ Lim Teik Keat	63,000	2,327	-	65,327
Chua Kee Yat @ Koo Kee Yat	37,800	-	-	37,800
Indirect interest :				
Pang Tin @ Pang Yon Tin	115,869,400	4,280,521	-	120,149,921

By virtue of his interest in the shares of the Company, Pang Tin @ Pang Yon Tin is also deemed interested in the shares of the subsidiaries to the extent that the Company has an interest.

(b) Warrants in the Company

	Number of warrants			
	1 January 2016	**Bought**	**Sold**	**31 December 2016**
Direct interest :				
Pang Tin @ Pang Yon Tin	2,928,100	-	-	2,928,100
Sim Tian Liang	100,000	-	-	100,000
Yam Tai Fong (f)	450,000	-	-	450,000
Pang Khang Hau	3,641,900	-	-	3,641,900
Kek Chin Wu	78,500	-	-	78,500
Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah @ Lim Teik Keat	13,000	-	-	13,000
Chua Kee Yat @ Koo Kee Yat	7,800	-	-	7,800
Indirect interest :				
Pang Tin @ Pang Yon Tin	23,119,900	-	-	23,119,900

DIRECTORS' REPORT

Issue of shares

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM150,281,250 to RM155,144,969 by way of the issuance of 9,727,437 ordinary shares of RM0.50 each arising from the DRP pertaining to the final (single tier) dividend of 5.80 sen in respect of the financial year ended 31 December 2015.

The share premium of RM10,408,357 arising from the issuance of ordinary shares and the share issue costs of RM231,879 have been included in the share premium account. The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

Other Statutory Information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps :

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision has been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

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

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

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

DIRECTORS' REPORT

Other Statutory Information (cont'd)

(f) In the opinion of the directors :

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Auditor and auditors' remuneration

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

Auditors' remuneration are disclosed in Note 7 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 March 2017.

Pang Tin @ Pang Yon Tin **Sim Tian Liang**

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

We, Pang Tin @ Pang Yon Tin and Sim Tian Liang, being two of the directors of Kimlun Corporation Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 65 to 131 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 year then ended.

The information set out in Note 39 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 March 2017.

Pang Tin @ Pang Yon Tin **Sim Tian Liang**

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, Yam Tai Fong, being the Director primarily responsible for the financial management of Kimlun Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 65 to 132 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared	)	
by the abovenamed Yam Tai Fong	)	
at Johor Bahru in the State of	)	
Johor Darul Ta'zim on 30 March 2017.	)	**Yam Tai Fong**

Before me,

INDEPENDENT AUDITORS' REPORT

To the members of Kimlun Corporation Berhad
(Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Kimlun Corporation Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 65 to 131.

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 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. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

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

Key audit matters

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

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

(i) Revenue recognition

The Group is involved in a number of significant construction contracts for which it applies the percentage of completion method. The revenue and cost of construction projects computed based on stage of completion method contributed to approximately 80% and 83% respectively of the Group's revenue and cost.

We focused on this area because management made significant judgement and estimates in determining the following:

- The stage of completion. Significant judgement and estimates are required in determining the estimated total contract costs and the extent of cost incurred, which forms part of the computation of percentage of completion for long term contracts;

- The contract revenue. The estimated contract revenue is subject to variations in contract works, the estimated costs to complete and renegotiations; and

- The recoverability of the construction contracts. Reimbursement of costs not included in the contract price is subject to a high level of uncertainty and negotiations with customers.

The notes relating to revenue recognition are disclosed in Note 2.26 (a), Note 3.2 (b)(i) and Note 4 to the financial statements.

As part of our audit, we performed the following:

We obtained an understanding of significant projects in respect of contractual terms and conditions;

We obtained an understanding of the relevant controls performed by management in estimating the timing of revenue recognition, total contract costs, profit margin, and percentage of completion of a contract;

We discussed the status of projects under construction with the management, finance and the project leaders. We also observed the progress of the projects by performing site visits and compared the estimated stage of completion to architect certificates;

We assessed management's assumptions in determining the percentage of completion of a contract. Our audit procedures included amongst others, agreeing the estimated construction cost to the awarded contracts, and assessing the completeness of the cost incurred by vouching to the latest progress claims from sub-contractors.

In relation to variations in contract works and reimbursement of costs not included in the contract price, we agreed the amounts to supporting evidence including but not limited to approved variation orders and correspondence with customers;

We reviewed management's workings on the computation of percentage of completion; and

We reviewed management's workings on the computation of revenue. Our audit procedures included, amongst others and where applicable, agreeing the contract revenue to the original signed contracts, letter of awards and approved variation orders.

INDEPENDENT AUDITORS' REPORT

To the members of Kimlun Corporation Berhad
(Incorporated in Malaysia)

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the Annual Report, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will 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 identified above 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 this 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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with 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 is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

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

INDEPENDENT AUDITORS' REPORT

To the members of Kimlun Corporation Berhad
(Incorporated in Malaysia)

As part of an audit in accordance with approved standards on auditing in Malaysia, we exercise professional judgement and maintain professional skepticism throughout the planning and performance of the audit. We also:

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

INDEPENDENT AUDITORS' REPORT

To the members of Kimlun Corporation Berhad
(Incorporated in Malaysia)

Other reporting responsibilities

The supplementary information set out in Note 39 on page 132 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 matters

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

Ernst & Young
AF 0039
Chartered Accountants
Johor Bahru, Malaysia
Date: 30 March 2017

Wun Mow Sang
01821/12/2018 J
Chartered Accountant

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Revenue	4	940,677,253	1,053,639,742	15,126,243	16,551,634
Cost of sales		(790,039,928)	(930,695,461)	-	-
Gross profit		150,637,325	122,944,281	15,126,243	16,551,634
Other item of income					
Other operating income	5	9,481,214	10,003,079	-	-
Other items of expenses					
Administration expenses		(47,288,589)	(39,307,354)	(768,445)	(756,590)
Share of profit of joint ventures		3,972,538	9,176,176	-	-
Finance costs	6	(7,831,375)	(9,454,618)	-	-
Profit before tax	7	108,971,113	93,361,564	14,357,798	15,795,044
Income tax expense	10	(27,052,085)	(22,659,589)	(528,813)	(595,398)
Profit net of tax		81,919,028	70,701,975	13,828,985	15,199,646
Other comprehensive loss:					
Foreign currency translation		(5,241)	(45,498)	-	-
Other comprehensive loss for the year, net of tax		(5,241)	(45,498)	-	-
Total comprehensive income for the year		81,913,787	70,656,477	13,828,985	15,199,646
Profit attributable to:					
Owners of the Company		81,920,837	70,701,975	13,828,985	15,199,646
Non-controlling interest		(1,809)	-	-	-
		81,919,028	70,701,975	13,828,985	15,199,646
Total comprehensive income attributable to:					
Owners of the Company		81,915,596	70,656,477	13,828,985	15,199,646
Non-controlling interest		(1,809)	-	-	-
		81,913,787	70,656,477	13,828,985	15,199,646
Earnings per share attributable to owners of the Company (sen per share)					
Basic	11	26.77	23.52		
Diluted	11	26.27	23.52		

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

	Note	Group 2016 RM	2015 RM
Non-current assets			
Property, plant and equipment	12	155,787,111	151,766,586
Land held for property development	18	51,765,427	29,694,577
Investment properties	13	5,637,194	327,445
Other investments	14	255,431	75,000
Investment in joint ventures	16	17,291,337	10,092,381
Deferred tax assets	27	-	2,874,123
		230,736,500	194,830,112
Current assets			
Properties held for sale	17	1,829,232	1,829,232
Property development costs	18	54,157,105	73,409,302
Inventories	19	18,444,906	21,455,967
Trade and other receivables	20	466,753,630	444,647,839
Other current assets	21	134,251,248	140,358,033
Cash and bank balances	23	79,025,354	97,153,846
		754,461,475	778,854,219
Total assets		985,197,975	973,684,331
Equity and liabilities			
Current liabilities			
Income tax payable		10,675,800	7,048,868
Loans and borrowings	24	47,373,279	82,379,147
Trade and other payables	25	284,582,324	303,282,053
Other current liability	26	33,076,162	40,641,758
		375,707,565	433,351,826
Net current assets		378,753,910	345,502,393
Non-current liabilities			
Loans and borrowings	24	67,662,037	80,592,184
Deferred tax liabilities	27	2,565,529	-
		70,227,566	80,592,184
Total liabilities		445,935,131	513,944,010
Net assets		539,262,844	459,740,321
Equity attributable to owners of the Company			
Share capital	28	155,144,969	150,281,250
Share premium	28	47,971,016	37,794,538
Treasury shares	28	(23,774)	(23,774)
Retained earnings	29	301,357,225	236,867,853
Other reserves	30	34,815,213	34,820,454
		539,264,649	459,740,321
Non-controlling interest		(1,805)	-
Total equity		539,262,844	459,740,321
Total equity and liabilities		985,197,975	973,684,331

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

	Note	Company 2016 RM	2015 RM
Non-current asset			
Investments in subsidiaries	15	177,659,999	163,159,999
Current assets			
Other receivables	20	59,536,201	63,953,535
Other current assets	21	13,675	21,175
Cash and bank balances	23	3,076,071	876,004
		62,625,947	64,850,714
Total assets		240,285,946	228,010,713
Equity and liabilities			
Current liabilities			
Income tax payable		212,200	189,816
Other payables	25	1,321,074	505,942
		1,533,274	695,758
Net current assets		61,092,673	64,154,956
Total liabilities		1,533,274	695,758
Net assets		238,752,672	227,314,955
Equity attributable to owners of the Company			
Share capital	28	155,144,969	150,281,250
Share premium	28	47,971,016	37,794,538
Treasury shares	28	(23,774)	(23,774)
Retained earnings	29	795,211	4,397,691
Other reserves	30	34,865,250	34,865,250
Total equity		238,752,672	227,314,955
Total equity and liabilities		240,285,946	228,010,713

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

Group	Note	Equity total RM	Share capital (Note 28) RM	Share premium (Note 28) RM	Treasury shares (Note 28) RM	Retained earnings (Note 29) RM	Other reserves total RM	Warrant reserve (Note 30) RM	Foreign currency translation reserve (Note 30) RM	Non Controlling Interest RM
			← Attributable to owners of the Company →							
			← Non-Distributable →			Distributable	← Non-Distributable →			
Opening balance at 1 January 2016		459,740,321	150,281,250	37,794,538	(23,774)	236,867,853	34,820,454	34,865,250	(44,796)	-
Foreign currency translation		(5,241)	-	-	-	-	(5,241)	-	(5,241)	-
Non-controlling interest		(1,809)	-	-	-	-	-	-	-	(1,809)
Profit attributable to owners of the Company		81,920,837	-	-	-	81,920,837	-	-	-	-
Total comprehensive income for the year		81,913,787	-	-	-	81,920,837	(5,241)	-	(5,241)	(1,809)
Transactions with owners										
Issuance of shares	28	15,272,076	4,863,719	10,408,357	-	-	-	-	-	-
Share issuance expenses		(231,879)	-	(231,879)	-	-	-	-	-	-
Acquisition of non-controlling interest	15	4	-	-	-	-	-	-	-	4
Dividends on ordinary shares	37	(17,431,465)	-	-	-	(17,431,465)	-	-	-	-
Total transactions with owners		(2,391,264)	4,863,719	10,176,478	-	(17,431,465)	-	-	-	4
Closing balance at 31 December 2016		539,262,844	155,144,969	47,971,016	(23,774)	301,357,225	34,815,213	34,865,250	(50,037)	(1,805)

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

Group	Note	Equity total	Share capital (Note 28)	Share premium (Note 28)	Treasury shares (Note 28)	Retained earnings (Note 29)	Other reserves total	Warrant reserve (Note 30)	Foreign currency translation reserve (Note 30)
			← Attributable to owners of the Company →						
			← Non-Distributable		→	Distributable	← Non-Distributable →		
		RM	RM	RM	RM	RM	RM	RM	RM
Opening balance at 1 January 2015		400,516,424	150,281,250	37,794,538	(12,189)	177,586,873	34,865,952	34,865,250	702
Foreign currency translation		(45,498)	-	-	-	-	(45,498)	-	(45,498)
Profit net of tax		70,701,975	-	-	-	70,701,975	-	-	-
Total comprehensive income for the year		70,656,477	-	-	-	70,701,975	(45,498)	-	(45,498)
Transactions with owners									
Purchase of treasury shares	28	(11,585)	-	-	(11,585)	-	-	-	-
Dividends on ordinary shares	37	(11,420,995)	-	-	-	(11,420,995)	-	-	-
Total transactions with owners		(11,432,580)	-	-	(11,585)	(11,420,995)	-	-	-
Closing balance at 31 December 2015		459,740,321	150,281,250	37,794,538	(23,774)	236,867,853	34,820,454	34,865,250	(44,796)

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

		← Attributable to owners of the Company →					
			← Non-distributable		→	Distributable	Non-distributable
	Note	Equity total	Share capital (Note 28)	Share premium (Note 28)	Treasury shares (Note 28)	Retained earnings (Note 29)	Warrant reserves (Note 30)
Company		RM	RM	RM	RM	RM	RM
Opening balance at 1 January 2016		227,314,955	150,281,250	37,794,538	(23,774)	4,397,691	34,865,250
Total comprehensive income		13,828,985	-	-	-	13,828,985	-
Transaction with owners							
Issuance of shares	28	15,272,076	4,863,719	10,408,357	-	-	-
Share issuance expenses		(231,879)	-	(231,879)	-	-	-
Dividends on ordinary shares	37	(17,431,465)	-	-	-	(17,431,465)	-
Total transaction with owners		(2,391,268)	4,863,719	10,176,478	-	(17,431,465)	-
Closing balance at 31 December 2016		238,752,672	155,144,969	47,971,016	(23,774)	795,211	34,865,250
Opening balance at 1 January 2015		223,547,889	150,281,250	37,794,538	(12,189)	619,040	34,865,250
Total comprehensive income		15,199,646	-	-	-	15,199,646	-
Transaction with owners							
Purchase of treasury shares	28	(11,585)	-	-	(11,585)	-	-
Dividends on ordinary shares	37	(11,420,995)	-	-	-	(11,420,995)	-
Total transaction with owners		(11,432,580)	-	-	(11,585)	(11,420,995)	-
Closing balance at 31 December 2015		227,314,955	150,281,250	37,794,538	(23,774)	4,397,691	34,865,250

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

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2016

	Group 2016 RM	Group 2015 RM
Operating activities		
Profit before tax	108,971,113	93,361,564
Adjustments for :		
Interest income	(1,379,505)	(1,757,280)
Finance costs	4,753,890	6,368,811
Allowance for impairment on trade receivables	1,439,576	366,276
Reversal of allowance for impairment on trade receivables	(608,042)	-
Impairment on goodwill	3,269	-
Depreciation of property, plant and equipment	19,450,874	20,859,011
Gain on disposal of plant and equipment	(91,740)	(119,639)
Plant and equipment written off	30,569	43,611
Share of profit of joint ventures	(3,972,538)	(9,176,176)
Unrealised foreign exchange gain	(1,171,763)	(10,053,543)
Fair value loss on other investments	211,938	-
Operating cash flows before changes in working capital	127,637,641	99,892,635
Property development costs	19,252,197	(59,141,037)
Inventories	3,011,061	(337,131)
Receivables	(21,294,225)	(93,306,358)
Other current assets	4,023,033	116,534,444
Payables	(17,642,641)	(12,229,576)
Other current liability	(7,565,596)	31,836,392
Cash flows generated from operations	107,421,470	83,249,369
Interest received	1,379,505	1,757,280
Income taxes paid	(17,195,187)	(15,740,337)
Interest paid	(4,753,890)	(6,368,811)
Net cash flows generated from operating activities	86,851,898	62,897,501
Investing activities		
Investment in joint ventures	(4,020,000)	-
Purchase of property, plant and equipment	(14,947,161)	(11,893,879)
Purchases of land held for development and expenditure on land held for development	(22,070,850)	(29,694,577)
Proceeds from disposal of plant and equipment	121,353	159,415
Addition to investment property	(5,309,749)	-
Purchase of other investments	(385,342)	-
Proceeds from disposal of other investments	-	15,000
Net cash flows used in investing activities	(46,611,749)	(41,414,041)
Financing activities		
Dividend paid on ordinary shares	(17,431,465)	(11,420,995)
Repayment of obligation under finance leases	(9,941,676)	(4,784,925)
Proceeds from issuance of shares	15,272,076	-
Share issuance expense	(231,879)	-
Proceeds from issuance of shares by a subsidiary to non-controlling interests	4	-
Purchase of treasury shares	-	(11,585)
Repayment of loans and borrowings	(42,801,352)	(687,542)
Net cash flows used in financing activities	(55,134,292)	(16,905,047)
Net (decrease)/increase in cash and cash equivalents	(14,894,143)	4,578,413
Effect of exchange rate changes on cash and cash equivalents	543,058	659,006
Cash and cash equivalents at 1 January	83,311,183	78,073,764
Cash and cash equivalents at 31 December (Note 23)	68,960,098	83,311,183

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2016

	Company 2016 RM	Company 2015 RM
Operating activities		
Profit before tax represents operating cash flows before changes in working capital	14,357,798	15,795,044
Receivables	4,417,334	(12,612,786)
Payables	815,132	459,947
Other current assets	7,500	(7,825)
Cash flows generated from operations	19,597,764	3,634,380
Income taxes paid	(506,429)	(681,832)
Net cash flows generated from operating activities	19,091,335	2,952,548
Investing activity		
Subscription of shares in subsidiaries, representing net cash flows used in investing activity	(14,500,000)	(21,000,000)
Financing activities		
Dividend paid on ordinary shares	(17,431,465)	(11,420,995)
Proceeds from issuance of shares	15,272,076	-
Share issuance expense	(231,879)	-
Purchase of treasury shares	-	(11,585)
Net cash flows used in financing activities	(2,391,268)	(11,432,580)
Net increase/(decrease) in cash and cash equivalents	2,200,067	(29,480,032)
Cash and cash equivalents at 1 January	876,004	30,356,036
Cash and cash equivalents at 31 December (Note 23)	3,076,071	876,004

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The principal place of business of the Company is located at Suite 19.06, Level 19, Johor Bahru City Square, 106 - 108, Jalan Wong Ah Fook, 80000 Johor Bahru, Johor Darul Ta'zim.

The principal activity of the Company is investment holding. The principal activities and other information of the subsidiaries are as disclosed in Note 15 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

The financial statements have been prepared on the historical cost basis and presented in Ringgit Malaysia (RM).

2.2 Changes in accounting policies

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

On 1 January 2016, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2016.

Description	Effective for annual periods beginning on or after
Annual Improvements to FRSs 2012–2014 Cycle	1 January 2016
Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to FRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to FRS 101: Disclosure Initiatives	1 January 2016
Amendments to FRS 10, FRS 12 and FRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
FRS 14 Regulatory Deferral Accounts	1 January 2016

The adoption of the above Amendments and Annual Improvements did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

2.3 Standards, IC interpretation, Amendments and Annual Improvements issued but not yet effective

The Standards, Amendments, Annual Improvements and IC interpretation that are issued but not yet effective up to the date of issuance of the Group's and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these Standards, Amendments, Annual Improvements and IC Interpretations, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
FRS 107 Disclosures Initiatives (Amendments to FRS 107)	1 January 2017
FRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to FRS 112)	1 January 2017
Amendments to FRS 12: Disclosure of Interests in Other Entities	1 January 2017
Annual Improvements to FRSs 2014-2016 Cycle	1 January 2018
Amendments to FRS 4: Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts	1 January 2018
Amendments to FRS 140: Transfers of Investment Property	1 January 2018
FRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to FRS 2)	1 January 2018
FRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The directors expect that the adoption of the above Standards, Amendments, Annual Improvements and IC Interpretation will have no material impact on the financial statements in the period of initial application other than as discussed below:

FRS 107 Disclosures Initiatives (Amendments to FRS 107)

The amendments to FRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosures to be provided by the Group and the Company.

FRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to FRS 112)

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

2.3 Standards, IC interpretation, Amendments and Annual Improvements issued but not yet effective (cont'd)

FRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to FRS 112) (cont'd)

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies this amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group and on the Company.

FRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to FRS 2)

The amendments to FRS 2 address three main areas:

(a) The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;

(b) The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and

(c) Accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on the financial statements.

FRS 9 Financial Instruments

In November 2014, MASB issued the final version of FRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 139 Financial Instruments: Recognition and Measurement and all previous versions of FRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. FRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of FRS 9 will have an effect on the classification and measurement of the Group's and the Company's financial assets, but no impact on the classification and measurement of the Group's and the Company's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

2.3 Standards, IC interpretation, Amendments and Annual Improvements issued but not yet effective (cont'd)

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

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and

- gains and losses resulting from transactions involving the sale or contribution of assets to an associate of a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Group.

Malaysian Financial Reporting Standards (MFRS Framework)

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

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

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

The Group falls within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2018. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits. The Group is in the midst of assessing the impact of adopting the MFRS Framework.

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

2.4 Current versus non-current classification

Assets and liabilities in the statements of financial position are presented based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.5 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available, are used to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

2.5 Fair value measurement (cont'd)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Policies and procedures are determined by senior management for both recurring fair value measurement and for non-recurring measurement.

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided by senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, classes of assets and liabilities are determined based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.6 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

2.6 Basis of consolidation (cont'd)

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

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

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

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

Business combinations

Business combinations involving entities under common control are accounted for by applying the merger method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve. The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

2.6 Basis of consolidation (cont'd)

Business combinations (cont'd)

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of FRS 139, it is measured in accordance with the appropriate FRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

2.7 Subsidiaries

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

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

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

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

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

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

2.8 Transactions 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 comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' 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.

2.9 Investment in joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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

A joint venture is equity accounted for from the date on which the investee becomes a joint venture.

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

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

All joint ventures have financial year end of 31 December, other than Zecon Kimlun Consortium Sdn. Bhd. which has financial year end of 30 June. For the purpose of applying equity method for this joint venture, the last audited financial statements available and the management financial statements to 31 December of this joint venture have been used. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

2.9 Investment in joint venture (cont'd)

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

2.10 Foreign currency

(a) Functional and presentation currency

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

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, 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

For the financial year ended 31 December 2016

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

2.10 Foreign currency (cont'd)

(c) Foreign operation

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

The principal exchange rate used for every unit of foreign currency ruling at the reporting date is as follows:

	2016 RM	2015 RM
Singapore Dollar	3.1017	3.0358

2.11 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Freehold land is measured at cost less impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land	1.25%
Buildings	3% - 10%
Plant, machinery and motor vehicles	10% - 33.33%
Furniture and equipment	10% - 12.5%

Construction in progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

2.11 Property, plant and equipment (cont'd)

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.12 Investment properties

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

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

2.13 Properties held for sale

Properties are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject to terms that are usual and customary.

Immediately before classification as properties held for sale, the measurement of the non-current asset is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current asset is measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

2.14 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

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

2.14 Impairment of non-financial assets (cont'd)

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

2.15 Financial assets

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

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

The Group and the Company determine the classification of its financial assets at initial recognition and categorise its financial assets as loans and receivables and other investments.

(a) Loans and receivables

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

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

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

(b) Other investments

Other investments are carried at cost less impairment loss. On disposal of other investments, the difference between net disposal proceeds and the carrying amount is recognised in the profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

2.16 Impairment of financial assets

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

(a) Trade and other receivables and other financial assets carried at amortised cost

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

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

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

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

(b) Unquoted and other investments carried at cost

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

2.17 Cash and cash equivalents

Cash and short-term deposits in the statements of financial position comprise cash at banks and on hand and short-term deposits include short-term deposits pledged to banks, which are subject to an insignificant risk of change in value.

For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

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

2.18 Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

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

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

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

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

2.19 Land held for property development and property development costs

(a) Land held for property development

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

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

(b) Property development costs

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

2.19 Land held for property development and property development costs (cont'd)

(b) Property development costs (cont'd)

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

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

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

2.20 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a first-in first-out basis.

- Finished goods: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

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

2.21 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.22 Financial liabilities

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

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

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

2.22 Financial liabilities (cont'd)

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

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

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

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

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

2.23 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

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

2.24 Employee benefits

(a) Short term benefits

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

(b) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.25 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Company retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

2.26 Revenue

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

(a) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.18.

(b) Sale of goods

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

(c) Sales of development properties

Revenue from sales of development properties is accounted for by the stage of completion method as described in Note 2.19(b).

(d) Sales of completed development properties

Revenue relating to sale of completed development properties is recognised net of discounts upon the transfer of risks and rewards. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due.

(e) Interest income

Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

(f) Rental income

Rental income is recognised on accrual basis.

(g) Dividend income

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

2.27 Taxes

(a) Current income tax

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

2.27 Taxes (cont'd)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

2.27 Taxes (cont'd)

(c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the amount of GST incurred in a purchase of assets or services is not recoverable from the taxation authority, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

2.28 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.29 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.30 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3. Significant accounting judgements and estimates

The preparation of the Group's and of the Company's financial statements require 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 adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgements made in applying accounting policies

There are no critical judgements made by the management in the process of applying the Group's and the Company's accounting policies that have significant effect on the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Useful lives of plant and equipment

The cost of plant and equipment of the Group is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these plant and equipment to be between 3 to 30 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and equipment at the reporting date is disclosed in Note 12.

(b) Revenue recognition

(i) Construction and property development revenue

The Group recognises construction and property development revenues and expenses in the statements of comprehensive income by using the stage of completion method. The stage of completion is determined by the proportion that construction and property development cost incurred for work performed to date bear to the estimated total construction and property development costs.

Significant judgement is required in determining the stage of completion, the extent of the construction and property development cost incurred, the estimated total construction and property development revenue and costs, as well as the recoverability of the construction and property development projects. In making the judgement, the Group evaluates based on past experience and internal budgeting.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3. Significant accounting judgements and estimates (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(b) Revenue recognition (cont'd)

(ii) Contract manufacturing revenue

The Group recognises revenues in the statements of comprehensive income based on progress claims to main contractors pursuant to the terms and conditions of the supply agreement.

Significant judgement is required in determining the point of revenue recognition pursuant to the terms of the supply agreements. In making the judgement, the Group evaluates based on the interpretation of the respective terms and conditions of each supply agreement.

(c) Income taxes

Judgement is involved in determining the Group's and the Company's provision for income taxes as there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group and the Company recognised liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matter is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Impairment of loans and receivables

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

When there is objective evidence of impairment, the amount and the timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's and of the Company's loans and receivables at the reporting date is disclosed in Note 20.

(e) Deferred tax assets

Deferred tax assets are recognised for all unused tax credit to the extent that it is probable that taxable profit will be available against which the investment allowances 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.

4. Revenue

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Sales of goods	178,208,149	191,865,812	-	-
Sales of properties	6,567,490	5,040,771	-	-
Construction revenue	755,827,825	856,480,947	-	-
Dividend income from subsidiaries	-	-	12,882,000	14,136,000
Interest income from subsidiaries	-	-	2,170,454	2,163,422
Interest income from fixed deposits	73,789	252,212	73,789	252,212
	940,677,253	1,053,639,742	15,126,243	16,551,634

5. Other operating income

	Group	
	2016 RM	2015 RM
Interest income from loans and receivables	1,379,505	1,757,280
Amortisation of retention sum due from customers	4,990,279	5,952,744
Rental income from machineries	1,148,877	1,029,615
Rental income from premises	186,736	196,094
Insurance claim	-	20,429
Gain on disposal of plant and equipment	91,740	119,639
Miscellaneous income	1,684,077	927,278
	9,481,214	10,003,079

6. Finance costs

	Group	
	2016 RM	2015 RM
Interest expense on:		
- bank loan, bank overdrafts, invoice financing and bankers' acceptance	6,097,382	5,632,959
- obligations under finance leases	961,480	1,338,514
Unwinding of discount on payables	32,411	54,080
Amortisation of retention sum due to creditors	3,077,485	3,085,807
	10,168,758	10,111,360
Less : Interest expenses capitalised in property development costs (Note 18)	(2,337,383)	(656,742)
	7,831,375	9,454,618

7. Profit before tax

The following items have been included in arriving at profit before tax:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Auditors' remuneration				
- statutory audits	132,002	114,149	30,000	26,000
- other services	5,000	5,000	5,000	5,000
Allowance for impairment on trade receivables (Note 20)	1,439,576	366,276	-	-
Reversal of allowance for impairment on trade receivables (Note 20)	(608,042)	-	-	-
Employee benefits expense (Note 8)	53,486,374	52,563,671	-	-
Non-executive directors' remuneration (Note 9)	221,450	212,100	221,450	212,100
Hire of plant and machinery	23,929,588	24,922,822	-	-
Depreciation of property, plant and equipment (Note 12)	19,450,874	20,859,011	-	-
Gain on disposal of plant and equipment	(91,740)	(119,639)	-	-
Plant and equipment written off	30,569	43,611	-	-
Operating leases:				
- minimum lease payments on land and building	2,828,319	2,640,935	-	-
- minimum lease payments on machineries	71,680	74,359	-	-
Fair value loss on other investments	211,938	-	-	-
Impairment on goodwill	3,269	-	-	-
Foreign exchange (gain)/loss				
- realised	(15,210)	3,737,394	-	-
- unrealised	(1,171,763)	(10,053,543)	-	-

8. Employee benefits expenses

	Group	
	2016 RM	2015 RM
Wages, salaries and bonus	48,984,394	47,982,697
Contributions to defined contribution plan	4,157,311	4,276,617
Social security contributions	344,669	304,357
	53,486,374	52,563,671

Included in employee benefits expenses of the Group are executive directors' remuneration amounting to RM6,614,965 (2015 : RM5,930,509) as disclosed in Note 9.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

9. Directors' remuneration

The details of remuneration receivable by directors of the Group and of the Company during the year are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	2,790,120	2,788,200	-	-
Bonus	2,840,030	2,389,310	-	-
Defined contribution plan	984,815	752,999	-	-
Total executive directors' remuneration (excluding benefits-in-kind) (Note 8)	6,614,965	5,930,509	-	-
Estimated money value of benefits-in-kind	90,257	71,028	-	-
Total executive directors' remuneration (including benefits-in-kind)	6,705,222	6,001,537	-	-
Non-Executive:				
Fees	207,000	196,800	207,000	196,800
Other emoluments	14,450	15,300	14,450	15,300
Total non-executive directors' remuneration (Note 7)	221,450	212,100	221,450	212,100
Total directors' remuneration	6,926,672	6,213,637	221,450	212,100

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

	Number of directors	
	2016	2015
Executive directors:		
RM1,150,001 - RM1,200,000	-	2
RM1,200,001 - RM1,250,000	-	3
RM1,250,001 - RM1,300,000	1	-
RM1,300,001 - RM1,350,000	1	-
RM1,350,001 - RM1,400,000	3	-
Non-Executive directors:		
RM50,001 - RM100,000	3	3

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

10. Income tax expense

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Statement of comprehensive income:				
Current income tax:				
- Malaysian income tax	20,893,766	17,319,000	529,000	595,000
- Share of tax of joint ventures	790,314	2,508,793	-	-
- (Over)/underprovision in respect of previous year	(71,647)	(87,314)	(187)	398
	21,612,433	19,740,479	528,813	595,398
Deferred tax (Note 27):				
- Origination and reversal of temporary differences	4,590,242	2,355,249	-	-
- Effect of reduction in tax rate	-	217,808	-	-
- Underprovision in respect of previous year	849,410	346,053	-	-
	5,439,652	2,919,110	-	-
Income tax expense recognised in profit or loss	27,052,085	22,659,589	528,813	595,398

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2016 and 2015 are as follows:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Profit before tax	108,971,113	93,361,564	14,357,798	15,795,044

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

10. Income tax expense (cont'd)

Reconciliation between tax expense and accounting profit (cont'd)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Taxation at Malaysian statutory tax rate of 24% (2015 : 25%)	26,153,067	23,340,391	3,445,872	3,948,761
Different tax rates in an other country	(3,405)	(6,160)	-	-
Effect of reduction in Malaysian income tax rate on opening deferred tax assets	-	217,808	-	-
Expenses not deductible for tax purposes	1,265,906	2,032,890	174,808	180,239
Income not subject to tax	(125,035)	(1,748,897)	(3,091,680)	(3,534,000)
Deferred tax assets recognised for unabsorbed capital allowances and unutilised tax losses	(225,499)	(980,106)	-	-
Deferred tax assets not recognised for unabsorbed capital allowances and unutilised tax losses	317,249	193,361	-	-
Utilisation of current year's reinvestment allowances and business loss	(919,157)	(863,186)	-	-
(Over)/underprovision of income tax in respect of previous year	(71,647)	(87,314)	(187)	398
Share of tax of joint ventures	(188,804)	214,749	-	-
Underprovision of deferred tax in respect of previous year	849,410	346,053	-	-
Income tax expense recognised in profit or loss	27,052,085	22,659,589	528,813	595,398

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

The corporate tax rate applicable to the Singapore subsidiary of the Group was 17% for the year of assessment 2016 and 2015.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

11. Earnings per share

(a) Basic earnings per share

Basic earnings per share amounts are calculated by dividing profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

The following reflect the profit and share data used in the computation of basic earnings per share for the years ended 31 December:

	Group	
	2016	**2015**
Profit net of tax attributable to owners of the Company (RM)	81,920,837	70,701,975
Weighted average number of ordinary shares in issue	306,045,722	300,542,500
Basic earnings per share (sen)	26.77	23.52

(b) Diluted earnings per share

Diluted earnings per share amounts are calculated by dividing profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares from exercise of the warrants. Dilutive potential ordinary shares are deemed to have been converted at the beginning of the financial year or, if later, the date of the issue of the potential ordinary shares.

The following reflect the profit and share data used in the computation of diluted earnings per share for the years ended 31 December:

	Group	
	2016	**2015**
Profit net of tax attributable to owners of the Company (RM)	81,920,837	70,701,975
Weighted average number of ordinary shares in issue	306,045,722	300,542,500
Effect of dilution of potential exercise of warrants	5,817,339	-
	311,863,061	300,542,500
Diluted earnings per share (sen)	26.27	23.52

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

12. Property, plant and equipment

Group	Freehold land RM	Leasehold land RM	Buildings RM	Plant, machinery and motor vehicles RM	Furniture and equipment RM	Construction in progress RM	Total RM
Cost							
At 1 January 2015	5,186,536	16,394,806	64,675,662	145,968,631	6,423,536	446,144	239,095,315
Additions	-	-	1,981,283	9,440,493	510,306	141,797	12,073,879
Disposals	-	-	-	(518,042)	(13,792)	-	(531,834)
Write off	-	-	-	(66,100)	(25,509)	-	(91,609)
Adjustment	-	-	(217,970)	-	-	-	(217,970)
Transfer	-	-	587,941	-	-	(587,941)	-
At 31 December 2015 and 1 January 2016	5,186,536	16,394,806	67,026,916	154,824,982	6,894,541	-	250,327,781
Additions	-	-	2,792,296	16,350,983	1,704,385	2,683,917	23,531,581
Disposals	-	-	-	(284,614)	(1,300)	-	(285,914)
Write off	-	-	(13,050)	-	(31,650)	-	(44,700)
At 31 December 2016	5,186,536	16,394,806	69,806,162	170,891,351	8,565,976	2,683,917	273,528,748
Accumulated depreciation							
At 1 January 2015	-	546,704	5,810,404	69,519,704	2,365,428	-	78,242,240
Charge for the year (Note 7)	-	205,139	2,109,352	17,935,477	609,043	-	20,859,011
Disposals	-	-	-	(479,916)	(12,142)	-	(492,058)
Write off	-	-	-	(34,635)	(13,363)	-	(47,998)
At 31 December 2015 and 1 January 2016	-	751,843	7,919,756	86,940,630	2,948,966	-	98,561,195
Charge for the year (Note 7)	-	205,139	2,119,921	16,461,171	664,643	-	19,450,874
Disposals	-	-	-	(255,750)	(551)	-	(256,301)
Write off	-	-	(489)	-	(13,642)	-	(14,131)
At 31 December 2016	-	956,982	10,039,188	103,146,051	3,599,416	-	117,741,637
Net carrying amount							
At 31 December 2015	5,186,536	15,642,963	59,107,160	67,884,352	3,945,575	-	151,766,586
At 31 December 2016	5,186,536	15,437,824	59,766,974	67,745,300	4,966,560	2,683,917	155,787,111

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For the financial year ended 31 December 2016

12. Property, plant and equipment (cont'd)

Assets held under the name of a joint venture company

Included herein are motor vehicles with carrying amount of RM43,167 (2015: RM61,667) held under the name of a joint venture company.

Assets held under finance leases

"During the financial year, the Group acquired property plant and equipment with an aggregate cost of RM8,584,420 (2015 : RM180,000) by means of finance leases. The cash outflow on acquisition of property, plant and equipment amounted to RM14,947,161 (2015 : RM11,893,879).

The carrying amount of property, plant and equipment held under finance leases at the reporting date were as follows:

	Group	
	2016 RM	**2015 RM**
Plant, machinery and motor vehicles	20,100,991	20,966,946

Leased assets are pledged as security for the related finance lease liabilities (Note 24).

Leasehold land is pledged as security for bank loans and borrowings (Note 24).

13. Investment properties

	Group	
	2016 RM	**2015 RM**
Freehold land and building, at cost		
At 1 January	327,445	327,445
Addition	5,309,749	-
At 31 December	5,637,194	327,445

Fair value of the investment properties as at 31 December 2016 was RM6,060,000 (2015 : RM578,000).

14. Other investments

	Group 2016 RM	Group 2015 RM
Club memberships, at cost	75,000	75,000
Quoted equity shares:		
- Outside Malaysia, represents total financial assets at fair value through profit or loss	180,431	-
	255,431	75,000

Fair values of these quoted equity shares are determined by reference to published price quotations in an active market.

15. Investment in subsidiaries

	Company 2016 RM	Company 2015 RM
Unquoted shares, at cost	177,659,999	163,159,999

Details of the subsdiaries are as follows :

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2016	2015
Held by the Company:				
Kimlun Sdn. Bhd.	Malaysia	Building and infrastructure contractors	100	100
SPC Industries Sdn. Bhd.	Malaysia	Ready mix concrete production and manufacturing of pre-cast concrete products	100	100
Kimlun Land Sdn. Bhd.	Malaysia	Investment holding, property investment and development	100	100
KL Building Materials Sdn. Bhd.	Malaysia	Manufacturing and trading of all kinds of building and construction materials, and provision of quarry services and machinery rental services	100	100
I-Buildtech Solutions Pte Ltd *	Singapore	Provision of industrial building systems and the supply of construction and building materials	100	100

15. Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2016	2015
Held through Kimlun Land Sdn Bhd:				
Kimlun Medini Sdn. Bhd.	Malaysia	Property development and property investment	100	100
Kitaran Lintas Sdn. Bhd.	Malaysia	Property development and property investment	100	100
Held through Kimlun Sdn Bhd:				
Kimlun Superior Crest Sdn. Bhd.	Malaysia	Building and infrastructure contractor	60	-

* Audited by a firm of chartered accountants other than Ernst & Young

During the financial year,

(i) The Company acquired additional ordinary shares in Kimlun Land Sdn. Bhd. for a total consideration of RM13,000,000, satisfied by cash. The acquisition did not change the percentage of shareholdings effectively held by the Company.

(ii) The Company acquired additional ordinary shares in KL Building Materials Sdn. Bhd. for a total consideration of RM1,500,000, satisfied by cash. The acquisition did not change the percentage shareholding effectively held by the Company.

(iii) Kimlun Sdn. Bhd., a wholly-owned subsidiary of the Company, incorporated a 60% owned subsidiary in Malaysia under the name of Kimlun Superior Crest Sdn. Bhd.. A total of 6 ordinary shares of RM1 each were allotted to Kimlun Sdn. Bhd. The consideration of the shares allotted amounting to RM6 was fully satisfied by cash.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

16. Investment in joint ventures

	Group	
	2016 RM	2015 RM
Unquoted shares, at cost	4,530,000	510,000
Share of post-acquisition reserves	12,761,337	9,582,381
	17,291,337	10,092,381
Represented by:		
Share of net assets	17,291,337	10,092,381

Details of the joint ventures are as follows:

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2016	2015
Held through Kimlun Land Sdn Bhd:				
Posh Atlantic Sdn. Bhd.	Malaysia	Property development and property investment	51	51
Held through Kimlun Sdn Bhd:				
Zecon Kimlun Consortium Sdn. Bhd. *	Malaysia	Building and infrastructure contractors	30	-
Held through KL Building Materials Sdn Bhd:				
Rock Projects Sdn. Bhd.	Malaysia	General trader and manufacturer	51	-

* Audited by a firm of chartered accountants other than Ernst & Young

During the financial year,

(i) Kimlun Sdn. Bhd., a wholly-owned subsidiary of the Company, acquired 30% equity interest in Zecon Kimlun Consortium Sdn. Bhd. for a total cash consideration of RM3,000,000.

(ii) KL Building Matetials Sdn. Bhd., a wholly-owned subsidiary of the Company, acquired 51% equity interest in Rock Projects Sdn. Bhd. for a total cash consideration of RM1,020,000.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

16. Investment in joint ventures (cont'd)

The accounting model applied is equity model.

(i) Summarised statements of financial position

	Posh Atlantic Sdn. Bhd. RM	Zecon Kimlun Consortium Sdn. Bhd. RM	Rock Projects Sdn. Bhd. RM	Total RM
2016				
Non-current assets	201,878	377,686	-	579,564
Current assets	40,460,092	22,159,564	1,985,929	64,605,585
Total assets	40,661,970	22,537,250	1,985,929	65,185,149
Current liabilities	13,166,721	12,873,639	4,500	26,044,860
Total liabilities	13,166,721	12,873,639	4,500	26,044,860
Net assets	27,495,249	9,663,611	1,981,429	39,140,289
Interest in joint ventures	51%	30%	51%	
Carrying value of Group's interest in joint ventures	14,022,577	2,899,083	1,010,529	17,932,189
Unrealised profit adjustments	(640,852)	-	-	(640,852)
	13,381,725	2,899,083	1,010,529	17,291,337
2015				
Non-current assets	48,254	-	-	48,254
Current assets	94,455,383	-	-	94,455,383
Total assets	94,503,637	-	-	94,503,637
Current liabilities	71,755,735	-	-	71,755,735
Non-current liabilities	10,353	-	-	10,353
Total liabilities	71,766,088	-	-	71,766,088
Net assets	22,737,549	-	-	22,737,549
Interest in a joint venture	51%			
Carrying value of Group's interest in a joint venture	11,596,149	-	-	11,596,149
Unrealised profit adjustments	(1,503,768)	-	-	(1,503,768)
	10,092,381	-	-	10,092,381

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

16. Investment in joint ventures (cont'd)

(i) Summarised statements of comprehensive income

	Posh Atlantic Sdn. Bhd. RM	Zecon Kimlun Consortium Sdn. Bhd. RM	Rock Projects Sdn. Bhd. RM	Total RM
2016				
Revenue	38,716,955	19,172,841	-	57,889,796
Profit/(Loss) before tax	6,307,336	(336,389)	(12,161)	5,958,786
Total comprehensive income/(loss) for the year	4,757,700	(336,389)	(12,161)	4,409,150
2015				
Revenue	100,375,937	-	-	100,375,937
Profit before tax	19,114,283	-	-	19,114,283
Total comprehensive income for the year	14,195,081	-	-	14,195,081

17. Properties held for sale

	Group 2016 RM	Group 2015 RM
Cost:		
At 1 January/31 December	1,829,232	1,829,232

18. Land held for property development and property development costs

(a) Land held for property development

Group	Freehold and leasehold land RM	Development costs RM	Total RM
At 1 January 2016	29,161,267	533,310	29,694,577
Additions	-	1,316,650	1,316,650
Transfer from property development costs	15,403,109	5,351,091	20,754,200
At 31 December 2016	44,564,376	7,201,051	51,765,427
At 1 January 2015	-	-	-
Additions	29,161,267	533,310	29,694,577
At 31 December 2015	29,161,267	533,310	29,694,577

18. Land held for property development and property development costs (cont'd)

(b) Property development costs

Group	Freehold and leasehold land RM	Development costs RM	Total RM
At 31 December 2016			
Cumulative property development costs			
At 1 January 2016	50,240,141	27,608,501	77,848,642
Costs incurred during the year	-	7,012,301	7,012,301
Transfer to land held for property development	(15,403,109)	(5,351,091)	(20,754,200)
At 31 December 2016	34,837,032	29,269,711	64,106,743
Cumulative costs recognised in profit or loss			
At 1 January 2016	(460,516)	(3,978,824)	(4,439,340)
Recognised during the year	(514,369)	(4,995,929)	(5,510,298)
At 31 December 2016	(974,885)	(8,974,753)	(9,949,638)
Property development costs			
At 31 December 2016	33,862,147	20,294,958	54,157,105
At 31 December 2015			
Cumulative property development costs			
At 1 January 2015	4,086,280	10,181,985	14,268,265
Costs incurred during the year	46,153,861	17,426,516	63,580,377
At 31 December 2015	50,240,141	27,608,501	77,848,642
Cumulative costs recognised in profit or loss			
At 1 January 2015	-	-	-
Recognised during the year	(460,516)	(3,978,824)	(4,439,340)
At 31 December 2015	(460,516)	(3,978,824)	(4,439,340)
Property development costs			
At 31 December 2015	49,779,625	23,629,677	73,409,302

Included in land held for property development and property development costs incurred during the financial year are:

	2016 RM	2015 RM
Interest expenses (Note 6)	2,337,383	656,742

Certain of the land and the lease over land of the Group with an estimated aggregate carrying amount of RM61,943,251 (2015: RM78,732,656) are charged for bank borrowings as referred to in Note 24.

19. Inventories

	Group 2016 RM	Group 2015 RM
Cost		
Raw materials	9,910,190	9,311,064
Finished goods	8,502,289	12,140,951
	18,412,479	21,452,015
Net realisable value		
Finished goods	32,427	3,952
	18,444,906	21,455,967

20. Trade and other receivables

	Group 2016 RM	Group 2015 RM
Trade receivables		
Third parties	429,679,125	362,555,659
Amount due from a joint venture	10,415,515	51,695,478
Amounts due from a company related to certain directors	10,474,740	12,067,805
	450,569,380	426,318,942
Less: Allowance for impairment		
- Third parties	(2,634,905)	(2,572,768)
Trade receivables, net	447,934,475	423,746,174
Other receivables		
Refundable deposit	15,369,500	6,703,741
Amount due from a joint venture	62	9,420,750
Sundry receivables	3,449,593	4,777,174
	18,819,155	20,901,665
Total trade and other receivables (current)	466,753,630	444,647,839
Add: Cash and bank balances (Note 23)	79,025,354	97,153,846
Total loans and receivables	545,778,984	541,801,685

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

20. Trade and other receivables (cont'd)

	Company	
	2016	2015
	RM	RM
Other receivables		
Refundable deposit	4,500	4,500
Amount due from subsidiaries	59,531,701	63,949,035
	59,536,201	63,953,535
Total other receivables (current)	59,536,201	63,953,535
Add: Cash and bank balances (Note 23)	3,076,071	876,004
Total loans and receivables	62,612,272	64,829,539

Trade receivables

Trade receivables are non-interest bearing and are generally on 21 to 90 days (2015: 30 to 90 days) terms, although in practice, this may extend to 120 days. Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original certificated or invoiced amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

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

	2016	2015
	RM	RM
Neither past due nor impaired	356,090,966	354,313,774
1 to 30 days past due not impaired	20,802,925	26,070,753
31 to 60 days past due not impaired	19,937,708	8,996,608
61 to 90 days past due not impaired	17,056,011	9,191,588
91 to 120 days past due not impaired	15,527,002	7,066,752
More than 120 days past due not impaired	18,519,863	18,106,699
	91,843,509	69,432,400
Impaired	2,634,905	2,572,768
	450,569,380	426,318,942

Receivables that are neither past due nor impaired

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

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

20. Trade and other receivables (cont'd)

Trade receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM91,843,509 (2015 : RM69,432,400) that are past due at the reporting date but not impaired and are not secured by any collateral or credit enhancements.

The management is confident that the balance of receivables that are past due but not impaired are recoverable as these accounts are still active.

Receivables that are impaired

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

	Individually impaired	
	2016	**2015**
	RM	**RM**
Trade receivables - nominal amounts	2,634,905	2,572,768
Less: Allowance for impairment	(2,634,905)	(2,572,768)
	-	-
Movement in allowance accounts:		
At 1 January	2,572,768	2,134,065
Charge for the year (Note 7)	1,439,576	366,276
Reversal of impairment loss (Note 7)	(608,042)	-
Written off	(781,605)	-
Translation difference	12,208	72,427
At 31 December	2,634,905	2,572,768

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Amounts due from a joint venture and subsidiaries (Other receivables)

Amounts due from a joint venture and subsidiaries are unsecured, interest bearing at 3.20% (2015 : 3.50%) per annum and are repayable on demand.

21. Other current assets

	Group	
	2016	**2015**
	RM	**RM**
Prepayments	2,517,291	2,439,661
Accrued billing from customers	34,281,945	53,867,071
Gross amount due from customers for contract work (Note 22)	97,452,012	84,051,301
	134,251,248	140,358,033

	Company	
	2016	**2015**
	RM	**RM**
Prepayments	13,675	21,175

22. Gross amount due from/(to) customers for contract work-in-progress

	Group	
	2016	**2015**
	RM	**RM**
Construction contract costs incurred to date	4,427,439,714	3,996,113,219
Attributable profits	678,805,092	569,093,038
	5,106,244,806	4,565,206,257
Less: Progress billings	(5,041,868,956)	(4,521,796,714)
	64,375,850	43,409,543
Presented as:		
Gross amount due from customers for contract work (Note 21)	97,452,012	84,051,301
Gross amount due to customers for contract work (Note 26)	(33,076,162)	(40,641,758)
	64,375,850	43,409,543
Retention sums on construction contract, included in trade receivables	164,870,643	166,636,470

The cost incurred to date on construction contracts include the following charges made during the financial year:

	Group	
	2016	**2015**
	RM	**RM**
Hire of plant and machinery	23,929,588	24,922,822
Depreciation of plant and equipment	10,059,757	10,396,789
Rental expense for land and building	367,228	297,273

23. Cash and bank balances

	Group	
	2016 RM	2015 RM
Cash on hand and at banks	64,749,350	18,036,187
Short term deposits with licensed banks	14,276,004	79,117,659
Cash and bank balances	79,025,354	97,153,846

	Company	
	2016 RM	2015 RM
Cash on hand and at banks	3,076,071	876,004

Included in cash at banks of the Group are amounts of RM16,396 (2015 : RM651,948) held pursuant to Section 7A of the Housing Developers (Control and Licensing) Act, 1966 and therefore restricted from use on other operations.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one month to three months (2015 : four days to three months) depending on the immediate cash requirements of the Group and earn interests at respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2016 for the Group was 2.74% (2015 : 3.03%).

Short-term deposits with licensed banks of the Group amounting to RM14,276,004 (2015 : RM15,611,292) are pledged as securities for borrowings (Note 24).

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group	
	2016 RM	2015 RM
Cash and bank balances	79,025,354	97,153,846
Less: Bank overdrafts (Note 24)	(10,065,256)	(13,842,663)
Cash and cash equivalents	68,960,098	83,311,183

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For the financial year ended 31 December 2016

24. Loans and borrowings

	Maturity	Group 2016 RM	Group 2015 RM
Current			
Secured:			
Bank overdrafts (Note 23)	On demand	10,065,256	13,842,663
Bankers' acceptances	2017	17,741,001	36,273,000
Term loans	2017	12,160,042	20,865,877
Obligations under finance leases (Note 32 (c))	2017	7,406,980	7,994,863
Invoice financing		-	3,402,744
		47,373,279	82,379,147
Non-current			
Secured:			
Term loans	2018 - 2024	57,261,351	69,422,125
Obligations under finance leases (Note 32 (c))	2018 - 2021	10,400,686	11,170,059
		67,662,037	80,592,184
Total loans and borrowings		115,035,316	162,971,331

The remaining maturities of the loans and borrowings as at 31 December are as follows:

	Group 2016 RM	Group 2015 RM
On demand or within one year	47,373,279	82,379,147
More than 1 year and less than 2 years	17,961,638	18,418,082
More than 2 years and less than 5 years	40,906,401	45,116,885
5 years and more	8,793,998	17,057,217
	115,035,316	162,971,331

Obligations under finance leases

These obligations are secured by a pledge over the leased assets (Note 12). The discount rate implicit in the leases is between 2.37% to 3.36% (2015 : 2.32% to 4.50%) per annum.

24. Loans and borrowings (cont'd)

Bank overdrafts, bankers' acceptance, term loans and invoice financing

The interest rates (per annum) at the reporting date were as follows:

	Group	
	2016	2015
	%	%
Bank overdrafts	5.35 to 8.15	5.35 to 8.35
Bankers' acceptances	4.35 to 4.61	4.03 to 4.85
Term loans	4.90 to 6.65	4.85 to 7.60
Invoice financing	-	7.85

The bank overdrafts, bankers' acceptance, term loans and invoice financing together with bank guarantee facilities are secured by:

(a) First party first legal charge over a parcel of leasehold land as disclosed in Note 12;
(b) First party first legal charge over certain freehold and leasehold land, and lease over land under development as disclosed in Note 18;
(c) Short term deposits pledged as disclosed in Note 23; and
(d) Corporate guarantee by the Company.

25. Trade and other payables

	Group	
	2016	2015
	RM	RM
Trade payables		
Third parties	217,807,189	234,880,946
Amount due to company related to certain directors	2,926,437	4,632,104
Amount due to a joint venture	42,426	-
	220,776,052	239,513,050
Other payables		
Accrued operating expenses	30,568,739	31,084,079
Other payables	18,087,337	17,059,165
Deposits payable	14,999,146	15,621,059
Amount due to company related to certain directors	11,254	4,700
Amount due to a joint venture	139,796	-
	63,806,272	63,769,003
Total trade and other payables	284,582,324	303,282,053
Add: Loans and borrowings (Note 24)	115,035,316	162,971,331
Total financial liabilities carried at amortised cost	399,617,640	466,253,384

25. Trade and other payables (cont'd)

	Company	
	2016	**2015**
	RM	**RM**
Other payables		
Accrued operating expenses	45,128	42,004
Other payables	-	4,730
Amount due to subsidiaries	1,136,150	459,208
Amount due to a joint venture	139,796	-
Total financial liabilities carried at amortised cost	1,321,074	505,942

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 90 days (2015: 30 to 90 days) terms.

(b) Other payables

These amounts are non-interest bearing.

(c) Amount due to subsidiaries, a joint venture and a company related to certain directors

These amounts are unsecured, non-interest bearing and are repayable on demand.

26. Other current liability

	Group	
	2016	**2015**
	RM	**RM**
Gross amount due to customers for contract work (Note 22)	33,076,162	40,641,758

27. Deferred tax liabilities/(assets)

Deferred tax liabilities/(assets) as at 31 December relate to the following:

Group	As at 1 January 2015 RM	Recognised in profit or loss (Note 10) RM	As at 31 December 2015 RM	Recognised in profit or loss (Note 10) RM	As at 31 December 2016 RM
Deferred tax liabilities of the Group:					
Property, plant and equipment	6,042,456	227,533	6,269,989	1,401,124	7,671,113
Others	-	1,263,000	1,263,000	1,806,855	3,069,855
	6,042,456	1,490,533	7,532,989	3,207,979	10,740,968
Deferred tax assets of the Group:					
Unutilised tax credits	(11,639,691)	1,504,609	(10,135,082)	3,025,643	(7,109,439)
Others	(195,998)	(76,032)	(272,030)	(793,970)	(1,066,000)
	(11,835,689)	1,428,577	(10,407,112)	2,231,673	(8,175,439)
	(5,793,233)	2,919,110	(2,874,123)	5,439,652	2,565,529

	Group 2016 RM	2015 RM
Deferred tax assets	(8,175,439)	(10,407,112)
Deferred tax liabilities	10,740,968	7,532,989
	2,565,529	(2,874,123)

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For the financial year ended 31 December 2016

28. Share capital, share premium and treasury shares

	Number of ordinary shares of RM0.50 each		Amount			
Company	**Share capital (Issued and fully paid)**	**Treasury shares**	**Share capital (Issued and fully paid) RM**	**Share premium RM**	**Treasury shares RM**	**Total RM**
At 1 January 2015	300,562,500	10,000	150,281,250	37,794,538	(12,189)	188,063,599
Purchase of treasury shares	-	10,000	-	-	(11,585)	(11,585)
At 31 December 2015 and 1 January 2016	300,562,500	20,000	150,281,250	37,794,538	(23,774)	188,052,014
Issuance of shares	9,727,437	-	4,863,719	10,408,357	-	15,272,076
Share issue expenses	-	-	-	(231,879)	-	(231,879)
At 31 December 2016	310,289,937	20,000	155,144,969	47,971,016	(23,774)	203,092,211

	Number of ordinary share of RM0.50 each		Amount	
	2016	**2015**	**2016 RM**	**2015 RM**
Authorised share capital				
At 1 January and 31 December	1,000,000,000	1,000,000,000	500,000,000	500,000,000

(a) Share capital

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM150,281,250 to RM155,144,969 by way of the issuance of 9,727,437 ordinary shares of RM0.50 each arising from the dividend reinvestment plan pertaining to the final (single-tier) dividend of 5.80 sen in respect of the financial year ended 31 December 2015 at an issue price of RM1.57 per ordinary share. The resultant share premium of RM10,408,357 and the share issue costs of RM231,879 have been included in the share premium account.

The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

Dividends to owners of the Company and non-controlling interests are recognised in the statement of changes in equity in the period in which they are declared.

28. Share capital, share premium and treasury shares (cont'd)

(b) Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares.

The Company acquired Nil (2015 : 10,000) shares in the Company during the financial year. The total amount paid to acquire the shares was RM Nil (2015: RM11,585). The shares purchased are being held as treasury shares and this is presented as a component within shareholders' equity.

The directors of the Company are committed to enhance the value of the Company for its shareholders and believe that the share purchase plan can be applied in the best interests of the Company and its shareholders.

29. Retained earnings

The entire retained earnings of the Company as at 31 December 2016 and 2015 may be distributed as dividends under single tier system.

30. Other reserves

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Non-distributable				
Foreign currency translation reserve	(50,037)	(44,796)	-	-
Warrant reserve	34,865,250	34,865,250	34,865,250	34,865,250
	34,815,213	34,820,454	34,865,250	34,865,250

(a) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operation whose functional currency is different from that of the Group's presentation currency.

(b) Warrant reserve

A total of 60,112,500 free warrants was issued by the Company on 13 March 2014. Each warrant entitles the holder to subscribe for 1 new share at the exercise price of RM1.68 per share at any time during the exercise period. The warrants have an exercise period of 10 years commencing 13 March 2014 and expiring on 12 March 2024.

31. Related party disclosures

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Purchase of raw materials from a company related to certain directors	10,301,316	12,736,348	-	-
Contract fee receivable from a company related to certain directors	2,475,771	48,979,809	-	-
Contract fee receivable from joint ventures	20,862,126	63,355,343	-	-
Rental of land and building paid to companies related to certain directors	1,422,081	1,076,005	-	-
Rental of premise paid to a company related to certain directors	25,321	-	-	-
Interest income received from a joint venture	279,795	294,205	-	-
Landscaping and maintenance service paid to a company related to certain directors	247,299	157,592	-	-
Interest income received from subsidiaries	-	-	2,170,454	2,163,422
Dividend income received from subsidiaries	-	-	12,882,000	14,136,000

Companies related to certain directors

These entities are subject to the same source of influence as the Company through common directors.

Compensation of key management personnel

The remuneration of key management personnel during the year are as follow:

	2016 RM	2015 RM
Salaries, bonus and other emoluments	6,197,447	6,023,510
Defined contribution plan	1,090,647	859,904
Other short term benefits	108,974	93,728
	7,397,068	6,977,142

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For the financial year ended 31 December 2016

32. Commitments

(a) Capital commitments

	Group 2016 RM	2015 RM
Capital commitments as at the reporting date are as follows:		
Approved and contracted for :		
Property, plant and equipment	5,012,448	1,252,465
Property held for sale	-	2,430,000
	5,012,448	3,682,465
Approved and not contracted for:		
Property, plant and equipment	5,573,258	-

(b) Operating lease commitment - as lessee

Minimum lease payments recognised in profit or loss for the financial year ended 31 December 2016 amounted to RM2,899,999 (2015 : RM2,715,294).

(c) Finance lease commitments

The Group has finance leases for certain items of plant and equipment (Note 12).

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group 2016 RM	2015 RM
Minimum lease payments:		
Not later than 1 year	8,195,167	8,881,986
Later than 1 year but not later than 2 years	5,295,339	6,696,404
Later than 2 years but not later than 5 years	4,820,563	5,060,597
More than 5 years	1,034,714	59,978
Total minimum lease payments	19,345,783	20,698,965
Less: Amounts representing finance charges	(1,538,117)	(1,534,043)
Present value of minimum lease payments	17,807,666	19,164,922

32. Commitments (cont'd)

(c) Finance lease commitments (cont'd)

	Group	
	2016 RM	2015 RM
Present value of payments:		
Not later than 1 year	7,406,980	7,994,863
Later than 1 year but not later than 2 years	4,857,203	6,258,092
Later than 2 years but not later than 5 years	4,531,985	4,852,250
More than 5 years	1,011,498	59,717
Present value of minimum lease payments	17,807,666	19,164,922
Less: Amount due within 12 months (Note 24)	(7,406,980)	(7,994,863)
Amount due after 12 months (Note 24)	10,400,686	11,170,059

33. Fair value

(a) Fair value of assets that are disclosed at fair value

The following table shows an analysis of asset disclosed at fair value by level of fair value hierarchy:

	Group			
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2016				
Financial asset:				
Investment properties	-	-	6,060,000	6,060,000
2015				
Financial asset:				
Investment properties	-	-	578,000	578,000

The fair values of investment properties are determined by the Directors based on estimated current price in an active market.

33. Fair value (cont'd)

(b) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (current)	20
Cash and bank balances (current)	23
Loans and borrowings (current)	24
Loans and borrowings (non-current)	24
Trade and other payables (current)	25

The carrying amounts of these financial assets and liabilities of the Group and of the Company at the reporting date approximate fair values due to the relatively short term maturity of these financial instruments whilst the carrying value of long term borrowings is estimated to be approximate the fair value estimated based on the current rates available for borrowing with the same maturity profile.

Fair value of retention sums on construction contract are estimated by discounting expected future cash flows at market incremental lending rate at the reporting date.

Guarantees

The fair value of the guarantees provided by the Company in connection with credit facilities, construction contracts and development agreement granted to its subsidiaries is estimated to be minimal as the chances of the financial institutions and third parties to call upon the guarantees are not probable.

34. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors approves and reviews policies and procedures for the management of these risks, which are executed by the Management. The audit committee provides independent oversight to the effectiveness of the risk management process.

The Group and the Company do not undertake any trading of derivative financial instruments.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

34. Financial risk management objectives and policies (cont'd)

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For cash and bank balances, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group and the Company minimise and monitor its credit risk by strictly limiting the Group's and Company's associations to business partners with high credit worthiness. Receivable balances are monitored on an ongoing basis.

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 each class of financial assets recognised in the statements of financial position.

- an amount of RM577,924,735 (2015 : RM511,749,835) relating to corporate guarantees provided by the Company to several financial institutions for its subsidiaries' credit facilities, and to third parties for the credit facilities granted by suppliers and to the joint venture and subsidiaries' performance in construction contracts.

Credit risk concentration profile

The Group and the Company do not have any significant exposure to any individual customers or counterparties nor does it have any major concentration of credit risk related to any financial instruments.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 20. Deposits with banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 20.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

To ensure continuity of funding, the Group's and the Company's policy is to manage the debt maturity profile, operating cash flows and the availability of funding to support the operating cycle of the business.

34. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

31.12.2016 Group	On demand or within one year RM	One to five years RM	More than five years RM	Total RM
Financial liabilities:				
Trade and other payables	284,582,324	-	-	284,582,324
Loans and borrowings	48,161,466	59,594,753	8,817,214	116,573,433
Total undiscounted financial liabilities	332,743,790	59,594,753	8,817,214	401,155,757
Company				
Financial liabilities:				
Other payables	1,321,074	-	-	1,321,074
Total undiscounted financial liabilities	1,321,074	-	-	1,321,074
31.12.2015				
Group				
Financial liabilities:				
Trade and other payables	303,282,053	-	-	303,282,053
Loans and borrowings	83,266,270	64,181,626	17,057,478	164,505,374
Total undiscounted financial liabilities	386,548,323	64,181,626	17,057,478	467,787,427
Company				
Financial liabilities:				
Other payables	505,942	-	-	505,942
Total undiscounted financial liabilities	505,942	-	-	505,942

34. Financial risk management objectives and policies (cont'd)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's primary interest rate risk relates to interest-bearing borrowings. The investments in financial assets including fixed deposits are mainly short term in nature and they are not held for speculative purposes.

The Group manages its interest rate exposure by using a mix of fixed and floating rate debts and actively reviewing its debt portfolio, taking into account the investment holding period and nature of its assets.

The Group does not expect any material effect on the Group's profit net of tax, asset and equity arising from the effect of reasonably possible changes to interest rates on interest-bearing financial instruments at the end of the reporting period.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group's entities. The foreign currencies in which these transactions are denominated are mainly Singapore Dollar ("SGD"), United States Dollar ("USD") and Euro ("EUR"). The Group did not enter into any forward currency contracts during the financial years ended 31 December 2016 and 2015.

The Group is also exposed to currency translation risk arising from its investments in foreign operation in Singapore. The Group's net investments in Singapore is not hedged as currency positions in SGD is considered to be long-term in nature.

The Group does not expect any material effect on the Group's profit net of tax and equity arising from the effect of reasonably possible changes to foreign currency exchange rates at the end of the reporting period.

35. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 2015.

The Group 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 less cash and bank balances whereas total capital comprises equity attributable to owners of the Company.

35. Capital management (cont'd)

The gearing ratios as at 31 December 2016 and 2015 are as follows :

	Note	2016 RM	2015 RM
Group			
Loans and borrowings	24	115,035,316	162,971,331
Less: Cash and bank balances	23	(79,025,354)	(97,153,846)
Net debt		36,009,962	65,817,485
Equity attributable to the owners of the parent, representing total capital		539,262,844	459,740,321
Capital and net debt		575,272,806	525,557,806
Gearing ratio		6.26%	12.52%

36. Segment Information

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

(i) Construction
(ii) Manufacturing and trading of construction materials and provision of quarry services
(iii) Investment holding
(iv) Property development

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

36. Segment Information (cont'd)

At 31 December 2016	Construction RM	Manufacturing, trading, and quarry services RM	Investment holding RM	Property development RM	Eliminations RM	Consolidation RM
Revenue:						
External customers	755,827,825	178,208,149	73,789	6,567,490	-	940,677,253
Inter-segment	6,153,822	4,477,093	15,052,453	(257,197)	(25,426,171)	-
Total revenue	761,981,647	182,685,242	15,126,242	6,310,293	(25,426,171)	940,677,253
Results:						
Segment results	94,449,488	55,961,208	15,126,243	803,475	(15,703,089)	150,637,325
Other operating income						9,481,214
Administration expenses						(47,288,589)
Finance costs						(7,831,375)
Share of profit of joint ventures						3,972,538
Profit before tax						108,971,113
Income tax expense						(27,052,085)
Profit net of tax						81,919,028
Assets:						
Segment assets	588,417,840	271,225,351	240,285,946	146,211,009	(260,942,171)	985,197,975
Liabilities:						
Segment liabilities	285,887,462	145,741,693	1,533,274	88,775,482	(76,002,780)	445,935,131

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

36. Segment Information (cont'd)

At 31 December 2015	Construction RM	Manufacturing, trading, and quarry services RM	Investment holding RM	Property development RM	Eliminations RM	Consolidation RM
Revenue:						
External customers	856,480,947	191,865,812	252,212	5,040,771	-	1,053,639,742
Inter-segment	17,425,357	5,568,027	16,299,422	-	(39,292,806)	-
Total revenue	873,906,304	197,433,839	16,551,634	5,040,771	(39,292,806)	1,053,639,742
Results:						
Segment results	72,191,272	53,814,743	16,551,634	652,023	(20,265,391)	122,944,281
Other operating income						10,003,079
Administration expenses						(39,307,354)
Finance costs						(9,454,618)
Share of profit of a joint venture						9,176,176
Profit before tax						93,361,564
Income tax expense						(22,659,589)
Profit net of tax						70,701,975
Assets:						
Segment assets	589,424,009	264,684,434	228,010,713	137,833,272	(246,268,097)	973,684,331
Liabilities:						
Segment liabilities	328,919,791	166,224,860	695,758	94,346,674	(76,243,073)	513,944,010

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

37. Dividends

	Group and Company	
	2016	2015
	RM	RM
Recognised during the financial year:		
Dividends on ordinary shares:		
- Final (single tier) dividend for 5.80 sen (2015: 3.80 sen) per share	17,431,465	11,420,995

The shareholders of the Company ("Shareholders") have been granted an option to elect to reinvest the entire portion of the final dividend in respect of the financial year ended 31 December 2015 in new ordinary shares of RM0.50 each in the Company ("New Shares") in accordance with the approved Dividend Reinvestment Plan of the Company ("DRP"). The reinvestment rate for the abovementioned dividend was 87.6%.

At the forthcoming Annual General Meeting ("AGM"), a final (single-tier) dividend in respect of the financial year ended 31 December 2016, of 6.50 sen per ordinary share will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

The Board of Directors has determined that the DRP will apply to the final dividend and the Shareholders be given an option to reinvest the entire final dividend in Reinvestment Option, subject to approvals being obtained from the following:

(i) Bursa Malaysia Securities Berhad for the listing of and quotation for the New Shares to be issued pursuant to the implementation of the DRP for the final dividend on the Main Market of Bursa Securities;

(ii) Shareholders in the forthcoming AGM for the declaration of the final dividend and the issuance of such number of New Shares as may be required pursuant to the exercise of the Reinvestment Option by the Shareholders; and

(iii) Approval from other relevant authorities and/ or parties, if required.

38. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 30 March 2017.

39. Supplementary information - Breakdown of retained profits into realised and unrealised

The breakdown of the retained profits of the Group and of the Company as at 31 December 2016 and 2015 into realised and unrealised profits are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Total retained profits				
- Realised	305,252,235	232,129,989	795,211	4,397,691
- Unrealised	3,034,511	11,253,015	-	-
	308,286,746	243,383,004	795,211	4,397,691
Less: Consolidation adjustments	(6,929,521)	(6,515,151)	-	-
Retained earnings as per financial statements	301,357,225	236,867,853	795,211	4,397,691

ANALYSIS OF SHAREHOLDINGS

As At 31 March 2017

Total Number of Issued Shares	:	310,289,937 Ordinary Shares
Number of Treasury Shares	:	20,000 Ordinary Shares
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share

Distribution of Shareholdings (As per Record of Depositors)

Size of Shareholdings	No. of shareholders	% of Shareholders	No. of shares*	% of Issued Capital
1 - 99	126	3.888	5,427	0.001
100 - 1,000	436	13.456	264,410	0.085
1,001 - 10,000	1,836	56.666	8,549,384	2.755
10,001 - 100,000	689	21.265	19,847,223	6.396
100,001 – 15,513,495 **	150	4.629	157,425,047	50.738
15,513,496 and above ***	3	0.092	124,178,446	40.022
Total	3,240	100.000	310,269,937	100.000

* excluding 20,000 shares bought back and retained by the Company as treasury shares
** less than 5% of issued shares
*** 5% and above of issued shares

Substantial Shareholders (As per Register of Substantial Shareholders)

Name of shareholders	Direct Interest No. of Shares	%	Indirect Interest No. of Shares	%
1. Phin Sdn Bhd	112,813,865	36.360	-	-
2. Pang Khang Hau	18,208,402	5.869	-	-
3. Pang Tin @ Pang Yon Tin	16,164,899	5.210	112,813,865	36.360

Directors' Shareholdings (As per Register of Directors' Shareholdings)

Name of Directors	Direct Interest No. of Shares	%	Indirect Interest No. of Shares	%
1. Pang Khang Hau	18,208,402	5.869	-	-
2. Pang Tin @ Pang Yon Tin	16,164,899^	5.210	120,149,921	38.724
3. Sim Tian Liang	8,164,032@	2.631	-	-
4. Chin Lian Hing	8,202,630+	2.644	-	-
5. Yam Tai Fong	8,399,857#	2.707	-	-
6. Kek Chin Wu	328,500	0.106	-	-
7. Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah	65,327	0.021	-	-
8. Chua Kee Yat @ Koo Kee Yat	37,800	0.012	-	-

Note :-
^ Includes 10,828,280 shares held in bare trust by EB Nominees (Tempatan) Sdn. Bhd.
@ Includes 2,462,738, 1,760,200, 1,255,414 and 1,036,942 shares held in bare trust by Amsec Nominees (Tempatan) Sdn Bhd, Alliancegroup Nominees (Tempatan) Sdn Bhd, Tasec Nominees (Tempatan) Sdn Bhd and TA Nominees (Tempatan) Sdn Bhd respectively.
+ Includes 435,515 shares held in bare trust by Alliancegroup Nominees (Tempatan) Sdn Bhd.
# Includes 2,592,356 shares held in bare trust by TA Nominees (Tempatan) Sdn Bhd.

ANALYSIS OF SHAREHOLDINGS

As At 31 March 2017

Thirty Largest Shareholders (As per Record of Depositors)

	Name of shareholders	No. of Shares Held	% of Issued Capital
1.	Phin Sdn. Bhd.	82,721,790	26.661
2.	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account - AmBank (M) Berhad for Phin Sdn Bhd	23,248,254	7.492
3.	Pang Khang Hau	18,208,402	5.868
4.	Phang Piow @ Pang Choo Ing	15,181,877	4.893
5.	EB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Pang Tin @ Pang Yon Tin (JBU)	10,828,280	3.489
6.	Chin Lian Hing	7,767,115	2.503
7.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Phin Sdn Bhd (PB)	6,843,821	2.205
8.	Yam Tai Fong	5,807,501	1.871
9.	Pang Tin @ Pang Yon Tin	5,336,619	1.719
10.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB Prin)	5,255,500	1.693
11.	Malaysia Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Bhd (LGF)	5,172,900	1.667
12.	Loh Oi Yoke	4,341,300	1.399
13.	Maybank Nominees (Tempatan) Sdn Bhd National Trust Fund (IFM Eastspring) (410140)	4,235,081	1.364
14.	Citigroup Nominees (Asing) Sdn Bhd Exempt An for Citibank New York (Norges Bank 12)	4,009,233	1.292
15.	Wang Ah Yu	3,138,514	1.011
16.	Leong Choon Thye	3,086,654	0.994
17.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Commerce Trustee Berhad – Kenanga Growth Fund	3,025,974	0.975
18.	Lembaga Tabung Haji	2,981,700	0.961
19.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yam Tai Fong	2,592,356	0.835
20.	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sim Tian Liang	2,462,738	0.793
21.	Lew Kim Bock	2,404,773	0.775
22.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)	2,160,800	0.696
23.	Sunny Pang Yi Lin	1,973,094	0.635
24.	Amanahraya Trustees Berhad PMB Shariah Aggressive Fund	1,963,700	0.632
25.	RHB Nominees (Tempatan) Sdn Bhd OSK Technology Ventures Sdn. Bhd.	1,848,800	0.595
26.	Pang Yili	1,766,431	0.569
27.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sim Tian Liang (8122016)	1,760,200	0.567
28.	Pang Chew Ngo	1,753,661	0.565
29.	Citigroup Nominees (Tempatan) Sdn Bhd Universal Trustee (Malaysia) Berhad for CIMB Islamic Small Cap Fund	1,738,200	0.560
30.	Sim Tian Liang	1,648,738	0.531
	Total	235,264,006	75.825

The thirty largest shareholders refer to the thirty securities account holders having the largest number of securities according to the Record of Depositors (without aggregating the shares from different securities accounts belonging to the same depositor).

ANALYSIS OF WARRANT HOLDINGS

As At 31 March 2017

No. of Warrants in issue	:	60,112,500
No. of Warrant Holders	:	1,581
Exercise Price per Warrant	:	RM1.68
Exercise Period	:	13 March 2014 to 12 March 2024
Exercise Rights	:	Each warrant entitles the holder to subscribe for one new ordinary share
Voting rights at Meetings of Warrant Holders	:	One vote per warrant

Distribution of Warrant Holdings (As per Record of Depositors)

Size of Holdings	No. of Holders	% of holders	No. of Warrants	% of Warrants
1 - 99	50	3.162	2,401	0.003
100 - 1,000	432	27.324	240,909	0.400
1,001 - 10,000	713	45.098	2,989,885	4.973
10,001 - 100,000	346	21.884	11,760,880	19.564
100,001 – 3,005,624 *	38	2.403	19,824,425	32.978
3,005,625 and above **	2	0.126	25,294,000	42.077
Total	1,581	100.000	60,112,500	100.000

* less than 5% of issued warrants
** 5% and above of issued warrants

Directors' Warrant Holdings (As per Register of Directors' Warrant Holdings)

Name of Directors	Direct Interest No. of Warrants	%	Indirect Interest No. of Warrants	%
1. Pang Khang Hau	3,641,900	6.058	-	-
2. Pang Tin @ Pang Yon Tin	2,928,100	4.871	23,119,900	38.461
3. Sim Tian Liang	100,000[@]	0.166	-	-
4. Chin Lian Hing	-	-	-	-
5. Yam Tai Fong	450,000[#]	0.749	-	-
6. Kek Chin Wu	78,500	0.131	-	-
7. Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah	13,000	0.022	-	-
8. Chua Kee Yat @ Koo Kee Yat	7,800	0.013	-	-

Note :-
@ Held in bare trust by Alliancegroup Nominees (Tempatan) Sdn Bhd.
\# Held in bare trust by TA Nominees (Tempatan) Sdn Bhd.

ANALYSIS OF WARRANT HOLDINGS

For the financial year ended 31 December 2016

Thirty Largest Warrant holders (As per Record of Depositors)

	Name of warrant holders	No. of Warrants Held	% of Issued Warrants
1.	Phin Sdn. Bhd.	21,652,100	36.019
2.	Pang Khang Hau	3,641,900	6.058
3.	Pang Tin @ Pang Yon Tin	2,928,100	4.871
4.	Phang Piow @ Pang Choo Ing	2,579,200	4.290
5.	Maybank Nominees (Tempatan) Sdn Bhd Nomura Singapore Limited for Lim Lian Hock (410242)	2,036,300	3.387
6.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Exempt an for UOB Kay Hian Pte Ltd (A/C Clients)	1,701,200	2.830
7.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lew Kim Bock (8122057)	704,775	1.172
8.	Wang Ah Yu	627,800	1.044
9.	Chin Ah Fee @ Chan Yok Ying	600,000	0.998
10.	Toh Yew Peng	570,000	0.948
11.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt an for UOB Kay Hian Pte Ltd (A/C Clients)	505,000	0.840
12.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Cheah Chee Siong (MY1891)	500,000	0.831
13.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securties Account for Tam Kian Kwang	498,200	0.828
14.	Lim Chin Hong	468,700	0.779
15.	Ter Leong Swee	467,000	0.776
16.	Citigroup Nominees (Asing) Sdn Bhd Exempt An for Citibank New York (Norges Bank 1)	454,250	0.755
17.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yam Tai Fong	450,000	0.748
18.	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yong Foy Won (CCTS)	400,300	0.665
19.	Sunny Pang Yi Lin	394,800	0.656
20.	Public Nominees (Tempatan) Sdn Bhd Pledge Securities Account for Francis Kong @ Kong Fen Shin (E-KKU/LBN)	390,000	0.648
21.	Pang Yili	353,500	0.588
22.	Ng Boon Seong	307,000	0.510
23.	Maybank Securities Nominees (Asing) Sdn Bhd Maybank Kim Eng Securities Pte Ltd for Lim Chuan Seng	300,000	0.499
24.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yeap Soon Aik	280,000	0.465
25.	Tey Yee Yee	249,900	0.415
26.	Teoh Pak Sheng	241,600	0.401
27.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Yap Chee Kyun @ Yapp Chee Kyun (MQ0453)	167,500	0.278
28.	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Chu Liong	164,200	0.273
29.	HSBC Nominees (Asing) Sdn Bhd Exempt an for BNP Paribas Singapore Branch (A/C Clients-FGN)	156,700	0.260
30.	Eng Yok Tin @ Seet Kim Lian	150,000	0.249
	Total	43,940,025	73.096

The thirty largest warrant holders refer to the thirty securities account holders having the largest number of securities according to the Record of Depositors (without aggregating the warrants from different securities accounts belonging to the same depositor).

LIST OF PROPERTIES

Held by the Group as at 31 December 2016

No	Address/Location	Description and existing use	Date of Acquisition[e]	Tenure of Land (years)	Land area (sq. ft.)	Built-up area (sq. ft.)	Age of Building	Net book value (RM)
1.	PTD 90544, HS(M) 1203, Mukim Kulai, District of Kulai Jaya, Johor	Factory and office buildings	02/09/2002 [b]	Freehold	605,457	349,268	15	22,501,085
2.	Lot 2689, Mukim Kulai, District of Kulai Jaya, Johor	Factory building	29/11/ 2010	Not applicable [c]	274,689	113,168	6	5,985,505 [d]
3.	PN45839 Lot No.2, Pekan Sungai Gadut, District of Seremban , Negeri Sembilan	Factory and office buildings	26/01/2012	Leasehold (99 years expiring on 08/12/2091)	5,665,041	284,538	4	52,565,288
4.	HS(M) 6581 to HS(M)6711, PTD13047 to PTD 13177, Mukim Jeram Batu, District of Pontian, Johor	Development land currently under development	22/9/2011	Freehold	222,346	Not Applicable	Not Applicable	29,281,227
5.	HS(D)478917, PTD170709, Mukim Pulai, Daerah Johor Baharu, Negeri Johor	Lease over vacant commercial land	28/3/2013	Land lease over freehold commercial land expiring 31 July 2113	110,642	Not Applicable	Not Applicable	21,275,247
6.	HS(M)3416 to HS(M)3423 (PT7109 to PT7116) and HS(M)3539 to HS(M)3571 (PT7232 to PT7264, Seksyen U10 Shah Alam, Mukim Bukit Raja, Daerah Petaling, Negeri Selangor	Vacant bungalow land	5/3/2014	Leasehold (99 years expiring on 27 January 2103)	386,499	Not Applicable	Not Applicable	31,863,386

LIST OF PROPERTIES
Held by the Group as at 31 December 2016

No	Address/Location	Description and existing use	Date of Acquisition[e]	Tenure of Land (years)	Land area (sq. ft.)	Built-up area (sq. ft.)	Age of Building	Net book value (RM)
7.	Lot 3766 to Lot 3775, Lot 3787 to Lot 3795, Lot 3807 to Lot 3814, Lot 4393 and Lot 3833, Mukim Kota Tinggi, Daerah Kota Tinggi, Negeri Johor	Agriculture land	13/5/2015	Freehold	6,134,816	Not Applicable	Not Applicable	31,335,698
8.	No.6, Jalan Sentral 1, Taman Nusa Sentral, 79100 Nusajaya	3 storey shop office	25/6/2014	Freehold	1,650	3,299	3	1,440,294
9.	PTD 189622 HS(D) 527244, Mukim Pulai, Daerah Johor Bahru, Johor	3 storey shop office	21/3/2016	Freehold	1,800	5,035	Not applicable as construction is still under progress	2,411,250
10.	No. 11, Blok A, Kompleks Austin Perdana, Jalan Austin Perdana 2, Taman Austin Perdana, 81100 Johor Bahru, Johor	Shop-office	15/6/2016	Freehold	[a]	1,401	1	1,275,000

Notes :

(a) Based on strata title, thus no land area available.
(b) This being the acquisition date of the factory building. The acquisition of the freehold land on which the buildings were erected thereon was completed on 27 October 2010.
(c) Tenure of land is not applicable as the building is sited on rented land.
(d) The Net Book Value is in relation to the building only.
(e) Date of acquisition stated herein refers to the date of the respective sale & purchase agreement.

NOTICE OF EIGHTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 8th Annual General Meeting ("AGM") of the Company will be held at Dillenia & Eugenia, Foyer, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 13 June 2017 at 2.30 p.m. to transact the following business:-

AGENDA

Ordinary Business

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. **(Please refer to Note 2)**

2. To re-elect the following Directors who retire pursuant to Article 86 of the Company's Constitution, as Directors of the Company:-

   i) Kek Chin Wu **(Resolution 1)**
   ii) Yam Tai Fong **(Resolution 2)**
   iii) Chin Lian Hing **(Resolution 3)**

3. To declare a final single tier dividend of 6.5 sen per ordinary share for the financial year ended 31 December 2016. **(Resolution 4)**

4. To approve the payment of Directors' fees and benefits up to an amount of RM400,000 to the Non-Executive Directors from 1 January 2017 until the next AGM of the Company. **(Resolution 5)**

5. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

Special Business

To consider and if thought fit, to pass the following resolutions, with or without modifications, as Ordinary Resolutions of the Company:-

6. **ORDINARY RESOLUTION I**
   AUTHORITY TO ALLOT SHARES **(Resolution 7)**

   "THAT pursuant to Sections 75 and 76 of the Companies Act 2016, the Directors of the Company be and are hereby authorised to allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares allotted pursuant to this resolution does not exceed 10% of the number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued from Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next AGM of the Company after the approval was given or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by the Company at a general meeting."

NOTICE OF EIGHTH ANNUAL GENERAL MEETING

7. **ORDINARY RESOLUTION II** **(Resolution 8)**
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND PROPOSED NEW SHAREHOLDERS' MANDATE FOR THE COMPANY AND/OR ITS SUBSIDIARIES TO ENTER INTO RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH RELATED PARTIES ("RRPT MANDATE")

"THAT pursuant to Paragraph 10.09 Part E of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements, the Company and its subsidiaries ("KLCB Group") be and are hereby authorised to enter into any of the recurrent transactions of a revenue or trading nature as set out in Section 2.2 of the Circular to Shareholders of the Company dated 27 April 2017 with the related parties mentioned therein which are necessary for the KLCB Group's day-to-day operations, provided that the transactions are in the ordinary course of business, on normal commercial terms and on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company;

AND THAT such approval shall continue to be in force until:-

(i) the conclusion of the next AGM of the Company following the general meeting at which this resolution was passed, at which time it will lapse, unless by an ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
(ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting;

whichever is earlier;

AND THAT the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things as they may deemed fit and expedient in the interest of the Company to give full effect to the RRPT Mandate."

8. **ORDINARY RESOLUTION III** **(Resolution 9)**
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR THE AUTHORITY TO THE COMPANY TO PURCHASE ITS OWN SHARES OF UP TO TEN PER CENT (10%) OF THE TOTAL NUMBER OF ISSUED SHARES ("SBB MANDATE")

"THAT subject to compliance with the Companies Act 2016 ("the Act"), the Constitution of the Company, Bursa Malaysia Securities Berhad's Main Market Listing Requirements and all other applicable laws, regulations and guidelines, the Company be and is hereby authorised to allocate an amount not exceeding the audited retained profits of the Company for the purpose of purchasing such number of issued shares in the Company ("KLCB Shares") as may be determined by the Directors of the Company provided that the aggregate number of KLCB Shares purchased pursuant to this resolution does not exceed ten per cent (10%) of the total number of issued KLCB Shares at any point of time;

NOTICE OF EIGHTH ANNUAL GENERAL MEETING

THAT upon completion of the purchase by the Company of its own shares, the Directors are authorised to deal with the KLCB Shares in the following manner:-

i) to cancel the KLCB Shares so purchased; or
ii) to retain the KLCB Shares so purchased as treasury shares for distribution as dividends to shareholders and/or resell through Bursa Securities in accordance with the relevant rules of Bursa Securities; or
iii) combination of (i) and (ii) above.

or in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force;

AND THAT the Directors be and are hereby empowered to carry out the above immediately upon the passing of this resolution and from the date of the passing of this resolution until:

i) the conclusion of the next AGM of the Company following the general meeting at which this resolution was passed, at which time it shall lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting;

whichever is earlier;

AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things as they may deemed fit and expedient in the interest of the Company to give full effect to the SBB Mandate."

9. **ORDINARY RESOLUTION IV** **(Resolution 10)**
PROPOSED RENEWAL OF THE AUTHORITY TO ALLOT NEW ORDINARY SHARES IN THE COMPANY ("NEW KLCB SHARES"), FOR THE PURPOSE OF DIVIDEND REINVESTMENT PLAN ("DRP") THAT PROVIDES THE SHAREHOLDERS OF THE COMPANY THE OPTION TO ELECT TO REINVEST THEIR CASH DIVIDEND IN NEW KLCB SHARES ("PROPOSED RENEWAL OF DRP")

"THAT pursuant to the DRP as approved by the shareholders at the Extraordinary General Meeting held on 24 June 2016 and subject to the approval of the relevant regulatory authorities, approval be and is hereby given to the Company to allot such number of New KLCB Shares from time to time as may be required to be allotted pursuant to the DRP until the conclusion of the next AGM upon such terms and conditions and to such persons as the Board of the Company at their absolute discretion, deem fit and in the best interest of the Company PROVIDED THAT the issue price of the said New KLCB Shares shall be fixed by the Board at not more than ten per cent (10%) discount to the adjusted five (5)-day volume weighted average market price ("VWAMP") of KLCB Shares immediately prior to the price-fixing date, of which the VWAMP shall be adjusted ex-dividend before applying the abovementioned discount in fixing the issue price;

NOTICE OF EIGHTH ANNUAL GENERAL MEETING

For the financial year ended 31 December 2016

AND THAT the Directors and the Secretary of the Company be and are hereby authorised to do all such acts and enter into all such transactions, arrangements and documents as may be necessary or expedient in order to give full effect to the DRP with full power to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed or agreed to by any relevant authorities or consequent upon the implementation of the said conditions, modifications, variations and/or amendments or by the Directors , as they, in their absolute discretion, deem fit and in the best interest of the Company."

10. To consider any other business of which due notice shall be given in accordance with the Act.

By Order of the Board
TAY LEE SHYA (MIA 16982)
WONG PEIR CHYUN (MAICSA 7018710)
YENG SHI MEI (MAICSA 7059759)
Company Secretaries
Kuala Lumpur

27 April 2017

NOTES:-

1. **Appointment of Proxy**

(a) A member entitled to attend and vote at the Meeting is entitled to appoint proxy(ies) (or in the case of a corporation, a duly authorised representative) to attend and vote in his stead. A proxy may but need not be a member of the Company.

(b) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's Seal or under the hand of an officer or attorney duly authorised.

(c) A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meetings, and that appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

(d) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

(e) Where a member of the company is an exempt authorised nominee as defined under the SICDA which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(f) Where the authorised nominee or an exempt authorised nominee appoints more than one proxy, the proportion of the shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

NOTICE OF EIGHTH ANNUAL GENERAL MEETING

For the financial year ended 31 December 2016

(g) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the share registrar of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

(h) Only the members whose names appear on the Record of Depositors as at 6 June 2017 shall be entitled to attend and vote at this meeting or appoint proxy (proxies) to attend and vote on their behalf.

2. **Audited Financial Statements for the financial year ended 31 December 2016**

The Audited Financial Statements in Agenda 1 is meant for discussion only as the approval of the shareholders is not required pursuant to the provision of Section 340(1)(a) of the Companies Act 2016. Hence, this Agenda is not put forward for voting by shareholders.

3. **Resolution 1 – Re-election of Director**

The Board had carried out assessment on the independence of Kek Chin Wu, the Independent Director who is standing for re-election and satisfied that he met the criteria of independence as prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

4. **Declaration of a Final Single Tier Dividend**

Pursuant to paragraph 8.26 of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad, the final single tier dividend, if approved, will be paid not later than three (3) months from the date of shareholders' approval.

5. **Directors' Fees and Benefits**

The Directors' fees and benefits proposed for the period from 1 January 2017 up to the date of next AGM are calculated based on the current Board size and number of scheduled Board and Committee Meetings for 2017 up to the next AGM. This resolution is to facilitate payment of Directors' fees and benefits on a current financial year basis. In the event the proposed amount is insufficient (e.g. due to more meetings or enlarged Board size) approval will be sought at the next AGM for the shortfall.

6. **Explanatory Notes on Special Business**

(i) Resolution 7 – Authority to Allot Shares

The Proposed Resolution 7 is proposed for the purpose of granting a renewed general mandate ("General Mandate") and empowering the Directors to allot shares in the Company up to an amount not exceeding in total ten per cent (10%) of the total number of issued shares of the Company for such purposes as the Directors consider would be in the interest of the Company.

This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

NOTICE OF EIGHTH ANNUAL GENERAL MEETING

For the financial year ended 31 December 2016

The renewed 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 renewed General Mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investments projects, working capital, repayment of bank borrowings and acquisition.

As at the date of this notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the Seventh Annual General Meeting because there were no investment(s), acquisition(s) or working capital that require fund raising activity.

(ii) Resolution 8 – RRPT Mandate

This resolution, if passed, will authorise the Company and each of its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature in the ordinary course of business. For further information on the recurrent related party transactions, please refer to the Circular to Shareholders dated 27 April 2017 enclosed together with the Company's Annual Report 2016.

(iii) Resolution 9 – SBB Mandate

This resolution, if passed, will give the Company the authority to purchase its own ordinary shares of up to ten per cent (10%) of the number of issued shares of the Company.

(iv) Resolution 10 - Proposed Renewal of DRP

The shareholder had at the Extraordinary General Meeting held on 24 June 2016 approved the authority for Directors to allot New KLCB Shares in relation to DRP and such authority will expire at the conclusion of this AGM. The Company's DRP provides the shareholders of the Company the option to elect to reinvest their cash dividend in New KLCB Shares.

This resolution, if passed, will give authority to the Directors to allot New KLCB Shares under the DRP in respect of dividend declared in this AGM and subsequently, until the conclusion of the next AGM. A renewal of this authority will be sought at the next AGM.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

Authority For Directors to Allot Shares Pursuant To Sections 75 and 76 of the Companies Act 2016.

Kindly refer to item (i) of Explanatory Notes on Special Business at page 143 and 144.

PROXY FORM

CDS Account No.	
No. of Shares held:	

KIMLUN

KIMLUN CORPORATION BERHAD
(Company No. 867077-X)
(Incorporated in Malaysia under the Companies Act, 1965)

I/ We ________________________ NRIC No. (old and new)/Passport No./Company No. ______________
(FULL NAME IN BLOCK CAPITALS)
of ____
(FULL ADDRESS)
____

being a member / members of **KIMLUN CORPORATION BERHAD (867077-X)** hereby appoint ______________
________________________ NRIC No. (old and new)/Passport No. ______________
(FULL NAME IN BLOCK CAPITALS)
of ____
(FULL ADDRESS)
____

or failing *him/ her________________________ NRIC No. (old and new)/Passport No.______________
(FULL NAME IN BLOCK CAPITALS)
of ____
(FULL ADDRESS)
____

or failing *him/her, *the Chairman of the Meeting as *my/ our proxy to vote for *me/us and on *my/our behalf at the 8th Annual General Meeting of the Company, to be held at Dillenia & Eugenia, Foyer, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 13 June 2017 at 2.30 p.m. and at every adjournment thereof *for/against the resolution(s) to be proposed thereat.

Item	AGENDA	Resolution	For	Against
1.	**Ordinary Business** Receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon.			
2.	Re-election of Kek Chin Wu who retires pursuant to Article 86 of the Company's Constitution, as Director of the Company.	**1**		
3.	Re-election of Yam Tai Fong who retires pursuant to Article 86 of the Company's Constitution, as Director of the Company.	**2**		
4.	Re-election of Chin Lian Hing who retires pursuant to Article 86 of the Company's Constitution, as Director of the Company.	**3**		
5.	Declaration of final single tier dividend of 6.5 sen per Ordinary Share for the financial year ended 31 December 2016.	**4**		
6.	Approval of Directors' fees and benefits up to an amount of RM400,000 to the Non-Executive Directors from 1 January 2017 until the next Annual General Meeting of the Company.	**5**		
7.	Re-appointment of Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.	**6**		
8.	**Special Business** Authority to allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.	**7**		
9.	Proposed Renewal of RRPT Mandate and Proposed New RRPT Mandate.	**8**		
10.	Proposed Renewal of SBB Mandate.	**9**		
11.	Proposed Renewal of DRP	**10**		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fits.

As witness my hand, this....................day of...........................

** Strike out whichever is not desired.*

....
Signature or Common Seal of Member(s)

Notes:

(a) A member entitled to attend and vote at the Meeting is entitled to appoint proxy(ies) (or in the case of a corporation, a duly authorised representative) to attend and vote in his stead. A proxy may but need not be a member of the Company.

(b) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's Seal or under the hand of an officer or attorney duly authorised.

(c) A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meetings, and that appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

(d) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

(e) Where a member of the company is an exempt authorised nominee as defined under the SICDA which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(f) Where the authorised nominee or an exempt authorised nominee appoints more than one proxy, the proportion of the shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

(g) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the share registrar of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

(h) Only the members whose names appear on the Record of Depositors as at 6 June 2017 shall be entitled to attend and vote at this meeting or appoint proxy (proxies) to attend and vote on their behalf.

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AFFIX
STAMP
HERE

The Share Registrar
Kimlun Corporation Berhad (867077 X)
Unit 32-01, Level 32,
Tower A, Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur,
Wilayah Persekutuan, Malaysia.

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