

# UPLIFTING LIFE

Annual Report 2016



# ACCENTUATING TRANQUILITY

THE  
PEAK

JOHOR BAHRU  
INTERNATIONAL CITY  
ISKANDAR MALAYSIA, FLAGSHIP A

## EDGELESS POOL, ENDLESS VIEW

Enjoy spectacular panoramic view of Singapore, Johor Bahru and beyond from at all 3 facility decks at The Peak. Chill at the Recreational Deck or entertain high above ground on the North Sky and South Sky Decks.



Artist Impression



## DRIVE UP, DRIVE HOME

into The Peak's exclusive drop-off area where a triple volume private reception and lift lobby welcomes you. Perched on high ground, each tower offers only 111 units where every unit is a corner unit with 2-4 abodes per floor.

# HEIGHTENING LUXURY

THE  
PEAK

JOHOR BAHRU  
INTERNATIONAL CITY  
ISKANDAR MALAYSIA, FLAGSHIP A



Artist Impression



# STRENGTHENING SECURITY

THE  
PEAK  
JOHOR BAHRU  
INTERNATIONAL CITY  
ISKANDAR MALAYSIA, FLAGSHIP A

## THE NEW LANDMARK OF JOHOR BAHRU INTERNATIONAL CITY

The Peak is an exclusive fully residential service apartment located in the heart of Johor Bahru city centre, or better known as Flagship A of Iskandar Malaysia. It is easily accessible via a comprehensive network of highways and is conveniently surrounded by an array of international amenities including educational institutions, medical centres, shopping malls and retails, and more.





# RATIONALE

The theme that is featured on the cover, **Uplifting Life**, expresses our commitment to enhancing the quality of life.

The ensuing pages highlight our efforts in making life truly splendid by emphasizing luxury, tranquility and security. All these qualities are embodied in our flagship development-The Peak in Johor Bahru.





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Form of Proxy



# OUR STORY

## OUR PURPOSE

We believe that by exploring new frontiers in construction & development, we deliver a better tomorrow. In the process, we capture and maintain market leadership and ultimately deliver value to all our stakeholders.

## OUR VISION

At GBG, we envision a world where infrastructure and property are **Built Great**.

## OUR MISSION

We will build great by:

- Always challenging existing conventions, be it in design, building, quality, craft or value;
- Inculcating a learning organisation to drive innovation;
- Cultivating a collaborative network of industry partners and thought leaders to create extraordinary products;
- And establishing a performance driven culture with emphasis on pride in work well done, inclusiveness, diversity and reward to attract the industry's best and brightest talent.



WE WILL BE GUIDED BY THESE VALUES AND BEHAVIOUR:

## WE ARE FOCUSED ON DELIVERING EXTRAORDINARY PRODUCTS

Using the considerable talents and wealth of experience we have in construction, we are **persistent** about pursuing better standards in quality to deliver an extraordinary product, on time and within budget.

We will go beyond expectations in design, product development, customer service and sales, to ensure our stakeholders continue to want to do business with us.

## WE ARE COMMITTED TO PROVIDING EXCEPTIONAL VALUE

We will continuously **challenge the norm**, looking for every opportunity to give more value to our employees, business partners, customers and shareholders.

We are in for the long-term; our aim is to leave a legacy that generations benefit from.

## WE AIM TO NURTURE AND GROW EMPOWERED COMMUNITIES

We are cognizant of our responsibility to the communities in which we operate. We commit to creating a **collaborative, respectful and nurturing** work environment, and be active, contributing citizens in the communities in which we operate.

We ensure the continued success and sustainability of our people, our clients and partners, their businesses and brands.

## OUR PROMISE TO ALL OUR STAKEHOLDERS ALWAYS CHALLENGING THE STATUS QUO



# CORPORATE PROFILE

GBG envisions a world where infrastructure and property are **Built Great**.

It aims to build great with four key strategies – always challenging existing conventions, be it in design, building, quality, craft or value; inculcating a learning organisation to drive innovation; cultivating a collaborative network of industry partners and thought leaders to create extraordinary products, and establishing a performance driven culture with emphasis on pride in work well done, inclusiveness, diversity and reward to attract the industry's best and brightest talent.

## FOUR GOOD COMPANIES MERGING TO BE BETTER

The company has its roots in the amalgamation of four successful businesses – three construction and engineering companies: Motibina Sdn Bhd ("Motibina"), Gabungan Strategik Sdn Bhd ("Gabungan Strategik") and Pembinaan Megah Ikhlas Sdn Bhd, as well as AQRS The Building Company Sdn Bhd ("AQRS"), a property developer. Each a good, strong company with a reputable brand.

The four companies merged in 2010 to become Gabungan AQRS Berhad, with twin, synergistic engines of growth – integrated construction and property development. The merger combined the considerable talents and strong track record of the four companies, helmed by a leadership team with vast experience and complementary strengths.

In 2012, Gabungan AQRS Berhad listed on the Main Board of Bursa Malaysia, using the listing code GBGAQRS. The listing cemented GBG's strong financial standing and gave it the leverage it needed to participate more actively in capacity building for the country, and to grow and expand its property development business.

## VALUES THAT DRIVE GROWTH

GBG has considerable talents and a wealth of experience across a broad range of infrastructure products. It is persistent about pursuing better standards in quality to deliver extraordinary products, on time and within budget.

It is committed to providing exceptional value to its employees, business partners, customers and shareholders by always challenging the norm and going beyond expectations in design, product development, customer service and sales. It aims to nurture and grow empowered communities; by creating a collaborative, respectful and nurturing work environment, and being active, contributing citizens in the communities in which it operates. It strives to ensure the continued success and sustainability of its people, clients and partners, their businesses and brands. GBG is in for the long-term; their aim is to leave a legacy that generations benefit from.

Since 2012, the Company has systematically worked to acquire a strong pipeline of construction projects, growing its landbank for property development and exploring collaborative partnerships to develop property products that promise to capture the market's attention and imagination.

Today, the evolution of four individual businesses to one strong group has resulted in a strong company, poised to embark on a new phase of growth.

**GBG Berhad. From Good to Better.  
Now going to be Great.**



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Y.M. Tunku Alizan bin Raja Muhammad Alias**  
*Independent, Non-Executive Director and Chairman*

**Datuk Kamarudin bin Md. Ali**  
*Senior Independent, Non-Executive Director*

**Dato' Azizan bin Jaafar**  
*Executive Director and Group Chief Executive Officer*

**Ow Chee Cheoon**  
*Executive Director and Group Deputy Chief Executive Officer*

**Bernard Lim Soon Chiang**  
*Executive Director and Group Chief Financial Officer*

**Loo Choo Hong**  
*Independent, Non-Executive Director*

**Muk Sai Tat**  
*Independent, Non-Executive Director*

## AUDIT COMMITTEE

Loo Choo Hong (Chairman)  
Datuk Kamarudin bin Md. Ali (Member)  
Muk Sai Tat (Member)

## NOMINATION COMMITTEE

Muk Sai Tat (Chairman)  
Datuk Kamarudin bin Md. Ali (Member)  
Loo Choo Hong (Member)

## REMUNERATION COMMITTEE

Datuk Kamarudin bin Md. Ali (Chairman)  
Loo Choo Hong (Member)  
Muk Sai Tat (Member)  
Dato' Azizan bin Jaafar (Member)  
Ow Chee Cheoon (Member)

## RISK MANAGEMENT COMMITTEE

Muk Sai Tat (Chairman)  
Dato' Azizan bin Jaafar (Member)  
Ow Chee Cheoon (Member)  
Bernard Lim Soon Chiang (Member)

## FORM OF LEGAL ENTITY

Incorporated in Malaysia on 20 August 2010 as a private limited company  
Converted to a public limited company on 17 January 2011

## COMPANY NUMBER

912527-A

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia  
Securities Berhad  
Sector : Construction  
Shares      Warrants  
Stock  
Name : GBGAQRS    GBGAQRS-WA  
Stock  
Code : 5226      5226WA

## SECRETARY

Tong Siut Moi (MAICSA 7024173)

## SHARE REGISTRAR

Securities Services (Holdings) Sdn Bhd  
Level 7, Menara Milenium  
Jalan Damanlela,  
Pusat Bandar Damansara  
Damansara Heights  
50490 Kuala Lumpur  
Telephone no. : 603 2084 9000  
Facsimile no. : 603 2094 9940

## REGISTERED OFFICE

H-73-1, Blok H  
Jalan Teknologi 3/9  
Bistari 'De' Kota  
Kota Damansara, PJU 5  
47810 Petaling Jaya  
Selangor Darul Ehsan  
Telephone no. : 603 6141 8870  
Facsimile no. : 603 6141 8872

## PRINCIPAL OFFICE

G-58-1, Blok G  
Jalan Teknologi 3/9  
Bistari 'De' Kota  
Kota Damansara, PJU 5  
47810 Petaling Jaya  
Selangor Darul Ehsan  
Telephone no. : 603 6141 8870  
Facsimile no. : 603 6141 8871  
e-mail address : enquiries@gbg.com.my  
Website : www.gbg.com.my

## AUDITORS

BDO (AF 0206)  
Chartered Accountants  
Level 8, BDO @ Menara CenTARA  
360 Jalan Tuanku Abdul Rahman  
50100 Kuala Lumpur  
Telephone no. : 603 2616 2888  
Facsimile no. : 603 2616 3190 / 3191

## PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Bhd  
AmBank (M) Berhad  
AFFIN Bank Bhd



# GROUP CORPORATE STRUCTURE



## CONSTRUCTION

100% Gabungan Strategik Sdn Bhd

100% Motibina Sdn Bhd

100% Pembinaan Megah Ikhlas Sdn Bhd

100% Sinajasa Sdn Bhd

49% SEDCO Precast Sdn Bhd

## PROPERTY DEVELOPMENT

100% AQRs The Building Company Sdn Bhd

100% Bright Reach Sdn Bhd

100% Crystal Aspect Sdn Bhd

100% Grand Meridian Development Sdn Bhd

100% Nusvista Development Sdn Bhd

100% GBG Properties (Sabah) Sdn Bhd

52% Prestige Field Development Sdn Bhd

100% Estet Etos Sdn Bhd

## OTHERS

100% Gabungan AQRs Capital Sdn Bhd

100% Gabungan AQRs Management Sdn Bhd

100% Gabungan AQRs Properties Sdn Bhd

100% GBG Trading Sdn Bhd  
(formerly known as Broad Virtual Sdn Bhd)

90% Trusvest Sdn Bhd

30% Kreatif Sinar Gabungan Sdn Bhd



# FINANCIAL HIGHLIGHTS

## Summarized Statements Of Profit Or Loss And Other Comprehensive Income (RM'000)

	2016	2015
REVENUE	330,058	272,511
PROFIT/(LOSS) BEFORE TAX	43,650	(7,874)
EBITDA	72,902	13,622
NET PROFIT/(LOSS) Attributable to Equity Holders	22,631	(9,666)

## Statements of Financial Position As At 31 December (RM'000)

	2016	2015
Total Non-Current Assets	148,778	192,555
Total Current Assets	828,244	775,978
<b>Total Assets</b>	<b>977,022</b>	<b>968,533</b>
Share Capital	97,730	97,730
Reserves	246,001	223,460
Shareholder's Equity	343,731	321,190
Non-controlling interests	6,893	1,242
Total Equity	350,624	322,432
Total Non-Current Liabilities	75,458	84,421
Total Current Liabilities	550,940	561,680
Total Equity and Liabilities	977,022	968,533

## Summarised Statements of Cash Flows For the Financial Year Ended 31 December (RM'000)

	2016	2015
Operating Profit Before Working Capital Changes	73,050	13,392
Net Cash From/(Use in) Operating Activities	29,594	(63,150)
Net Cash From/(Use in) Investing Activities	3,642	(48,741)
Net Cash (Used in)/From Financing Activities	(6,810)	132,741
Net Increase in Cash and Cash Equivalents	26,426	20,850
Cash and Cash Equivalents at Beginning of Year	(64,810)	(85,660)
Cash and Cash Equivalents at End of Year	(38,384)	(64,810)

## Financial Analysis

	2016	2015
EBITDA Margin	22.09%	5.00%
Profit Before Tax Margin	13.22%	-2.89%
Net Profit Margin	6.86%	-3.55%
Free Cash Flow (RM'000)	28,132	(72,945)
Returns on Average Shareholders Equity (ROE)	6.8%	-3.0%
Returns on Average Total Assets (ROA)	2.3%	-1.1%
Earnings/(Loss) Per Share (sen)*	5.80	(2.49)
Net Dividends Per Share (sen)	- n/a -	- n/a -
Payout Ratio	- n/a -	- n/a -
Cash and Bank Balances (RM'000)	31,980	42,385
Total Borrowings (RM'000)	268,415	293,888
Gearing (x)	0.40	0.44

\* Based on weighted average number of ordinary shares in issue



# MANAGEMENT REVIEW

## BUSINESS OVERVIEW

The Group is principally engaged in construction and property development activities within Malaysia. The construction segment, which is the core contributor of revenue and operating profit for the Group, involves the securing and execution of construction contracts, while the property development segment comprises the development of residential and commercial properties and mixed developments projects. The Group is looking into recurring income from rental source such as the Petronas Basecamp which commenced in 2016, and from parts of the upcoming Jesselton Waterfront project for rental yields.



*The Peak, Johor Bahru*



*Contours, Melawati Heights, Selangor*



*Pusat Pentadbiran Sultan Ahmad Shah, Kuantan*

We aim to build great infrastructure and properties via 4 key strategies. Firstly, by challenging existing conventions in design, building, quality, craft and value; secondly, by inculcating a learning organisation to drive innovation; thirdly, by cultivating a collaborative network of industry partners and thought leaders to create extraordinary products; and finally, establishing a performance-driven culture, emphasizing pride in work well done, inclusiveness, diversity and reward to attract the industry's best and brightest talents.

## FINANCIAL REVIEW

### Revenue

The Group recorded a total revenue of RM330.06 million for the financial year ended 31 December 2016 ("FYE 2016"), an increase of 21.1% or RM57.55 million, compared to RM272.51 million in the previous year. The improved performance was mainly due to contributions from new and completed construction projects in 2016, and sales from property developments and land bank.

Revenue from the construction segment, accounting for 66.5% of total Group revenue, rose to RM219.55 million with bulk contributions from work progress of new projects during the year such as the construction and completion of the viaduct guideway and other associated works for the Sungai Buloh-Serdang-Putrajaya ("SSP") Spur Line "Reception Track" from depot to the KVMRT main line, the construction of a Government office ("Pusat Pentadbiran Sultan Ahmad Shah"), bungalows in Taman U-Thant, PR1MA Gambang in Kuantan, the Sungai Besi – Ulu Kelang Elevated Expressway ("Suke Highway"), and other completed projects. Revenue was well supported by collections, with significant collections from the Klang Valley Mass Rapid Transit Package V1 and serviced residence Tropicana Metropark Pandora.

The construction division's outstanding order book balance, which excludes the Jesselton Waterfront project (which has a Gross Development Value of RM1.8 billion), stands at RM1.7 billion and is expected to last until the year 2020.

REVENUE FROM THE  
CONSTRUCTION SEGMENT,  
ACCOUNTING FOR 66.5% OF  
TOTAL GROUP REVENUE,  
ROSE TO RM219.55 MILLION





**Dato' Azizan bin Jaafar**  
*Executive Director and  
Group Chief Executive Officer*

The property development segment saw a growth of 69.1% in revenue line to RM102.16 million, up RM41.74 million from RM60.42 million in FYE 2015, largely from the sale of Permas Centro shop offices, Contours Courtyard Villas, which saw an increase in work progress for on-going projects, together with sale of development land in Kinrara Uptown amounting to RM50.38 million.

The Group's property development projects currently have unbilled sales of sold units amounting to approximately RM150.64 million.

## MANAGEMENT REVIEW (CONT'D)



*Tropicana Metropark, Subang Jaya*



*The Peak, Johor Bahru*



*Dedicated Concrete Mix Batching Plant for SEDCO Precast Sdn Bhd*

### Profitability

The Group achieved a return to profitability in FYE 2016 whereby Group profit after tax registered RM28.28 million against a loss of RM16.18 million in FYE 2015. The turnaround was attributed to higher pre-tax profit from the construction and property development divisions of RM23.74 million and RM17.43 million respectively, besides the construction division's rigorous efforts in re-organising and consolidating its operations structure and reducing cost inefficiencies by way of better manpower planning and utilisation.

There was improvement in gross profit margins for the construction segment, from RM8.53 million in FYE 2015 to RM37.76 million in FYE 2016. Improvements were noted particularly for the SSP Spur Line, while Pusat Pentadbiran Sultan Ahmad Shah ("PPSAS"), PR1MA Gambang and the SUKE Highway also registered healthy gross profit margins improvements. Meanwhile, the sale of the 8-acre development land in Kinrara Uptown achieved a gross profit of RM20.15 million for the property development division.

### Financial Position and Liquidity

A piece of land was disposed in FYE 2016 for RM50.38 million, of which RM45.34 million will be received in 2017. Subsequent to FYE 2016, the Group further disposed of two pieces of land, namely a 2.67 acre land in Damansara Perdana and a 5.15 acre land in Kinrara Uptown for a total of RM90.41 million. Thence, there will be a total inflow of funds of RM135.75 million in 2017. This will further strengthen the Group's working capital position and its capability to pare down bank borrowings, in line with the Group's de-gearing exercise to strengthen its financial footing.

Total borrowings of the Group for FYE 2016 declined by RM25.47 million, from RM293.89 million to RM268.42 million. Thus, gearing ratio reduced from 44% to 40%.

Market capitalisation was RM353.30 million, based on a closing price of RM0.905 per share as at 31 December 2016. Equity attributable to owners of the parent company was RM343.73 million as at 31 December 2016 with net assets per share of 88 sen.

The Group recorded lower negative cash and cash equivalents of RM38.38 million, an improvement from the corresponding negative figure of RM64.81 million in FYE 2015, mainly attributed to net cash generated from operating activities of RM29.59 million. The cash and bank balances decrease from RM6.68 million in FYE 2015 to RM2.40 million in FYE 2016, while fixed deposits with licensed banks decreased from RM35.71 million in FYE 2015 to RM29.58 million in FYE 2016 to support loan repayments and working capital requirements during the year. The cash and bank balance position will further improve in future with the expected inflow of RM135.75 million from the sale of land which is expected to be received in 2017.

### Dividend

No dividend payment was declared in FYE 2016, in line with the Group's prudent fiscal management policies and moderate business recovery for the year under review.

## OPERATIONS REVIEW

### Construction

The construction division's outstanding order book balance stands at RM1.7 billion and is expected to last until the year 2020, given several new projects which were initiated in the second half of 2016 together with the existing projects of the Group.





*The Peak - an open layout with spacious living and dining areas, enveloped by a stunning all-round view*



*Contours, Melawati Heights, Selangor*



*Permas Centro, Permas Jaya, Johor Bahru.*



*Project Mass Rapid Transit Lembah Kelang; Jajaran Sungai Buloh - Kajang*

#### *Klang Valley Mass Rapid Transit ("KVMRT") Package V1*

Package V1 of the KVMRT project from Sungai Buloh to Kota Damansara which commenced in September 2012 earned a contract sum of RM474.26 million for the Group and the main contracted works were handed over in December 2016 and operational for public usage. The Group was awarded additional work for the construction and completion of a viaduct guideway for the SSP Spur Line for a contract sum of RM40.32 million. The project is currently at 89% stage of completion.

#### *The Peak, Iskandar Malaysia*

The Peak, constituting serviced apartments within Flagship A of Iskandar Malaysia, Johor Bahru, is one of the Group's projects with a project value of RM251.99 million.

#### *Pusat Pentadbiran Sultan Ahmad Shah, Kuala Kuantan ("PPSAS")*

Worth a contract sum of RM360.98 million, the project entails the construction of the entire Pahang Government state government complex in Kuala Kuantan, Pahang and is expected to contribute positively to both revenue and profits of the construction division. Construction work began in December 2016 and is expected to be completed in the first quarter of 2020.

#### *PR1MA Gambang, Kuantan*

This project relates to the construction of 2,186 residential units and 36 retail units under the 1Malaysia People's Housing Programme or PR1MA. This affordable housing scheme project, which commenced on 30 September 2016, is valued at RM389.23 million and has a tentative completion date in August 2019.

#### *SUKE Highway*

The estimated value of Package CA3 for the execution and completion of bridge structure works from CH4200 to CH7800 of the SUKE Highway is valued at a contract sum of RM627.99 million. The project commenced on 29 August 2016 and is scheduled to be completed at the end of 2018.

#### *One Jesselton Waterfront, Kota Kinabalu*

This mixed development project, located at the new Kota Kinabalu waterfront, is now one of the most prime areas of land in Sabah. The project has an estimated development value of RM1.8 billion is expected to kickoff at the end of 2017.

In tandem with the Group's entry to Sabah, the Group has, through its wholly-owned subsidiary Sinajasa Sdn Bhd, initiated a joint-venture with the Sabah Economic Development Corporation and holds 49% in SEDCO Precast Sdn Bhd ("SEDCO Precast"). SEDCO Precast is an IBS-status manufacturer, engaged in the manufacturing and sales of concrete and pre-cast concrete products in Sabah.

#### **Property Development**

Revenue line for the property development division was driven by higher unit sales of Contours courtyard villas and completed sales of Permas Centro shop offices. Collections were in line with projections made on the Group's current projects.

## MANAGEMENT REVIEW (CONT'D)

### *Permas Centro, Permas Jaya*

The property, developed over 6 acres of prime land in Permas Jaya, Johor Bahru, comprises 3-storey and 4-storey shop offices with an estimated gross development value ("GDV") of RM174.74 million. The project was completed in August 2016 and all 99 units have been sold.

### *The Avenue, Kinrara Uptown*

The Avenue in Kinrara Uptown, Phase I is situated in Lestari Perdana, Puchong, Selangor. The project comprises 2-storey and 4-storey shop units serving the local neighbourhood and was launched in late 2014 with a GDV of RM225 million. To-date, there is only a balance of 4 units unsold.

During the year, the Group sold 7.977 acres of development land in Kinrara Uptown, yielding RM50.38 million from the sale.

### *Contours, Melawati Heights*

Contours comprises 40 units of freehold, gated and guarded twin courtyard villas in Melawati Heights, Kuala Lumpur. The project, featuring a private lift for each villa, was launched in July 2010 and completed in March 2014 with a GDV of RM157.38 million. To-date, 31 units have been sold.

### *One Jesselton Waterfront, Kota Kinabalu*

A joint-venture with Suria Capital Holdings Berhad, One Jesselton Waterfront is located upon 7 acres of prime waterfront real estate in Kota Kinabalu, Sabah and carries a minimum of RM1.8 billion in net sales value. This mixed development project will feature a shopping mall, corporate offices, serviced suites and apartments, condominiums, as well as car park facilities and a ferry ticketing office. The project is expected to commence at the end of 2017.

## **Business Operations**

The Group continuously strives to improve operational efficiency through a review of business strategies for each reporting division. Positive results were reflected in FYE 2016, evidenced by a significant reduction in total Group operating expenditure of RM14.44 million from the previous year. A major reduction in staff costs and other operating expenses involving reduction in bank facility fees and reversal of tax penalty, had contributed to the Group's turnaround profit before tax during the year.

Meanwhile financing costs rose to RM15.18 million, an increase of RM4.92 million from FYE 2015, mainly due to higher level of borrowings until repayments made prior to year-end. With the impending inflow of RM135.75 million in 2017, it is expected that the financing costs will reduce significantly.

## **RISK EXPOSURES**

### **Financial Risk**

Interest rate fluctuations would affect Group earnings, given that our borrowings and the payment of interest are dependent on prevailing interest rates. In addition, certain restrictive covenants in credit facility agreements entered by the Group with banks and financial institutions may limit our operating and financial flexibility. Any breach of such covenants may give rise to the financiers' right to terminate the credit facility and/or enforce any security granted in relation to the particular credit facility.

We currently enjoy good credit standing and have adequate credit facilities for operations. Our Management also closely monitors Group compliance with all covenants and takes precautions necessary to prevent any breaches.

### **Supply and Cost of Raw Materials**

The main raw materials used in Group operations such as steel bars, ready-mixed concrete, timber and building materials are sourced within Malaysia. However, any future shortage of raw materials or an increase in their respective costs would create an adverse impact on our cost of goods sold. We have not, to-date, encountered a shortage of main raw materials nor difficulties in procuring these goods at competitive prices since these raw materials are sourced from a varied base of suppliers; hence there is no over-dependence on any single supplier.

### **Dependence on Supply of Foreign Workers**

The Group does not directly employ foreign workers, but our sub-contractors do. As such, our business operations are indirectly dependent on foreign workers due to the shortage of local workers in the construction industry. In the event there are Government restrictions imposed on the number of foreign workers allowed to be employed for a project, the completion of our construction or property development projects may be delayed, resulting in an increase in overheads which may adversely affect our Group financial performance.

Moving forward, we anticipate the higher use of IBS components in our projects, thus reducing manpower requirements per project and consequently reduce the need for hiring foreign workers by our sub-contractors.

### **Cost Overruns**

Additional costs arising from unforeseen circumstances not factored into the contract value or selling price of properties such as adverse soil conditions, unexpected construction constraints at work site, fluctuations in price of raw materials,



and increase in pricing of sub-contractor services may lead to cost overruns which would have to be absorbed by the Group. Since none of our sale and purchase agreements for property transactions allow for subsequent adjustment to the selling price, cost overruns will adversely affect the project's profit margin and in turn, Group profitability.

We adhere to detailed planning and budgeting prior to tendering for construction projects and commencement of property development projects to mitigate the risk of cost overruns. In addition, wider acceptance of IBS components by customers will reduce the number of construction workers required, minimize wastage, shorten the construction period, and decrease labour costs.

### Government Regulations and Controls

The operations of our construction division are subject to the terms of the licences awarded by CIDB and PKK, which sets out the types and nature of activities that a construction company in Malaysia can undertake. Any breach of terms of these licences will result in substantial fines and criminal prosecution, permit revocation, cessation of or restriction in operations, and remedial work to be undertaken.

Likewise, the property development division is subject to various state and federal government regulations and laws and local authorities' policies affecting the issuance of land titles, development planning, design and construction, payment of premium, and limit on ownership of properties by foreigners. Changes to existing regulations and laws, or the introduction of new policies in the future may require the Group to incur additional costs or affect its financial position.

### GROUP OUTLOOK

The construction division's outstanding order book as at 31 December 2015 was at RM242 million. During the Financial Year 2016, the Group has managed to increase the outstanding order book to RM1.7 billion, excluding the Jesselton Waterfront project which is a growth of RM1.5 billion. The order book is expected to last the Group until the year 2020. Moving forward, the Group has successfully pre-qualified and is shortlisted to participate in the tender for the Light Rail Transit Line 3 ("LRT3"). We also hope to undertake works for the Pan Borneo Highway ("PBH") project in Sabah.

Our associate company, SEDCO Precast, is poised to secure a significant order to supply pre-cast components for the PBH project since preference is expected to be given to Sabah-based company and in this case, SEDCO Precast is a 51% subsidiary of Sabah Economic Development Corporation. The land area

in which SEDCO Precast operates on is approximately 18 acres and current utilised land area is only approximately 30% of the total land area which provides ample room for expansion as and when PBH project kicks off. SEDCO Precast is also certified by the Construction Industry Development Board (CIDB) to be an Industrialised Building System (IBS) manufacturer which reflects its capability in producing quality IBS and pre-cast concrete products.

The Group also intends to secure a portion of the civil and structure works in relation to the East Coast Rail Line (ECRL), given that it is currently actively involved in a construction project with the state Government of Pahang. Since the Group has successfully gained a strong footing in Pahang with the PPSAS project and the PR1MA Gambang project both totalling to approximately RM800 million, we expect more projects in Pahang in this segment.

Meanwhile, the Group's property development projects currently have unbilled sales of sold units amounting to approximately RM150.64 million and unbilled sales in relation to unsold units amounting to approximately RM590.51 million. On top of these figures, the Group plans to launch the One Jesselton Waterfront project in late 2017 and amongst others, SEDCO Precast will supply precast concrete building materials for project construction.

With the projects mentioned above, the Group has now established a strong presence in Pahang and Sabah. Both these states are expected to experience high growth rates in the next 3 years in light of the various Federal and State Government projects which are being implemented.

The Group now has always been prudent in choice and selection of locations and emphasized on innovative designs and layout. Key factors that are taken into account at planning stage are the design, concept, location, accessibility and quality of the development. These have translated into good acceptance and take-up rates on most of the projects.

The Group remains cautiously confident that with its enhanced construction order book and pipeline property development projects, it will be able sustain its operational and financial performance for the next 3 years. We also look towards rewarding our shareholders with future dividends in the near future as appreciation for their loyal support of our business over the past few years.

# BOARD OF DIRECTORS



**Y.M. TUNKU ALIZAN BIN  
RAJA MUHAMMAD ALIAS**  
Independent, Non-Executive  
Director and Chairman

**DATO' AZIZAN BIN  
JAAFAR**  
Executive Director  
and Group Chief Executive  
Officer

**DATUK KAMARUDIN BIN  
MD. ALI**  
Senior Independent,  
Non-Executive Director

**OW CHEE CHEOON**  
Executive Director  
and Group Deputy  
Chief Executive Officer





**BERNARD LIM SOON CHIANG**  
Executive Director  
and Group Chief Financial Officer

**MUK SAI TAT**  
Independent, Non-Executive Director

**LOO CHOO HONG**  
Independent, Non-Executive Director

# BOARD OF DIRECTORS' PROFILE



**Y.M. TUNKU ALIZAN  
BIN RAJA MUHAMMAD ALIAS**

*Independent Non-Executive Director  
and Chairman  
Malaysian, Male, Aged 50*

**Y.M. Tunku Alizan bin Raja Muhammad Alias was appointed as Chairman of the Board on 17 March 2017.**

Y.M. Tunku Alizan holds an LLM from the University of Bristol and LLB (Honours) from the University of Malaya.

In 1991, Y.M. Tunku Alizan was admitted as an Advocate & Solicitor of the High Court of Malaya. He formed Messrs. Zul Rafique & Partners in 1999 together with Dato' Zulkifly Rafique and several other partners. He has been exposed to a wide range of legal experiences in his twenty-six (26) years of post-qualification, specialising in the areas of Corporate and Construction Law.

Y.M. Tunku Alizan also holds directorships in KUB Malaysia Berhad and Scomi Engineering Berhad and various other private limited companies.





## DATUK KAMARUDIN BIN MD. ALI

*Senior Independent  
Non-Executive Director  
Malaysian, Male, Aged 67*

**Datuk Kamarudin bin Md. Ali was appointed as Chairman of the Board on 6 July 2011 and was subsequently redesignated as the Senior Independent Non-Executive Director on 17 March 2017. He is also the Chairman of the Remuneration Committee as well as a member of both the Audit Committee and Nomination Committee of the Company.**

Datuk Kamarudin graduated from the Technical College Kuala Lumpur in 1973 with a Diploma in Engineering. In 1976, he obtained his Bachelor of Science Degree in Mechanical Engineering from The University of Strathclyde, Glasgow, United Kingdom and in 1980, he successfully obtained a Masters of Science in Engineering from the University of Birmingham, United Kingdom. He was selected to attend a course on Finance and Budgeting at the University of Pittsburgh, United States of America in 1990. In 2001, he was also selected to attend a post graduate course at the prestigious Royal College of Defence Studies, United Kingdom.

He joined the Royal Malaysian Police (RMP) force as a probationary inspector in 1970. During his tenure with the RMP, he was appointed to several posts which included the Chief Police Officer of Kuala Lumpur and Johor Darul Takzim and Director of Management RMP. Being a professionally qualified and experienced police officer, he has extensive knowledge and skills in logistic management, manpower development, strategic planning, training and development, recruitment and selection, career development and crime prevention gained through a wide range of command posts and managerial capacities held during his tenure in the RMP.

Datuk Kamarudin also holds directorships in ECM Libra Financial Group Berhad, Libra Invest Berhad, Ann Joo Resources Berhad and various other private limited companies.

## BOARD OF DIRECTORS' PROFILE (CONT'D)



### DATO' AZIZAN BIN JAAFAR

*Executive Director and  
Group Chief Executive Officer  
Malaysian, Male, Aged 49*

**Dato' Azizan bin Jaafar was appointed to the Board as an Independent Non-Executive Director on 6 July 2011. He was subsequently redesignated to an Executive Director on 2 November 2012 and appointed as the Chief Executive Officer on 25 April 2016. On 1 January 2017, Dato' Azizan was promoted as the Group Chief Executive Officer. Dato' Azizan is a member of the Remuneration Committee and Risk Management Committee of the Company.**

Dato' Azizan graduated from the University of Salford, United Kingdom in 1992 with a Bachelor of Science in Quantity Surveying. He has more than 24 years of experience in the construction industry.

Dato' Azizan began his career in 1990 with Warrington Martin as an Assistant Quantity Surveyor in Manchester, the United Kingdom. He then joined a London firm, Henry Riley & Sons in 1992 as a Quantity Surveyor and remained working in the United Kingdom until 1995. Upon returning to Malaysia, he became a Senior Quantity Surveyor at Taisei Corporation. In 1996, he joined Ahmad Zaki Sdn Bhd as a Contracts General Manager, where he was subsequently appointed as a Senior Executive Director. During the period from 2005 to 2009, he was also responsible for the operations of Ahmad Zaki Sdn Bhd in India and Saudi Arabia.

At present, Dato' Azizan is a director of most of our subsidiaries and holds several other directorships in a number of private limited companies. His interests in the securities of the Company are as disclosed on pages 125 and 128 of this Annual Report.



**OW CHEE CHEOON**

*Executive Director and  
Group Deputy Chief Executive Officer  
Malaysian, Male, Aged 56*

**Mr Ow Chee Cheoon was appointed to the Board on 6 July 2011 and became the Deputy Chief Executive Officer on 25 April 2016. He was subsequently redesignated as the Group Deputy Chief Executive Officer on 1 January 2017. Mr Ow is responsible for overseeing the property development activities of the Group. He is a member of the Remuneration Committee as well as the Risk Management Committee of the Company.**

Mr Ow has more than 25 years of experience in the construction and property development industries and is the co-founder of Motibina and AQRS. He graduated from Monash University, Australia in 1986 with a Bachelor of Engineering degree.

He began his career as a Site Engineer in Sungei Way Construction Sdn Bhd, involving in several property development and infrastructure projects. In 1989, he went for a two-year stint in Melbourne, Australia at the City of Mentone as

a Municipal Engineer and subsequently, at Boulderstone Hornibrook as a Project Engineer involving in several high rise projects. Mr Ow returned to Malaysia in 1991 and headed Dekon Sdn Bhd as an Executive Director from 1991 to 1996 where he managed a staff force of over 80 employees and was primarily responsible for the company's operations and overseeing the company's building and infrastructure projects.

With his diverse experience in the construction industry, Mr Ow co-founded Motibina in 1996 and formed AQRS in 2003. In AQRS, he is responsible for managing its day-to-day operations, strategic planning and business development.

He is currently a director of most of our subsidiaries and holds several other directorships in a number of private limited companies. His interests in the securities of the Company are as disclosed on pages 125 and 128 of this Annual Report.

## BOARD OF DIRECTORS' PROFILE (CONT'D)



### BERNARD LIM SOON CHIANG

*Executive Director and  
Group Chief Financial Officer  
Malaysian, Male, Aged 45*

**Mr Bernard Lim Soon Chiang, the Chief Financial Officer of the Group, joined the Board as an Executive Director on 31 July 2013. He was officially redesignated as the Group Chief Financial Officer on 1 January 2017. He is a member of the Risk Management Committee of the Company.**

Mr Bernard Lim was admitted as a member of the Association of Chartered Certified Accountants ("ACCA") in 1997 and has been a Fellow member of ACCA since 2002. He is also a member of the Malaysian Institute of Accountants ("MIA") since 1998.

Mr Bernard Lim has 23 years of working experience in the areas of accounting, finance and taxation, the past 20 years of which were in the Construction and Property Development industry. He began his career with Ernst & Young and subsequently,

Hong Leong Bank Berhad where he was attached to the Accounting, Treasury and Planning Division. He then moved into the construction sector through his involvement with the construction arm of Tanming Berhad where he spearheaded the Finance Department and rose through the ranks to become the Group Financial Controller of Tanming Berhad.

Mr Bernard Lim then joined a subsidiary of the Company as Finance Director and was subsequently promoted as the Chief Financial Officer of the Group. He was instrumental in spearheading the Company's Initial Public Offering which took place in 2012.

He is currently a director of most of our subsidiaries. His interests in the securities of the Company are as disclosed on pages 125 and 128 of this Annual Report.



**LOO CHOO HONG**

*Independent Non-Executive Director  
Malaysian, Male, Aged 44*

**Mr Loo Choo Hong was appointed to the Board on 6 July 2011. He is the Chairman of the Audit Committee and member of both the Nomination Committee and Remuneration Committee of the Company.**

He was admitted as a member of the ACCA in 1998, and is currently a Fellow member of the accountancy body. He is also a member of the MIA and an associate member of the Institute of Internal Audit since 2001 and 2005 respectively.

Mr Loo commenced his career as an Audit Assistant in a local accounting firm in 1998 and subsequently left as an Audit Supervisor in 2001, before he joined K.H. Kwong & Company as an Audit and Tax Manager. In 2005, he founded Messrs C.H. Loo & Co. and Pro Cast Management Services which offer various professional corporate and management services. He is currently the Principal of Messrs C.H. Loo & Co.

Mr Loo is also an Independent Non-Executive Director and the Chairman of the Audit Committee of Wang-Zheng Berhad. He was appointed to the Board of Wang-Zheng Berhad since 2004. He currently holds several other directorships in a number of private limited companies.

His interest in the securities of the Company is as disclosed on page 125 of this Annual Report.

## BOARD OF DIRECTORS' PROFILE (CONT'D)



### MUK SAI TAT

*Independent Non-Executive Director  
Malaysian, Male, Aged 53*

**Mr Muk Sai Tat came on board on 2 November 2012. He is the Chairman of the Nomination Committee and Risk Management Committee. Mr Muk is also a member of the Audit Committee and Remuneration Committee of the Company.**

Mr Muk holds a Masters of Business Administration (General Management) from the University of Bath, United Kingdom. He is a Certified Public Accountant (CPA) and a member of the MIA.

He began his career in 1983 with PriceWaterhouseCoopers as an Audit Assistant and progressed to be an Audit Senior upon completion of Malaysian Association of Certified Public Accountants (MACPA) examination in 1989. In September 1990, he joined Ogilvy & Mather (Malaysia) Sdn Bhd as an Accountant and later joined Energizer Battery Company (M) Sdn Bhd in 1991 as a Sales Accounting Manager and Financial

Analyst. From 1996 to 2001, Mr Muk had held high-level positions including Financial Controller - Southeast Asia, Financial Controller/Chief Financial Officer, General Manager and Group Chief Executive Officer, in various well established companies.

Mr Muk was the Group Chief Executive Officer/Executive Director of Mangium Industries Bhd from 2003 to 2007. He then joined WaKa Parter AG/Forestry Investment Trust (F.I.T) and WaKa-Forest Investment Services AG (WaKa-FIS) in 2007 as a Representative for Asia (F.I.T) and as a Director in Asia Pacific for WaKa-FIS in 2009. In 2010, he was appointed an Executive Director of TT Resources Bhd. Subsequently, he became a Partner/Consultant of a local business consultancy company.

At present, Mr Muk sits on the board of Melewar Industrial Group Berhad and Mycron Steel Berhad.

#### *Notes:-*

*Save as disclosed above, none of the Directors has:-*

- (a) directorship in other public companies;*
- (b) any family relationship with any Director and/or major shareholder of the Company;*
- (c) any conflict of interest with the Company;*
- (d) any conviction for offences (other than traffic offences) within the past five (5) years; and*
- (e) any sanction and/or penalty imposed by any regulatory bodies.*



# KEY PERSONNEL PROFILE



## IR. BAKRI BIN ISHAK

*Chief Operating Officer,  
Construction Division  
Malaysian, Male, Aged 56*

**Ir. Bakri bin Ishak holds a Bachelor Degree in Civil Engineering from University Malaya in 1985 and a postgraduate Master Degree in Civil and Environmental Engineering from Kumamoto University, Japan (1994).**

Upon graduation in 1985, he started his career as a Design Engineer and later as District Engineer with Public Works Department of Malaysia. In 1995, he was seconded to KLIA Berhad for the construction of KL International Airport as Assistant General Manager, Construction. Subsequently, he joined Ahmad Zaki Sdn Bhd as Executive Director, Operation from 1999 to 2009 before joining Gabungan Strategik Sdn Bhd as Operation Director till now. He was redesignated as the Chief Operating Officer of the Construction Division in May 2016.

Having about 31 years working experience in the construction industry, Ir. Bakri Ishak has vast hands-on experience as Project Manager and Project Director for a number of construction works, such as housing and shop lots development, infrastructure works, hospitals, stadiums, universities, mosques, urban elevated highways and other public amenities.

## KEY PERSONNEL PROFILE (CONT'D)



### IR. TAI JIUNN HONG

*Chief Operating Officer,  
Property Division  
Malaysian, Male, Aged 39*

**Ir. Tai Jiunn Hong is the Board of Engineer (BEM) Registered Professional Engineer with Practising Certificate (PEPC) since year 2006 and is a member of REHDA Selangor Chapter, Malaysia. He joined Gabungan AQRS Berhad's Property Division in March 2015 as the Division Head and was then redesignated as the Chief Operating Officer of the Property Division in May 2016.**

Ir. Tai graduated from the University of Technology Malaysia with a Bachelor Degree in Civil Engineering (Honours) in 2001, majoring in Construction Management. He also holds a Master of Business Administration (Honours) from University of Malaya, majoring in Finance and Strategic Management (2005).

Ir. Tai has more than 16 years of working experience in the industry of civil, structural, geotechnical engineering and property development. He began his career with Tonkin & Taylors Malaysia as a Structural and Geotechnical Engineer in 2001. He obtained his Masters of Business Administration with major in Finance and Strategic Management in 2005 and subsequently moved into property development. He joined CP Landmark Sdn Bhd in 2005 and was involved in the redevelopment of the mixed development of Queensbay, Penang. In year 2008, he joined Bandar Raya Development Berhad ("BRDB"). He was with BRDB for more than 6 years as an Assistant General Manager and was involved in the redevelopment of boutique premium malls namely, Bangsar Shopping Center, BRDB Class A Office Tower, high-end condominium One Menerung, Serai at Bukit Bandaraya and many more high-end mixed and integrated development locally as well as internationally.

#### *Notes:-*

*Save as disclosed above, none of the key personnel has:-*

- (a) directorship in other public companies;*
- (b) any family relationship with any Director and/or major shareholder of the Company;*
- (c) any conflict of interest with the Company;*
- (d) any conviction for offences (other than traffic offences) within the past five (5) years; and*
- (e) any sanction and/or penalty imposed by any regulatory bodies.*



# STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (“Board”) of Gabungan AQRS Berhad (“Company”) is committed to ensuring that high standard of corporate governance is practised throughout the Company and its subsidiaries (“Group”) as a fundamental part of discharging its responsibilities to safeguard shareholders’ investments and to protect the interests of all stakeholders.

The Board is of the view that it has complied with the Malaysia Code on Corporate Governance, 2012 (“MCCG”). Set out below is a statement, made pursuant to Paragraph 15.25 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), on how the Group has applied the principles and recommendations set out in the MCCG.

## PRINCIPLE 1 : ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

### 1. Clear Functions Reserved for the Board and Management

The Board takes into consideration the interests of all stakeholders in their decision making so as to ensure the Group’s objectives of creating long term shareholder value are met. The Board also monitors the Group performance and operations progress towards the corporate objectives.

The respective roles and responsibilities of the Board and Management are clearly set out and understood to ensure accountability by both parties. The Board is responsible for developing and agreeing with the Group’s corporate objectives, the goals and targets to be met by the Management.

### 2. Clear Roles and Responsibilities

In line with its overall responsibility for the proper conduct of the Group’s business, the Board is responsible for establishing the Group’s goals and strategic directions, setting goals and targets for Management and monitoring the achievement of those goals and targets. The Board also oversees the process of evaluating the adequacy and effectiveness of the system of internal controls and risk management processes.

The roles and responsibilities of the Board are clearly defined in the Board Charter, which is available on the Company’s website. It defines the roles and responsibilities of the Independent, non-Executive Chairman, Group Chief Executive Officer (“Group CEO”), Group Deputy Chief Executive Officer (“Group Deputy CEO”), Executive Directors (“EDs”) and Non-Executive Directors.

The followings are the roles of the Board and its principal responsibilities:-

- review and adopt a strategic plan, as developed by the Management, taking into account the sustainability of the Company’s business, with attention given to the governance and social aspects of the business;
- oversee the conduct of the Company’s business, including monitoring the performance of Management to determine whether the business is being properly managed;
- identify principle business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to manage such risks;
- review the adequacy and integrity of the Company’s management information and internal control systems, ensuring there is a sound framework of reporting internal controls and regulatory compliance;
- put succession planning in place by ensuring that all candidates appointed to senior management positions are of sufficient calibre and that there are avenues to provide for the orderly succession of senior management;
- review the leadership needs of the Company, both executive and non-executive, with a view to ensuring the Company’s continued ability to compete effectively in the marketplace; and
- oversee the Group’s adherence to high standards of conduct or ethics and corporate behaviour.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

## PRINCIPLE 1 : ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (Cont'd)

### 3. Promote Sustainability

The Board is aware of the importance of business sustainability and ensures that there is a plan for promoting sustainability embedded in the development of the Group's strategies, taking into account the environment, social and governance aspects of business operations. These strategies seek to meet the expectations of stakeholders such as customers, shareholders, regulators, bankers, joint venture partners and the communities in which the Group operates.

### 4. Access to Information and Advice

The Company Secretary ensures that the Board papers together with the agenda are circulated in a timely manner prior to scheduled Board Meetings. This is to ensure that the Directors are given sufficient time to read the Board papers and seek any clarification that they need from the Management or to consult the Company Secretary or independent advisers before the Board Meetings, if necessary. This enables the Directors to discuss the issues effectively at the Board Meetings.

The Chairmen of the Board Committees, namely the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee brief the Board on matters discussed as well as decisions taken at the meetings of their respective Board Committees.

All Directors are entitled, whether via the Board or in their individual capacity, to take independent professional advice at the Company's expense where necessary in the furtherance of their duties. A Director may consult the Chairman or other Board members prior to seeking any independent professional advice.

### 5. Qualified Company Secretary

Every Director has ready and unrestricted access to the advice and the services of the Company Secretary in ensuring the effective functioning of the Board. The Company Secretary ensures that Board policies and procedures are both followed and reviewed regularly and she has the responsibility to ensure that each Director is made aware of and provided with guidance as to their duties, responsibilities and powers.

### 6. Board Charter

The Board has formalised and adopted a Board Charter which serves as a source of reference for Directors. The Board Charter is established to provide guidance and clarity on the Board's roles and responsibilities as well as the relationship between the Board and shareholders. The Board Charter also sets out processes and procedures for convening Board Meetings. The Board Charter is available on the Company's website at [www.gbg.com.my](http://www.gbg.com.my)

The Board Charter addresses, amongst others, the following matters:-

- duties and responsibilities of the Board;
- duties and responsibilities of the Management;
- composition and Board balance;
- the roles of Chairman and Group CEO;
- nomination and assessment;
- appointments;
- re-election;
- succession planning;
- supply of information;
- separation of powers;
- Board Committees;
- remuneration;
- continuing education programme;
- relationship between the Board and Management;
- financial reporting;
- strategies;



## PRINCIPLE 1 : ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (Cont'd)

### 6. Board Charter (Cont'd)

- risk management and internal controls;
- operational and legal compliance;
- whistle blowing policy;
- general meetings;
- investor relations and shareholder communication; and
- relationship with other stakeholders (employees, environment, social responsibility).

The approval and adoption of the Board Charter formalises the standard of ethical value and behaviour that is expected of the Directors at all times.

## PRINCIPLE 2 : STRENGTHENING COMPOSITION

### 1. Board Composition

The Board currently has seven (7) members, comprising three (3) EDs and four (4) Independent Non-Executive Directors ("INEDs"). Together, the Directors bring diverse characteristics which allow a mix of qualifications, skills and experience which are necessary for the successful direction of the Group. Thus, the requirement under Paragraph 15.02 of the MMLR of Bursa Securities that at least two (2) Directors or 1/3 of the Board, whichever is higher, must be Independent Directors, is fulfilled. Profile of the Directors are as set out in this Annual Report.

The Group practises the division of responsibility between the Chairman and Group CEO and there is a balance of Executive, Non-Executive and INEDs. The roles of the Chairman and Group CEO are separate and clearly defined, and are held individually by two (2) persons. The Group CEO is primarily responsible for the overall management and the day-to-day operations of the business of the Group whereas the Chairman, who is an INED of the Board, is primarily responsible for the overall implementation of Board policies and decisions.

Presently, the Board does not have female Director. Nonetheless, the Board acknowledges the importance of gender diversity in the Board composition and would ensure that women candidates are sought when considering future candidate(s) for vacancy at the Board level. The Board believes that the current size and compositions are appropriate for its purpose, and is satisfied that the current Board composition fairly reflects the interest of minority shareholders within the Group.

The Company recognises the contribution of Independent Directors as vital to the development of the Group's strategies and providing a balanced and independent view to the Board. All Independent Directors are independent of the Management and free from any relationship that could interfere with their independent judgement.

### 2. Board Committees

The Board appoints the following Board Committees with specific Terms of Reference ("ToR"):-

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Risk Management Committee

The Board has also approved and adopted formal ToRs that outline the functions, duties and responsibilities of pertinent Board Committees in line with the Board's objective in pursuing good governance practice.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

## PRINCIPLE 2 : STRENGTHENING COMPOSITION (Cont'd)

### 2. Board Committees (Cont'd)

#### 2.1 Audit Committee

The Company has an Audit Committee ("AC") whose composition meets the MMLR, where Independent Directors form the majority. All members of the AC are INEDs and relatively financially literate, while the Chairman of the AC is a member of the MIA. The AC reviews issues of accounting policy and presentation for external financial reporting, monitors the work of the internal audit function and ensures an objective and professional relationship is maintained with the External Auditors.

The AC has full access to both the Internal and External Auditors who in turn, have access at all times to the Chairman of the AC. The role of the AC and the numbers of meetings held during the financial year as well as the attendance record of each member are set out in the AC Report in this Annual Report.

The ToR of the AC are available for viewing in the Company's corporate website, [www.gbg.com.my](http://www.gbg.com.my)

#### 2.2 Nomination Committee

The Board has established a Nomination Committee ("NC") comprising entirely INEDs and chaired by an Independent Director. The composition of the NC is as follows:-

- Mr Muk Sai Tat (*Chairman - INED*)
- Datuk Kamarudin bin Md. Ali (*Member - INED*)
- Mr Loo Choo Hong (*Member - INED*)

The NC is responsible for proposing new nominees to the Board and Board Committees, for assessing on an annual basis, the contribution of each individual Director and the overall effectiveness of the Board. The final decision as to who shall be appointed as Director remains the responsibility of the full Board, after considering the recommendation of the NC.

The ToR of the NC are available for viewing in the Company's corporate website.

Meetings of the NC are held as and when necessary, and at least once a year. The NC met five (5) times during the financial year and all members registered full attendance. During the financial year, the NC, upon its recent annual review carried out, was satisfied that the size of the Board is optimum and with good mix of experiences and expertise in the composition of the Board.

As documented in the Board Charter, the appointment of a new Director is a matter for consideration and decision by the full Board upon appropriate recommendation by the NC. New Directors are expected to have such expertise so as to qualify them to make positive contribution to the Board, performance of its duties and to give sufficient commitment, time and attention to the affairs of the Company.

The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointment of new Directors are properly executed.

**PRINCIPLE 2 : STRENGTHENING COMPOSITION (Cont'd)****2. Board Committees (Cont'd)****2.2 Nomination Committee (Cont'd)****2.2.1 Criteria for Recruitment**

Selection of candidates for appointment as Directors will be recommended by the Directors or external parties. The NC will assess the suitability of the candidates before recommending the candidates to the Board for appointment.

In evaluating the suitability of candidates, the NC considers, inter-alia their character, background, knowledge, integrity, competency, experience, commitment (including time commitment) and potential contribution to the Group, and additionally, in the case of candidates proposed for appointment as INEDs, the candidates' independency must be established. This is consistent with the Group's practice of being an equal opportunity employer where all appointments and employments are based strictly on merit and are not driven by any racial or gender bias.

**2.2.2 Board Assessment**

During the FYE 2016, the NC undertook an evaluation process involving self and peer assessments by individual Director and an assessment of the independence of the Independent Directors. The Board of Directors including the EDs are subject to the process of self and peer assessments annually.

The following assessments were undertaken by the NC during the year under review:-

- reviewed the outcome of the self and peer assessments of individual Directors;
- reviewed the outcome of the assessment of the Board;
- reviewed the outcome of the assessment of effectiveness and contributions of the AC, NC and Remuneration Committee; and
- reviewed the adequacy of the Board in terms of its mix of skills and core competencies.

The Directors are provided with a questionnaire to carry out the assessment with absolute anonymity. The results are then tabulated by the Company Secretary and presented to the NC for its review and recommendation to the Board. A summarised version of the results is provided to the Board of Directors for their information. The criteria that are used in the assessment of the Board include the adequacy of the Board structure, the efficiency and integrity of the Board's operations and the effectiveness of the Board in the discharge of its duties and responsibilities.

The individual Director is assessed based on their competency, capability, time commitment, objectivity, integrity, participation in Board deliberations and their contribution to the objectives of the Board and the Board Committees on which they served. The assessment of the Group CEO and Group Deputy CEO are co-related to the execution of the Group's strategic business plans by the Management and the achievement of performance targets set by the Board.

The NC upon its assessment of the above, is satisfied that the Board has met the policy on its composition.

**3. Retirement of Directors**

In accordance with the MMLR of Bursa Securities and the Company's Constitution, at least 1/3 or the number nearest to 1/3 of the Directors shall retire from office each year such that all directors at least once in every three (3) years at the Annual General Meeting ("AGM"). The retiring Directors shall be eligible for re-election at the AGM.



# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

## PRINCIPLE 2 : STRENGTHENING COMPOSITION (Cont'd)

### 4. Board Remuneration Policies and Procedures

#### 4.1 Remuneration Committee

The Board has established a Remuneration Committee ("RC") consisting of the following Directors, majority of whom are INEDs:-

- Datuk Kamarudin bin Md. Ali (*Chairman - INED*)
- Mr Loo Choo Hong (*Member - INED*)
- Mr Muk Sai Tat (*Member - INED*)
- Dato' Azizan bin Jaafar (*Member - ED*)
- Mr Ow Chee Cheoon (*Member - ED*)

The RC's principle objective is to evaluate, deliberate and recommend to the Board a remuneration policy of the EDs that is fairly guided by market norms and industry practice. The RC also recommends the EDs' remuneration and benefits based on their individual performances and that of the Group.

The RC reviews the remuneration packages, reward structure and fringe benefits applicable to the Group CEO, Group Deputy CEO, Group Chief Financial Officer ("Group CFO") and EDs on an annual basis and makes recommendations to the Board. The Board as a whole determines the remuneration of the Group CEO, Group Deputy CEO, Group CFO and EDs with each individual Director abstaining from decision in respect of his own remuneration.

In establishing the level of remuneration for the Group CEO, Group Deputy CEO, Group CFO and EDs, the RC may access to packages offered by comparable companies and may also obtain independent advice if deem necessary. The Board believes in remuneration policy that fairly supports the Directors' responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and enhance shareholders' value. The Board's objective in this respect is to offer a competitive remuneration package in order to attract, develop and retain talented individuals to serve as Directors.

The remuneration packages of the Group CEO, Group Deputy CEO, Group CFO and EDs comprise a fixed salary and allowances approved by the Board. The remuneration for Non-Executive Directors ("NEDs") comprises annual fees and reimbursement of expenses for their services in connection with the Board and Board Committee meetings. Fees payable to NEDs are deliberated and decided by the Board as a whole before they are presented for approval by shareholders at the AGM.

The ToR of the RC are available for viewing at the Company's corporate website.

Meetings of the RC are held as and when necessary, and at least once a year. The RC met thrice during the financial year under review.

#### 4.2 Directors' Remuneration

The range of remuneration received by Directors who held office at the end of the FYE 2016 is as set out below. The Company opts not to disclose the remuneration of individual Directors as the Company believes that this information will not add significantly to the understanding and evaluation of the Company's governance.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

## PRINCIPLE 2 : STRENGTHENING COMPOSITION (Cont'd)

### 4. Board Remuneration Policies and Procedures (Cont'd)

#### 4.2 Directors' Remuneration (Cont'd)

The details of the remuneration paid to Directors (including two former Directors who resigned from the Company during the year) for the FYE 2016 are as follows:-

	Fees* (RM)	Salaries and other emoluments (RM)	Bonuses (RM)	Benefit-in- kind (RM)	EPF and SOCSSO (RM)	Total (RM)
EDs (on group basis)	-	2,475,444.19	0.00	73,086.30	329,639.20	2,878,169.69
NEDs (on company level)	360,000.00	-	-	-	-	360,000.00

\* Subject to the approval by shareholders at the AGM

Other than the fees as stated above, there are no other fees payable to the NEDs for any other services rendered.

The number of Directors of the Company (including two former Directors who resigned from the Company during the year) whose total remunerations for the FYE 2016 fall within the required disclosure bands are as follows:-

Remuneration Bands	EDs	NEDs
RM100,000 and below	-	2 <sup>#</sup>
RM150,001 - RM200,000	1	1 <sup>#</sup>
RM350,001 - RM400,000	1	-
RM400,001 - RM450,000	1	-
RM550,001 - RM600,000	1	-
RM600,001 - RM650,000	1	-
RM650,001 - RM700,000	1	-

<sup>#</sup> On group basis

## PRINCIPLE 3 : REINFORCE INDEPENDENCE

### 1. Annual Assessment of Independence

The concept of independence adopted by the Board is in tandem with the definition of an Independent Director in the MMLR. The MMLR's definition of independence includes a series of objective tests such as Independent Director is not an employee of the Company and is not engaged in any type of business dealings with the Company. Until now, none of the Independent Directors has engaged in the day-to-day management of the Company, participated in any business dealings or was involved in any other relationship with the Company (other than in situations permitted by the applicable regulations).

The Board assesses the independence of the INEDs on an annual basis by taking into account the individual Director's ability to exercise independent judgement at all times and based on the criteria as set out in the MMLR of Bursa Securities.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

## PRINCIPLE 3 : REINFORCE INDEPENDENCE (Cont'd)

### 1. Annual Assessment of Independence (Cont'd)

Based on the assessment carried out during the FYE 2016, the Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interests of the Company.

In addition, during the assessment conducted, the Board studied the results of the evaluation and is generally satisfied with its current size, composition as well as the mix of skill sets and the independence of its INEDs. None of the Independent Directors had any relationship that could materially interfere with his unfettered and independent judgment.

### 2. Tenure of Independent Directors

As at the date of this Statement, none of the Independent Directors has served more than nine (9) years on the Board. Nevertheless, the Company does not have term limits for Independent Directors but the Board does evaluate the contribution and tenure of the Independent Directors. The Board believes that valuable contribution can be obtained from Directors who have, over a period of time, developed valuable insight of the Company and its business. Their experiences enable them to discharge their duties and responsibilities independently and effectively in the decision-making processes of the Board notwithstanding their tenure on the Board. The Board therefore was of the view that imposing a fixed term limit for Independent Directors does not necessarily promote independence and objectivity.

### 3. Chairman and Group CEO

The roles of the Chairman and Group CEO are undertaken by separate persons. The Chairman is a Non-Executive member of the Board.

## PRINCIPLE 4 : FOSTER COMMITMENT

### 1. Time Commitment

Directors are expected to give sufficient time and attention to carry out their responsibilities. The Board Charter sets out a policy where a Director shall notify the Chairman officially before accepting any new directorships in other companies and the notification shall explain the expectation and an indication of time commitment that will be spent on the new appointments.

The Directors have demonstrated their ability to devote sufficient time and commitment to their roles and responsibilities as Directors of the Company.

### 2. Board Meetings

The Board meets at least five (5) times a year, with additional meetings for particular matters convened as and when necessary.



**PRINCIPLE 4 : FOSTER COMMITMENT (Cont'd)****2. Board Meetings (Cont'd)**

A total of seven (7) Board Meetings were held during the FYE 2016. The attendance record of each Director is as follows:-

Directors	No. of Meetings Attended/ No. of Meetings Held During Tenure of Office
Datuk Kamarudin bin Md. Ali	7/7
Dato' Azizan bin Jaafar	7/7
Ow Chee Cheoon	7/7
Bernard Lim Soon Chiang	7/7
Loo Choo Hong	7/7
Muk Sai Tat	6/7
Datuk Badil Zaman bin Fazul Rahman ( <i>resigned on 13 January 2017</i> )	7/7
Ng Chun Kooi ( <i>resigned on 10 November 2016</i> )	5/5
Lam Vun Chiang ( <i>resigned on 4 August 2016</i> )	4/4

All the Directors complied with the minimum 50% attendance in respect of Board Meetings held during the FYE 2016 as stipulated under Paragraph 15.05 of the MMLR of Bursa Securities.

Additionally, in between Board Meetings, the Directors also approved various matters requiring the sanction of the Board by way of circular resolution.

**3. Directors' Training**

The Company has arranged for training programs to update the Board in relation to new developments pertaining to the laws and regulations which may affect the Board and/or the Company.

In addition to the Mandatory Accreditation Program, Board members are also encouraged to attend training programs conducted by highly competent professionals that are relevant to the Company's operations and business to keep abreast with developments on a continuous basis in compliance with the MMLR.

During the FYE 2016, the Board had assessed the training needs of each Director and the Directors had attended the following programmes and seminars to keep abreast of relevant changes in law, regulations, business environment, risk management, general economic and industry developments:-

- The New Auditor's Report : Sharing the UK Experience
- Enterprise Risk Management
- Future of Auditor Reporting : The Game Changer for Boardroom
- Risk Awareness Programme
- Building a Modern Finance Organisation
- The Interplay between CG, Non-Financial Information and Investment Decision
- Risk Management Programme : I am Ready to Manage Risks!
- Budget 2017 Tax Seminar
- Enterprise Risk Management : Driving Organisational Sustainability, Agility and Resilience
- MIA International Accountants Conference 2016
- The New Companies Bill 2015 - Amendments and Changes You Must Know

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

## PRINCIPLE 4 : FOSTER COMMITMENT (Cont'd)

### 3. Directors' Training (Cont'd)

The Directors will continue to undergo relevant training programmes and seminars from time to time and as and when necessary to update themselves with the relevant knowledge and skills to discharge their duties effectively.

## PRINCIPLE 5 : UPHOLD INTEGRITY IN FINANCIAL REPORTING

### 1. Compliance with Applicable Financial Report Standards ("FRS")

In presenting the Annual Audited Financial Statements and interim financial results, the Board takes responsibilities to ensure that these financial statements are drawn up in accordance with the provision of the Companies Act, 1965 ("Act") and applicable FRSs in Malaysia.

Before the financial statements were drawn up, the Directors have taken the necessary steps to ensure all the applicable accounting policies are applied consistently, and that the policies are supported by reasonable and prudent judgement and estimates. All accounting standards, which the Board considers to be applicable, have been followed.

The Company has established the AC to review the integrity of the financial reporting and to oversee the independence of the External Auditors. The role of the AC in the review and reporting of the financial information of the Group is outlined in the AC Report in this Annual Report.

### 2. Related Party Transactions

The Directors recognise that they have to declare their respective interest in transactions with the Company and the Group, and abstain from deliberation and voting on the relevant resolution in respect of such transactions at the Board or at any general meetings convened to consider the matter.

All related party transactions are reviewed as part of the annual internal audit plan, and the AC reviews any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that causes questions of management integrity to arise.

### 3. Assessment of Sustainability and Independence of External Auditors

The AC undertakes an annual assessment of the suitability and independence of the External Auditors. The AC meets with the External Auditors to discuss their audit plan, audit findings and the Company's financial statements. At least twice a year and whenever necessary, the AC shall meet with the External Auditors without the presence of Executive Board members or management personnel to allow the AC and the External Auditors to exchange independent views on matters which need to be brought to the AC's attention.

The AC considered the non-audit services provided by the External Auditors during the FYE 2016 and concluded that the provision of these services did not compromise the External Auditors' independence and objectivity. The amount of fees paid for these services was not significant when compared to the total fees paid to the External Auditors.

The External Auditors have confirmed to the AC that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the independence rules of the MIA.

A summary of activities of the AC during the financial year under review is set out in the AC Report on pages 38 to 40 of this Annual Report.

**PRINCIPLE 6 : RECOGNISE AND MANAGE RISK****1. Risk Management Framework and Internal Control System**

The Company has established a general framework under the Risk Management Committee ("RMC") for the oversight and management of material business risks. As required by the Board, the Management has devised and implemented appropriate risk management systems coupled with internal control and reports to the Board and Senior Management. The RMC is charged with monitoring the effectiveness of risk management systems and is required to report to the AC on any significant risk exposure.

The RMC is to assist the AC and the Board in identifying, mitigating and monitoring critical risks highlighted by business units.

The RMC is responsible for implementing risk management policies and strategies approved by the Board. It monitors and manages the principal risk exposure by ensuring that the Management has taken the necessary steps to mitigate such risks and recommends action where necessary. The RMC reports to the AC and briefs the Board on its findings if so required.

The Statement on Risk Management and Internal Control as set out in pages 41 to 42 of this Annual Report provides an overview of the management of risks and state of internal control within the Group.

**2. Internal Audit Function**

The Directors acknowledge their responsibility to formulate a system of internal control and risk management. The Board seeks regular assurance on the continuity and effectiveness of the internal control and risks management system through independent review by the Internal Auditors.

The internal audit function is independent of the operations of the Group and provides assurance that the Group's systems of internal control and risk management are satisfactory and operating effectively. The Internal Auditors adopt a risk-based approach towards the planning and conduct of their audits, and this is consistent with the Group's framework in designing, implementing and monitoring its internal control system.

The outsourced Internal Auditors report independently and directly to the AC in respect of the internal audit function. The AC together with the Internal Auditors agreed on the scope and planned Internal Audit activities annually and all audit findings arising therefrom are reported to the AC.

Further details of the activities of the risk management and internal audit function are set out in the Statement on Risk Management and Internal Control in this Annual Report.

**3. Whistle Blowing Policy**

The Company has in place a whistle blowing policy which provides a mechanism for officers and employees of the Company to report instances of unethical behaviour, actual or suspected fraud or dishonesty or violation of the Company's code of conduct.

There were no concerns reported during the FYE 2016 or during the period from 1 January 2017 to the date of publication of this statement.



# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

## PRINCIPLE 7 : ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

### 1. Corporate Disclosure Policies and Procedures

The Company is fully committed in maintaining a high standard for the dissemination of relevant and material information on the development of the Group. The Company also places strong emphasis on the importance of timely and equitable dissemination of information to shareholders. The Company uses a number of formal channels for effective dissemination of information to the shareholders and stakeholders particularly through the Annual Report, announcements to Bursa Securities, media releases, quarterly results, analyst briefings, Company website and investor relations. The Company recognises the value of transparent and effective communication with the investment community and aims to build long-term relationships with its shareholders and investors through such appropriate channels for disclosure of information.

The Annual Report has comprehensive information pertaining to the Group, while various disclosures on quarterly and annual results provide investor with financial information. Apart from the mandatory public announcements through Bursa Securities, the Group's website at [www.gbg.com.my](http://www.gbg.com.my) provides corporate, financial and non-financial information. Through the website, shareholders are able to direct queries to the Company.

Information disseminated through press releases, press conference, timely announcements and disclosures made to Bursa Securities is clear, relevant and comprehensive, provided on a timely basis and is readily accessible by all stakeholders. The Company endeavours to provide investors with sufficient business, operational and financial information on the Group to enable them to make informed investment decisions.

The Annual Report, which is also a key communication channel between the Company and its shareholders and investors, is published within four (4) months after the financial year ended. The Group CEO's Report provides an insightful interpretation of the Group's performance, operations, prospects and other matters affecting the Company's business and/or shareholders' interests.

### 2. Leverage on Information Technology for Effective Dissemination of Information

The Company's website [www.gbg.com.my](http://www.gbg.com.my) incorporates an Investor Relations section which provides all relevant information on the Company accessible to the public. This section enhances the Investor Relations function by including all announcements made by the Company and its Annual Reports.

The quarterly financial results are announced via Bursa LINK immediately after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

## PRINCIPLE 8 : STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

### 1. Dialogue with Shareholders

In addition to the dissemination of information to shareholders and other interested parties via announcements to Bursa Securities, its website, circular and press releases, interviews are conducted as and when necessary with local journalists by the Management and reported in the local newspapers.

The Company is of the view that the AGM and other shareholders' meetings are important opportunities for meeting investors and addressing their concerns. The Board, Senior Management and External Auditors attend all such meetings. Registered shareholders are invited to attend and participate actively in such meetings, including clarifying and questioning the Company's strategic direction, business operations, performance and proposed resolutions.

A press conference is normally held after every AGM to brief members of the press on the performance of the Group for the benefit of potential investors as well as those shareholders who were unable to attend the meeting.

## PRINCIPLE 8 : STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS (Cont'd)

### 1. Dialogue with Shareholders (Cont'd)

The Annual Report, which contains the Notice of AGM, is sent to shareholders at least 21 days prior to the date of the AGM. The Notice of AGM, which sets out the business to be transacted at the AGM, is also published in a major local newspaper. Items of special business included in the Notice of AGM will be accompanied by an explanation of the proposed resolution.

### 2. Encourage Shareholders' Participation at Shareholders' Meetings

At shareholders' meetings, the Board encourages shareholders' participation and responds to their questions. Shareholders may also leave written questions for the Board to respond.

### 3. Poll Voting

Each shareholder can vote in person or by appointing a proxy to attend and vote on his/her behalf. Separate issues are tabled in separate resolutions at shareholders' meetings, voting is carried out systematically and resolutions are properly recorded. Previously, resolutions would be put forth to the shareholders and the voting process shall either be by show of hand or through polling session. With effect from 1 July 2016, in accordance with the MMLR, all resolutions as stated in the Notice of Meetings are to be voted solely by poll.

### 4. Effective Communication and Practise Engagement with Shareholders

In maintaining its commitment to effective communication with shareholders, the Group adopts the practice of comprehensive, timely and continuing disclosure of information to its shareholders as well as the general investing public.

The practice of disclosure of information is not established just to comply with the requirement of the MMLR of Bursa Securities, but also to adopt the best practices recommended in the MCCG with regard to strengthening engagement and communication with shareholders.

Where possible, the Group also provides additional disclosures of information on a voluntary basis. The Group believes that consistently maintaining a high level of disclosure and extensive communication is vital to shareholders and investors in making informed investment decisions.

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

## COMPLIANCE STATEMENT

This Statement on the Company's corporate governance practices is made in compliance with Paragraph 15.25 of the MMLR and approved by the Board on 23 February 2017.

# AUDIT COMMITTEE REPORT

The Board of Gabungan AQRS Berhad presents the Audit Committee Report which provides insights into the manner in which the Audit Committee discharged its functions for the Group in FYE 2016.

## OBJECTIVE

The AC was established to act as a Committee of the Board to fulfil its fiduciary responsibilities in accordance with the ToR of the AC and to assist the Board in reviewing the adequacy and integrity of the Group's financial administration and reporting and internal control. The ToR of the AC are available for viewing in the Company's website, [www.gbg.com.my](http://www.gbg.com.my)

## MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee comprises the following members:-

- Mr Loo Choo Hong (*Chairman - INED*)
- Datuk Kamarudin bin Md. Ali (*Member - INED*)
- Mr Muk Sai Tat (*Member - INED*)

## AUTHORITY

The AC is authorised by the Board:-

- to investigate any activity within its ToR;
- to have the resources required to perform its duties;
- to have full and unrestricted access to information about the Company and the Group;
- to have unrestricted access to both the Internal and External Auditors and to all employees of the Group;
- to have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity (if any);
- to obtain external legal or other independent professional advice as necessary;
- to be able to convene meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of other Directors and employees, whenever deemed necessary; and
- where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the MMLR of Bursa Securities, the Committee shall promptly report such matters to the authorities.

## MEETINGS

During the FYE 2016, there were five (5) AC Meetings held and the attendance by the members are as shown below:-

Members	Total no. of meetings held during tenure of office	Total no. of meetings attended
Loo Choo Hong (Chairman)	5	5
Datuk Kamarudin bin Md. Ali	5	5
Muk Sai Tat	5	4



## TRAINING

During the FYE 2016, the AC members attended the Directors' Training Programmes arranged by the Company and training courses, seminars or conferences organised by relevant regulatory authorities and professional bodies on areas relating to commercial, corporate governance, risk management, regulatory framework, leadership and management. Details of the training topics are set out in the Statement on Corporate Governance.

## SUMMARY OF WORK DONE BY THE AC

The AC has discharged its functions during the FYE 2016, the details of which are as described below:-

1. Reviewed with the Internal Auditors and report to the Board on the following matters:-
  - i) the Group's internal control procedures, including organisational and operational controls;
  - ii) the internal audit's scope of work, functions, competency and resources and that it has the necessary authority to carry out its work;
  - iii) the internal audit plan, scope of work and its finding, and to highlight to the Board on any material findings;
  - iv) the assistance given by the Company's officers to the Internal Auditors; and
  - v) the regular management information and to ensure that audit recommendations regarding management weaknesses are effectively implemented.
2. Reviewed with the External Auditors and report to the Board on the following matters:-
  - i) the audit planning for the financial year;
  - ii) the management letter, to ensure that their recommendations regarding management weaknesses are implemented;
  - iii) the annual financial statements and recommend the adoption of the financial statements;
  - iv) the audit fees; and
  - v) the related party transactions and conflict of interest that may arise within the Company and the Group including any transaction, procedure or course of conduct that raise questions of management integrity.
3. The AC also reviewed the Group's quarterly financial results and year-end financial statements, prior to the approval by the Board of Directors focusing particularly on:-
  - i) changes in or implementation of major accounting policy changes;
  - ii) significant and unusual events; and
  - iii) compliance with accounting standards and other legal requirements.
4. Reviewed the quarterly unaudited financial results and make necessary recommendations to the Board prior to release to the relevant authorities and public on:-
  - i) compliance with existing and new accounting standards, policies and practices;
  - ii) any significant adjustments or unusual events; and
  - iii) compliance with MMLR of Bursa Securities, the Act and other regulatory requirements.
5. Make enquiry if there are any recurrent related party transactions ("RRPTs") and to review and ensure the RRPTs, if any, are on ordinary commercial terms and are not favourable to the related party than is generally available to the public, and that the transactions are not detrimental to the minority party.

The AC had met with the External Auditors to discuss any material findings without the presence of the Management on 26 February 2016 and 24 November 2016.

# AUDIT COMMITTEE REPORT (CONT'D)

## INTERNAL AUDIT FUNCTION

The Internal Audit Function is outsourced and the Internal Auditors report directly to the AC and have direct access to the AC Chairman on all internal control and audit issues. The AC determines the adequacy of the scope, functions, competency and resources of the Internal Auditors.

The principal role of the Internal Auditors is to undertake independent and systematic reviews on the Group's internal control system so as to provide reasonable assurance on the adequacy, integrity and effectiveness of the Group's overall system of internal control, risk management and governance.

The Internal Auditors adopt a risk-based auditing approach towards the planning and conduct of audits consistent with the Group's established framework in designing, implementing and monitoring of control system.

The total cost incurred in relation to the conduct of the outsourced internal audit functions of the Group for the FYE 2016 amounted to RM68,030 against RM67,746 in FYE 2015.

## SUMMARY OF WORK OF INTERNAL AUDIT FUNCTION FOR THE FINANCIAL YEAR

The Internal Auditors carried out their activities based on the Annual Internal Audit Plan approved by the AC. During the financial year under review, internal audit function had completed and reported audit assignments covering the following areas:-

- Site Quality and Defect Liabilities Risk in *Permas Centro* project, Johor;
- Site Work Progress on the projects *The Peak*, *Tropicana Metropark Pandora* and *Sipitang*;
- Site Safety and Health covering the projects *The Peak*, *Tropicana Metropark Pandora* and *MRT V1* (including a variation order namely, *MRT Spurline*); and
- Preliminary Finding on Defects in *Kinrara Uptown* Project.

The findings of the Internal Auditors were highlighted to the relevant representatives of the Management for attention and necessary corrective actions. The Management is responsible for ensuring that corrective actions are taken within the required timeframe. The finding reports were also presented to the AC for review at their quarterly meetings.

This AC Report has been reviewed by the AC and approved by the Board on 23 February 2017.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is pleased to present its Statement on Risk Management and Internal Control pursuant to Paragraph 15.26(b) of the MMLR. In producing this Statement, the Board has considered and was guided by the latest “Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers” (“Guidelines”) issued by the Task Force on Internal Control with the support and endorsement of Bursa Securities.

## RISK MANAGEMENT

The Group’s risk management and execution is primarily driven by all EDs and senior management. The EDs and senior management identify, evaluate and manage significant risks facing the organisation in its business and operations. Monthly Management Committee meetings, involving the EDs and members of the senior management are held to deal with the progress of business operations and financial issues in greater details and to ensure risks are adequately managed.

The Board has formed the RMC comprising INED and executive members of the Board. The RMC has identified and assessed the key risks for both the property development and construction businesses. Based on these identified risks, the Internal Auditors have aligned their audit focus and plan accordingly. The result of the internal audit findings will be used by the AC to gauge the effectiveness of risk management system to mitigate the identified risks.

## SYSTEMS OF INTERNAL CONTROL

Fundamentally, the key control procedures and processes in the Group are:-

- i. management organisation chart outlining the management responsibilities and hierarchical structure of reporting and accountability;
- ii. approval and authority limits of the top executives and heads of department;
- iii. pre-evaluation of suppliers, sub-contractors and consultants before selection;
- iv. post-evaluation of suppliers’ and sub-contractors’ performance for future reference and selection;
- v. insurances covering fire insurance, burglary insurance, machine and equipment insurance, contractor all-risk insurance, workmen’s compensation insurance and personal accident insurance to protect the assets and/or interests of the Group;
- vi. verifications, review of operating performance and segregation of duties in the management functions of the Group;
- vii. implementation of ISO Quality Management System ISO 9001:2008 and OHSAS 18001:2007 for key subsidiaries in order to ensure consistency of standard in quality management system, compliance with customers’ safety requirements as well as minimisation of operational hazard risks;
- viii. legal review to ensure contractual risks are addressed and managed before entering into material contracts or agreements;
- ix. job descriptions for each position are established providing understanding to employees of their actions needed in discharging their responsibilities;
- x. regular Safety and Health Committee meetings to enforce safety awareness at site;
- xi. review of related party transactions; and
- xii. AC’s review of the quarterly financial reports, annual financial statements and internal audit reports. Discussions with Management were held to deliberate on actions to be taken to address internal control matters identified by the Internal Auditors.

## MANAGEMENT RESPONSIBILITIES AND ASSURANCE

In accordance with the Guidelines, the Management is responsible to the Board for:-

- identifying risks relevant to the business of the Group’s objectives and strategies;

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

## MANAGEMENT RESPONSIBILITIES AND ASSURANCE (Cont'd)

- implementing and maintaining sound systems of risk management and internal control; and
- monitoring and reporting to the Board of significant control deficiencies and changes in risks that could affect the Group's achievement of its objective and performance.

Before producing this Statement, the Board has received assurances from the Group CEO and Group CFO that, to the best of their knowledge, the Group's risk management and internal control systems are operating adequately and effectively, in all material respects.

## Board Assurance and Limitation

The Board acknowledges its overall responsibility for reviewing the adequacy and integrity of the Group's systems of internal control, identifying principal risks and establishing appropriate control environment and framework to manage risks. The Board continues to derive its comfort of the state of risk management and internal control of the Group from the following key processes and information:-

- periodic review of financial information covering financial performance and quarterly financial results;
- AC's review and consultation with the Management on the integrity of the financial results, Annual Report and audited financial statements;
- audit findings and reports on the review of systems of internal control provided by the Internal Auditors and status of the Management's implementation of the audit recommendations; and
- the Management's assurance that the Group's risk management and internal control systems have been operating adequately and effectively, in all material respects.

For the financial year under review, the Board is satisfied that the existing level of systems of internal control and risk management is effective to enable the Group to achieve its business objectives and there were no material losses resulted from significant control weaknesses that would require additional disclosure in this Annual Report.

The Board recognises that the systems of risk management and internal control should be continuously improved in line with the evolving business development. Nonetheless, it should be noted that all risk management systems and systems of internal control could only manage rather than eliminate risks of failure to achieve business objectives. Therefore, these systems of risk management and internal control in the Group can only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

## Review of Statement on Risk Management and Internal Control by External Auditors

As required by Paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement on Risk Management and Internal Control. As set out in their terms of engagement, the procedures were performed in accordance with Recommended Practice Guide 5 (Revised) ["RPG 5 (Revised)"] issued by MIA. The External Auditors' procedures have been conducted to assess whether the Statement on Risk Management and Internal Control is both supported by the documentation prepared by or for the Directors and appropriately reflects the process the Directors have adopted in reviewing the adequacy and integrity of the system of internal control for the Group.

RPG 5 (Revised) does not require the External Auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk and control procedures. Based on their procedures performed, the External Auditors have reported to the Board that nothing has come to their attention which causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines, nor is it factually inaccurate.

This Statement is made in accordance with the resolution of the Board dated 13 April 2017.



# STATEMENT BY NOMINATION COMMITTEE

The following statement is made by the NC of the Board in accordance with Paragraph 15.08A of the MMLR requiring all public listed companies to disclose a statement on the activities of the NC.

The key responsibilities of the NC of the Board are to assess the performance of Directors, as well as to evaluate and recommend suitable candidates for the Board. The ToR of the NC are published on the corporate website of the Company for shareholders' reference. In order to ensure that the selection and evaluation of Board members are done objectively, the members of the NC solely consist of INED. This composition of members is in accordance with the requirement of the MMLR as set out in Paragraph 15.08A(1).

During the financial year, the NC conducted five (5) meetings. These meetings were attended by all members of the NC. The key agenda deliberated in these meetings are as follows:-

- the retirement and re-election of Board members at the last AGM;
- the structure of Boards' composition and consideration to review all EDs' position and their respective responsibilities and to re-designate some EDs' positions in order to set the direction of the property development and construction divisions of the Company and the Group for next phase of growth;
- annual assessment of the effectiveness and performance of the Board; and
- annual and special assessment of the contribution and performance of each Director, Board Committees as well as the contribution of the NEDs.

The performance evaluations of the Board, Board Committee and individual Directors are conducted by way of self-assessment. The Directors are given a set of questionnaire covering assessments of the Board, Board Committees, individual Director and independence assessments for Independent Directors to provide their feedback, views, commentary and suggestions for improvements. The results of these self-assessment questionnaires are compiled by the Company Secretary and tabled to the NC for review and deliberation. The key criteria applied in these assessments include integrity, availability, meeting preparation and attendance, Board participation, business planning contribution and teamwork.

Presently, the Board does not have female Director. Nonetheless, the Board acknowledges the importance of gender diversity in the Board composition and would ensure that women candidates are sought when considering future candidate(s) for vacancy at the Board level.

All Directors are required to retire but are eligible to submit themselves for re-election at least once in every three (3) years. This requirement allows shareholders to assess the Directors' performances and contributions to the Group and, if required, to replace them. Before recommending the retiring Directors to the Board for re-election, the NC would summarise the past performance assessment of the retiring Directors for the Board's review while the retiring Directors abstain from deliberations of their performance.

The Constitution of the Company provides that the minimum and maximum size of the Board shall be two (2) and twelve (12) members respectively. The objective of the Board composition is to maintain an effective size of the Board which reflects its responsibilities, dynamism and sense of sharing common purposes among its members.

# CORPORATE RESPONSIBILITY STATEMENT

The Group is steadfast in its Corporate Social Responsibility activities as part of the Group's underlying effort to identify, initiate and achieve its goals to preserve environmental, ethical and social responsibility issues. We believe that integrating social and environmental responsibilities into our business strategies and practices will go a long way to support sustainable growth for the Group.

We hold ourselves accountable to our stakeholders and are dedicated to delivering value to them while conducting our operations in a conscientious manner. Despite the economic challenges, we continue to implement our corporate responsibilities in our workplace and community. In our quest to do so, we endeavor to observe all applicable laws, regulations and rules including established best practices and standards while making business decisions.

The Group's Corporate Social Responsibility framework covers the following areas:-

## 1. WORKPLACE

### (a) Training and Development

Training programmes, both internal and external, are organised to deliver an all-round training experience to our employees by upgrading their skill sets, job knowledge and competency level in achieving an overall increase in productivity.

### (b) Workplace Diversity

By employing a diverse workforce, the Group is able to have a better understanding of today's dynamic market demographics. It has also enabled the Group to tap into a pool of people from diverse backgrounds who can provide unique market insights or generate creative solutions, thereby increasing the Group's competitiveness in today's globalised and challenging economy.

The Group does not allow room for any form of discrimination practice against people of different gender, age, ethnicity, nationality or marital status.

### (c) Healthy and Safe Working Environment

The Group strives to provide a healthy and safe working environment for the employees. Regular workplace inspection is one of the main duties of the Management to ensure work places are uncluttered, neat, tidy and safe. Fire and safety drills are held to ensure that employees are well prepared in the event of an emergency.

### (d) Well-Being of the Employees

We believe that our employees are a key competitive advantage and the driver of how we deliver value to our customers and superior returns for our shareholders. The Group is committed to helping the employees realise their full potentials during their time with us by fostering a conducive workplace and work environment for them.

The Group also strives to create a balanced workforce whereby social gatherings and recreational activities are encouraged. These activities include, amongst others, festive celebrations and sports activities.

## 2. ENVIRONMENT

The Group ensures there are measures at the construction sites to prevent any adverse impact on the natural environment as part of the efforts towards preservation of the environment. The Group also ensures priority is given to environmental friendly material to be used in its construction sites with balance of benefits and costs.

## 3. COMMUNITY

We believe that engaging and partnering with our communities is essential to establishing an environment of mutual trust and respect, which can lead to positive outcomes on issues of mutual concern.

As a socially conscious corporate citizen, the Group has continued to place efforts in its philanthropic endeavours through monetary and resources contributions to the community.

For instance, the staff of the Group contributed their time and efforts to one of the established local "Soup Kitchens" in downtown Kuala Lumpur, Pit Stop Community Café, a social enterprise working towards solutions for current urban issues such as homelessness, urban poverty and hunger. Our staff helped prepare the raw food, lay out the spread and serve the patrons, followed by cleaning up the premises as well as the surroundings of the café. The homeless came for what could possibly be their first meal of the day, some even lined up for second and third servings.



While the patrons were lining up for their food, our staff handed out basic necessities such as soap, towels, toothpaste and shavers to the patrons. While being served, the patrons were required to communicate verbally, practice discipline and common courtesy in this evening community service. All this was further achieved with the assistance of the staff of the Group and volunteers from all walks of life.

## 4. MARKETPLACE

The Group, as a listed entity, has an obligation to its shareholders and the relevant authorities. The Group has therefore instituted several responsible marketplace practices to maintain high standards of integrity, fairness and transparency in its conduct of business.

### (a) Corporate Disclosure Practices

The Group recognises the importance of timely and thorough dissemination of accurate and useful information relating to its operations to stakeholders. In this regard, the Group strictly adheres to the disclosure requirements of Bursa Securities and the International and Malaysian Financial Reporting Standards. For instance, this Annual Report contains comprehensive information pertaining to the Group, whilst various disclosures on financial results provide stakeholders with the latest financial information of the Group.

### (b) Investor Relations

The Group is committed to communicating regularly with its associates, potential investors, analysts, customers, business partners and the media to provide timely and consistent updates on quarterly financial results, corporate activities and financial performance and, encouraging feedbacks through our official website.

### (c) Customer Satisfaction

As an ISO 9001:2008 certified group of companies, the Group aspires towards full realisation of ISO standards throughout its operations and the application of established quality practices and policies.

### (d) Corporate Website

Apart from the mandatory public announcements through Bursa Securities, the Group's website at [www.gbg.com.my](http://www.gbg.com.my) provides the public with convenient and timely access to business updates, and financial and non-financial information. Furthermore, stakeholders are able to direct queries to the Group via the website.

## 5. PRIVACY PROTECTION

One of the core priorities and key factors in driving customer advocacy and trust is protecting our customers' privacy. In the course of doing business, we may collect, use and maintain personal information from employees, customers and consumers. We comply with the Malaysian Personal Data Protection Act, 2010 to protect the private and confidential information of our people and others.

# DIRECTORS' RESPONSIBILITY STATEMENT

## FOR THE AUDITED FINANCIAL STATEMENTS

The Directors are required pursuant to the Act to prepare the financial statements for each financial year in accordance with the applicable Malaysian and International Financial Reporting Standards, the requirements of the Act and the MMLR.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year, and of the results and cash flows of the Company and the Group for the financial year.

In preparing the financial statements, the Directors have ensured that:-

- appropriate accounting policies have been adopted and applied consistently;
- the statements are supported by reasonable and prudent judgements and estimates; and
- a going-concern basis has been adopted.

To ensure the financial statements comply with the provisions of the Act, proper accounting records which disclose the financial position of the Company and the Group with reasonable accuracy at all times, have been kept.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group, and to detect and prevent fraud and other irregularities.





# FINANCIAL REPORTS

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# DIRECTORS' REPORT

The Directors have pleasure in submitting 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 of the subsidiaries are set out in Note 16 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## RESULTS

	Group RM	Company RM
Profit for the financial year	28,283,109	2,792,870
Attributable to:		
Owners of the parent	22,631,483	2,792,870
Non-controlling interests	5,651,626	-
	28,283,109	2,792,870

## DIVIDEND

No dividend has been paid, proposed or declared by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividend in respect of the current financial year.

## RESERVES AND PROVISIONS

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

## ISSUE OF SHARES AND DEBENTURES

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

## OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year.

## WARRANTS

A total of 159,984,000 free Warrants were issued on 25 July 2013 pursuant to the Deed Poll dated 5 July 2013 ("Deed Poll") to all the shareholders of the Company on the basis of nine (9) warrants for every twenty (20) existing ordinary shares held on 17 July 2013. The Company had fixed the exercise price for the free Warrants at RM1.30 each.

During the financial year, all of the warrants issued remained unexercised.

## REPURCHASE OF OWN SHARES

The shareholders of the Company, by an ordinary resolution passed at the 6<sup>th</sup> Annual General Meeting held on 2 June 2016, granted mandate to the Company to repurchase up to 10% of its existing issued and paid-up share capital ("Share Buy Back").

The Directors of the Company are committed in enhancing the value of the Company to its shareholders and believe that the Share Buy Back can be applied in the best interests of the Company and its shareholders. The Company has the rights to retain, cancel, resell and/or distribute these shares as dividends at a later date. As treasury shares, the rights attached to them as to voting, dividends and participation in any other distributions or otherwise are suspended.

During the financial year, the Company repurchased 100,000 of its ordinary shares of RM0.25 each from the open market for a total consideration of RM90,500 at an average price of RM0.905 per ordinary share. The repurchase transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965 in Malaysia. None of the treasury shares held were re-sold or cancelled during the financial year.

Of the total 390,920,000 issued and fully paid ordinary shares of RM0.25 each as at 31 December 2016, 535,502 ordinary shares of RM0.25 each amounting to RM509,881 are held as treasury shares by the Company. The number of outstanding ordinary shares of RM0.25 each in issue after deducting the treasury shares is 390,384,498.

## DIRECTORS

The Directors who have held for office since the date of the last report are:

Datuk Kamarudin Bin Md. Ali

Dato' Azizan Bin Jaafar

Ow Chee Cheoon

Bernard Lim Soon Chiang

Loo Choo Hong

Muk Sai Tat

Y.M. Tunku Alizan Bin Raja Muhammad Alias

Lam Yun Chiang

Ng Chun Kooi

Datuk Badil Zaman Bin Fazul Rahman

(Appointed on 17 March 2017)

(Resigned on 4 August 2016)

(Resigned on 10 November 2016)

(Resigned on 13 January 2017)

In accordance with Article 95 of the Company's Articles of Association, Dato' Azizan Bin Jaafar and Bernard Lim Soon Chiang retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Article 101 of the Company's Articles of Association, Y.M. Tunku Alizan Bin Raja Muhammad Alias retires at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

# DIRECTORS' REPORT (CONT'D)

## DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares and warrants in the Company during the financial year ended 31 December 2016 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia, were as follows:

	← Number of ordinary shares of RM0.25 each →			
	Balance as at 1.1.2016	Bought	Sold	Balance as at 31.12.2016
<b>Shares in the Company</b>				
<u>Direct interests</u>				
Dato' Azizan Bin Jaafar	202,000	-	-	202,000
Ow Chee Cheoon	32,800,760	-	-	32,800,760
Bernard Lim Soon Chiang	9,372,800	-	-	9,372,800
Datuk Badil Zaman Bin Fazul Rahman	4,928,800	452,000	-	5,380,800
Loo Choo Hong	101,000	-	-	101,000
<u>Indirect interests</u>				
Dato' Azizan Bin Jaafar	42,219,000	9,782,900	-	52,001,900
Ow Chee Cheoon	42,219,000	9,782,900	-	52,001,900
Bernard Lim Soon Chiang	42,219,000	9,782,900	-	52,001,900
	← Number of warrants <sup>^</sup> →			
	Balance as at 1.1.2016	Bought	Sold	Balance as at 31.12.2016
<b>Warrants in the Company</b>				
<u>Direct interests</u>				
Dato' Azizan Bin Jaafar	90,000	-	-	90,000
Bernard Lim Soon Chiang	8,446,500	-	-	8,446,500
Datuk Badil Zaman Bin Fazul Rahman	225,000	-	-	225,000
<u>Indirect interests</u>				
Dato' Azizan Bin Jaafar	1,500,000	-	-	1,500,000
Ow Chee Cheoon	1,500,000	-	-	1,500,000
Bernard Lim Soon Chiang	1,500,000	-	-	1,500,000

<sup>^</sup> Issuance of 159,984,000 free warrants on 25 July 2013 on the basis of nine (9) warrants for every twenty (20) existing ordinary shares held.

By virtue of Section 6A of the Companies Act, 1965 in Malaysia, Ow Chee Cheoon and Bernard Lim Soon Chiang, are also deemed to be interested in the ordinary shares of all the subsidiaries to the extent that the Company has an interest.

None of the other Directors holding office at the end of the financial year held any interest in ordinary shares and warrants in the Company or ordinary shares, warrants and debentures of its related corporations during the financial year.



## DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than any benefit which may be deemed to have arisen by virtue of those transactions entered into in the ordinary course of business as disclosed in Note 36 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the warrants issued to the Directors as disclosed in Note 26 to the financial statements.

## OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

### (I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the statements of profit or loss and other 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 all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

### (II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
  - (i) which would render the amount written off for 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 material extent;
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
  - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the Directors:
  - (i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
  - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year, which would or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

# DIRECTORS' REPORT (CONT'D)

## OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (Cont'd)

### (III) AS AT THE DATE OF THIS REPORT

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

### SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Significant event during the financial year is disclosed in Note 37 to the financial statements.

### SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant events subsequent to the end of the reporting period are disclosed in Note 38 to the financial statements.

### AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors.

.....  
**Dato' Azizan Bin Jaafar**  
Director

Kuala Lumpur  
13 April 2017

.....  
**Ow Chee Cheoon**  
Director

# STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 59 to 120 have been drawn up in accordance with Financial Reporting Standards and the provisions 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 the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out in Note 40 to the financial statements on page 121 has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

.....  
**Dato' Azizan Bin Jaafar**  
Director

Kuala Lumpur  
13 April 2017

.....  
**Ow Chee Cheoon**  
Director

## STATUTORY DECLARATION

I, Bernard Lim Soon Chiang, being the Director primarily responsible for the financial management of Gabungan AQRS Berhad, do solemnly and sincerely declare that the financial statements set out on pages 59 to 121 are, to the best of my knowledge and belief, 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 at        )  
Kuala Lumpur this                         )  
13 April 2017                                )

**Bernard Lim Soon Chiang**

Before me:

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF GABUNGAN AQRS BERHAD

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Gabungan AQRS Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 59 to 120.

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 cash flows for the financial year then ended in accordance with Financial Reporting Standards ("FRSs") and the requirements of the Companies Act, 1965 in Malaysia.

#### Basis for Opinion

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

#### Independence and Other Ethical Responsibilities

We are independent of the 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.

#### (a) *Revenue recognition for construction contracts and property development*

We refer to Notes 6 and 31 to the financial statements on the recognition of revenue and expenses for construction contracts and property development, which is based on stage of completion method. The determination of stage of completion requires management to exercise significant judgement in estimating the total costs to complete.

In estimating the budgeted contract costs and budgeted development costs, the Group considers the completeness and accuracy of its cost estimation, including its obligations to contract variations, claims and cost contingencies.

#### *Audit response*

Our audit procedures included the following:

- (i) assessed management's estimates of budgeted contract costs and budgeted development costs and recalculated the stage of completion based on actual costs incurred up to reporting date;
- (ii) agreed a sample of costs incurred to date to invoices and/or progress claims, and ensured that they were allocated to appropriate projects;
- (iii) compared the architect certificates against the stage of completion of property development projects to ascertain the reasonableness of the percentage of completion used to calculate the profit or loss of the respective projects;



# INDEPENDENT AUDITORS' REPORT (CONT'D)

to the members of Gabungan AQRS Berhad

## Key Audit Matters (Cont'd)

### (a) Revenue recognition for construction contracts and property development (Cont'd)

#### **Audit response (Cont'd)**

Our audit procedures included the following (Cont'd):

- (iv) visited project sites and inquired with in-house quantity surveyors and project managers to ascertain the status of the works and the stage of completion; and
- (v) inspected documentation from external technical experts and sub-contractors in relation to variations and claims.

### (b) Recoverability of trade receivables

As at 31 December 2016, trade receivables of the Group that were past due but not impaired amounted to RM188,029,784. The details of trade receivables and its credit risk have been disclosed in Note 22 to the financial statements.

Management recognised allowances for impairment losses on trade receivables based on specific known facts or circumstances and customers' abilities to pay, which involved significant management judgement.

#### **Audit response**

Our audit procedures included the following:

- (i) reviewed the ageing analysis of receivables and tested the reliability thereof;
- (ii) assessed the profile of trade receivables and the economic environment applicable to these customers;
- (iii) inquired with management regarding the action plans to recover overdue amounts;
- (iv) assessed evidences that adequate allowance for impairment losses has been made by management based on historical trends and expectation of repayment patterns; and
- (v) assessed the levels of cash received subsequent to year end for its effect in reducing amounts outstanding at year end.

### (c) Assessment of foreseeable losses

As at 31 December 2016, provision for foreseeable losses of RM2,773,258 had been recognised in the financial statements as disclosed in Note 7 to the financial statements.

The determination of whether there is any exposure to foreseeable losses and the amounts to be recognised involved significant management judgement based on available facts and circumstances including:

- (i) the expected completion date of the projects;
- (ii) the likelihood of impact on the outcome of the negotiations with contract customers; and
- (iii) consultations with, and opinions from, technical experts of the Group.

# INDEPENDENT AUDITORS' REPORT (CONT'D)

to the members of Gabungan AQRS Berhad

## Key Audit Matters (Cont'd)

### (c) *Assessment of foreseeable losses (Cont'd)*

#### **Audit response**

Our audit procedures in respect of this area included the following:

- (i) performed analysis of on-going projects at year end and sighted to the latest extension of time, letter of awards or sales and purchase agreements for project completion dates to determine whether there is any exposure to foreseeable losses;
- (ii) inquired the consultants of the affected project and inspected the work progress to assess the ability to meet the expected completion date;
- (iii) inspected the relevant correspondences with contract customers for the late delivery of contract works;
- (iv) for the affected projects, recalculated the foreseeable losses provided by management, based on latest extension of time/Certificate of Practical Completion obtained from contract customers and based on completion date estimated by management; and
- (v) inquired the technical experts of the Group and inspected the correspondences with them to corroborate the key judgement applied by management.

## Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

## Responsibilities of 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 FRSs 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 ability of the Group and of the Company 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.

# INDEPENDENT AUDITORS' REPORT (CONT'D)

to the members of Gabungan AQRS Berhad

## Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

# INDEPENDENT AUDITORS' REPORT (CONT'D)

to the members of Gabungan AQRS Berhad

## Report on Other Legal and Regulatory Requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## Other Reporting Responsibilities

The supplementary information set out in Note 40 to the financial statements 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 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

### BDO

AF : 0206

Chartered Accountants

Kuala Lumpur

13 April 2017

### Lum Chiew Mun

3039/04/17 (J)

Chartered Accountant



# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Revenue	6	330,058,008	272,510,910	-	18,000,000
Cost of sales	7	(242,451,407)	(224,098,762)	-	-
Gross profit		87,606,601	48,412,148	-	18,000,000
Other income		8,808,262	5,716,730	8,361,954	658,015
Operating costs		(37,486,642)	(51,925,132)	(2,417,421)	(3,223,164)
Finance costs	8	(15,182,582)	(10,260,520)	(3,151,660)	(590,993)
Share of (loss)/profit of an associate, net of tax		(76,678)	188,802	-	-
Share of loss of a joint venture, net of tax		(19,408)	(6,351)	-	-
Profit/(Loss) before tax	9	43,649,553	(7,874,323)	2,792,873	14,843,858
Tax expense	11	(15,366,444)	(8,306,541)	(3)	(1,694)
Profit/(Loss) for the financial year		28,283,109	(16,180,864)	2,792,870	14,842,164
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income/(loss), net of tax		28,283,109	(16,180,864)	2,792,870	14,842,164
Attributable to:					
Owners of the parent		22,631,483	(9,666,034)	2,792,870	14,842,164
Non-controlling interests	16(f)	5,651,626	(6,514,830)	-	-
		28,283,109	(16,180,864)	2,792,870	14,842,164
Earnings/(Loss) per ordinary share attributable to equity holders of the Company:					
Basic earnings/(loss) per ordinary share (sen)	12	5.80	(2.49)		
Diluted earnings/(loss) per ordinary share (sen)	12	5.80	(2.49)		

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

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	43,582,892	55,060,953	-	-
Land held for property development	14	60,438,655	90,276,322	-	-
Investment properties	15	37,782,012	38,754,730	-	-
Investments in subsidiaries	16	-	-	78,259,637	77,259,639
Investment in an associate	17	3,526,410	3,691,288	-	-
Investment in a joint venture	18	224,996	244,404	255,000	255,000
Deferred tax assets	19	3,223,170	4,527,405	-	-
		148,778,135	192,555,102	78,514,637	77,514,639
<b>Current assets</b>					
Property development costs	20	244,973,146	228,813,135	-	-
Inventories	21	25,116,175	33,609,025	-	-
Trade and other receivables	22	522,376,389	469,432,543	181,886,872	169,896,892
Other investment	23	2,511,775	-	-	-
Current tax assets		335,080	920,270	-	-
Short term funds	24	951,587	818,499	844,425	818,499
Cash and bank balances	25	31,980,361	42,384,701	1,621,149	921,093
		828,244,513	775,978,173	184,352,446	171,636,484
<b>TOTAL ASSETS</b>		<b>977,022,648</b>	<b>968,533,275</b>	<b>262,867,083</b>	<b>249,151,123</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	26	97,730,000	97,730,000	97,730,000	97,730,000
Reserves	27	246,001,039	223,460,056	120,670,769	117,968,399
		343,731,039	321,190,056	218,400,769	215,698,399
Non-controlling interests	16(f)	6,893,462	1,241,836	-	-
<b>TOTAL EQUITY</b>		<b>350,624,501</b>	<b>322,431,892</b>	<b>218,400,769</b>	<b>215,698,399</b>

# STATEMENTS OF FINANCIAL POSITION (CONT'D)

as at 31 December 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	28	72,525,745	82,173,643	-	-
Deferred tax liabilities	19	2,932,213	2,247,359	-	-
		75,457,958	84,421,002	-	-
<b>Current liabilities</b>					
Trade and other payables	30	342,243,062	340,257,306	8,235,552	369,775
Borrowings	28	195,889,567	211,713,953	36,230,762	33,082,949
Current tax liabilities		12,807,560	9,709,122	-	-
		550,940,189	561,680,381	44,466,314	33,452,724
<b>TOTAL LIABILITIES</b>		626,398,147	646,101,383	44,466,314	33,452,724
<b>TOTAL EQUITY AND LIABILITIES</b>		977,022,648	968,533,275	262,867,083	249,151,123

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Non-distributable			Distributable			
Group	Note	Share capital RM	Treasury shares RM	Share premium RM	Retained earnings RM	Total attributable to owners of the parent RM	Non-controlling interests RM	Total equity RM
Balance as at 1 January 2015		97,730,000	(3,007,738)	85,545,356	152,834,889	333,102,507	7,751,666	340,854,173
Loss for the financial year		-	-	-	(9,666,034)	(9,666,034)	(6,514,830)	(16,180,864)
Other comprehensive income, net of tax		-	-	-	-	-	-	-
Total comprehensive loss, net of tax		-	-	-	(9,666,034)	(9,666,034)	(6,514,830)	(16,180,864)
<b>Transactions with owners</b>								
Non-controlling interests arising in a business combination		-	-	-	-	-	5,000	5,000
Dividend credited via treasury shares	34	-	4,834,774	-	(4,834,774)	-	-	-
Shares repurchased	27(a)	-	(2,246,417)	-	-	(2,246,417)	-	(2,246,417)
Total transactions with owners		-	2,588,357	-	(4,834,774)	(2,246,417)	5,000	(2,241,417)
Balance as at 31 December 2015		97,730,000	(419,381)	85,545,356	138,334,081	321,190,056	1,241,836	322,431,892
Balance as at 1 January 2016		97,730,000	(419,381)	85,545,356	138,334,081	321,190,056	1,241,836	322,431,892
Profit for the financial year		-	-	-	22,631,483	22,631,483	5,651,626	28,283,109
Other comprehensive income, net of tax		-	-	-	-	-	-	-
Total comprehensive profit, net of tax		-	-	-	22,631,483	22,631,483	5,651,626	28,283,109
<b>Transaction with owners</b>								
Shares repurchased	27(a)	-	(90,500)	-	-	(90,500)	-	(90,500)
Total transaction with owners		-	(90,500)	-	-	(90,500)	-	(90,500)
Balance as at 31 December 2016		97,730,000	(509,881)	85,545,356	160,965,564	343,731,039	6,893,462	350,624,501

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



# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Company	Note	Non-distributable		Distributable		Total equity RM
		Share capital RM	Treasury shares RM	Share premium RM	Retained earnings RM	
Balance as at 1 January 2015		97,730,000	(3,007,738)	85,545,356	22,835,034	203,102,652
Profit for the financial year		-	-	-	14,842,164	14,842,164
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income, net of tax		-	-	-	14,842,164	14,842,164
<b>Transactions with owners</b>						
Dividend credited via treasury shares	34	-	4,834,774	-	(4,834,774)	-
Shares repurchased	27(a)	-	(2,246,417)	-	-	(2,246,417)
Total transactions with owners		-	2,588,357	-	(4,834,774)	(2,246,417)
Balance as at 31 December 2015		97,730,000	(419,381)	85,545,356	32,842,424	215,698,399
Balance as at 1 January 2016		97,730,000	(419,381)	85,545,356	32,842,424	215,698,399
Profit for the financial year		-	-	-	2,792,870	2,792,870
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income, net of tax		-	-	-	2,792,870	2,792,870
<b>Transaction with owners</b>						
Shares repurchased	27(a)	-	(90,500)	-	-	(90,500)
Total transaction with owners		-	(90,500)	-	-	(90,500)
Balance as at 31 December 2016		97,730,000	(509,881)	85,545,356	35,635,294	218,400,769

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

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit/(Loss) before tax		43,649,553	(7,874,323)	2,792,873	14,843,858
Adjustments for:					
Bad debts recovered		400,000	-	-	-
Depreciation of:					
- property, plant and equipment	13	12,058,496	12,374,357	-	-
- investment properties	15	3,025,524	-	-	-
Dividend income		-	-	-	(18,000,000)
Impairment losses on:					
- trade receivables	22(h)	3,840	-	-	-
- other receivables	22(h)	113,376	154,815	-	-
Gain on disposals of property, plant and equipment		(497,498)	(212,687)	-	-
Interest expense	8	15,182,582	10,260,520	3,151,660	590,993
Interest income		(1,014,148)	(1,138,131)	(8,361,954)	(658,015)
Property, plant and equipment written off	13	31,721	9,577	-	-
Share of loss/(profit) of an associate, net of tax		76,678	(188,802)	-	-
Share of loss of a joint venture, net of tax		19,408	6,351	-	-
Operating profit/(loss) before working capital changes		73,049,532	13,391,677	(2,417,421)	(3,223,164)
Changes in working capital:					
Property development costs		(16,160,011)	(43,226,710)	-	-
Inventories		8,492,850	801,075	-	-
Trade and other receivables		(25,733,759)	(57,033,505)	(502,613)	(853,757)
Trade and other payables		1,985,756	40,868,692	7,895,085	59,540
Cash generated from/(used in) operations		41,634,368	(45,198,771)	4,975,051	(4,017,381)
Interest paid		(3,360,325)	(4,233,459)	(27,523)	-
Interest received		1,014,148	1,138,131	55,453	67,022
Tax paid		(9,693,727)	(15,229,385)	(3)	(1,694)
Tax refunded		-	373,016	-	372,930
Net cash from/(used in) operating activities		29,594,464	(63,150,468)	5,002,978	(3,579,123)

# STATEMENTS OF CASH FLOWS (CONT'D)

for the financial year ended 31 December 2016

		Group	Company
Note	2016 RM	2015 RM	2016 RM
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances to subsidiaries	-	-	(3,210,174)
Acquisitions of:			(49,160,696)
- subsidiaries for cash, net of cash acquired	-	(45,000)	-
- additional interest in a wholly-owned subsidiary	-	-	(999,998)
Dividends received from:			(45,002)
- a subsidiary	-	-	-
- an associate	88,200	-	-
Progress payments for investment properties under construction	(2,052,806)	(38,754,730)	-
Proceeds from disposals of property, plant and equipment	946,279	266,745	-
Purchases of:			-
- property, plant and equipment	13(c) (1,060,937)	(7,097,414)	-
- land held for property development	14 (401,411)	(2,696,961)	-
Withdrawals/(Placements) of fixed deposits pledged	6,123,014	(413,411)	(703,327)
Net cash from/(used in) investing activities	3,642,339	(48,740,771)	(4,913,499)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	(11,822,257)	(6,027,061)	(3,124,137)
Shares repurchased	27(a) (90,500)	(2,246,417)	(90,500)
Drawdowns of revolving credits	-	15,000,000	-
Drawdowns of term loans	48,179,672	148,956,761	9,147,813
Repayments of revolving credits	(13,042,965)	(1,300,000)	-
Repayments of term loans	(20,355,820)	(12,268,472)	(6,000,000)
Repayments of hire-purchase creditors	(9,678,688)	(9,373,465)	-
Net cash (used in)/from financing activities	(6,810,558)	132,741,346	(66,824)
			30,245,539

# STATEMENTS OF CASH FLOWS (CONT'D)

for the financial year ended 31 December 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Net increase/(decrease) in cash and cash equivalents		26,426,245	20,850,107	22,655	(6,157,282)
Cash and cash equivalents at beginning of financial year		(64,810,090)	(85,660,197)	921,592	7,078,874
Cash and cash equivalents at end of financial year	25	(38,383,845)	(64,810,090)	944,247	921,592

Material non-cash transactions taken into consideration in the preparation of the statements of cash flows are as follows:

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Share dividend credited via treasury shares	34	-	4,834,774	-	4,834,774
Proceeds from disposal of land held for property development, included in other receivables		45,345,895	-	-	-

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



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 1. CORPORATE INFORMATION

Gabungan AQRS Berhad (“the Company”) is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at H-73-1, Block H, Jalan Teknologi 3/9, Bistari ‘De’ Kota, Kota Damansara, PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at Lot 58-G, Block G, Jalan Teknologi 3/9, Bistari ‘De’ Kota, Kota Damansara, PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan.

The consolidated financial statements for the financial year ended 31 December 2016 comprise the Company and its subsidiaries and the interests of the Group in an associate and a joint venture. These financial statements are presented in Ringgit Malaysia (“RM”), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 13 April 2017.

## 2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 16 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## 3. BASIS OF PREPARATION

The financial statements of the Group and of the Company as set out on pages 59 to 120 have been prepared in accordance with Financial Reporting Standards (“FRSs”) and the provisions of the Companies Act, 1965 in Malaysia. However, Note 40 to the financial statements as set out on page 121 has been 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 (“MIA Guidance”) and the directive of Bursa Malaysia Securities Berhad.

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

The new FRSs and amendments to FRSs adopted during the financial year are set out in Note 39 to the financial statements.

## 4. OPERATING SEGMENT

Gabungan AQRS Berhad and its subsidiaries are principally engaged in construction, property development, property investment, provision of management services and investment holding.

Gabungan AQRS Berhad has arrived at two (2) reportable segments that are organised and managed separately according to the nature of products and services, specific expertise and technologies requirements, which require different business and marketing strategies. The reportable segments are summarised as follows:

(i) Construction

Securing and carrying out construction contracts.

(ii) Property development

Development of residential and commercial properties.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 4. OPERATING SEGMENT (Cont'd)

Other operating segments comprise property investment, provision of management services and investment holding.

The Group evaluates performance on the basis of profit or loss from operations before tax not including non-recurring losses, such as restructuring costs and goodwill impairment, if any.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

2016	Construction RM	Property development RM	Other operating segments RM	Total RM
<b>Segment revenue</b>				
Total revenue	236,993,692	102,155,582	11,281,202	350,430,476
Inter segment revenue	(17,446,107)	-	(2,926,361)	(20,372,468)
Revenue from external customers	219,547,585	102,155,582	8,354,841	330,058,008
Interest income	746,743	211,840	55,565	1,014,148
Finance costs	(4,017,319)	(5,775,799)	(5,389,464)	(15,182,582)
Net finance expenses	(3,270,576)	(5,563,959)	(5,333,899)	(14,168,434)
<b>Segment profit before tax</b>	<b>23,742,175</b>	<b>17,434,189</b>	<b>2,356,111</b>	<b>43,532,475</b>
Share of loss of an associate, net of tax	(76,678)	-	-	(76,678)
Share of loss of a joint venture, net of tax	-	-	(19,408)	(19,408)
Tax expense	(8,541,038)	(5,895,455)	(929,951)	(15,366,444)
Other material non-cash item:				
- Depreciation of:				
- Property, plant and equipment	(11,139,272)	(509,591)	(409,633)	(12,058,496)
- Investment properties	-	-	(3,025,524)	(3,025,524)
Investment in an associate	3,526,410	-	-	3,526,410
Investment in a joint venture	-	-	224,996	224,996
Additions to non-current assets other than financial instruments and deferred tax assets	618,635	654,567	2,241,951	3,515,153
<b>Segment assets</b>	<b>645,306,439</b>	<b>611,473,861</b>	<b>389,872,071</b>	<b>1,646,652,371</b>
<b>Segment liabilities</b>	<b>451,371,781</b>	<b>586,497,560</b>	<b>168,868,092</b>	<b>1,206,737,433</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 4. OPERATING SEGMENT (Cont'd)

2015	Construction RM	Property development RM	Other operating segments RM	Total RM
<b>Segment revenue</b>				
Total revenue	309,473,206	60,418,790	41,791,470	411,683,466
Inter segment revenue	(97,381,086)	-	(41,791,470)	(139,172,556)
Revenue from external customers	212,092,120	60,418,790	-	272,510,910
Interest income	752,770	317,916	67,445	1,138,131
Finance costs	(4,836,221)	(4,833,306)	(590,993)	(10,260,520)
Net finance expenses	(4,083,451)	(4,515,390)	(523,548)	(9,122,389)
<b>Segment profit/(loss) before tax</b>	<b>(4,074,292)</b>	<b>7,471,279</b>	<b>(4,782,573)</b>	<b>(1,385,586)</b>
Share of profit of an associate, net of tax	188,802	-	-	188,802
Share of loss of a joint venture, net of tax	-	-	(6,351)	(6,351)
Tax expense	116,490	(8,691,753)	268,722	(8,306,541)
Other material non-cash item: - Depreciation of property, plant and equipment	(11,340,722)	(555,585)	(478,050)	(12,374,357)
Investment in an associate	3,691,288	-	-	3,691,288
Investment in a joint venture	-	-	244,404	244,404
Additions to non-current assets other than financial instruments and deferred tax assets	11,035,334	4,496,892	38,892,679	54,424,905
<b>Segment assets</b>	<b>701,196,450</b>	<b>575,234,603</b>	<b>365,677,996</b>	<b>1,642,109,049</b>
<b>Segment liabilities</b>	<b>523,767,164</b>	<b>561,797,036</b>	<b>146,526,091</b>	<b>1,232,090,291</b>

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# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 4. OPERATING SEGMENT (Cont'd)

### (a) Reconciliations

Reconciliations of reportable segment revenues and profit or loss to the corresponding amounts of the Group are as follows:

	2016 RM	Group 2015 RM
<b>Revenue</b>		
Total revenue for reportable segments	350,430,476	411,683,466
Elimination of inter-segmental revenues	(20,372,468)	(139,172,556)
Revenue of the Group per consolidated statement of profit or loss and other comprehensive income	330,058,008	272,510,910
<b>Profit/(Loss) for the financial year</b>		
Total profit or loss for reportable segments	43,532,475	(1,385,586)
Elimination of inter-segment profits/(losses)	213,254	(6,671,188)
Share of (loss)/profit of an associate, net of tax	(76,768)	188,802
Share of loss of a joint venture, net of tax	(19,408)	(6,351)
Profit/(Loss) before tax	43,649,553	(7,874,323)
Tax expense	(15,366,444)	(8,306,541)
Profit/(Loss) for the financial year of the Group per consolidated statement of profit or loss and other comprehensive income	28,283,109	(16,180,864)
<b>Assets</b>		
Total assets for reportable segments	1,646,652,371	1,642,109,049
Elimination of investments in subsidiaries and consolidation adjustments	(97,963,810)	(97,940,224)
Elimination of inter-segment balances	(571,665,913)	(575,635,550)
Assets of the Group per consolidated statement of financial position	977,022,648	968,533,275
<b>Liabilities</b>		
Total liabilities for reportable segments	1,206,737,433	1,232,090,291
Elimination of consolidation adjustments	(8,673,373)	(10,353,358)
Elimination of inter-segment balances	(571,665,913)	(575,635,550)
Liabilities of the Group per consolidated statement of financial position	626,398,147	646,101,383

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 4. OPERATING SEGMENT (Cont'd)

### (b) Geographical information

As the operations of the Group are mainly predominated in Malaysia, no segment information is presented on geographical segments.

### (c) Major customers

The following are major customers with revenue equal to or more than ten per centum (10%) of Group revenue for current and prior year:

	2016 RM	Group 2015 RM
Customer A	98,031,781	90,645,317
Customer B	-	30,412,850
Customer C	50,823,496	81,460,699
Customer D	36,161,098	-
	185,016,375	202,518,866

The above customers are related to the construction segment.

## 5. CAPITAL AND FINANCIAL RISK MANAGEMENT

### (a) Capital management

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as going concern whilst maximising return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order 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 financial years ended 31 December 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The strategy of the Group is to maintain the balance between debt and equity and to ensure sufficient operating cash flows to repay its liabilities as and when they fall due. The Group includes within net debt, loans and borrowings, less cash and bank balances (including fixed deposits with licensed banks) and short term funds. Capital represents total equity.



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 5. CAPITAL AND FINANCIAL RISK MANAGEMENT (Cont'd)

### (a) Capital management (Cont'd)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Borrowings	268,415,312	293,887,596	36,230,762	33,082,949
Less:				
Short term funds	(951,587)	(818,499)	(844,425)	(818,499)
Cash and bank balances	(31,980,361)	(42,384,701)	(1,621,149)	(921,093)
Net debt	235,483,364	250,684,396	33,765,188	31,343,357
Total capital	350,624,501	322,431,892	218,400,769	215,698,399
Net debt	235,483,364	250,684,396	33,765,188	31,343,357
Total	586,107,865	573,116,288	252,165,957	247,041,756
Gearing ratio	40%	44%	13%	13%

Pursuant to the requirements of Practice Note No. 17/2005 of Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity of not less than or equals to twenty-five percent (25%) of the issued and paid-up capital (excluding any treasury shares) and such shareholders' equity is not less than RM40,000,000. The Company has complied with this requirement for the financial year ended 31 December 2016.

The Group is not subject to any other externally imposed capital requirements.

### (b) Financial risk management objectives and policies

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in interest rates and the unpredictability of the financial markets.

The exposure to these risks arises in the normal course of the business of the Group. The overall business strategies of the Group outlines its tolerance to risk and its general risk management philosophy and is determined by the management in accordance with prevailing economic and operating conditions.

The Group is exposed mainly to liquidity and cash flow risk, interest rate risk, credit risk and market price risk. Information on the management of the related exposures is detailed below.

#### (i) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group.

The analysis of financial instruments by remaining contractual maturities has been disclosed in Notes 28 and 30 to the financial statements.

## 5. CAPITAL AND FINANCIAL RISK MANAGEMENT (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### (ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group and of the Company would fluctuate because of changes in market interest rates.

The exposure of the Group and of the Company to interest rate risk arises primarily from its amounts owing from subsidiaries, fixed deposits with licensed banks, loans and borrowings and other payables. The Group borrows at both, floating and fixed rates of interest to generate the desired interest profile and to manage the exposure of the Group to interest rate fluctuations.

The interest rate profile and sensitivity analysis of interest rate risk have been disclosed in Notes 22, 25, 28 and 30 to the financial statements respectively.

#### (iii) Credit risk

Cash deposits and trade receivables could give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are reputable institutions and organisations. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with its customers are mainly on credit, except for new customers, where deposits in advance are normally required. The credit period is generally for a period of one (1) month, extending up to two (2) months for major customers. Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables via a credit control section to minimise credit risk. Overdue balances are reviewed regularly by senior management.

At the end of each reporting period, the maximum exposure of the Group and of the Company to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The credit risk concentration profiles have been disclosed in Note 22 to the financial statements.

#### (iv) Market price risk

Market price risk is the risk that the fair value or future cash flows of the financial instruments of the Group would fluctuate because of changes in market prices (other than interest or exchange rates).

The Group and the Company are exposed to market price risk arising from other investment and short term funds, which are quoted. These instruments are classified as financial assets designated at fair value through profit or loss.

The sensitivity analysis of market price risk has been disclosed in Notes 23 and 24 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 6. REVENUE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Contract revenue	219,547,585	212,092,120	-	-
Property development revenue	102,155,582	60,418,790	-	-
Rental income	8,354,841	-	-	-
Gross dividend income from a subsidiary	-	-	-	18,000,000
	330,058,008	272,510,910	-	18,000,000

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the activities of the Group as follows:

### (a) Construction contracts

Contract revenue and expenses are recognised in the statement of profit or loss and other comprehensive income in proportion to the stage of completion of the contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

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

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

Significant judgements are required in determining the stage of completion, the extent of the construction costs incurred, the estimated total construction revenue and costs, as well as the recoverability of the construction projects and determination of liquidated and ascertained damages ("LAD"). In making the judgements, the Group evaluates based on past experience and by relying on the work of specialists.

Based on the assessment of the exposures to LAD for the relevant construction contracts, the Directors are of the opinion that no provision for LAD is necessary at this juncture.

### (b) Property development

Property development revenue is recognised in respect of all development units that have been sold. Revenue recognition commences when the sale of the development unit is effected, upon the commencement of development and construction activities and when the financial outcome can be reliably estimated. The attributable portion of property development cost is recognised as an expense in the period in which the related revenue is recognised. The amount of such revenue and expenses recognised is determined by reference to the stage of completion of development activity at the reporting date. The stage of completion is measured by reference to the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

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

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 6. REVENUE (Cont'd)

### (b) Property development (Cont'd)

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

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

### (c) Rental income

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease. The aggregate cost of incentives provided to the lessee is recognised as reduction of rental income over the lease term on a straight line basis.

### (d) Dividend income

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

### (e) Interest income

Interest income is recognised as it accrues, using the effective interest method.

## 7. COST OF SALES

	2016 RM	Group 2015 RM
Inventories sold	8,954,593	801,075
Property development costs	51,707,192	19,730,581
Contract costs	181,789,622	203,567,106
	242,451,407	224,098,762

Included in the property development costs of the Group are provision for foreseeable losses of RM2,773,258 (2015: Nil) and cost on sales of land held for property development amounting to RM30,239,078 (2015: Nil).

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 8. FINANCE COSTS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Interest expense on:				
- bank overdrafts	2,628,096	2,811,803	-	-
- hire-purchase creditors	649,048	1,264,281	-	-
- revolving credits	544,362	1,091,789	-	-
- term loans	10,628,847	3,670,991	3,124,137	590,993
- late payment for land instalments	258,799	934,143	-	-
- others	473,430	487,513	27,523	-
	15,182,582	10,260,520	3,151,660	590,993

## 9. PROFIT/(LOSS) BEFORE TAX

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Profit/(Loss) before tax is arrived at after charging:					
Auditors' remuneration:					
- statutory audit		234,000	219,000	49,000	42,500
- non-statutory audit		73,107	119,906	71,607	118,406
Depreciation of:					
- property, plant and equipment	13	12,058,496	12,374,357	-	-
- investment properties	15	3,025,524	-	-	-
Directors' remuneration paid to:					
- Directors of the Company					
- Fees:					
- payable by Company		360,000	360,000	360,000	360,000
- Other emoluments:					
- payable by subsidiaries		2,132,699	5,823,659	-	-
- Directors of the subsidiaries					
- Other emoluments		490,172	1,042,738	-	-
Impairment losses on:					
- trade receivables	22(h)	3,840	-	-	-
- other receivables	22(h)	113,376	154,815	-	-
Interest expense	8	15,182,582	10,260,520	3,151,660	590,993
Property, plant and equipment written off	13	31,721	9,577	-	-
Realised loss on foreign exchange		-	3,695	-	-
Rental of:					
- billboard		-	40,833	-	-
- hostel		21,100	34,750	-	-
- leasehold land		126,023	128,408	126,023	128,408
- office equipment		20,987	23,397	-	-
- premises		2,205,860	1,530,701	48,300	-



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 9. PROFIT/(LOSS) BEFORE TAX (Cont'd)

Note	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
And crediting:				
Bad debts recovered	400,000	-	-	-
Dividend income	-	-	-	18,000,000
Gain on disposals of:				
- property, plant and equipment	497,498	212,687	-	-
Rental income	3,816,000	2,104,000	-	-
Interest income from:				
- subsidiaries	-	-	8,306,501	590,993
- fixed deposits	906,878	936,666	29,524	-
- housing development accounts	19,158	35,216	-	-
- property purchasers	34,304	67,163	-	-
- short term funds	25,929	67,022	25,929	67,022
- others	27,879	32,064	-	-

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group amounted to RM108,736 (2015: RM139,417).

## 10. EMPLOYEE BENEFITS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Wages, salaries and bonuses	14,780,565	27,645,172	232,969	275,318
EPF and Socso contributions	1,919,740	3,390,529	31,557	42,575
Other benefits	330,785	403,294	4,795	61,236
	17,031,090	31,438,995	269,321	379,129

Included in the employee benefits of the Group are Directors' remuneration amounting to RM2,622,871 (2015: RM6,866,397).

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 11. TAX EXPENSE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Current year tax expense based on profit/(loss) for the financial year	13,806,555	8,292,480	-	-
(Over)/Under provision in prior years	(429,200)	(1,232,636)	3	1,694
	13,377,355	7,059,844	3	1,694
Deferred tax (Note 19):				
- Relating to origination and reversal of temporary differences	1,552,564	1,453,121	-	-
- Under/(Over) provision in prior years	436,525	(206,424)	-	-
	1,989,089	1,246,697	-	-
	15,366,444	8,306,541	3	1,694

- (a) The Malaysian income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated taxable profits for the fiscal year.
- (b) The numerical reconciliation between the tax expense and the product of accounting profit/(loss) multiplied by the applicable tax rates of the Group and of the Company are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit/(Loss) before tax	43,649,553	(7,874,323)	2,792,873	14,843,858
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	10,475,893	(1,968,581)	670,290	3,710,965
Tax effects in respect of:				
Non-allowable expenses	6,281,144	5,918,174	1,329,493	805,788
Non-taxable income	(676,472)	(339,448)	(1,999,783)	(4,516,753)
Deferred tax assets not recognised	696,926	6,153,789	-	-
Utilisation of previously unrecognised tax losses	(1,418,372)	-	-	-
Reduction in deferred taxes as a result of reduction in tax rate	-	(18,333)	-	-
	15,359,119	9,745,601	-	-
(Over)/Under provision in prior years				
- current tax expense	(429,200)	(1,232,636)	3	1,694
- deferred tax expense	436,525	(206,424)	-	-
	15,366,444	8,306,541	3	1,694

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 11. TAX EXPENSE (Cont'd)

(c) Tax savings of the Group are as follows:

	2016 RM	Group 2015 RM
Arising from utilisation of previously unrecognised tax losses	1,418,372	-

## 12. EARNINGS/(LOSS) PER ORDINARY SHARE

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit/(loss) for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	2016 RM	Group 2015 RM
Profit/(Loss) attributable to equity holders of the parent	22,631,483	(9,666,034)
Weighted average number of ordinary shares in issue (unit)	390,484,498	388,445,100
Effect of:		
- distribution of treasury shares as share dividend	-	1,600,765
- shares repurchased	(33,470)	(1,287,986)
Adjusted weighted average number of ordinary shares applicable to basic earnings per ordinary share	390,451,028	388,757,879
Basic earnings/(loss) per ordinary share (sen)	5.80	(2.49)

(b) Diluted

The diluted earnings/(loss) per ordinary share equal basic earnings/(loss) per ordinary share because there were no potential dilutive ordinary shares as at the end of the reporting period as the exercise price of the Warrants exceeded the average market price of ordinary shares during the period (i.e. they were "out of the money").

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 13. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.1.2016 RM	Additions RM	Disposals RM	Written off RM	Depreciation charge for the financial year RM	Balance as at 31.12.2016 RM
<b>Carrying amount</b>						
Leasehold land and buildings	14,059,028	180,126	-	-	(391,642)	13,847,512
Information technology equipment	381,700	6,465	-	-	(188,714)	199,451
Furniture and fittings	3,807,437	247,072	-	-	(309,589)	3,744,920
Motor vehicles	3,102,936	-	(439,568)	(23,481)	(1,354,601)	1,285,286
Office and computer equipment	1,699,648	44,744	(9,213)	(8,240)	(466,774)	1,260,165
Operation and construction equipment	18,887,922	582,530	-	-	(5,693,372)	13,777,080
Plant, machinery and cabins	13,122,282	-	-	-	(3,653,804)	9,468,478
	55,060,953	1,060,937	(448,781)	(31,721)	(12,058,496)	43,582,892

	←	At 31.12.2016	→
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Leasehold land and buildings	15,054,834	(1,207,322)	13,847,512
Information technology equipment	1,352,411	(1,152,960)	199,451
Furniture and fittings	5,313,962	(1,569,042)	3,744,920
Motor vehicles	6,166,272	(4,880,986)	1,285,286
Office and computer equipment	3,826,645	(2,566,480)	1,260,165
Operation and construction equipment	29,468,951	(15,691,871)	13,777,080
Plant, machinery and cabins	17,822,605	(8,354,127)	9,468,478
	79,005,680	(35,422,788)	43,582,892

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 13. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Group	Balance as at 1.1.2015 RM	Additions RM	Disposals RM	Written off RM	Reclassifications RM	Depreciation charge for the financial year RM	Balance as at 31.12.2015 RM
<b>Carrying amount</b>							
Leasehold land and buildings	14,447,751	839	-	-	-	(389,562)	14,059,028
Information technology equipment	526,506	63,543	(4,682)	(3,568)	-	(200,099)	381,700
Furniture and fittings	2,293,740	1,831,858	-	(79)	(5,363)	(312,719)	3,807,437
Motor vehicles	4,759,582	138,000	(24,090)	-	-	(1,770,556)	3,102,936
Office and computer equipment	2,038,368	152,147	(25,286)	(4,535)	5,364	(466,410)	1,699,648
Operation and construction equipment	20,851,992	3,214,077	-	(1,395)	385,926	(5,562,678)	18,887,922
Plant, machinery and cabins	9,607,791	7,572,750	-	-	(385,926)	(3,672,333)	13,122,282
Signboard	1	-	-	-	(1)	-	-
	54,525,731	12,973,214	(54,058)	(9,577)	-	(12,374,357)	55,060,953

	←	At 31.12.2015	→
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Leasehold land and buildings	14,874,708	(815,680)	14,059,028
Information technology equipment	1,345,946	(964,246)	381,700
Furniture and fittings	5,066,890	(1,259,453)	3,807,437
Motor vehicles	9,017,360	(5,914,424)	3,102,936
Office and computer equipment	3,834,628	(2,134,980)	1,699,648
Operation and construction equipment	28,886,421	(9,998,499)	18,887,922
Plant, machinery and cabins	17,822,605	(4,700,323)	13,122,282
	80,848,558	(25,787,605)	55,060,953



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 13. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

- (a) All items of property, plant and equipment are initially recorded at cost. After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation rates are as follows:

Leasehold land and buildings	2%
Information technology equipment	20%
Furniture and fittings	8% to 10%
Motor vehicles	20%
Office and computer equipment	10% to 40%
Operation and construction equipment	10% to 20%
Plant, machinery and cabins	10% to 20%

- (b) The Group has assessed and classified land use rights of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the lease term. Consequently, the Group has classified the unamortised upfront payment for land use rights as finance leases in accordance with FRS 117 *Leases*.
- (c) During the financial year, the Group made the following cash payments to purchase property, plant and equipment:

	2016 RM	Group 2015 RM
Purchase of property, plant and equipment	1,060,937	12,973,214
Financed by hire-purchase arrangements	-	(5,875,800)
Cash payments on purchase of property, plant and equipment	1,060,937	7,097,414

- (d) The carrying amount of the property, plant and equipment of the Group under hire-purchase arrangements at the end of each reporting period are as follows:

	2016 RM	Group 2015 RM
Motor vehicles	1,116,911	2,864,309
Operation and construction equipment	6,962,784	10,210,100
Plant, machinery and cabins	7,317,997	11,133,890
	15,397,692	24,208,299

- (e) As at the end of the reporting period, leasehold land and buildings with a carrying amount of RM7,579,951 (2015: RM3,337,564) were charged to financial institutions for term loan and bank overdraft facilities granted to the Group as disclosed in Note 28 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 14. LAND HELD FOR PROPERTY DEVELOPMENT

Group	Balance as at 1.1.2016 RM	Additions RM	Disposals RM	Balance as at 31.12.2016 RM
<b>Carrying amount</b>				
Leasehold land	85,981,754	-	(29,931,840)	56,049,914
Development costs	4,294,568	401,411	(307,238)	4,388,741
	90,276,322	401,411	(30,239,078)	60,438,655

	←	At 31.12.2016 Accumulated impairment loss RM	→
	Cost RM		Carrying amount RM
Leasehold land	56,049,914	-	56,049,914
Development costs	4,388,741	-	4,388,741
	60,438,655	-	60,438,655

Group	Balance as at 1.1.2015 RM	Additions RM	Balance as at 31.12.2015 RM
<b>Carrying amount</b>			
Leasehold land	84,919,493	1,062,261	85,981,754
Development costs	2,659,868	1,634,700	4,294,568
	87,579,361	2,696,961	90,276,322

	←	At 31.12.2015 Accumulated impairment loss RM	→
	Cost RM		Carrying amount RM
Leasehold land	85,981,754	-	85,981,754
Development costs	4,294,568	-	4,294,568
	90,276,322	-	90,276,322

- (a) Land held for property development is stated at cost less impairment losses, if any. Such land is classified as non-current asset when no significant development work has been carried out or where development activities are not expected to be completed within the normal operating cycle.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 14. LAND HELD FOR PROPERTY DEVELOPMENT (Cont'd)

- (b) As at the end of the reporting period, leasehold land held for property development with carrying amounts of RM59,487,801 (2015: RM89,461,265) were pledged to licensed banks for banking facilities granted to the Group as disclosed in Note 28 to the financial statements.

## 15. INVESTMENT PROPERTIES

	2016 RM	Group 2015 RM
Investment properties	37,782,012	-
Investment properties under construction	-	38,754,730
	37,782,012	38,754,730

- (a) The details of the investment properties are as follows:

Group	Balance as at 1.1.2016 RM	Additions RM	Reclassifications RM	Depreciation charge for the financial year RM	Balance as at 31.12.2016 RM
<b>Carrying amount</b>					
Investment properties	-	-	40,807,536	(3,025,524)	37,782,012
Investment properties under construction	38,754,730	2,052,806	(40,807,536)	-	-
	38,754,730	2,052,806	-	(3,025,524)	37,782,012

	← Cost RM	At 31.12.2016 Accumulated depreciation RM	→ Carrying amount RM
Investment properties	40,807,536	(3,025,524)	37,782,012

Group	Balance as at 1.1.2015 RM	Additions RM	Balance as at 31.12.2015 RM
<b>Carrying amount</b>			
Investment properties under construction	-	38,754,730	38,754,730

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 15. INVESTMENT PROPERTIES (Cont'd)

- (a) The details of the investment properties are as follows (Cont'd):

	At 31.12.2015		
	Cost RM	Accumulated impairment loss RM	Carrying amount RM
Investment properties under construction	38,754,730	-	38,754,730

- (b) Investment properties are initially measured at costs, which includes transaction costs. After initial recognition, investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the investment properties to their residual values on a straight line basis over their estimated useful lives. The principal depreciation period for the investment properties is ten (10) years.

- (c) Investment properties comprise buildings, plant and furnitures which are in respect of the provision of accommodation on base-camp concept that are leased to a third party.
- (d) Additions to investment properties incurred during the financial year include interest expense of RM710,464 (2015: RM455,898). Interest is capitalised at rate of 7.61% (2015: 7.61%) per annum.
- (e) The Level 3 fair value of investment properties is RM79,071,823. The fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life.

The duration of the cash flow and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related lease up periods. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. In the case of investment properties, periodic cash flow is typically estimated as gross income less any other operating and management expenses.

- (f) The following are recognised in the statements of profit or loss and other comprehensive income in respect of investment properties:

	Group	
	2016 RM	2015 RM
Rental income	8,354,841	-

## 16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016 RM	2015 RM
Unquoted equity shares in Malaysia, at cost	80,885,006	79,885,008
Less: Impairment loss	(2,625,369)	(2,625,369)
Balance at 31 December	78,259,637	77,259,639

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 16. INVESTMENTS IN SUBSIDIARIES (Cont'd)

- (a) Investments in subsidiaries are stated in the separate financial statements at cost less any impairment losses. Put options written over non-controlling interests on the acquisition of subsidiary shall be included as part of the cost of investment in the separate financial statements of the Company. Subsequent changes in the fair value of the written put options over non-controlling interests shall be recognised in profit or loss.

All components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by FRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

- (b) The details of subsidiaries, which are all incorporated in Malaysia, are as follows:

Name of company	Interest in equity held by				Principal activities
	Company 2016	2015	Subsidiaries 2016	2015	
Gabungan Strategik Sdn. Bhd.	100%	100%	-	-	Contractor for civil and building construction works
Pembinaan Megah Ikhlas Sdn. Bhd.	100%	100%	-	-	Contractor for civil and building construction works
Motibina Sdn. Bhd.	100%	100%	-	-	Contractor for civil and building construction works
Prestige Field Development Sdn. Bhd.	52%	52%	-	-	Property development
AQRS The Building Company Sdn. Bhd.	100%	100%	-	-	Property development
GBG Trading Sdn. Bhd. (f.k.a. Broad Virtual Sdn. Bhd.)	100%	100%	-	-	General trading
Sinajasa Sdn. Bhd.	100%	100%	-	-	Dormant
Gabungan AQRS Properties Sdn. Bhd.	100%	100%	-	-	Property investment
Gabungan AQRS Management Sdn. Bhd.	100%	100%	-	-	Provision of management services
Gabungan AQRS Capital Sdn. Bhd.	100%	100%	-	-	Dormant
GBG Properties (Sabah) Sdn. Bhd.	100%	100%	-	-	Property development
Trusvest Sdn. Bhd.	90%	90%	-	-	Property investment



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 16. INVESTMENTS IN SUBSIDIARIES (Cont'd)

(b) The details of subsidiaries, which are all incorporated in Malaysia, are as follows (Cont'd):

Name of company	Interest in equity held by				Principal activities
	Company 2016	2015	Subsidiaries 2016	2015	
<b><i>Subsidiaries of AQRS The Building Company Sdn. Bhd.</i></b>					
Nusvista Development Sdn. Bhd.	-	-	100%	100%	Property development
Grand Meridian Development Sdn. Bhd.	-	-	100%	100%	Dormant
Bright Reach Sdn. Bhd.	-	-	100%	100%	Investment holding
<b><i>Subsidiary of Prestige Field Development Sdn. Bhd.</i></b>					
Estet Etos Sdn. Bhd.	-	-	100%	100%	Property investment
<b><i>Subsidiary of Bright Reach Sdn. Bhd.</i></b>					
Crystal Aspect Sdn. Bhd.	-	-	100%	100%	Property development

*All subsidiaries are audited by BDO.*

- (c) On 25 July 2016, the Company subscribed for an additional 999,998 ordinary shares of RM1.00 each at par for cash in Gabungan AQRS Properties Sdn Bhd ("GAP") pursuant to the allotment of shares. Upon completion of the shares allotment, GAP remained as a wholly-owned subsidiary of the Company.
- (d) In the previous financial year, on 5 February 2015, the Company acquired 45,000 ordinary shares of RM1.00 each in Trusvest Sdn. Bhd. ("Trusvest"), a company incorporated in Malaysia, for a total cash consideration of RM45,000, representing 90% equity interest in Trusvest. The effect of the acquisition is disclosed in Note 35(a) to the financial statements.
- (e) In the previous financial year, on 9 April 2015, the Company acquired the entire issued and paid up share capital of GBG Properties (Sabah) Sdn. Bhd. ("GBGPS"), a company incorporated in Malaysia, for a cash consideration of RM2. The effect of the acquisition is disclosed in Note 35(a) to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 16. INVESTMENTS IN SUBSIDIARIES (Cont'd)

(f) The subsidiaries of the Group that have non-controlling interests ("NCI") are as follows:

	<b>Prestige Field Development Sdn. Bhd.</b>	<b>Estet Etos Sdn. Bhd.</b>	<b>Trusvest Sdn. Bhd.</b>	<b>Total</b>
<b>2016</b>				
NCI percentage of ownership interest and voting interests	48%	48%	10%	
Carrying amount of NCI (RM)	8,700,930	(1,282,391)	(525,077)	6,893,462
Profit/(Loss) allocated to NCI (RM)	6,696,823	(799,401)	(245,796)	5,651,626
<b>2015</b>				
NCI percentage of ownership interest and voting interests	48%	48%	10%	
Carrying amount of NCI (RM)	2,004,107	(482,990)	(279,281)	1,241,836
Loss allocated to NCI (RM)	(5,748,518)	(482,031)	(284,281)	(6,514,830)

(g) The summarised financial information before intra-group elimination of the subsidiaries that have NCI as at the end of each reporting period are as follows:

	<b>Prestige Field Development Sdn. Bhd. RM</b>	<b>Estet Etos Sdn. Bhd. RM</b>	<b>Trusvest Sdn. Bhd. RM</b>
<b>2016</b>			
<b>Assets and liabilities</b>			
Non-current assets	24,579,159	-	52,242,328
Current assets	62,408,125	1,974	8,606,707
Non-current liabilities	(37,489)	-	(26,737,245)
Current liabilities	(67,861,865)	(2,673,622)	(34,055,252)
Net assets/(liabilities)	19,087,930	(2,671,648)	56,538

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 16. INVESTMENTS IN SUBSIDIARIES (Cont'd)

- (g) The summarised financial information before intra-group elimination of the subsidiaries that have NCI as at the end of each reporting period are as follows (Cont'd):

	<b>Prestige Field Development Sdn. Bhd. RM</b>	<b>Estet Etos Sdn. Bhd. RM</b>	<b>Trusvest Sdn. Bhd. RM</b>
<b>2016</b>			
<b>Results</b>			
Revenue	50,384,327	-	8,354,841
Profit/(Loss) for the financial year	13,966,879	(1,665,419)	279,987
Total comprehensive income/(loss)	13,966,879	(1,665,419)	279,987
Cash flows from/(used in) operating activities	7,483,746	(799,189)	(10,509,779)
Cash flows from/(used in) investing activities	6,145,734	777,551	13,177,338
Cash flows used in financing activities	(12,811,378)	-	(2,759,441)
Net increase/(decrease) in cash and cash equivalents	818,102	(21,638)	(91,882)
<b>2015</b>			
<b>Assets and liabilities</b>			
Non-current assets	54,372,542	-	54,328,152
Current assets	23,065,282	23,612	3,122,206
Non-current liabilities	(32,573,349)	-	(28,441,830)
Current liabilities	(39,743,424)	(1,029,841)	(29,231,977)
Net assets/(liabilities)	5,121,051	(1,006,229)	(223,449)
<b>Results</b>			
Revenue	(12,028,700)	-	-
Loss for the financial year	(11,274,679)	(1,004,231)	(273,449)
Total comprehensive loss	(11,274,679)	(1,004,231)	(273,449)
Cash flows (used in)/from operating activities	(1,483,033)	(758,406)	18,642,232
Cash flows (used in)/from investing activities	(48,638,569)	772,016	(53,650,390)
Cash flows from financing activities	53,661,588	-	35,018,141
Net increase in cash and cash equivalents	3,539,986	13,610	9,983

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 16. INVESTMENTS IN SUBSIDIARIES (Cont'd)

(h) The following subsidiaries have significant restrictions apply to their assets as follows:

(i) Restriction imposed by bank covenants

The covenants of borrowings taken by Gabungan Strategik Sdn. Bhd., a wholly-owned subsidiary of the Company, restrict the ability of the subsidiary to declare dividends to its shareholder in excess of 30% of its profit before tax or 50% of its profit after tax for each of the financial period, prior to the financial institution's consent. The subsidiary is also required to maintain a net tangible asset position of RM73.0 million at all times and gearing of not more than 1.0 times of its net tangible asset at all time. The subsidiary complied with the above covenants during the financial year.

The covenants of borrowings taken by Prestige Field Development Sdn. Bhd., a 52% owned subsidiary of the Company, restrict the ability of the subsidiary to declare dividends to its shareholders prior to the consent of the financial institution. The subsidiary complied with the above covenant during the financial year.

(ii) Restriction imposed by shareholders' agreements

In Prestige Field Development Sdn. Bhd., the non-controlling shareholders hold protective right, which restricts the ability of the Group to mortgage, charge or dispose its shares to any other third party, or assign any of its rights at any point in time, unless written consent is obtained from the non-controlling interest shareholders.

## 17. INVESTMENT IN AN ASSOCIATE

	2016 RM	Group 2015 RM
Unquoted equity shares, at cost	3,322,200	3,322,200
Share of post-acquisition reserves, net of tax	204,210	369,088
	3,526,410	3,691,288
Dividend received	88,200	-

- (a) The Group recognises its interest in an associate as an investment and accounts for that investment using the equity method.
- (b) The financial year end of the associate is coterminous with those of the Group. Management accounts of the associate for the financial years ended 31 December 2015 and 31 December 2016 have been used for the purpose of applying the equity method of accounting.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 17. INVESTMENT IN AN ASSOCIATE (Cont'd)

(c) The details of the associate are as follows:

Name of company	Country of incorporation	Interest in equity held by subsidiary		Principal activity
		2016 %	2015 %	
<b><i>Associate of Sinajasa Sdn. Bhd.</i></b>				
SEDCO Precast Sdn. Bhd.	Malaysia	49%	49%	Manufacturing and supplying of pre-cast concrete products

(d) The summarised financial information of the associate are as follows:

	SEDCO Precast Sdn. Bhd. RM
<b>2016</b>	
<b>Assets and liabilities</b>	
Non-current assets	4,601,291
Current assets	7,240,574
Non-current liabilities	(214,567)
Current liabilities	(4,833,987)
Net assets	6,793,311
<b>Results</b>	
Revenue	9,990,085
Loss for the financial year	(156,486)
Total comprehensive loss	(156,486)
Cash flows from operating activities	127,118
Cash flows used in investing activities	(1,598,862)
Cash flows from financing activities	2,497,151
Net increase in cash and cash equivalents	1,025,407



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 17. INVESTMENT IN AN ASSOCIATE (Cont'd)

(d) The summarised financial information of the associate are as follows (Cont'd):

	SEDCO Precast Sdn. Bhd. RM
<b>2015</b>	
<b>Assets and liabilities</b>	
Non-current assets	4,717,786
Current assets	4,243,728
Non-current liabilities	(161,835)
Current liabilities	(1,669,882)
<b>Net assets</b>	<b>7,129,797</b>
<b>Results</b>	
Revenue	10,903,975
Profit for the financial year	385,311
Total comprehensive income	385,311
Cash flows from operating activities	287,879
Cash flows used in investing activities	(253,306)
Cash flows used in financing activities	(224,596)
<b>Net decrease in cash and cash equivalents</b>	<b>(190,023)</b>

(e) The reconciliation of net assets of the associate to the carrying amount of the investment in an associate is as follows:

	SEDCO Precast Sdn. Bhd. RM
<b>As at 31 December 2016</b>	
Share of net assets of the Group	3,328,722
Goodwill	197,688
<b>Carrying amount in the consolidated statement of financial position</b>	<b>3,526,410</b>
<b>Share of results of the Group for the financial year ended 31 December 2016</b>	
Share of loss/other comprehensive loss of the Group, net of tax	(76,678)

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 17. INVESTMENT IN AN ASSOCIATE (Cont'd)

- (e) The reconciliation of net assets of the associate to the carrying amount of the investment in an associate is as follows (Cont'd):

	<b>SEDCO Precast Sdn. Bhd. RM</b>
<b>As at 31 December 2015</b>	
Share of net assets of the Group	3,493,600
Goodwill	197,688
Carrying amount in the consolidated statement of financial position	3,691,288
<b>Share of results of the Group for the financial year ended 31 December 2015</b>	
Share of profit/other comprehensive income of the Group, net of tax	188,802

## 18. INVESTMENT IN A JOINT VENTURE

	<b>Group</b>		<b>Company</b>	
	<b>2016 RM</b>	<b>2015 RM</b>	<b>2016 RM</b>	<b>2015 RM</b>
Unquoted equity shares, at cost	255,000	255,000	255,000	255,000
Share of post-acquisition reserves, net of tax	(30,004)	(10,596)	-	-
	224,996	244,404	255,000	255,000

- (a) Investment in a joint venture is stated at cost in the separate financial statements of the Company. The Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method.
- (b) The details of the joint venture are as follows:

<b>Name of company</b>	<b>Country of incorporation</b>	<b>Interest in equity held by Company</b>		<b>Principal activity</b>
		<b>2016 %</b>	<b>2015 %</b>	
Kreatif Sinar Gabungan Sdn.Bhd. ("KSGSB")	Malaysia	30%	30%	Construction

- (c) KSGSB, the only joint venture in which the Company participates, is an unlisted separate structured entity whose quoted market price is not available. The contractual arrangement provides the Company with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for liabilities of the joint arrangement resting primarily with KSGSB. This joint arrangement has been classified as a joint venture.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 18. INVESTMENT IN A JOINT VENTURE (Cont'd)

- (d) The financial year end of the joint venture is coterminous with those of the Group. Management accounts of the joint venture for the financial years ended 31 December 2015 and 31 December 2016 have been used for the purpose of applying the equity method of accounting.
- (e) The summarised financial information of the joint venture is not presented as it is not material.

## 19. DEFERRED TAX

- (a) The deferred tax assets and liabilities are made up of the following:

	2016 RM	Group 2015 RM
Balance as at 1 January	2,280,046	3,526,743
Recognised in profit or loss (Note 11)	(1,989,089)	(1,246,697)
Balance as at 31 December	290,957	2,280,046

Represented by:

	2016 RM	Group 2015 RM
Deferred tax assets, net	3,223,170	4,527,405
Deferred tax liabilities, net	(2,932,213)	(2,247,359)
	290,957	2,280,046

- (b) The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group

	Property development costs RM	Unused tax losses and unabsorbed capital allowances RM	Provisions RM	Set-off tax RM	Total RM
At 1 January 2016	4,527,405	150,479	8,792	(159,271)	4,527,405
Recognised in profit or loss	(1,304,235)	(150,479)	(8,792)	159,271	(1,304,235)
At 31 December 2016	3,223,170	-	-	-	3,223,170

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 19. DEFERRED TAX (Cont'd)

- (b) The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows (Cont'd):

### Deferred tax assets of the Group (Cont'd)

	Property development costs RM	Unused tax losses and unabsorbed capital allowances RM	Provisions RM	Set-off tax RM	Total RM
At 1 January 2015	2,583,132	3,246,891	1,522,443	(255,169)	7,097,297
Recognised in profit or loss	1,944,273	(3,096,412)	(1,513,651)	95,898	(2,569,892)
At 31 December 2015	4,527,405	150,479	8,792	(159,271)	4,527,405

### Deferred tax liabilities of the Group

	Land held for property development RM	Property, plant and equipment RM	Set-off tax RM	Total RM
At 1 January 2016	1,794,256	612,374	(159,271)	2,247,359
Recognised in profit or loss	-	525,583	159,271	684,854
At 31 December 2016	1,794,256	1,137,957	-	2,932,213
At 1 January 2015	1,794,256	2,031,467	(255,169)	3,570,554
Recognised in profit or loss	-	(1,419,093)	95,898	(1,323,195)
At 31 December 2015	1,794,256	612,374	(159,271)	2,247,359

- (c) The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	2016 RM	Group 2015 RM
Unused tax losses, gross	23,775,687	29,685,571
Unabsorbed capital allowances, gross	12,118	208,784
Other deductible temporary differences, gross	5,433,539	2,333,016
	29,221,344	32,227,371

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that future taxable profits of the subsidiaries would be available against which the deductible temporary differences could be utilised.

The deductible temporary differences do not expire under the current tax legislation.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 20. PROPERTY DEVELOPMENT COSTS

	2016 RM	Group 2015 RM
Balance as at 1 January		
- Freehold land	55,652,363	56,505,332
- Leasehold land	52,356,610	95,177,766
- Development costs	234,424,987	248,196,009
- Accumulated costs charged to profit or loss	(113,620,825)	(179,882,582)
- Transfers of completed projects	-	(34,410,100)
	228,813,135	185,586,425
Add: Costs incurred during the year		
- Freehold land	11,050,000	11,700,000
- Leasehold land	1,782,850	-
- Development costs	22,483,760	51,257,291
	35,316,610	62,957,291
Less: Costs recognised in profit or loss	(18,694,856)	(19,730,581)
Less: Completed developments		
- Freehold land	(461,743)	(12,552,969)
- Leasehold land	-	(42,821,156)
- Development costs	-	(65,441,103)
- Accumulated costs charged to profit or loss	-	86,405,128
- Transfers of completed projects	-	34,410,100
	(461,743)	-
Balance as at 31 December	244,973,146	228,813,135

- (a) As at the end of the reporting period, property development costs of the Group with carrying amounts of RM244,973,146 (2015: RM172,462,026) were charged to financial institutions for banking facilities granted to the Group as disclosed in Note 28 to the financial statements.
- (b) Freehold land under development of RM62,750,000 (2015: RM51,700,000) is provided by Pro-Meridian Sdn. Bhd. ("Pro-Meridian"), pursuant to an agreement entered into by a subsidiary, AQRS The Building Company Sdn. Bhd. ("AQRS") with Pro-Meridian on 30 September 2011. In accordance with the agreement, AQRS was granted vacant possession to develop the freehold land.
- (c) Additions to aggregate costs incurred during the financial year include interest expense of RM4,069,150 (2015: RM3,798,483). Interest is capitalised at rate of 7.16% (2015: 7.10%) per annum.



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 21. INVENTORIES

	2016 RM	Group 2015 RM
<b>At cost</b>		
Completed properties	25,116,175	33,609,025

- (a) As at the end of the reporting period, included in inventories of the Group are completed properties with carrying amounts of RM19,865,993 (2015: RM28,358,843), which were charged to financial institutions for banking facilities granted to the Group as disclosed in Note 28 to the financial statements.
- (b) As at the end of the reporting period, inventories of the Group recognised as cost of sales, net of reversal of sales, amounted to RM8,954,593 (2015: RM801,075).

## 22. TRADE AND OTHER RECEIVABLES

	Note	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
<b>Trade receivables</b>					
Third parties		189,893,613	252,041,355	-	-
Related parties		3,328,198	343,595	-	-
Retention sums		42,279,248	59,820,223	-	-
Accrued billings		75,144,023	56,838,513	-	-
Amounts due from contract customers					
- Third parties	31	113,874,070	52,583,713	-	-
		424,519,152	421,627,399	-	-
Less: Impairment losses					
- Third parties		(3,840)	-	-	-
		424,515,312	421,627,399	-	-
<b>Other receivables</b>					
Other receivables		81,909,835	37,327,699	-	-
Amounts owing from subsidiaries		-	-	180,367,327	168,879,961
Deposits		2,777,192	2,905,913	156,620	151,300
		84,687,027	40,233,612	180,523,947	169,031,261
Less: Impairment losses					
- Other receivables		(113,376)	(154,815)	-	-
		84,573,651	40,078,797	180,523,947	169,031,261
<b>Loans and receivables</b>		509,088,963	461,706,196	180,523,947	169,031,261
Prepayments		13,287,426	7,726,347	1,362,925	865,631
		522,376,389	469,432,543	181,886,872	169,896,892

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 22. TRADE AND OTHER RECEIVABLES (Cont'd)

- (a) Financial assets classified as loans and receivables are measured at amortised cost using the effective interest method.
- (b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 to 60 days (2015: 30 to 60 days). Other credit terms are assessed and approved on a case by case basis. They are recognised at their original invoice amounts, which represent their fair values on initial recognition.
- (c) Amounts owing from related parties are trade amounts owing from Directors of the Company and its subsidiaries as well as their close family members arising as follows:

	2016 RM	Group 2015 RM
Purchase of development properties	18,992	43,203
Progress billings on construction contracts	300,392	300,392
Rental of investment properties	3,008,814	-
	3,328,198	343,595

- (d) The retention sums are unsecured, interest-free and are expected to be collected as follows:

	2016 RM	Group 2015 RM
Within one (1) year	25,216,235	17,797,472
Within two (2) years	17,063,013	42,022,751
	42,279,248	59,820,223

- (e) Amounts owing from subsidiaries represent advances, payments made on behalf and dividend receivable, which are unsecured, bear interests ranging from 3.00% to 7.60% (2015: 7.60%) per annum and receivable on demand in cash and cash equivalents.

Sensitivity analysis for amounts owing from subsidiaries as at the end of the reporting period is not presented as it is not subject to significant exposure to interest rate risk.

- (f) Loans and receivables are denominated in Ringgit Malaysia.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 22. TRADE AND OTHER RECEIVABLES (Cont'd)

(g) The ageing analysis of trade receivables of the Group are as follows:

	2016 RM	Group 2015 RM
Neither past due nor impaired	236,485,528	205,304,244
Past due, not impaired		
1 - 30 days	51,929	8,084,547
31 - 120 days	7,067,092	41,409,416
More than 120 days	180,910,763	166,829,192
	188,029,784	216,323,155
Past due and impaired	3,840	-
	424,519,152	421,627,399

### Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. More than 13% (2015: 21%) of the trade receivables of the Group arise from customers with more than two (2) years of experience with the Group and have never defaulted.

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

### Receivables that are past due but not impaired

Trade receivables of the Group that are past due but not impaired are unsecured in nature. They are creditworthy debtors with long business relationship with the Group and have active transactions. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

### Receivables that are past due and impaired

Trade receivables of the Group that are past due and impaired at the end of each reporting period are as follows:

	Group Individually impaired 2016 RM	2015 RM
Trade receivables, gross	3,840	-
Less: Impairment losses	(3,840)	-
	-	-

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 22. TRADE AND OTHER RECEIVABLES (Cont'd)

(h) The reconciliation of movements in the impairment losses is as follows:

	Group	
	2016 RM	2015 RM
<b>Trade receivables</b>		
At 1 January	-	-
Charge for the financial year (Note 9)	3,840	-
Written off	-	-
At 31 December	3,840	-
<b>Other receivables</b>		
At 1 January	154,815	-
Charge for the financial year (Note 9)	113,376	154,815
Written off	(154,815)	-
At 31 December	113,376	154,815

Trade and other receivables that were individually determined to be impaired at the end of the reporting period related to those receivables that exhibited significant financial difficulties and had defaulted on payments. These receivables were not secured by any collateral or credit enhancements.

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables.

(i) The Group determines concentration of credit risk by monitoring the industry sector profiles of its trade receivables on an ongoing basis. The credit risk concentration profile of the trade receivables of the Group (net of accrued billings) at the end of each reporting period are as follows:

	Group			
	2016 RM	% of total	2015 RM	% of total
<b>By industry sectors</b>				
Property development	23,680,840	7%	38,093,912	10%
Construction	319,676,660	91%	326,694,974	90%
Others	6,017,629	2%	-	-
	349,375,129	100%	364,788,886	100%

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 23. OTHER INVESTMENT

	Group 2016 RM	2015 RM
Financial asset at fair value through profit or loss		
- Quoted shares outside Malaysia	2,511,775	-

- (a) All regular way purchases and sales of financial assets (including loans and receivables) are recognised or derecognised on the trade date i.e., the date that the Group commit to purchase or sell the asset.
- (b) Fair value of quoted ordinary shares is determined by reference to the exchange quoted market prices at the close of the business on the reporting date. There is no change in fair value of quoted ordinary shares as at the end of the reporting date.
- (c) The fair value of quoted ordinary shares of the Group is categorised as Level 1 in the fair value hierarchy.
- (d) The Group is exposed to the equity price risks arising from quoted outside Malaysia. It is listed on the American Stock Exchange held for trading purpose. As the Group neither has the intention, nor the historical trend of active trading in the financial instrument, the Directors are of the opinion that the Group is not subject to significant exposure to price risk and accordingly, no sensitivity analysis is being presented at the end of each reporting period.

## 24. SHORT TERM FUNDS

	Group 2016 RM	2015 RM	Company 2016 RM	2015 RM
Financial assets at fair value through profit or loss				
- Fixed income trust funds in Malaysia	951,587	818,499	844,425	818,499

- (a) Short term funds are mainly designated to manage free cash flows and optimise working capital so as to provide a steady stream of income returns. It is an integral part of the overall cash management.
- (b) Short term funds of the Group and of the Company represent investments in highly liquid money market, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.
- (c) Short term funds are denominated in Ringgit Malaysia.
- (d) Short term funds are classified as at fair value through profit or loss, and subsequently remeasured to fair value with changes in fair value being recognised in profit or loss. The fair value are determined by reference to the counter parties' quotes at the close of the business at the end of the reporting period and are categorised as Level 1 in fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.
- (e) Short term funds of the Group and of the Company are exposed to changes in market quoted prices. However, the volatility of short term funds prices is considered low, the Directors are of the opinion that the Group is not subject to significant exposure to price risk and accordingly, no sensitivity analysis is being presented at the end of each reporting period.



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 25. CASH AND BANK BALANCES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash and bank balances	2,396,768	6,678,094	99,822	103,093
Fixed deposits with licensed banks	29,583,593	35,706,607	1,521,327	818,000
	31,980,361	42,384,701	1,621,149	921,093

- (a) The weighted average effective interest rate of fixed deposits with both licensed banks of the Group and of the Company are 2.77% (2015: 2.29%) and 2.65% (2015: 2.70%) per annum respectively.

Sensitivity analysis for fixed rate deposits at the end of the reporting period is not presented as fixed rate instruments are not affected by changes in interest rate.

- (b) Fixed deposits with licensed banks of the Group and of the Company were pledged as securities for banking facilities granted to the Group and to the Company as disclosed in Note 28 to the financial statements.
- (c) Fixed deposits with licensed banks have maturity period ranging from one (1) month to one (1) year (2015: one (1) month to one (1) year). In the previous financial year, included in fixed deposits with licensed banks of the Group was an amount of RM579,000 held as collateral in the Financing Servicing Reserve Account by a financial institution and was non-interest bearing.
- (d) Included in cash and bank balances of the Group is a balance of RM606,768 (2015: RM1,718,700) held under Housing Development Account pursuant to Section 7A of Housing Development (Control and Licensing) Act, 1966, as amended by the Housing Developers (Housing Development Account) (Amendment) Regulations, 2015, which is not available for general use by the Group.
- (e) Cash and bank balances are denominated in Ringgit Malaysia.
- (f) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of each reporting period:

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Cash and bank balances		2,396,768	6,678,094	99,822	103,093
Fixed deposits with licensed banks		29,583,593	35,706,607	1,521,327	818,000
Short term funds	24	951,587	818,499	844,425	818,499
		32,931,948	43,203,200	2,465,574	1,739,592
Less:					
Bank overdrafts included in borrowings	28	(41,732,200)	(72,306,683)	-	-
Fixed deposits pledged	25(b)	(29,583,593)	(35,706,607)	(1,521,327)	(818,000)
		(38,383,845)	(64,810,090)	944,247	921,592

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 26. SHARE CAPITAL

	Number of shares	Group and Company		2015	RM
		2016	2015		
		RM	Number of shares		
Ordinary shares of RM0.25 each:					
Authorised	2,000,000,000	500,000,000	2,000,000,000	500,000,000	
Issued and fully paid	390,920,000	97,730,000	390,920,000	97,730,000	

The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

### Warrants

On 25 July 2013, a total of 159,984,000 free Warrants were issued pursuant to the Deed Poll dated 5 July 2013 ("Deed Poll") to all the shareholders of the Company on the basis of nine (9) warrants for every twenty (20) existing ordinary shares held on 17 July 2013. The main features of the Warrants are as follows:

- Each Warrant will entitle its registered holder during the exercise period to subscribe for one (1) new ordinary share at the exercise price, subject to the provisions in the Deed Poll.
- The exercise price of each Warrant has been fixed at RM1.30.
- The expiry date of Warrants shall be the date immediately preceding the fifth (5th) anniversary date of first issue of the Warrants, and if such date is not a Market Day, then on the immediate preceding Market Day, whereupon any warrant, which has not been exercised, will lapse and cease thereafter to be valid for any purpose.
- The ordinary shares of RM0.25 each to be issued pursuant to the exercise of the Warrants will rank pari passu in all respect with the existing issued ordinary share of the Company.

During the financial year, all of the warrants issued remained unexercised.

## 27. RESERVES

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
<b>Non-distributable</b>					
Treasury shares	(a)	(509,881)	(419,381)	(509,881)	(419,381)
Share premium	(b)	85,545,356	85,545,356	85,545,356	85,545,356
<b>Distributable</b>					
Retained earnings		160,965,564	138,334,081	35,635,294	32,842,424
		246,001,039	223,460,056	120,670,769	117,968,399

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 27. RESERVES (Cont'd)

### (a) Treasury shares

The shareholders of the Company, by an ordinary resolution passed at the 6th Annual General Meeting held on 2 June 2016, granted mandate to the Company to repurchase up to 10% of its existing issued and paid-up share capital ("Share Buy Back"). The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 100,000 (2015: 1,830,000) of its ordinary shares of RM0.25 each from the open market for a total consideration of RM90,500 (2015: RM2,246,417) at an average price of RM0.905 (2015: RM1.228) per ordinary share. The repurchase transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965 in Malaysia.

In the previous financial year, on 3 August 2015, the Company distributed 3,869,398 of its treasury shares amounting to RM4,834,774 as final share dividend in respect of financial year ended 31 December 2014. Other than that, none of the treasury shares held were re-sold or cancelled during the financial year.

Of the total 390,920,000 (2015: 390,920,000) issued and fully paid ordinary shares of RM0.25 each as at the end of each reporting period, 535,502 (2015: 435,502) ordinary shares of RM0.25 each amounting to RM509,881 (2015: RM419,381) are held as treasury shares by the Company. The number of outstanding ordinary shares of RM0.25 each in issue after deducting the treasury shares is 390,384,498 (2015: 390,484,498).

### (b) Share premium

The share premium is arrived at after accounting for the premium received less expenses over the nominal value of shares issued to the public.

## 28. BORROWINGS

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
<b>Non-current liabilities</b>					
Term loans		71,895,252	76,626,656	-	-
Hire-purchase creditors	29	630,493	5,546,987	-	-
		72,525,745	82,173,643	-	-
<b>Current liabilities</b>					
Term loans		143,245,219	110,689,963	36,230,762	33,082,949
Revolving credits		6,057,035	19,100,000	-	-
Hire-purchase creditors	29	4,855,113	9,617,307	-	-
Bank overdrafts		41,732,200	72,306,683	-	-
		195,889,567	211,713,953	36,230,762	33,082,949
		268,415,312	293,887,596	36,230,762	33,082,949

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 28. BORROWINGS (Cont'd)

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
<b>Total borrowings</b>					
Term loans		215,140,471	187,316,619	36,230,762	33,082,949
Revolving credits		6,057,035	19,100,000	-	-
Hire-purchase creditors	29	5,485,606	15,164,294	-	-
Bank overdrafts	25	41,732,200	72,306,683	-	-
		268,415,312	293,887,596	36,230,762	33,082,949

(a) Bank overdrafts of the Group are secured by the following:

- (i) Leasehold land and building under property, plant and equipment of the Group as disclosed in Note 13(e) to the financial statements;
- (ii) Leasehold land held for property development of the Group as disclosed in Note 14(b) to the financial statements; and
- (iii) Fixed deposits as disclosed in Note 25(b) to the financial statements.

The bank overdrafts are also jointly and severally guaranteed by a Director and a shareholder of the Company.

(b) Term loans of the Group and of the Company are secured by the following:

- (i) Leasehold land and building under property, plant and equipment of the Group, as disclosed in Note 13(e) to the financial statements, and assignment of a subsidiary's contract proceeds;
- (ii) Leasehold land held for property development of the Group as disclosed in Note 14(b) to the financial statements;
- (iii) Property development costs of the Group as disclosed in Note 20(a) to the financial statements;
- (iv) Completed properties under inventories of the Group as disclosed in Note 21(a) to the financial statements;
- (v) Fixed deposits as disclosed in Note 25(b) to the financial statements;
- (vi) Assignment of HDA Account of the property development projects at Mukim of Ulu Kelang, Selangor and Mukim Tebrau, Johor (sales proceeds inclusive of profit from sales of the projects);
- (vii) Assignment of a Project Account of a property development project at Mukim Petaling, Daerah Petaling, Selangor (sales proceeds inclusive of profit from sales of the projects);
- (viii) Specific Debentures incorporating first fixed and floating charges over all the Projects' assets, both present and future; and
- (ix) Assignment of future rental income that is derived from investment properties of the Group.

The term loans are also jointly and severally guaranteed by a Director and a shareholder of the Company.

The term loan of the Company is also guaranteed by a subsidiary of the Company.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 28. BORROWINGS (Cont'd)

(c) Revolving credits of the Group are secured by the following:

- (i) Completed properties under inventories of the Group as disclosed in Note 21(a) to the financial statements; and
- (ii) Fixed deposits as disclosed in Note 25(b) to the financial statements.

The revolving credits are also jointly and severally guaranteed by a Director and a shareholder of the Company.

(d) The repayment terms for the term loans are as follows:

	2016 RM	2015 RM
<b>Group</b>		
Term loan I is repayable by one hundred and eighty (180) equal monthly instalments of RM9,964 each commencing March 2009	686,492	768,580
Term loan II is repayable by sixty (60) equal monthly instalments of RM11,980 each commencing September 2011	-	95,626
Term loan III is repayable based on redemption structure set by a financial institution	54,249,007	59,482,492
Term loan IV is repayable by sixty (60) equal monthly instalments of RM421,957 each commencing May 2015	15,759,420	18,918,831
Term loan V is repayable by sixteen (16) equal quarterly instalments commencing May 2016	40,000,000	40,000,000
Term loan VI is repayable by fifty-five (55) equal monthly instalments of RM865,700 each commencing April 2016	34,375,987	34,968,141
Term loan VII is repayable by eighteen (18) equal monthly instalments of RM1,666,667 each commencing 31 <sup>st</sup> month from the date of first drawdown of term loan or repayment via redemption whichever is earlier	30,000,000	-
Term loan VIII is repayable by sixty (60) equal monthly instalments of RM77,238 each commencing October 2016	3,838,803	-
<b>Group and Company</b>		
Term loan IX is repayable by partial settlement of RM4,000,000 per month on 1.12.2016, 1.1.2017, 1.2.2017 and full settlement on 28.2.2017	36,230,762	33,082,949
	215,140,471	187,316,619

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 28. BORROWINGS (Cont'd)

(d) The repayment terms for the term loans are as follows (Cont'd):

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Repayable as follows:				
- within one (1) year	143,245,219	110,689,963	36,230,762	33,082,949
- later than one (1) year and not later than five (5) years	71,686,280	76,316,666	-	-
- later than five (5) years	208,972	309,990	-	-
	215,140,471	187,316,619	36,230,762	33,082,949

(e) The interest rate profile of the borrowings as at the end of each reporting period are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Fixed rate	5,485,606	15,164,294	-	-
Floating rate	262,929,706	278,723,302	36,230,762	33,082,949
	268,415,312	293,887,596	36,230,762	33,082,949

Sensitivity analysis for fixed rate borrowings as at the end of the reporting period is not presented as fixed rate instruments are not affected by change in interest rates. Sensitivity analysis of interest rates for the floating rate instruments at the end of the reporting period, assuming all other variables remain constant is as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Effects of 100 basis points changes to profit/(loss) after tax				
- Increase by 1% (2015: 1%)	(1,998,266)	2,118,297	(275,354)	(251,430)
- Decrease by 1% (2015: 1%)	1,998,266	(2,118,297)	275,354	251,430



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 28. BORROWINGS (Cont'd)

- (f) The weighted average effective interest rates of the borrowings as at the end of each reporting period are as follows:

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Term loans	7.18	6.96	7.60	7.60
Revolving credits	5.94	6.02	-	-
Hire-purchase creditors	5.83	5.88	-	-
Bank overdrafts	7.97	7.87	-	-

- (g) Financial instruments that are not carried at fair values and whose carrying amounts are reasonable approximation of fair values, are as follows:

Group	2016		2015	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Term loans	215,140,471	215,140,471	187,316,619	187,316,619
Revolving credits	6,057,035	6,057,035	19,100,000	19,100,000
Hire-purchase creditors	5,485,606	5,301,995	15,164,294	14,587,946
Bank overdrafts	41,732,200	41,732,200	72,306,683	72,306,683
	268,415,312	268,231,701	293,887,596	293,311,248

  

<b>Company</b>				
Term loans	36,230,762	36,230,762	33,082,949	33,082,949

The carrying amounts of terms loans, revolving credits and bank overdrafts are reasonable approximations of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of each reporting period.

The fair values of hire-purchase creditors are estimated by discounting expected future cash flows at market incremental lending rate for similar type of lending, borrowings or leasing arrangements at the end of each reporting period.

The fair value of borrowings is categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

- (h) Borrowings are denominated in Ringgit Malaysia.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 28. BORROWINGS (Cont'd)

- (i) The table below summarises the maturity profile of the borrowings as at the end of each reporting period based on contractual undiscounted repayment obligations:

Group 2016	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Term loans	159,831,287	80,040,374	217,978	240,089,639
Revolving credits	6,057,035	-	-	6,057,035
Hire-purchase creditors	5,015,775	671,538	-	5,687,313
Bank overdrafts	41,732,200	-	-	41,732,200
Total undiscounted financial liabilities	212,636,297	80,711,912	217,978	293,566,187
<b>2015</b>				
Term loans	118,789,982	96,892,953	330,546	216,013,481
Revolving credits	19,100,000	-	-	19,100,000
Hire-purchase creditors	10,273,749	5,670,485	93,081	16,037,315
Bank overdrafts	72,306,683	-	-	72,306,683
Total undiscounted financial liabilities	220,470,414	102,563,438	423,627	323,457,479
<b>Company 2016</b>				
Term loans	36,861,827	-	-	36,861,827
Total undiscounted financial liabilities	36,861,827	-	-	36,861,827
<b>2015</b>				
Term loans	34,729,302	-	-	34,729,302
Total undiscounted financial liabilities	34,729,302	-	-	34,729,302

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 29. HIRE-PURCHASE CREDITORS

	2016 RM	Group 2015 RM
Minimum hire-purchase payments:		
- not later than one (1) year	5,015,775	10,273,749
- later than one (1) year and not later than five (5) years	671,538	5,670,485
- later than five (5) years	-	93,081
Total minimum hire-purchase payments	5,687,313	16,037,315
Less: Future interest charges	(201,707)	(873,021)
Present value of hire-purchase payments	5,485,606	15,164,294
Repayable as follows:		
<b>Current liabilities</b>		
- not later than one (1) year	4,855,113	9,617,307
<b>Non-current liabilities</b>		
- later than one (1) year and not later than five (5) years	630,493	5,455,956
- later than five (5) years	-	91,031
	630,493	5,546,987
	5,485,606	15,164,294

## 30. TRADE AND OTHER PAYABLES

	Note	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
<b>Trade payables</b>					
Third parties		24,966,618	62,401,280	-	-
Related parties		-	52,000	-	-
Retention sums		45,128,302	59,615,210	-	-
Amounts due to contract customers					
- Third parties	31	49,275,577	91,723,835	-	-
		119,370,497	213,792,325	-	-

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 30. TRADE AND OTHER PAYABLES (Cont'd)

Note	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>Other payables</b>				
Other payables	22,634,162	21,608,487	313,336	211,121
Amounts owing to related parties	6,850,216	6,850,216	-	-
Accruals	177,489,597	89,463,619	126,116	129,346
Deposits	764,115	461,265	-	-
Amounts owing to corporate shareholders of a subsidiary	3,632,333	6,875,353	-	-
Amounts owing to Directors	11,502,142	1,206,041	7,796,100	-
Amount owing to a subsidiary	-	-	-	29,308
	222,872,565	126,464,981	8,235,552	369,775
	342,243,062	340,257,306	8,235,552	369,775

- Trade and other payables are classified as other financial liabilities, and measured at amortised cost using the effective interest method.
- Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 14 to 90 days (2015: 14 to 90 days). Other credit term are assessed and approved by the suppliers on a case by case basis.
- Included in other payables of the Group is an amount owing to a previous Director of a subsidiary and his close family member amounting to RM6,342,545 (2015: RM6,993,964) that bears interest at rate of 8% (2015: 8%) per annum.
- Amounts owing to related parties (non-trade) represent advances and payments made on behalf, which are unsecured, interest-free and repayable upon demand in cash and cash equivalents.
- Amounts owing to corporate shareholders of a subsidiary represent advances, payments made on behalf and dividend payable, which are unsecured, interest-free and repayable on demand in cash and cash equivalents. In the previous financial year, there was an amount owing to a corporate shareholder of a subsidiary amounting to RM3,890,937 that bore interest at a rate of 8% per annum.
- Amounts owing to Directors represent advances and payments made on behalf, which are unsecured, interest-free and repayable on demand in cash and cash equivalents.
- In the previous financial year, amount owing to a subsidiary represented advances and payments made on behalf, which were unsecured, interest-free and repayable on demand in cash and cash equivalents.
- Trade and other payables are denominated in Ringgit Malaysia.
- The maturity profile of the trade and other payables (excluding amounts due to contract customers) of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations are repayable on demand or within one (1) year.
- Sensitivity analysis for fixed rate profile of other payables at the end of the reporting period is not presented as fixed rate instruments are not affected by change in interest rates.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 31. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

	2016 RM	Group 2015 RM
Aggregate costs incurred to date	1,755,793,879	1,589,683,065
Add: Attributable profits	380,095,645	345,088,542
	2,135,889,524	1,934,771,607
Less: Progress billings	(2,071,291,031)	(1,973,911,729)
	64,598,493	(39,140,122)
Amounts due from contract customers (Note 22)	113,874,070	52,583,713
Amounts due to contract customers (Note 30)	(49,275,577)	(91,723,835)
	64,598,493	(39,140,122)

Additions to aggregate costs incurred during the financial year included:

	2016 RM	Group 2015 RM
Salaries, bonus and overtime	6,770,611	9,212,553
EPF and Socso contributions	858,241	1,149,450
Wages	219,314	242,691
Other benefits	51,982	264,913
Rental of:		
- crane	3,427,218	15,324,834
- excavator	681,532	4,312,481
- lorries	1,183,485	4,836,911
- plant and machinery	1,777,715	5,927,951
- tractors	-	760,059
- site office	24,645	55,615
- site quarters	137,780	115,502

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 32. COMMITMENTS

### (a) Operating lease commitments

#### (i) The Group and the Company as lessee

The Group and the Company had entered into non-cancellable lease agreements for the rental of office buildings, shop lots, leasehold land, hostel and office equipment resulting in future rental commitments which can, subject to certain terms in the agreements, be revised accordingly or upon its maturity based on prevailing market rates.

The Group and the Company have aggregated future commitments as at the end of each reporting period as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Not later than one (1) year	1,328,707	2,184,200	169,620	102,000
Later than one (1) year and not later than five (5) years	541,032	1,075,765	178,500	280,500
	1,869,739	3,259,965	348,120	382,500

#### (ii) The Group as lessor

The Group has entered into a non-cancellable lease arrangement for the rental of investment properties and plant and machinery for a term of five (5) years and two (2) years respectively.

The Group has aggregate future minimum lease receivables as at the end of the reporting period as follows:

	Group	
	2016 RM	2015 RM
Not later than one (1) year	11,462,016	2,100,000
Later than one (1) year and not later than five (5) years	37,005,552	-
	48,467,568	2,100,000

### (b) Capital commitments

	Group	
	2016 RM	2015 RM
<b>Contracted but not provided for</b>		
- Freehold land held under development	54,250,000	65,300,000



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 33. CONTINGENT LIABILITIES

### (a) Guarantees

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries	-	-	360,191,429	386,838,524
Corporate guarantees given to suppliers in respect of goods supplied to its wholly-owned subsidiaries	-	-	88,959,780	87,459,780
Bank guarantees given by financial institutions in respect of construction and property projects	97,995,362	133,240,916	5,178,532	5,178,532
	97,995,362	133,240,916	454,329,741	479,476,836

The Group designates corporate guarantees given to banks for credit facilities granted to third party and subsidiaries as insurance contracts as defined in FRS 4 *Insurance Contracts*. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The Directors are of view that the chances of the financial institutions to call upon the guarantees are remote. Accordingly, the fair values of the above guarantees are negligible.

### (b) Material outstanding litigations

On 18 November 2015, AQRS The Building Company Sdn. Bhd. ("AQRS"), a subsidiary of the Company, filed a lawsuit against Goodnite Sdn. Bhd. ("Goodnite") and demanded a sum of RM6.8 million, which comprised land costs paid and development costs amounted to RM5.6 million and RM1.2 million respectively.

AQRS had entered into a Sale and Purchase Agreement ("SPA") with Goodnite for the acquisition of leasehold land located at Sungai Lalang. The SPA entered into between Goodnite and AQRS was subject to the following conditions precedent:

- (i) the existing SPA entered into by Goodnite with another party, Merit Trading Sdn. Bhd. ("Merit") dated 14 August 2014 be duly terminated; and
- (ii) the withdrawal of the existing private caveat dated 18 August 2014.

The above conditions precedent had been fulfilled by Goodnite on 19 November 2014. However, subsequently on 30 April 2015, Merit had lodged a new caveat and demanded a compensation of RM4.5 million from Goodnite. AQRS had on 3 September 2015 decided to terminate this acquisition after Goodnite had failed to remove the new caveat lodged by Merit despite reminders being sent to them.

Goodnite has counterclaimed against AQRS for General Damages in excess of RM5.0 million. The Case Management is fixed on 1 August 2017 whilst the trial is expected to be on 16 and 17 August 2017.

The Directors are of the opinion, after taking appropriate legal advice, that no provision for the abovementioned claims is necessary.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 34. DIVIDEND

	<b>Group and Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>
In respect of the financial year ended 31 December 2014:		
Final share dividend of one (1) treasury share for every one hundred (100) ordinary shares of RM0.25 each held, credited on 3 August 2015	-	4,834,774

The Directors do not recommend the payment of any dividend in respect of the current financial year.

## 35. ACQUISITION OF SUBSIDIARIES

### 2015

- (a) In the previous financial year, on 5 February 2015, the Company acquired 45,000 ordinary shares of RM1.00 each in Trusvest Sdn. Bhd. ("Trusvest"), a company incorporated in Malaysia, for a total cash consideration of RM45,000, representing 90% equity interest in Trusvest.

- (i) The fair value of the identifiable assets of Trusvest as at the date of acquisition was as follows:

	<b>RM</b>
Other receivables	50,000
Non-controlling interests measured based on their proportionate interest in the recognised amounts of the acquiree's identifiable assets	(5,000)
	45,000

- (ii) The consideration transferred for the acquisition of Trusvest was as follows:

	<b>RM</b>
Cash paid/Total consideration	45,000

- (iii) The effects of the acquisition of Trusvest on cash flows of the Group were as follows:

	<b>RM</b>
Consideration settled in cash	45,000
Less: Cash and cash equivalents of subsidiary acquired	-
Net cash outflow of the Group on acquisition	45,000

The acquisition of Trusvest did not have any material financial effect to the Group.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 35. ACQUISITION OF SUBSIDIARIES (Cont'd)

### 2015 (Cont'd)

- (b) In the previous financial year, on 9 April 2015, the Company acquired the entire issued and paid up share capital of GBG Properties (Sabah) Sdn. Bhd. ("GBGPS"), a company incorporated in Malaysia, for a cash consideration of RM2.

- (i) The fair value of the identifiable asset of GBGPS as at the date of acquisition was as follows:

	RM
Cash in hand	2

- (ii) The consideration transferred for the acquisition of GBGPS was as follows:

	RM
Cash paid/Total consideration	2

- (iii) The effects of the acquisition of GBGPS on cash flows of the Group were as follows:

	RM
Consideration settled in cash	2
Less: Cash and cash equivalents of subsidiary acquired	(2)
Net cash outflow of the Group on acquisition	-

The acquisition of GBGPS did not have any material financial effect to the Group.

## 36. RELATED PARTY DISCLOSURES

- (a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties could be individuals or other entities.

Related parties of the Group include:

- (i) its subsidiaries;
- (ii) its associate;
- (iii) key management personnel, which comprises persons (including the Directors of the Group) having authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly; and
- (iv) companies in which the Directors/shareholders of the Company or their close family members have substantial financial interests or significant influence.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 36. RELATED PARTY DISCLOSURES (Cont'd)

(b) The Group and the Company had the following transactions with related parties during the financial year:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Subsidiaries:				
Gross dividend income	-	-	-	18,000,000
Interest received/receivable	-	-	8,306,501	590,993
Rental paid/payable	-	-	48,300	-
Management fee paid/payable	-	-	259,064	672,658
Associate:				
Dividend received	88,200	-	-	-
Related parties:				
Rental of office premises paid/payable	384,516	315,318	-	-
Rental of investment properties received/receivable	4,177,421	-	-	-
Progress billings on construction contracts paid/payable	117,000	156,000	-	-

The related party transactions described above were carried out on terms and conditions not materially different from those obtainable from transactions with unrelated parties.

Information regarding outstanding balances with related parties at the end of the financial year are disclosed in Notes 22 and 30 to the financial statements.

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group.

The remuneration of Directors during the financial year was as follows:

	Group	
	2016 RM	2015 RM
Short term employee benefits	2,304,657	6,200,110
Contributions to defined contribution plan	318,214	666,287
	2,622,871	6,866,397

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 37. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 6 April 2016, Prestige Field Development Sdn. Bhd., a subsidiary of the Company had entered into a sale and purchase agreement ("SPA") with Stratmont Development Sdn. Bhd. for the disposal of a piece of leasehold land measuring 32,280 square metres and held under H.S.(D) 316361 P.T.82697 in Mukim of Petaling, District of Petaling, State of Selangor for a total cash consideration of RM50,384,327.

## 38. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

### (a) Disposal of a land located at Sungai Buloh, Selangor

On 6 February 2017, the Company announced that its subsidiary, Nusvista Development Sdn. Bhd. had entered into a sale and purchase agreement ("SPA") with Gadang Construction Sdn. Bhd. for the disposal of a piece of leasehold land measuring approximately 10,799 square metres and held under H.S.(D) 256293 P.T.47369 in Mukim of Sungai Buloh, District of Petaling, State of Selangor for a total consideration of RM55,690,000, pursuant to the terms and conditions as stipulated in the SPA dated 6 February 2017.

### (b) Disposal of a land located at Petaling, Selangor

On 17 March 2017, the Company announced that its subsidiary, Prestige Field Development Sdn. Bhd. had entered into a sale and purchase agreement ("SPA") with Ara Indah Development Sdn. Bhd. for the disposal of a piece of leasehold land measuring approximately 20,861 square metres and held under H.S.(D) 316360 P.T.82696 in Mukim of Petaling, District of Petaling, State of Selangor for a total consideration of RM34,727,683, pursuant to the terms and conditions as stipulated in the SPA dated 17 March 2017.

### (c) Effective date of Companies Act 2016

The Companies Act, 2016 ("New Act") was enacted to replace the Companies Act, 1965 and was passed by Parliament on 4 April 2016. The New Act was subsequently gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the effective date of the New Act, except for section 241 and Division 8 of Part III of the New Act, to be 31 January 2017.

Amongst the key changes introduced in the New Act, which will affect the financial statements of the Group and of the Company would include the removal of the authorised share capital, replacement of no par value shares in place of par or nominal value shares, and the treatment of share premium and capital redemption reserves.

The adoption of the New Act did not have any financial impact on the Group and the Company for the financial year ended 31 December 2016 as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures to the annual report and financial statements of the Group and of the Company for the financial year ending 31 December 2017.

**39. ADOPTION OF FRSs AND AMENDMENTS TO FRSs****(a) New FRSs adopted during the financial year**

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 Standards that are mandatory for annual financial periods beginning on or after 1 January 2016.

Title	Effective Date
FRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to FRS 10, FRS 12 and FRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to FRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to FRS 101 <i>Disclosure Initiative</i>	1 January 2016
Amendments to FRS 116 and FRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to FRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to FRSs <i>Annual Improvements to FRSs 2012 - 2014 Cycle</i>	1 January 2016

There is no material impact upon the adoption of these Standard and Amendments during the financial year, other than the adoption of Amendments to FRS 101 *Disclosure Initiative*, which resulted in the following:

- (i) Grouping together supporting information for items presented in the statements of financial position, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows within the notes to the financial statements.
- (ii) Disclosures of only significant accounting policies comprising the measurement bases used in preparing the financial statements and other accounting policies that are relevant to the financial statements.

**(b) New FRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2017**

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

Title	Effective Date
Amendments to FRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to FRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to FRS 12 <i>Annual Improvements to FRS Standards 2014 - 2016 Cycle</i>	1 January 2017
FRS 9 <i>Financial Instruments (IFRS 9 as issued by IASB in July 2014)</i>	1 January 2018
Amendments to FRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 39. ADOPTION OF FRSs AND AMENDMENTS TO FRSs (Cont'd)

### (b) New FRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2017 (Cont'd)

Title	Effective Date
Amendments to FRS 1 <i>Annual Improvements to FRS Standards 2014 - 2016 Cycle</i>	See FRS 1 Paragraphs 39AD and 39ADAA
Amendments to FRS 4 <i>Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts</i>	See FRS 4 Paragraphs 46, 47AA and 48
Amendments to FRS 128 <i>Annual Improvements to FRS Standards 2014 - 2016 Cycle</i>	See FRS 128 Paragraphs 45E and 45EAA
Amendments to FRS 140 <i>Transfers of Investment Property</i>	See FRS 140 Paragraphs 85G and 85GAA
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	See IC Interpretation 22 Paragraphs A1 and A1AA
Amendments to FRS 10 and FRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group is in the process of assessing the impact of implementing these Standards, since the effects would only be observable for future financial years.

### (c) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

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

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

The Group and the Company fall within the scope definition of Transitioning Entities and accordingly, would be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the financial year ending 31 December 2018. In presenting its first MFRS financial statements, the Group and the Company would be required to adjust the comparative financial statements prepared under the FRS to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition would be made, retrospectively, against opening retained earnings. The Group has opted to defer the adoption of the MFRS Framework to the financial period beginning on 1 January 2018.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2016

## 40. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

The retained earnings as at the end of each reporting period may be analysed as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2016 RM</b>	<b>2015 RM</b>	<b>2016 RM</b>	<b>2015 RM</b>
Total retained earnings of the Company and its subsidiaries:				
- Realised	244,496,688	214,157,282	35,635,294	32,842,424
- Unrealised	(1,621,541)	(453,103)	-	-
	242,875,147	213,704,179	35,635,294	32,842,424
Total share of retained earnings from an associate:				
- Realised	204,210	369,088	-	-
Total share of accumulated losses from a joint venture:				
- Realised	(30,004)	(10,596)	-	-
	243,049,353	214,062,671	35,635,294	32,842,424
Less: Consolidation adjustments	(82,083,789)	(75,728,590)	-	-
Total retained earnings	160,965,564	138,334,081	35,635,294	32,842,424

# LIST OF PROPERTIES

Land Title Details/ Location	Built-up Area (sq. ft.)	Land Area (hectares)	Description/ Existing Use	Tenure/ Age of Property	Date of Issuance of Certificates of Fitness for Occupation	Audited Net Carrying Amount as at 31.12.2016 RM
Geran 162711/M1/2/4, Lot 70891 2-1A Jalan Q 31/Q, Kota Kemuning 40460 Seksyen 31 Shah Alam, Selangor Darul Ehsan	1,539		1 unit on the 1st floor of a 4-storey shophot/ Vacant	Freehold/ Approximately 12 years	02.03.2000	130,753
H.S.(D) 247091, P.T No. 10900 G-58-G to G-58-3, Block G Jalan Teknologi 3/9 Bistari 'De' Kota Kota Damansara, PJU 5 47810 Petaling Jaya Selangor Darul Ehsan	10,519		1 unit of a 4-storey shophot	Leasehold (99 years expiring on 03.09.2107)/ Approximately 9 years	11.03.2008	3,263,543
H.S.(D) 247092, P.T No. 10901 G-59-G to G-59-3, Block G Jalan Teknologi 3/9 Bistari 'De' Kota Kota Damansara, PJU 5 47810 Petaling Jaya Selangor Darul Ehsan	6,644		1 unit of a 4-storey shophot	Leasehold (99 years expiring on 03.09.2107)/ Approximately 9 years	11.03.2008	2,626,002
H.S.(D) 247071, P.T No. 10880 D-39-G and D-39-1, Block D Jalan Teknologi 3/9 Bistari 'De' Kota Kota Damansara, PJU 5 47810 Petaling Jaya Selangor Darul Ehsan	3,248		1 unit of a 2-storey shophot	Leasehold (99 years expiring on 03.09.2107)/ Approximately 9 years	11.03.2008	1,700,547
H.S.(D) 247072, P.T No. 10881 D-40-G and D-40-1, Block D Jalan Teknologi 3/9 Bistari 'De' Kota Kota Damansara, PJU 5 47810 Petaling Jaya Selangor Darul Ehsan	3,248		1 unit of a 2-storey shophot	Leasehold (99 years expiring on 03.09.2107)/ Approximately 9 years	11.03.2008	1,810,259

## LIST OF PROPERTIES (CONT'D)

Land Title Details/ Location	Built-up Area (sq. ft.)	Land Area (hectares)	Description/ Existing Use	Tenure/ Age of Property	Date of Issuance of Certificates of Fitness for Occupation	Audited Net Carrying Amount as at 31.12.2016 RM
H.S.(D) 247065, P.T No. 10874 D-33-G to D-33-2, Block D Jalan Teknologi 3/9 Bistari 'De' Kota Kota Damansara, PJU 5 47810 Petaling Jaya Selangor Darul Ehsan	10,945		1 unit of a 3-storey shophouse	Leasehold (99 years expiring on 03.09.2107)/ Approximately 9 years	11.03.2008	4,316,408
H.S.(D) 256293, Lot No. PT 47369 Sungai Buloh, Petaling Jaya, Selangor Darul Ehsan		1.08	Land held for development	99 years leasehold tenure expiring on 13.05.2108		38,582,161
H.S.(D) 288198 Lot No. PT 81305 Lestari Perdana, Mukim Petaling Daerah Petaling		2.09	Land held for development	99 years leasehold tenure expiring on 04.09.2112		22,566,196
H.S (D) 37545 Lot No. PT 21045 Mukim Dengkil, Daerah Sepang, Selangor Darul Ehsan		7.70	Land held for development	99 years leasehold tenure expiring on 19.10.2093		36,921,605

# STATISTICS OF SHAREHOLDINGS

AS AT 7 APRIL 2017 (AS PER RECORD OF DEPOSITORS)

The total number of issued shares of the Company stands at 390,920,000 ordinary shares, with voting right of one vote per ordinary share

## ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Holdings	No. of Holders	No. of Shares Held	% of Issued Shares
Less than 100	110	3,514	*
100 to 1,000	115	37,562	0.01
1,001 to 10,000	461	1,844,427	0.47
10,001 to 100,000	307	9,190,742	2.35
100,001 to less than 5% of issued shares	190	312,542,253	80.06
5% and above of issued shares	3	66,766,000	17.10
Total	1,186	390,384,498	100.00

Note:-

\* Negligible

## SUBSTANTIAL SHAREHOLDERS

according to the Register of Substantial Shareholders as at 7 April 2017

No. Name	Direct Interest		Deemed Interest	
	No. of Issued Shares	% of Issued Shares	No. of Issued Shares	% of Issued Shares
1. Ow Chee Cheoon	32,800,760	8.40	52,001,900 <sup>(1)</sup>	13.32 <sup>(1)</sup>
2. Bernard Lim Soon Chiang	9,372,800	2.40	52,001,900 <sup>(1)</sup>	13.32 <sup>(1)</sup>
3. Dato' Azizan bin Jaafar	202,000	0.05	52,001,900 <sup>(1)</sup>	13.32 <sup>(1)</sup>
4. Ganjaran Gembira Sdn Bhd	52,001,900	13.32	-	-
5. Ng Kit Heng	14,474,333	3.71	18,990,000 <sup>(2)</sup>	4.86 <sup>(2)</sup>
6. Ng Chun Seong	13,436,689	3.44	17,716,017 <sup>(3)</sup>	4.54 <sup>(3)</sup>
7. Ng Chun Kooi	17,716,017	4.54	13,436,689 <sup>(4)</sup>	3.44 <sup>(4)</sup>
8. Dato' Ng Kee Leen	22,220,000	5.69	-	-

Notes:-

<sup>(1)</sup> Deemed interested by virtue of their respective shareholdings in Ganjaran Gembira Sdn Bhd pursuant to Section 8(4)(c) of the Act.

<sup>(2)</sup> Deemed interested by virtue of his shareholding in Deras Mekar Sdn Bhd pursuant to Section 8(4)(c) of the Act.

<sup>(3)</sup> Deemed interested by virtue of Ng Chun Kooi, his brother's interest in the Company pursuant to Section 8(5)(c) of the Act; and

<sup>(4)</sup> Deemed interested by virtue of Ng Chun Seong, his brother's interest in the Company pursuant to Section 8(5)(c) of the Act.

# STATISTICS OF SHAREHOLDINGS (CONT'D)

as at 7 April 2017 (as per Record of Depositors)

## DIRECTORS' DIRECT AND DEEMED INTERESTS

in the Company and/or its Related Corporations as at 7 April 2017

Name of Directors	Direct Interest		Deemed Interest	
	No. of Issued Shares	% of Issued Shares	No. of Issued Shares	% of Issued Shares
Y.M. Tunku Alizan bin Raja Muhammad Alias	-	-	-	-
Datuk Kamarudin bin Md. Ali	-	-	-	-
Dato' Azizan bin Jaafar	202,000	0.05	52,001,900 <sup>(1)</sup>	13.32 <sup>(1)</sup>
Ow Chee Cheoon	32,800,760	8.40	52,001,900 <sup>(1)</sup>	13.32 <sup>(1)</sup>
Bernard Lim Soon Chiang	9,372,800	2.40	52,001,900 <sup>(1)</sup>	13.32 <sup>(1)</sup>
Loo Choo Hong	101,000	0.03	-	-
Muk Sai Tat	-	-	-	-

Note:-

<sup>(1)</sup> Deemed interested by virtue of their respective shareholdings in Ganjaran Gembira Sdn Bhd pursuant to Section 8(4)(c) of the Act.

## TOP 30 SECURITIES ACCOUNT HOLDERS

as per Record of Depositors as at 7 April 2017

No. Name	No. of Issued Shares	% of Issued Shares
1. Kenanga Capital Sdn Bhd <i>Pledged Securities Account for Ganjaran Gembira Sdn Bhd</i>	25,000,000	6.40
2. Ng Kee Leen	22,220,000	5.69
3. CimSec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Ow Chee Cheoon (PBCL-0G0066)</i>	19,546,000	5.01
4. Deras Mekar Sdn Bhd	18,990,000	4.86
5. RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ganjaran Gembira Sdn Bhd</i>	18,887,900	4.84
6. Ng Kit Heng	14,474,333	3.71
7. Ng Chun Seong	13,436,689	3.44
8. CIMB Group Nominees (Tempatan) Sdn Bhd <i>CIMB Commerce Trustee Berhad - Kenanga Growth Fund</i>	12,351,700	3.16
9. Malacca Equity Nominees (Tempatan) Sdn Bhd <i>Exempt AN for Phillip Capital Management Sdn Bhd</i>	10,615,600	2.72
10. MayBank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ng Chun Kooi</i>	10,100,000	2.59
11. CitiGroup Nominees (Tempatan) Sdn Bhd <i>Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)</i>	9,854,500	2.52
12. CitiGroup Nominees (Asing) Sdn Bhd <i>Exempt AN for Citibank New York (Norges Bank 14)</i>	7,985,900	2.05
13. Amanahraya Trustees Berhad <i>Public Islamic Treasures Growth Fund</i>	7,900,900	2.02
14. MayBank Securities Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ow Chee Cheoon (Margin)</i>	7,000,000	1.79
15. HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Allianz Life Insurance Malaysia Berhad (MEF)</i>	5,830,000	1.49



## STATISTICS OF SHAREHOLDINGS (CONT'D)

as at 7 April 2017 (as per Record of Depositors)

No. Name	No. of Issued Shares	% of Issued Shares
16. Ng Teik Eng	5,676,900	1.45
17. Ng Chun Kooi	5,660,657	1.45
18. Malacca Equity Nominees (Tempatan) Sdn Bhd <i>Exempt AN for Phillip Capital Management Sdn Bhd (EPF)</i>	5,596,200	1.43
19. Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Bernard Lim Soon Chiang</i>	5,555,000	1.42
20. RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ganjaran Gembira Sdn Bhd</i>	4,867,000	1.25
21. Cartaban Nominees (Tempatan) Sdn Bhd <i>RHB Trustees Berhad for Manulife Investment Shariah Progress Fund</i>	4,186,300	1.07
22. MayBank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lim Ann Kok</i>	4,040,000	1.03
23. AmSec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account - AmBank (M) Berhad for Bernard Lim Soon Chiang (SMART)</i>	3,814,770	0.98
24. CitiGroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (CIMB PRIN)</i>	3,751,100	0.96
25. CitiGroup Nominees (Tempatan) Sdn Bhd <i>Kumpulan Wang Persaraan (Diperbadankan) (Nomura)</i>	3,645,400	0.93
26. Affin Hwang Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ow Chee Cheoon (OWC0008M)</i>	3,535,000	0.91
27. CitiGroup Nominees (Tempatan) Sdn Bhd <i>Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)</i>	3,453,500	0.88
28. CitiGroup Nominees (Tempatan) Sdn Bhd <i>Kumpulan Wang Persaraan (Diperbadankan) (AFFIN HWNG SM CF)</i>	3,343,900	0.86
29. Lim Kuek Peng @ Lim Chee Peng	3,299,100	0.85
30. Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Pang Sar</i>	3,284,500	0.84
<b>Total</b>	<b>267,902,849</b>	<b>68.63</b>

# STATISTICS OF WARRANT HOLDINGS

AS AT 7 APRIL 2017 (AS PER RECORD OF WARRANT HOLDERS)

Number of Warrants Issued	:	159,984,000 (pursuant to the Bonus Issue of free Warrants on the basis of nine (9) warrants for every twenty (20) existing ordinary shares held on entitlement date)
Number of Outstanding Warrants	:	159,984,000
Exercise Price per Warrant	:	RM1.30
Exercise Period of Warrants	:	Period of five (5) years expiring on 20 July 2018
Voting Rights	:	None unless warrant holders exercise their warrants for new ordinary shares

## ANALYSIS BY SIZE OF WARRANT HOLDINGS

Size of Holdings	No. of Holders	No. of Warrants Held	% of Issued Warrants
Less than 100	143	6,498	*
100 to 1,000	135	75,403	0.05
1,001 to 10,000	358	2,188,044	1.37
10,001 to 100,000	667	27,878,240	17.43
100,001 to less than 5% of issued warrants	225	107,436,495	67.15
5% and above of issued warrants	2	22,399,320	14.00
Total	1,530	159,984,000	100.00

Note:-

\* Negligible

## SUBSTANTIAL WARRANT HOLDERS

according to the Register of Substantial Warrant Holders as at 7 April 2017

No. Name	Direct Interest		Deemed Interest	
	No. of Issued Warrants	% of Issued Warrants	No. of Issued Warrants	% of Issued Warrants
1. Mok Sew Wah	14,504,440	9.07	-	-
2. Bernard Lim Soon Chiang	8,446,500	5.28	1,500,000 <sup>(1)</sup>	0.94 <sup>(1)</sup>
3. Yee Yong Yip	8,000,000	5.00	-	-

Note:-

<sup>(1)</sup> Deemed interested by virtue of his shareholding in Ganjaran Gembira Sdn Bhd pursuant to Section 8(4)(c) of the Act.

## STATISTICS OF WARRANT HOLDINGS (CONT'D)

as at 7 April 2017 (as per Record of Warrant Holders)

### DIRECTORS' WARRANT HOLDINGS

as at 7 April 2017

Name of Directors	Direct Interest		Deemed Interest	
	No. of Issued Warrants	% of Issued Warrants	No. of Issued Warrants	% of Issued Warrants
Y.M. Tunku Alizan bin Raja Muhammad Alias	-	-	-	-
Datuk Kamarudin bin Md. Ali	-	-	-	-
Dato' Azizan bin Jaafar	90,000	0.06	1,500,000 <sup>(1)</sup>	0.94 <sup>(1)</sup>
Ow Chee Cheoon	-	-	1,500,000 <sup>(1)</sup>	0.94 <sup>(1)</sup>
Bernard Lim Soon Chiang	8,446,500	5.28	1,500,000 <sup>(1)</sup>	0.94 <sup>(1)</sup>
Loo Choo Hong	-	-	-	-
Muk Sai Tat	-	-	-	-

Note:-

<sup>(1)</sup> Deemed interested by virtue of their respective shareholdings in Ganjaran Gembira Sdn Bhd pursuant to Section 8(4)(c) of the Act.

### TOP 30 WARRANT HOLDERS

as per Record of Warrant Holders as at 7 April 2017

No. Name	No. of Issued Warrants	% of Issued Warrants
1. AmSec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Mok Sew Wah</i>	14,399,320	9.00
2. Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Yee Yong Yip (AY0029)</i>	8,000,000	5.00
3. Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Bernard Lim Soon Chiang</i>	6,750,000	4.22
4. Ng Keong Wee	4,950,000	3.09
5. Lee Kuan Chen	4,624,800	2.89
6. AmSec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account - AmBank (M) Berhad for Wong Tze Leng (SMART)</i>	3,446,875	2.15
7. Affin Hwang Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Phang Kwong Thin (PHA0148C)</i>	2,830,000	1.77
8. Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for On Li Sar @ Oon Li Sar</i>	2,500,000	1.56
9. Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Jenny Lim Fen Fua</i>	2,370,000	1.48
10. Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lim Hooi Kiang</i>	1,980,050	1.24
11. CimSec Nominees (Tempatan) Sdn Bhd <i>CIMB for Fardan bin Abdul Majeed (PB)</i>	1,898,900	1.19
12. Yayasan Pok Dan Kassim	1,850,000	1.16
13. AmSec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account - AmBank (M) Berhad for Bernard Lim Soon Chiang (SMART)</i>	1,696,500	1.06
14. AmSec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account - AmBank (M) Berhad for Cheng Ting In (SMART)</i>	1,660,500	1.04

## STATISTICS OF WARRANT HOLDINGS (CONT'D)

as at 7 April 2017 (as per Record of Warrant Holders)

No. Name	No. of Issued Warrants	% of Issued Warrants
15. Educrest Sdn Bhd	1,500,000	0.94
16. RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ganjaran Gembira Sdn Bhd</i>	1,500,000	0.94
17. Ding Nik Yau	1,473,300	0.92
18. Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Muruga Vadivale</i>	1,350,000	0.84
19. CimSec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ong Ban Chuan (Penang-CL)</i>	1,308,000	0.82
20. Affin Hwang Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ang Poh Meng (ANG1548C)</i>	1,300,000	0.81
21. Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tee Ching Seng (E-SKN/KJG)</i>	1,135,000	0.71
22. Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chew Meng Chung (027)</i>	947,400	0.59
23. HSBC Nominees (Asing) Sdn Bhd <i>Exempt AN for Credit Suisse (SG BR-TST-Asing)</i>	888,500	0.56
24. Pete Emmanuel a/l J.A Pereira	860,000	0.54
25. Lim Hwee Chuan	825,900	0.52
26. Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Peter Ernest Shack</i>	800,000	0.50
27. Tan Beng Teong	800,000	0.50
28. Guy Russel Gilbert	796,300	0.50
29. Lai Jone Yin	780,000	0.49
30. Syarikat Muhibah Perniagaan Dan Pembinaan Sdn Bhd	770,580	0.48
<b>Total</b>	<b>75,991,925</b>	<b>47.50</b>

ABOUT US

FINANCIAL  
HIGHLIGHTS

THE BOARD

GOVERNANCE

FINANCIAL  
REPORTS

• ADDITIONAL  
INFORMATION

# ADDITIONAL COMPLIANCE INFORMATION DISCLOSURES

The following information is provided in accordance with Paragraph 9.25 of the MMLR as set out in Appendix 9C thereto.

## **1. Utilisation of Proceeds Raised from Corporate Proposals**

There were no fund raising exercises implemented during the financial year.

## **2. Related Party Transactions**

Significant related party transactions of the Group for the financial year are disclosed in Note 36 to the Financial Statements.

## **3. Non-Audit Fees**

There were non-audit fees amounting to RM80,530 and RM82,030 incurred for services rendered to the Company and the Group respectively by the Company's auditors or affiliates of the auditors' firm for the FYE 2016.

## **4. Variation in Results**

The annual audited financial statements of the Company/Group for the FYE 2016 did not vary by 10% or more from the unaudited financial results announced by the Company on 23 February 2017.

## **5. Material Contracts Involving Directors' and Major Shareholders' Interests**

There was no material contract entered into by the Group involving the interest of Directors and major shareholders, either still subsisting as at the end of the financial year or entered into since the end of the previous financial year.

# NOTICE OF 7<sup>TH</sup> ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the 7<sup>th</sup> Annual General Meeting of the Company will be held at Dillenia Room, Sime Darby Convention Centre, Ground Floor, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Monday, 22 May 2017 at 10.00 a.m. for the transaction of the following businesses:-

## AGENDA

### Ordinary Business

- |  |                                      |
|--|--------------------------------------|
| 1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon.   | <b>(Please refer to Note 2)</b>      |
| 2. To re-elect the following Directors who retire by rotation in accordance with Article 95 of the Company's Constitution and who being eligible offer themselves for re-election:-<br>(i) Dato' Azizan bin Jaafar; and<br>(ii) Mr Bernard Lim Soon Chiang | <b>Resolution 1<br/>Resolution 2</b> |
| 3. To re-appoint Y.M. Tunku Alizan bin Raja Muhammad Alias who retires by rotation in accordance with Article 101 of the Company's Constitution and who being eligible offers himself for re-election.   | <b>Resolution 3</b>                  |
| 4. To re-appoint BDO as Auditors of the Company for the financial year ending 31 December 2017 and to authorise the Board of Directors of the Company to determine their remuneration.   | <b>Resolution 4</b>                  |
| 5. To approve the payment of Directors' fee amounting to RM360,000 in respect of the financial year ended 31 December 2016.  | <b>Resolution 5</b>                  |

### Special Business

6. To consider and if thought fit, to pass, with or without modifications, the following Ordinary Resolution:-

#### **Authority to issue shares pursuant to Section 75 of the Companies Act, 2016**

**Resolution 6**

**"THAT** subject always to the Companies Act, 2016 ("the Act"), the Constitution of the Company and the approvals from the relevant governmental and/or regulatory authorities, where such approval is necessary, the Directors of the Company be and are hereby empowered, pursuant to Section 75 of the Act, to allot and issue shares in the Company from time to time and upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors of the Company may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the total number of issued shares/total number of voting shares of the Company for the time being **AND THAT** such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.

**AND THAT** the Directors of the Company, whether solely or jointly, be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Main Market of Bursa Malaysia Securities Berhad **AND** be hereby authorised to do all such acts and things including executing all relevant documents as he/they may consider expedient or necessary to complete and give full effect to the abovesaid mandate."



## NOTICE OF 7<sup>TH</sup> ANNUAL GENERAL MEETING (CONT'D)

7. To consider and if thought fit, to pass, with or without modifications, the following Ordinary Resolution:-

### **Proposed Renewal of Authority for Share Buy-Back**

### **Resolution 7**

“**THAT** subject to the Companies Act, 2016 (“the Act”), rules, regulations and orders made pursuant to the Act, provisions of the Constitution of the Company, the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and other relevant regulatory authorities, the Company be and is hereby unconditionally and generally authorised to exercise a buy-back of its ordinary shares as determined by the Board from time to time through Bursa Securities upon such terms and conditions as the Board in their discretion deem fit and expedient in the interest of the Company (“Proposed Share Buy-Back”) PROVIDED THAT:-

- (i) the maximum number of ordinary shares which may be purchased and/or held by the Company shall be equivalent to 10% of the total number of issued shares of the Company at the point of purchase;
- (ii) the maximum amount of funds to be allocated by the Company for the purpose of purchasing its shares shall not exceed the aggregate of the retained profits of the Company as at 31 December 2016;
- (iii) the authority conferred by this resolution will commence immediately upon passing of this Ordinary Resolution and will continue to be in force until:-
  - a) the conclusion of the next Annual General Meeting (“AGM”) of the Company at which time it will lapse, unless the authority is renewed by a resolution passed at a general meeting, either unconditionally or subject to conditions; or
  - b) the expiration of the period within which the next AGM after that date is required by law to be held; or
  - c) revoked or varied by ordinary resolution passed by the shareholders in general meeting,whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the MMLR and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities; and
- (iv) upon completion of the purchase(s) of its shares by the Company, the Board be and is hereby authorised to:-
  - a) cancel the shares so purchased; or
  - b) retain the shares so purchased as treasury shares, either to be distributed as dividends to the shareholders and/or resold on the market of Bursa Securities and/or for cancellation subsequently; or
  - c) retain part of the shares so purchased as treasury shares and cancel the remainder; or

## NOTICE OF 7<sup>TH</sup> ANNUAL GENERAL MEETING (CONT'D)

- d) deal in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the MMLR and any other relevant authority for the time being in force.

**AND THAT** the Board be and is hereby authorised to do all such acts, deeds and things as they may consider expedient or necessary in the best interest of the Company to give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and to take all such steps, and do all such acts and things as the Board may deem fit and expedient in the best interest of the Company.”

- 8. To transact any other business that may be transacted at an Annual General Meeting, due notice of which shall have been given in accordance with the Companies Act, 2016 and the Constitution of the Company.

**FURTHER NOTICE IS HEREBY GIVEN THAT** for the purpose of determining a member who shall be entitled to attend this 7<sup>th</sup> AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 68(ii) of the Constitution of the Company and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors (“ROD”) as at 16 May 2017. Only a depositor whose name appears on the ROD as at 16 May 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

### BY ORDER OF THE BOARD

**TONG SIUT MOI**  
**MAICSA 7024173**  
Company Secretary

Selangor Darul Ehsan  
28 April 2017

### Notes:-

#### 1. Proxy

- (1) *A proxy may, but need not be a member of the Company.*
- (2) *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing. In the event the appointer is a corporation, the instrument appointing a proxy must be either under the appointer's Common Seal or under the hand of its officer or attorney duly authorised.*
- (3) *Subject to paragraphs (4) and (5) below, a member of the Company entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend this meeting and vote in his stead. Where a holder appoints two (2) proxies to attend and vote at the same meeting, such appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.*
- (4) *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 (“SICDA”), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

## NOTICE OF 7<sup>TH</sup> ANNUAL GENERAL MEETING (CONT'D)

- (5) *Where a member of the Company is an exempt authorised nominee holding ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account") as defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
- (6) *Where the authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the proportion of the shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*
- (7) *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarised copy of that power or authority shall be deposited at the Registered Office of the Company at H-73-1, Blok H, Jalan Teknologi 3/9, Bistari 'De' Kota, Kota Damansara, PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan, not less than twenty-four (24) hours before the time appointed for taking of poll.*

### **2. Audited Financial Statements for the financial year ended 31 December 2016**

*The Audited Financial Statements in agenda 1 are meant for discussion purpose 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. Re-election of Directors who retire by rotation in accordance with Article 95**

*Article 95 of the Constitution of the Company provides that one-third (1/3) of the Directors of the Company for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3), shall retire by rotation at an AGM of the Company.*

*For the purpose of determining the eligibility of the Directors to stand for re-election at the 7<sup>th</sup> AGM, the Nomination Committee had considered the followings:-*

- *the performance and contribution of each of the Directors based on their Self and Peer Assessment results; and*
- *the assessment of the individual Director's level of contribution to the Board through each of their skills, experience and strength in qualities.*

*The Board had approved the Nomination Committee's recommendation that the Directors who retire by rotation in accordance with Article 95 are eligible to stand for re-election. These retiring Directors had abstained from deliberations and decision on their own eligibility to stand for re-election at the relevant Nomination Committee and Board Meetings, where applicable. Their profiles are referred to in the Directors' Profile on pages 16, 18 and 20 of this Annual Report.*

### **4. Re-Appointment of Auditors**

*The Board had at its meeting held on 23 February 2017 approved the recommendation by the Audit Committee on the re-appointment of BDO as Auditors of the Company, having considered several factors including the adequacy of experience and resources of the firm and the professional staff assigned to the audit.*

### **5. Abstention from Voting**

*Any Director referred to in **Ordinary Resolutions 1, 2 and 3**, who is a shareholder of the Company will abstain from voting on the resolution in respect of his re-election or re-appointment at the 7<sup>th</sup> AGM.*

*All the non-Executive Directors who are shareholders of the Company will abstain from voting on **Ordinary Resolution 5** concerning the approval on payment of Directors' Fee in respect of the financial year ended 31 December 2016.*

## 6. Explanatory Notes on Special Business

### **Ordinary Resolution 6 - Authority to issue shares pursuant to Section 75 of the Companies Act, 2016**

The **Ordinary Resolution 6** proposed under agenda 6 above is a general mandate to be granted by the shareholders at the AGM for issuance of new ordinary shares pursuant to Section 75 of the Act. As at the date of this notice, no new shares of the Company had been issued pursuant to the mandate granted to the Directors at the last AGM held on 2 June 2016, which will lapse at the conclusion of the forthcoming AGM.

The proposed **Ordinary Resolution 6**, if passed, will give the Directors of the Company, from the date of the above Meeting, the authority to issue ordinary shares in the Company up to an amount not exceeding in total ten per centum (10%) of the total number of issued shares or total number of voting shares of the Company for the time being for such purposes as the Directors of the Company consider would be in the best interest of the Company. There will be no adverse effect on the share price in such cases, as the new issuance would not be priced at a discount of more than ten per centum (10%) of the weighted average market price for five (5) market days before the price-fixing date. This authority will, unless revoked or varied at a general meeting, expire at the conclusion of the next AGM of the Company.

The renewal of the general mandate, if approved, will provide flexibility to the Company for any future fund raising activities, including but not limited to further placing of shares for the purposes of funding future investment project(s), repayment of bank borrowings, additional working capital and/or acquisition(s) and, in addition to enhancing efficiency in implementing the same, it will reduce the administrative time and costs associated with the convening of additional shareholders' meeting(s) for the purposes of seeking shareholders' approval for such issue of shares.

### **Ordinary Resolution 7 - Proposed renewal of authority for Share Buy-Back**

The **Ordinary Resolution 7** proposed under agenda 7, if passed, will empower the Board to exercise a buy-back of its ordinary shares up to ten per centum (10%) of the total number of issued shares of the Company by utilising the funds allocated which shall not exceed the aggregate retained profits of the Company as at 31 December 2016. This authority will, unless revoked or varied at a general meeting, expire at the conclusion of the next AGM of the Company. The details of the proposal are set out in Section B of the Statement Accompanying Notice of AGM on pages 136 to 141 of this Annual Report.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPHS 8.27 (2) AND 12.06 (2) (A) OF THE MMLR)

## SECTION A

### DETAILS OF INDIVIDUAL STANDING FOR ELECTION AS DIRECTOR

No notice of nomination has been received to date from any member nominating any individual for election as a Director at the AGM of the Company. There is therefore no individual standing for election as Director, save for the Directors who are standing for re-election and re-appointment.

Further details of Directors standing for re-election and re-appointment as Directors are set out in their respective profiles which appear in the Directors' Profile on pages 16 to 22 of this Annual Report and the details of their interests in the securities of the Company are disclosed on pages 125 and 128 of this Annual Report.

## SECTION B

### SHARE BUY-BACK STATEMENT

#### Take notice that:-

- **Bursa Securities takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from, or in reliance upon the whole or any part of the contents of this Statement. You should rely on your own evaluation to assess the merits and risks of the Proposed Share Buy-Back (as defined herein).**
- **You are advised to read and consider the contents of this Statement before voting on the resolution pertaining to the proposed renewal of authority for share buy-back to be tabled at our forthcoming AGM.**

## 1. INTRODUCTION

At the 6<sup>th</sup> AGM of the Company held on 2 June 2016, the Board had obtained mandates from the shareholders to enter into a share buy-back exercise of up to a maximum of ten per centum (10%) of its total number of issued shares through Bursa Securities. The shareholders' mandate shall expire at the conclusion of the Company's forthcoming AGM, unless authority for its renewal is obtained.

It is the intention of the Company to renew the authority to purchase its own shares in the aggregate up to ten (10%) per centum of its total number of issued shares, which shall always take into account any shares bought back and retained as treasury shares in accordance with Section 127 of the Act and the requirements of Bursa Securities and/or any other relevant authorities ("Proposed Share Buy-Back"). Consequently, the Company had on 13 April 2017, announced its intention to seek a fresh mandate from its shareholders for the Proposed Share Buy-Back at its forthcoming AGM. Such authority, if so approved, commences immediately upon obtaining the shareholders' approval in this forthcoming AGM until the conclusion of the next AGM ("Proposed Authorised Period"). As at 14 April 2017 (hereinafter referred to as "LPD", being the latest practicable date before the printing of this Annual Report), the issued share capital of the Company is RM97,730,000 comprising 390,920,000 ordinary shares which is inclusive of 535,502 treasury shares held by the Company.

Upon purchase by the Company of its own shares, the purchased shares will be retained as treasury shares. The Company would have the opportunity to distribute those shares as share dividends, thus benefiting the shareholders. The treasury shares may also be resold on the open market of Bursa Securities at a price higher than the purchase price, thereby realising a potential gain for the Company without affecting the Company's issued share capital.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

(pursuant to Paragraphs 8.27(2) and 12.06(2)(a) of the MMLR)

## 1. INTRODUCTION (Cont'd)

The purpose of this Statement is to provide you with details pertaining to the Proposed Share Buy-Back and to seek your approval for the resolution in relation thereto to be tabled at the forthcoming AGM of the Company to be convened and held at Dillenia Room, Sime Darby Convention Centre, Ground Floor, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Monday, 22 May 2017 at 10.00 a.m.

## 2. PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK

### 2.1 DETAILS OF THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-Back is subject to compliance with Section 127 of the Act and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities at the time of the Proposed Share Buy-Back ("Prevailing Laws").

#### 2.1.1 Quantum

The Board proposes to seek approval from the shareholders for the renewal of the authority for a share buy-back exercise of up to ten per centum (10%) of the total number of issued shares of the Company at any point of time, on Bursa Securities through its appointed stockbrokers.

The actual number of ordinary shares in the Company ("GBGAQRS Shares") to be purchased, the total amount of funds involved for each purchase and the timing of the purchase(s) will depend on the market conditions and sentiments of the stock market, the available financial resources of the Group and the amount of retained profits of the Company.

#### 2.1.2 Source of funds

The Proposed Share Buy-Back will allow the Board to exercise the power of the Company to purchase its own ordinary shares at any time within the Proposed Authorised Period. The proposed purchase by the Company of its own shares must be made wholly out of its retained profits. There are no restrictions on the types of funds which can be utilised so long as the buy-back is backed by an equivalent amount of retained profits. Based on the audited financial statements as at 31 December 2016, the Company's retained profits is RM35,635,294.

#### 2.1.3 Implications relating to the Malaysian Code on Take-Overs and Mergers, 2010 ("Code")

In the event that the Proposed Share Buy-Back results in any Substantial Shareholder holding more than 33% of the voting shares of the Company, pursuant to the Code, the affected Substantial Shareholder will be obligated to make a mandatory offer for the remaining GBGAQRS Shares not already held by him.

In the event that the Proposed Share Buy-Back results in the shareholding of any Substantial Shareholder who holds more than 33% of the voting shares of the Company increasing by more than 2% in any six (6) months period, pursuant to the Code, the affected Substantial Shareholder will be obligated to make a mandatory offer for the remaining GBGAQRS Shares not already held by him.

However, a waiver may be granted by the Securities Commission under Practice Note 2.9.10 of the Code, subject to the affected Substantial Shareholder complying with certain conditions, if the obligation was triggered as a result of action outside the affected Substantial Shareholder's direct participation.



# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

(pursuant to Paragraphs 8.27(2) and 12.06(2)(a) of the MMLR)

## 2. PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK (Cont'd)

### 2.1 DETAILS OF THE PROPOSED SHARE BUY-BACK (Cont'd)

#### 2.1.4 Risk factor

The Proposed Share Buy-Back, if implemented, will reduce the financial resources of the Group. This may result in the Group having to forego future investment opportunities and/or any income that may be derived from the deposit of such funds in interest bearing instruments. It may also result in a reduction of financial resources available for distribution in the form of cash dividends to shareholders of the Group. There is no material impact on the cash flow of the Company.

#### 2.1.5 Purchases made during the FYE 2016

During FYE 2016, the Company repurchased a total of 100,000 of its own shares from the open market of Bursa Securities for a total consideration of RM90,500.00. No treasury shares had been distributed to the shareholders in the form of share dividend. The GBGAQRS Shares bought back during the FYE 2016 had all been retained as treasury shares and were not re-sold. The Company did not cancel any treasury share in the same period.

Details of the GBGAQRS Shares bought back by the Company during the FYE 2016 are as follows:-

Month	No. of shares bought back	Highest Price paid (RM)	Lowest Price paid (RM)	Average Price paid (RM)	Total Consideration (RM)
June	50,000	0.94	0.94	0.94	47,000.00
December	50,000	0.87	0.87	0.87	43,500.00

### 2.2 RATIONALE FOR THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-Back is to grant the Company with another option of utilising its financial resources more efficiently. The Proposed Share Buy-Back is expected to stabilise the supply and demand of GBGAQRS Shares as well as the price of GBGAQRS Shares.

All things being equal, the Proposed Share Buy-Back, whether the GBGAQRS Shares to be purchased are maintained as treasury shares or cancelled, will result in a lower number of GBGAQRS Shares being used for the purpose of computing Earnings per share ("EPS"). Therefore, the Proposed Share Buy-Back will improve the EPS of the Company which in turn is expected to have a positive impact on the market price of GBGAQRS Shares.

The Company may also retain the GBGAQRS Shares that have been purchased pursuant to the Proposed Share Buy-Back ("Purchased Shares") as treasury shares with the intention to realise potential gains from the re-sale of treasury shares and/or to reward its shareholders through the distribution of the treasury shares as dividends.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

(pursuant to Paragraphs 8.27(2) and 12.06(2)(a) of the MMLR)

## 2. PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK (Cont'd)

### 2.3 EFFECTS OF THE PROPOSED SHARE BUY-BACK

#### 2.3.1 Share capital

The effect of the Proposed Share Buy-Back on the issued share capital of the Company will depend on whether the Purchased Shares are cancelled or retained as treasury shares.

The Proposed Share Buy-Back will result in a reduction of the issued share capital of the Company if the Purchased Shares are cancelled. However, the Proposed Share Buy-Back will not have any effect on the issued share capital of the Company if all the Purchased Shares are to be retained as treasury shares and re-sold or distributed to its shareholders.

Based on the assumption that the GBGAQRS Shares to be purchased will be retained as treasury shares, the Proposed Share Buy-Back will not have any effect on the issued share capital of the Company.

#### 2.3.2 Net assets ("NA") and working capital

If all the Purchased Shares are cancelled, the Proposed Share Buy-Back would reduce the consolidated NA per share of the Group when the purchase price exceeds the NA per share at the time of purchase, and vice-versa.

The Proposed Share Buy-Back is likely to reduce the NA per GBGAQRS Share and will reduce the working capital of the Group, the quantum of which depends on the purchase price of the GBGAQRS Shares at the time of the purchase.

Where the Directors resolve to retain the Purchased Shares as treasury shares, the Directors may distribute the treasury shares as share dividends to the Company's shareholders and/or re-sell the treasury shares on Bursa Securities and utilise the proceeds for any feasible investment opportunity arising in the future, or as working capital.

#### 2.3.3 Earnings

The effect of the Proposed Share Buy-Back on the EPS of the Group for the financial year ending 31 December 2017 will depend on the effective funding cost to the Group to finance the purchase of GBGAQRS Shares or any loss in interest income to the Company. Assuming that the Purchased Shares are retained as treasury shares, the effects on the earnings of the Group will depend on the actual selling price, the number of treasury shares re-sold and the effective gain or interest savings arising from the exercise.

#### 2.3.4 Dividend

For the financial year ended 31 December 2014, a final dividend by way of distribution of one (1) treasury share for every one hundred (100) existing ordinary shares of RM0.25 each held by the shareholders of the Company ("Share Dividend") was distributed to the entitled shareholders in relation to the Share Dividend and had been subsequently credited into the entitled depositors' securities accounts.

In respect of FYE 2015 and FYE 2016, the Board did not recommend the payment of any dividend. The dividend to be declared by the Company in respect of the financial year ending 31 December 2017 would depend on, amongst others, the profitability and cash flow position of the Group.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

(pursuant to Paragraphs 8.27(2) and 12.06(2)(a) of the MMLR)

## 2. PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK (Cont'd)

### 2.3 EFFECTS OF THE PROPOSED SHARE BUY-BACK (Cont'd)

#### 2.3.4 Dividend (Cont'd)

Assuming that the Proposed Share Buy-Back is implemented, dividends would be paid on the remaining issued share capital of the Company (excluding the Purchased Shares). The Proposed Share Buy-Back may have an impact on the Company's dividend policy for the financial year ending 31 December 2017 as it would reduce the cash available which may otherwise be used for dividend payments. Nonetheless, the treasury shares purchased may be distributed as dividends to the shareholders, if the Company so decides.

#### 2.3.5 Directors' and Substantial Shareholders' shareholdings

Based on the Register of Substantial Shareholders and Directors' Shareholdings as at the LPD, and assuming the Proposed Share Buy-Back is implemented in full (i.e. up to 10% of the total number of issued shares) and that the Purchased Shares are from shareholders other than the Directors and Substantial Shareholders, the effects of the Proposed Share Buy-Back on the shareholdings of the existing Directors and Substantial Shareholders of the Company by virtue of Section 127 of the Act are as follows:-

	As at LPD				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of GBGAQRS Shares Held	%	No. of GBGAQRS Shares held	%	No. of GBGAQRS Shares held	%	No. of GBGAQRS Shares held	%
<b><u>Directors</u></b>								
Y.M. Tunku Alizan bin Raja Muhammad Alias	-	-	-	-	-	-	-	-
Datuk Kamarudin bin Md. Ali	-	-	-	-	-	-	-	-
Dato' Azizan bin Jaafar	202,000	0.05	52,001,900 <sup>(1)</sup>	13.32	202,000	0.06	52,001,900 <sup>(1)</sup>	14.78
Ow Chee Cheoon	32,800,760	8.40	52,001,900 <sup>(1)</sup>	13.32	32,800,760	9.32	52,001,900 <sup>(1)</sup>	14.78
Bernard Lim Soon Chiang	9,372,800	2.40	52,001,900 <sup>(1)</sup>	13.32	9,372,800	2.66	52,001,900 <sup>(1)</sup>	14.78
Loo Choo Hong	101,000	0.03	-	-	101,000	0.03	-	-
Muk Sai Tat	-	-	-	-	-	-	-	-
<b><u>Substantial Shareholders</u></b>								
Ow Chee Cheoon	32,800,760	8.40	52,001,900 <sup>(1)</sup>	13.32	32,800,760	9.32	52,001,900 <sup>(1)</sup>	14.78
Bernard Lim Soon Chiang	9,372,800	2.40	52,001,900 <sup>(1)</sup>	13.32	9,372,800	2.66	52,001,900 <sup>(1)</sup>	14.78

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

(pursuant to Paragraphs 8.27(2) and 12.06(2)(a) of the MMLR)

## 2. PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK (Cont'd)

### 2.3 EFFECTS OF THE PROPOSED SHARE BUY-BACK (Cont'd)

#### 2.3.5 Directors' and Substantial Shareholders' shareholdings (Cont'd)

	As at LPD				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of GBGAQRS Shares Held	%	No. of GBGAQRS Shares held	%	No. of GBGAQRS Shares held	%	No. of GBGAQRS Shares held	%
Dato' Azizan bin Jaafar	202,000	0.05	52,001,900 <sup>(1)</sup>	13.32	202,000	0.06	52,001,900 <sup>(1)</sup>	14.78
Ganjaran Gembira Sdn Bhd	52,001,900	13.32	-	-	52,001,900	14.78	-	-
Ng Kit Heng	14,474,333	3.71	18,990,000 <sup>(2)</sup>	4.86	14,474,333	4.11	18,990,000 <sup>(2)</sup>	5.40
Ng Chun Seong	13,436,689	3.44	17,716,017 <sup>(3)</sup>	4.54	13,436,689	3.82	17,716,017 <sup>(3)</sup>	5.04
Ng Chun Kooi	17,716,017	4.54	13,436,689 <sup>(4)</sup>	3.44	17,716,017	5.04	13,436,689 <sup>(4)</sup>	3.82
Dato' Ng Kee Leen	22,220,000	5.69	-	-	22,220,000	6.32	-	-

**Notes :-**

<sup>(1)</sup> Deemed interested via shareholding in Ganjaran Gembira Sdn Bhd

<sup>(2)</sup> Deemed interested via shareholding in Deras Mekar Sdn Bhd

<sup>(3)</sup> Deemed interested via the shareholding of his brother, Mr Ng Chun Kooi

<sup>(4)</sup> Deemed interested via the shareholding of his brother, Mr Ng Chun Seong

### 2.4 PUBLIC SHAREHOLDING SPREAD

The Proposed Share Buy-Back will be carried out in accordance with the Prevailing Laws at the time of the purchase including compliance with the 25% public shareholding spread as required by the MMLR.

The public shareholding of the Company as at the LPD is 53.52%.

## 3. DIRECTORS' STATEMENT AND RECOMMENDATION

The Directors, having considered all aspects of the Proposed Share Buy-Back, are of the opinion that the Proposed Share Buy-Back is in the best interest of the Company. As such, the Directors recommend that the shareholders vote in favour of the resolution for the Proposed Share Buy-Back to be tabled at the forthcoming AGM.

# INFORMATION FOR SHAREHOLDERS ON ANNUAL GENERAL MEETING

The 7<sup>th</sup> AGM will be held at Dillenia Room, Sime Darby Convention Centre, Ground Floor, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Monday, 22 May 2017 at 10.00 a.m.

Details of the 7<sup>th</sup> AGM are set out in the Notice of 7<sup>th</sup> AGM in the 2016 Annual Report together with a Form of Proxy. They are also available on Bursa Securities' website, [www.bursamalaysia.com](http://www.bursamalaysia.com)

The Company has requested Bursa Malaysia Depository Sdn Bhd in accordance with Article 68(ii) of the Constitution of the Company and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting ROD as at 16 May 2017, for the purpose of determining the members who shall be entitled to attend the 7<sup>th</sup> AGM. Only a depositor whose name appears on the ROD as at 16 May 2017 shall be entitled to attend the 7<sup>th</sup> AGM or appoint proxies to attend and/or vote on his/her behalf.

# ABBREVIATIONS

AC	Audit Committee
ACCA	Association of Chartered Certified Accountants
AGM	Annual General Meeting
AQRS	AQRS The Building Company Sdn Bhd
Act	Companies Act, 2016, as amended from time to time and any re-enactment thereof
BDO	Messrs BDO
Board	Board of Directors of the Company
Bursa Securities Code	Bursa Malaysia Securities Berhad Malaysian Code on Take-Overs and Mergers, 2010, as amended from time to time and any re-enactment thereof
Company	Gabungan AQRS Berhad
ED/EDs	Executive Director or its plural
EPS	Earnings per share
FRSs	Financial Report Standards
FYE 2015	Financial year ended 31 December 2015
FYE 2016	Financial year ended 31 December 2016
GDV	Gross development value
GBGAQRS Share(s)	Ordinary share(s) in the Company
Gabungan Strategik	Gabungan Strategik Sdn Bhd
Group	Gabungan AQRS Berhad and its group of companies
Group CEO	Group Chief Executive Officer
Group CFO	Group Chief Financial Officer
Group Deputy CEO	Group Deputy Chief Executive Officer
Guidelines	Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers
INED/INEDs	Independent and Non-Executive Director or its plural
KVMRT	Klang Valley Mass Rapid Transit
LPD	14 April 2017, being the latest practicable date before the printing of this Annual Report
MCCG	Malaysian Code on Corporate Governance, 2012
MIA	Malaysian Institute of Accountants
MMLR	Main Market Listing Requirements of Bursa Securities including any amendment(s) thereto which may be made from time to time
Motibina	Motibina Sdn Bhd
NA	Net assets
NC	Nomination Committee
NED/NEDs	Non-Executive Director or its plural
PBH	Pan Borneo Highway
PPSAS	Pusat Pentadbiran Sultan Ahmad Shah
Prevailing Laws	Any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities at the time of the Proposed Share Buy-Back
Proposed Authorised Period	Period commencing immediately upon obtaining shareholders' approval for Proposed Share Buy-Back until conclusion of next AGM
Proposed Share Buy-Back	Proposed renewal of authority for a share buy-back exercise of up to ten per centum (10%) of the total number of issued shares of the Company
Purchased Shares	GBGAQRS Shares that have been purchased by the Company pursuant to the Proposed Share Buy-Back
RC	Remuneration Committee
RM and sen	Ringgit Malaysia and sen respectively, being the lawful currency of Malaysia
RMC	Risk Management Committee
ROD	Record of Depositors
RPT/RPTs	Related Party Transaction or its plural
RRPT/RRPTs	Recurrent Related Party Transaction or its plural
SEDCO Precast	SEDCO Precast Sdn Bhd
SICDA	Securities Industry (Central Depositories) Act, 1991
Share Dividend	Final dividend by way of distribution of 1 treasury share for every 100 existing ordinary shares held by the shareholders of the Company in respect of FYE 2014
ToR	Terms of Reference



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# FORM OF PROXY

Number of shares held	
CDS account no.	

\*I/We, \_\_\_\_\_ Company No./NRIC No. \_\_\_\_\_  
 (full name as per NRIC/Certificate of Incorporation in capital letters)  
 \_\_\_\_\_ of \_\_\_\_\_  
 (full address)

being a member of **GABUNGAN AQRS BERHAD** hereby appoint \_\_\_\_\_  
 (full name as per NRIC in capital letters)

NRIC No. \_\_\_\_\_ or failing him/her, \_\_\_\_\_  
 (full name as per NRIC in capital letters)

NRIC No. \_\_\_\_\_ or failing him/her the Chairman of the Meeting as \*my/our proxy, to vote for \*me/us on \*my/our behalf at the 7<sup>th</sup> AGM of the Company to be held at Dillenia Room, Sime Darby Convention Centre, Ground Floor, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Monday, 22 May 2017 at 10.00 a.m. and at any adjournment thereof, on the following resolutions referred to in the Notice of 7<sup>th</sup> AGM.

\*My/Our proxy(ies) \*is/are to vote as indicated below:-

Ordinary Business		For	Against
	To receive Audited Financial Statements for the year ended 31 December 2016 and Reports of Directors and Auditors thereon		
Resolution 1	To re-elect Dato' Azizan bin Jaafar as Director (Article 95)		
Resolution 2	To re-elect Mr Bernard Lim Soon Chiang as Director (Article 95)		
Resolution 3	To re-appoint Y.M. Tunku Alizan bin Raja Muhammad Alias as Director (Article 101)		
Resolution 4	To re-appoint BDO as auditors of the Company and to authorise the Board of Directors to determine their remuneration		
Resolution 5	To approve payment of Directors' fee for financial year ended 31 December 2016		
Special Business			
Resolution 6	Authority to issue shares pursuant to Section 75 of the Companies Act, 2016		
Resolution 7	Proposed renewal of authority for Share Buy-Back		

**(Please indicate with an "X" in the appropriate box against each Resolution how you wish your vote to be cast. If no specific direction as to how the proxy shall vote, the proxy shall vote as he/she thinks fit or, at his/her discretion, abstain from voting.)**

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2017

For appointment of two proxies, percentage of shareholdings to be represented by the proxies		
	No. of shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

Signature(s) / Common Seal of Member(s)

## NOTES:-

- Applicable to shares held through a nominee account.
- A proxy may, but need not be a member of the Company.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing. In the event the appointer is a corporation, the instrument appointing a proxy must be either under the appointer's Common Seal or under the hand of its officer or attorney duly authorised.
- Subject to paragraphs (5) and (6) below, a member of the Company entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend this meeting and vote in his stead. Where a holder appoints two (2) proxies to attend and vote at the same meeting, such appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- Where a member of the Company is an exempt authorised nominee holding ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account") as defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- Where the authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the proportion of the shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarised copy of that power or authority shall be deposited at the Registered Office of the Company at H-73-1, Blok H, Jalan Teknologi 3/9, Bistari 'De' Kota, Kota Damansara, PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan, not less than twenty-four (24) hours before the time appointed for taking of poll.
- For the purpose of determining a member who shall be entitled to attend this 7<sup>th</sup> Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 68(ii) of the Constitution of the Company and Section 34(1) of SICDA to issue a General Meeting Record of Depositors ("ROD") as at 16 May 2017. Only a depositor whose name appears on the ROD as at 16 May 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

\* Delete if not applicable

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AFFIX  
STAMP

The Company Secretary

**Gabungan AQRS Berhad** (912527-A)  
H-73-1, Blok H  
Jalan Teknologi 3/9  
Bistari 'De' Kota  
Kota Damansara, PJU 5  
47810 Petaling Jaya  
Selangor Darul Ehsan

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G-58-1, Blok G, Jalan Teknologi 3/9  
Bistari 'De' Kota  
Kota Damansara, PJU 5  
47810 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 603 - 6141 8870  
Fax : 603 - 6141 8871

Email : [enquiries@gbg.com.my](mailto:enquiries@gbg.com.my)  
Website : [www.gbg.com.my](http://www.gbg.com.my)