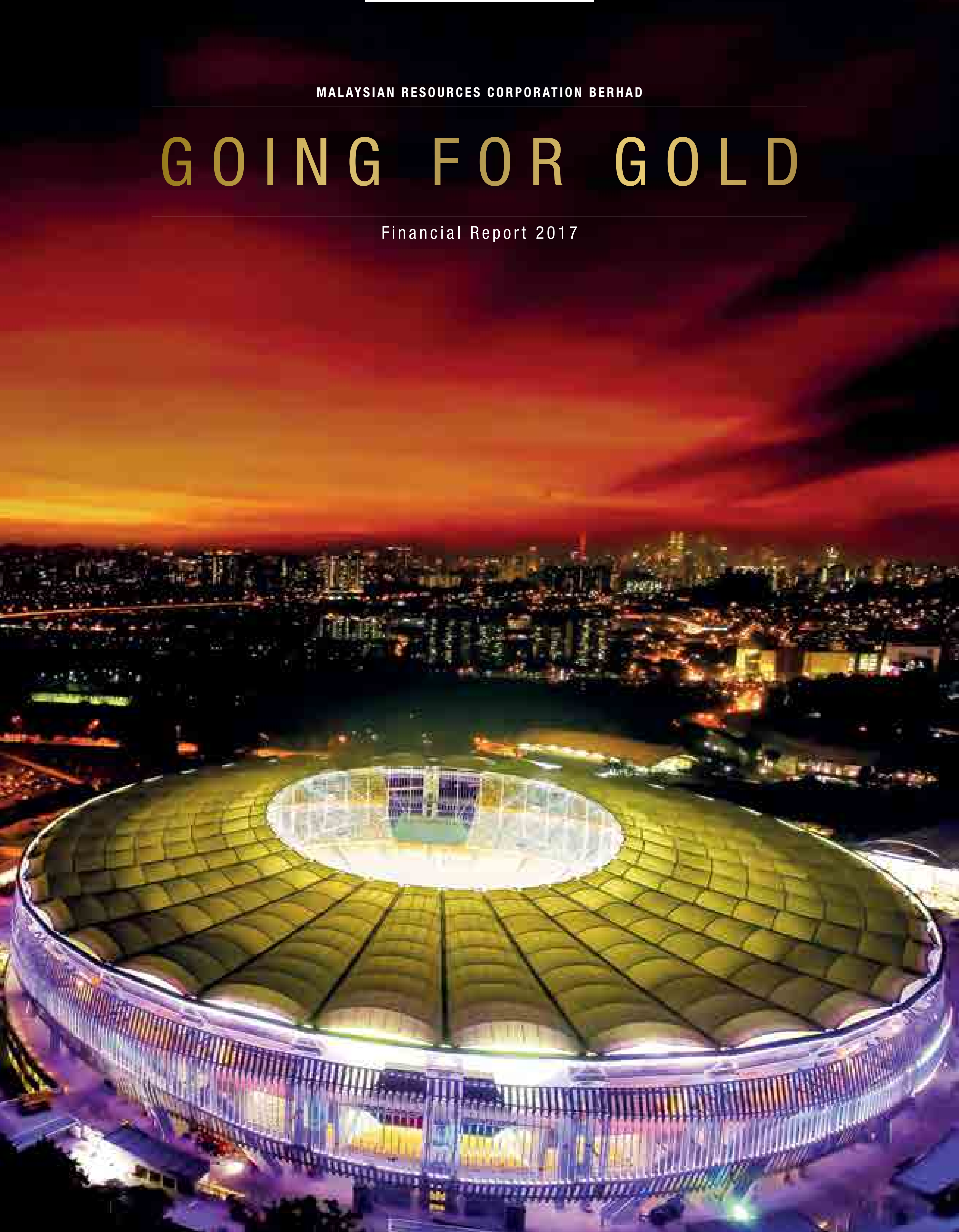
MALAYSIAN RESOURCES CORPORATION BERHAD

# GOING FOR GOLD

Financial Report 2017



# GOING FOR GOLD

At MRCB, our vision of Setting The Standard extends beyond our corporate aspirations of ensuring a sustainable and profitable business for the long-term. We are also proud of our role in catalysing the nation's growth; holding in the highest regard the projects entrusted to us and delivering world-class products at all times.

The KL Sports City project embodies this spirit. Malaysia's success in hosting and recording its highest achievements at the 29th SEA Games is exactly the kind of outcome we at MRCB hope for when we undertake a project. The endgame is never just a finished product, but rather the positive spillover effects we expect to come from it over the long-term.

The theme "Going For Gold" not only highlights our ultimate aim of achieving the highest standards in all that we do, but a shared aspiration with all Malaysians.

National Stadium

The Annual Report is also on our App. Download the MRCB Investor App on Google Play.

### PRINTED SECTION

The printed section of the Annual Report and Financial Report aims to provide concise, relevant and reliable information addressing the Group's issues and activities.

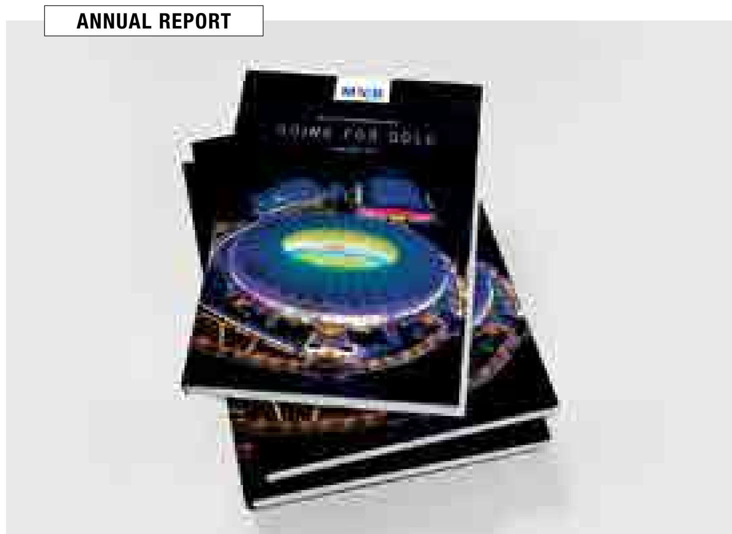
### CORPORATE GOVERNANCE REPORT

The Annual Report and Financial Report should be read in conjunction with our Corporate Governance Report, which is available on the Group's website, www.mrcb.com

Scan this QR code for a direct link to our Financial Report online.

Or log on to *https://www.mrcb.com.my/investor-relations/financial-reports/#annual-reports*

### ANNUAL REPORT



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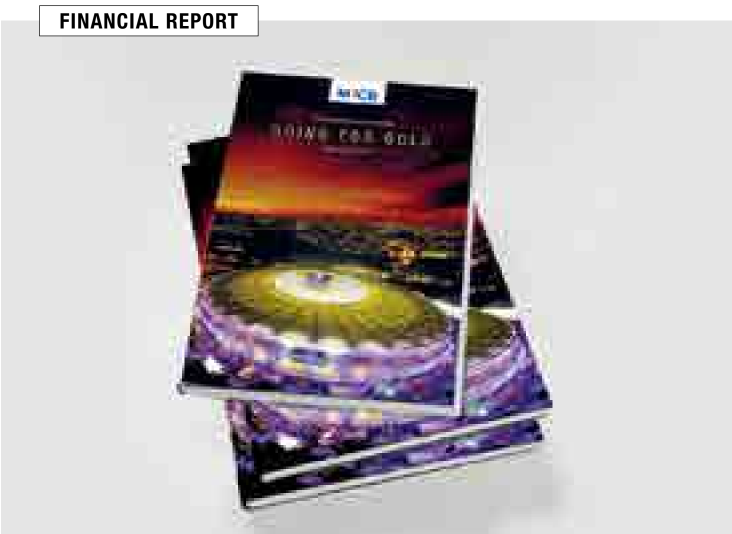
Provides a comprehensive assessment of the Group's performance for 2017 and outlook for 2018.

**REPORTING FRAMEWORK**

- Bursa Malaysia Main Market Listing Requirements.
- Malaysian Code on Corporate Governance.

FINANCIAL REPORT



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Presents the full set of the Group's audited financial statements.

**REPORTING FRAMEWORK**
- Financial Reporting Standards.
- Companies Act, 2016.

# WHAT'S INSIDE

## THE FINANCIALS 01



## 2017 at a Glance

**REVENUE**
**RM2.8** billion

**PROFIT BEFORE TAX**
**RM247.3** million

**EARNINGS PER SHARE**
**6.56** sen

**DIVIDEND PER SHARE**
**1.75** sen

**MARKET CAPITALISATION**
**RM4.9** billion

**NET GEARING**
**0.53** times

**NET ASSET PER SHARE**
**RM1.10**

**SHAREHOLDERS' FUNDS**
**RM4.8** billion

* *All figures as at 31 December 2017*

# DIRECTORS' REPORT

## DIRECTORS' REPORT

The Directors are pleased to submit their annual report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

## DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of this report are:

Tan Sri Azlan Mohd Zainol (Chairman)
Tan Sri Mohamad Salim Fateh Din (Group Managing Director)
Mohd Imran Tan Sri Mohamad Salim (Executive Director)
Datuk Shahril Ridza Ridzuan
Rohaya Mohammad Yusof
Jamaludin Zakaria
Hasman Yusri Yusoff
To' Puan Looi Lai Heng (Appointed on 11 December 2017)

The names of the Directors of subsidiaries are set out in the respective subsidiaries' financial statements and the information is deemed incorporated herein by such reference and made a part thereof.

In accordance with Articles 101 and 102 of the Company's Articles of Association, Mohd Imran Tan Sri Mohamad Salim and Jamaludin Zakaria retire from office at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 106 of the Company's Article of Association, To' Puan Looi Lai Heng who was appointed to the Board during the period subsequent to the last Annual General Meeting of the Company, retire from office at the forthcoming Annual General Meeting and, being eligible, offer herself for re-election.

## PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The Company also engages in property development, property investment, construction related activities, environmental engineering and provision of management services to its subsidiaries.

The Group is principally engaged in property development, property investment, engineering and construction related activities, environmental engineering, infrastructure and concession, facilities management and parking services. Details of subsidiaries are set out in Note 47 to the financial statements.

There has been no significant change in the nature of these activities of the Group and of the Company during the financial year.

## FINANCIAL RESULTS

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Profit for the financial year attributable to: | | |
| Equity holders of the Company | **167,575** | **59,594** |
| Non-controlling interests | **14,233** | **-** |
| | **181,808** | **59,594** |

## RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

**ISSUE OF SHARES**

During the financial year, 2,242,707,027 new ordinary shares were issued by the Company by virtue of the following:

(1) 2,192,593,285 shares pursuant to the Right Issue as disclosed in Note 49(e) to the financial statements. The purpose of the Right Issue was to fund the Group's borrowing commitment and general working capital requirements.

(2) 50,113,242 shares by virtue of the exercise of options pursuant to the Company's Employees' Share Option Scheme at the exercise price ranging between RM1.00 and RM1.61 per share.

(3) 500 shares via conversion of warrant B at RM1.25 per warrant.

The new ordinary shares issued during the financial year ranked equally in all respects with the existing ordinary shares of the Company.

**DIRECTORS' BENEFITS**

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for options over shares granted by the Company to Executive Directors of the Group pursuant to the Employees' Share Option Scheme ("ESOS") and the Restricted Share Plan ("RSP") granted by the Company to Executive Directors of the Group pursuant to the Long Term Incentive Plan ("LTIP").

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than the benefits shown under Directors' Remuneration) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016, particulars of the interests of the Directors who held office at the end of the financial year in shares, options and warrants over shares in the Company or its related corporations during the financial year were as follows:

| | No. of ordinary shares | | | |
|---|---|---|---|---|
| **Company** | **At 1.1.2017** | **Acquired** | **Sold** | **At 31.12.2017** |
| **Direct** | | | | |
| Tan Sri Azlan Mohd Zainol | **120,000** | **120,000** | **-** | **240,000** |
| Datuk Shahril Ridza Ridzuan | **500,000** | **500,000** | **-** | **1,000,000** |
| **Indirect** | | | | |
| Tan Sri Azlan Mohd Zainol* | **30,000** | **30,000** | **-** | **60,000** |
| Tan Sri Mohamad Salim Fateh Din** | **358,322,581** | **370,768,923** | **-** | **729,091,504** |

| | No. of options over ordinary shares | | | |
|---|---|---|---|---|
| | **At 1.1.2017** | **Granted*** ** | **Expired** | **At 31.12.2017** |
| **Direct** | | | | |
| Tan Sri Mohamad Salim Fateh Din | **1,750,000** | **1,694,881** | **(3,444,881)** | **-** |
| Mohd Imran Tan Sri Mohamad Salim | **1,312,500** | **1,271,160** | **(2,583,660)** | **-** |

**DIRECTORS' BENEFITS (CONTINUED)**

| Company | No. of warrants A over ordinary shares At 1.1.2017 | Granted*** | Sold | At 31.12.2017 |
|---|---|---|---|---|
| **Direct** | | | | |
| Datuk Shahril Ridza Ridzuan | **166,667** | **61,915** | **-** | **228,582** |
| **Indirect** | | | | |
| Tan Sri Mohamad Salim Fateh Din** | **80,135,023** | **19,925,114** | **(26,500,000)** | **73,560,137** |

| | No. of warrants B over ordinary shares At 1.1.2017 | Granted | Sold | At 31.12.2017 |
|---|---|---|---|---|
| **Direct** | | | | |
| Tan Sri Azlan Mohd Zainol | **-** | **24,000** | **-** | **24,000** |
| Datuk Shahril Ridza Ridzuan | **-** | **100,000** | **-** | **100,000** |
| **Indirect** | | | | |
| Tan Sri Azlan Mohd Zainol* | **-** | **6,000** | **-** | **6,000** |
| Tan Sri Mohamad Salim Fateh Din** | **-** | **72,909,149** | **-** | **72,909,149** |

* Deemed interest by virtue of his shareholding in Edenview Projects Sdn. Bhd..

** Deemed interest by virtue of his shareholding in Gapurna Sdn. Bhd. which in turn holds an equity interest of 16.62% (2016: 16.71%) in the Company. The additional shares acquired is pursuant to the renounceable Right Issue as disclosed in Note 49(e) to the financial statements.

*** Includes the additional options and warrants A granted following the required adjustments in accordance with the ESOS By-Laws and warrants A Deed Poll dated 22 August 2013 following the renounceable Right Issue as disclosed in Note 49(e) to the financial statements.

As at 31 December 2017, Tan Sri Mohamad Salim Fateh Din and Mohd Imran Tan Sri Mohamad Salim also had interest over 1,388,800 and 403,700 unissued shares respectively in the Company pursuant to the RSP of the Company of which, 458,300 and 133,200 new ordinary shares were allotted respectively at the date of this report.

The other Directors in office at the end of the financial year did not hold any interest in shares, options and warrants over shares or debentures of the Company and its related corporations during the financial year.

**DIVIDENDS**

The Company paid a first and final single tier dividend in respect of the financial year ended 31 December 2016 of 2.75% or 2.75 sen per ordinary share, amounting to RM60,296,320 on 18 August 2017.

The Directors recommend the payment of a first and final single tier dividend in respect of the financial year ended 31 December 2017 of 1.75% or 1.75 sen per ordinary share, amounting to approximately RM76,840,000 at the date of this report which is subject to the approval of the members at the forthcoming Annual General Meeting.

**DIRECTORS' REMUNERATION**

The aggregate amounts of remuneration received/receivable by Directors of the Group and of the Company for the financial year are disclosed in Note 11 to the financial statements.

**EMPLOYEES' SHARE OPTION SCHEME**

The Malaysian Resources Corporation Berhad's Employees' Share Option Scheme (2007/2012 ESOS or the Scheme) was approved by shareholders at an Extraordinary General Meeting held on 29 May 2007 and became effective on 31 October 2007 for a period of five (5) years.

On 25 October 2012, the Board of Directors of the Company had approved the extension of the ESOS for another five (5) years. The ESOS expired on 30 October 2017.

The details of the 2007/2017 ESOS are contained in the By-Laws and the salient features thereof are set out in Note 32 to the financial statements.

The details of options over ordinary shares of the Company granted under 2007/2017 ESOS during the financial year and the number of options outstanding at the end of the financial year are set out in Note 32 to the financial statements.

On 6 June 2017, the shareholders of the Company at the Annual General Meeting had approved the granting of a total of 1,312,500 options under the Scheme to the following Directors:

| Name | Number of options over ordinary shares |
|---|---|
| Tan Sri Mohamad Salim Fateh Din | 750,000 |
| Mohd Imran Tan Sri Mohamad Salim | 562,500 |

**LONG-TERM INCENTIVE PLAN**

The Company established a Long-Term Incentive Plan ("LTIP or the Plan"), which was approved by the shareholders at the Extraordinary General Meeting held on 30 November 2016 and came into effect on 20 December 2017. An eligible executive or employee who accepts an offer under the Share Awards ("Grantee") shall pay a sum of RM1.00 as consideration for acceptance of that offer. Subject to the terms and conditions of the By-Laws governing the LTIP, the Grantees shall be entitled to receive new ordinary shares to be issued pursuant to the Share Awards, on the scheduled vesting dates without further payment, subject to meeting the vesting conditions as set out in their respective letters of offer for their Share Awards, which comprise the performance target stipulated by the Remuneration Committee of the Company.

The LTIP shall be in force for a period of 10 years commencing from the date on which the Share Scheme became effective and no share under a share award shall vest beyond the expiry of the duration of the Share Scheme. The LTIP consists of two types of share awards namely, Restricted Share Plan and Performance Share Plan.

The details of the LTIP are contained in the By-Laws and the salient features thereof are set out in Note 32 to the financial statements.

**STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS**

Before the financial statements of the Group and of the Company were presented, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts 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 substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

**STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)**

At the date of this report:

(a) there are no charges on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) there are no contingent liabilities of the Group or of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or of the Company to meet their obligations when they fall due.

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

In the opinion of the Directors:

(a) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except for the significant events during the financial year as disclosed in Note 49 to the financial statements; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made, except for the significant event subsequent to the financial year as disclosed in Note 50 to the financial statements.

**AUDITORS' REMUNERATION**

Details of auditors' remuneration are set out in Note 9 to the financial statements.

**AUDITORS**

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

In accordance with a resolution of the Board of Directors dated 22 March 2018.

**TAN SRI MOHAMAD SALIM FATEH DIN**
*Group Managing Director*

**HASMAN YUSRI YUSOFF**
*Director*

# STATEMENTS BY DIRECTORS

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

We, Tan Sri Mohamad Salim Fateh Din and Hasman Yusri Yusoff, two of the Directors of Malaysian Resources Corporation Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 13 to 132 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and financial performance of the Group and of the Company for the financial year ended on that date in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

In accordance with a resolution of the Board of Directors dated 22 March 2018.

**TAN SRI MOHAMAD SALIM FATEH DIN**
Group Managing Director

**HASMAN YUSRI YUSOFF**
Director

# STATUTORY DECLARATION

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

I, Ann Wan Tee, the Officer primarily responsible for the financial management of Malaysian Resources Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 13 to 132 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

**ANN WAN TEE**

Subscribed and solemnly declared by the above named Ann Wan Tee in the state of Wilayah Persekutuan, Kuala Lumpur, Malaysia on 22 March 2018.

Before me,

PESURUHJAYA SUMPAH
OATHS
MALAYSIA

**COMMISSIONER FOR OATHS**

205, Bangunan Loke Yew
4, Jln Mahkamah Persekutuan
50050 Kuala Lumpur (W.P.)

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MALAYSIAN RESOURCES CORPORATION BERHAD
(Incorporated in Malaysia) (Company No. 7994 D)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Malaysian Resources Corporation Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

### What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 13 to 132.

### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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.

### Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of Group and the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

### 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.

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

| Key audit matters | How our audit addressed the Key audit matters |
|---|---|
| **Revenue recognition – Property development and construction contracts – (Group: RM2,549,637,795; Company: RM439,582,050)**<br><br>*Refer to page 39 (Note 2.9(a) and (b) – Summary of Significant Accounting Policies – Property Development Activities), page 40 (Note 2.13 – Summary of Significant Accounting Policies – Construction Contracts), page 49 (Note 3(a) – Critical accounting estimates and judgements) and page 58 (Note 6 – Revenue)*<br><br>The Group and the Company recognise property development and construction contracts revenue in the statements of comprehensive income by using the stage of completion method. The stage of completion is measured by reference to the proportion of actual costs incurred for work performed to date to the estimated total costs for the project.<br><br>Property development and construction contracts accounting is inherently complex and we focused on this area because there are significant estimates and judgement involved in the following areas:<br><br>• Determination of stage of completion<br>• Extent of construction costs incurred to date<br>• Estimation of total construction costs<br>• Estimation of provision due to liquidated ascertained damages as a reduction of revenue | We performed the following audit procedures:<br><br>• We tested the operating effectiveness of key controls in respect of the budgeting process of total estimated property development and construction costs and the continuous review process of these budgets. In addition, controls over the accounting process of costs incurred for work done to date was also tested.<br><br>• We tested reasonableness of the estimated total construction costs based on approved budgets to supporting documentation such as sub-contractors contracts, quotations and change order documentation with main or sub-contractors. We also sought appropriate evidence including the Group's and Company's expert opinions (including contract claim consultants and lawyers) to assess the reasonableness of estimates made by management on the project costs on a sample basis, particularly around disputes or unresolved negotiations with employers and subcontractors.<br><br>• We tested a sample of costs incurred to date on significant projects to relevant documents such as sub-contractor claim certificates, verified by the Group's and Company's internal quantity surveyor or the employers.<br><br>• In respect of completed construction contracts, we also tested key judgments by management in estimating the total construction costs and accruals for costs to complete through the reading of executive committee meeting minutes, reading correspondences with employers and sub-contractors, and obtaining audit evidence on employers or sub- contractors disputes from in-house or external legal counsel. We obtained an understanding of the basis of accruals recognised by management on instances of material uncertified value of costs submitted and the level of accruals held against these amounts.<br><br>• We tested actual sales of development properties to signed sales and purchase agreements.<br><br>• We agreed total construction contract project revenue on a sample basis to supporting documentation comprising construction contracts, approved variation orders and correspondences with employers. In instances where projects have been delayed, we have tested management's estimates of the liquidated ascertained damages provisions required to supporting documentation such as construction contracts, correspondences with employers or consultants, extension of time approvals and work progress reports indicating reasons for delays.<br><br>• On a test basis we checked the mathematical calculation of the percentage of completion and we tested that the percentage of revenue and costs recognised in the statements of comprehensive income is mathematically accurate. We also tested the journal entries to ensure the revenue and costs are recorded appropriately.<br><br>Based on our procedures, we noted no material exception in the revenue recognition of property development and construction contracts. |

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MALAYSIAN RESOURCES CORPORATION BERHAD
(Incorporated in Malaysia) (Company No. 7994 D)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

| Key audit matters | How our audit addressed the Key audit matters |
|---|---|
| **Recoverability of Service Concession Asset- RM1,135,278,660**<br><br>*Refer to page 40 (Note 2.10 – Summary of Significant Accounting Policies – Service Concession Asset), page 49 (Note 3(c) – Critical accounting estimates and judgements), page 73 (Note 18 – Service Concession Asset)*<br><br>A Federal Roads (Private Management) (Collection of Tolls) (EDL) (Revocation) Order 2017 was issued by the Government of Malaysia ("GoM") on 28 December 2017 to revoke the previous order that allowed MRCB Lingkaran Selatan Sdn Bhd ("MLSSB") to collect toll. This order came into effect on 1 January 2018.<br><br>Following the revocation order, the GoM has requested for a mutual termination agreement to be finalised between the GoM and the Group based on terms to be discussed and mutually agreed between the GoM and the Group.<br><br>The statement of financial position of the Group includes Service Concession Asset ("SCA"), stated at its carrying amount of RM1,135,278,660 and is expected to be fully recovered from compensation arising from the negotiated terms of the mutual termination agreement.<br><br>We focused on the recoverability of the carrying amount of SCA due to the significant judgement and estimates involved in determining the recoverable amount. In the absence of a finalised mutual termination agreement as at the date of this report, the Directors have considered its rights under the Concession Agreement ("CA") dated 26 June 2007 in determining the recoverability amount of the SCA as at 31 December 2017. Based on the Director's assessment of the Group's rights under the CA, the amount recoverable estimated by management is not lower than the carrying amount of the SCA as at 31 December 2017. | We performed the following audit procedures:<br><br>• We obtained and read the CA dated 26 June 2007 signed between the GoM and the Group, focusing on the relevant clauses in the agreement pertaining to the possible forms of compensation by the GoM in the event the Group's rights during the concession period is affected.<br><br>• We checked the basis used by management in estimating the possible recoverable amounts as set out in the terms in the CA by performing the following in respect of the key assumptions used:<br><br>  • agreed the inputs in the computation by management to the relevant clauses reflected in the CA and to the underlying accounting records, where applicable;<br><br>  • agreed the projected traffic volume and toll rates to external expert report and the CA respectively;<br><br>  • assessed that the projected traffic volume in the projection periods is supported by historical trend of traffic volume; and<br><br>  • compared the discount rates used to market data and industry research.<br><br>Based on the above procedures performed, we did not find any material exceptions to the Directors' conclusion on the recoverability of the carrying amount of SCA as at 31 December 2017 |

**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 Directors' Report and contents in 2017 Annual Reports, 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.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Responsibilities of the Directors for the financial statements

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

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

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

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

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

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

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

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

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

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

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

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

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

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.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 47 to the financial statements.

**OTHER MATTERS**

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

**PRICEWATERHOUSECOOPERS PLT**
LLP0014401-LCA & AF 1146
Chartered Accountants

**SHIRLEY GOH**
01778/08/2018 J
Chartered Accountant

Kuala Lumpur
22 March 2018

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Revenue | 6 | **2,823,651** | 2,408,072 | **623,626** | 601,986 |
| Cost of sales | 7 | **(2,295,282)** | (1,841,081) | **(445,839)** | (283,719) |
| Gross profit | | **528,369** | 566,991 | **177,787** | 318,267 |
| Other income | 8 | **103,937** | 276,743 | **36,491** | 46,014 |
| Selling and distribution costs | | **(65,817)** | (49,193) | **(1,491)** | (1,108) |
| Administrative expenses | | **(200,706)** | (169,863) | **(78,735)** | (72,987) |
| Other operating expenses | | **(52,912)** | (112,254) | **(31,348)** | (32,707) |
| Finance income | 8 | **25,549** | 23,466 | **13,358** | 7,704 |
| Finance costs | 12 | **(116,115)** | (175,922) | **(53,486)** | (40,001) |
| Share of results of associates | 20 | **9,252** | 26,348 | **-** | - |
| Share of results of joint ventures | 21 | **15,776** | 6,313 | **-** | - |
| Profit before income tax | 9 | **247,333** | 392,629 | **62,576** | 225,182 |
| Income tax expense | 13 | **(65,525)** | (73,532) | **(2,982)** | (2,239) |
| Profit for the financial year | | **181,808** | 319,097 | **59,594** | 222,943 |

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Profit for the financial year | | **181,808** | 319,097 | **59,594** | 222,943 |
| Other comprehensive income/(loss) for the financial year, net of tax: | | | | | |
| Item that may be reclassified subsequently to comprehensive income | | | | | |
| - currency translation differences | | **(112)** | 6 | **-** | - |
| - share of associate's gain/(loss) on re-measurement of financial derivatives | 20 | **88** | (1,017) | **-** | - |
| Item that will not be reclassified subsequently to comprehensive income | | | | | |
| - re-measurement of post-employment benefit obligations | | **(3,178)** | - | **330** | - |
| Total comprehensive income for the financial year, net of tax | | **178,606** | 318,086 | **59,924** | 222,943 |
| Profit for the financial year attributable to: | | | | | |
| Equity holders of the Company | | **167,575** | 267,360 | **59,594** | 222,943 |
| Non-controlling interests | 19 | **14,233** | 51,737 | **-** | - |
| | | **181,808** | 319,097 | **59,594** | 222,943 |
| Total comprehensive income for the financial year attributable to: | | | | | |
| Equity holders of the Company | | **164,300** | 266,349 | **59,924** | 222,943 |
| Non-controlling interests | 19 | **14,306** | 51,737 | **-** | - |
| | | **178,606** | 318,086 | **59,924** | 222,943 |
| Earnings per share attributable to the ordinary equity holders of the Company during the financial year (sen) | | | | | |
| Basic | 14 | **6.56** | 13.80 | | |
| Diluted | 14 | **6.52** | 13.80 | | |

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 15 | **614,240** | 437,823 | **1,040** | 1,926 |
| Investment properties | 16 | **1,211,298** | 520,077 | **-** | - |
| Land held for property development | 17(a) | **1,557,440** | 1,767,639 | **-** | - |
| Service concession asset | 18 | **-** | 1,176,347 | **-** | - |
| Subsidiaries | 19 | **-** | - | **3,509,026** | 2,408,374 |
| Associates | 20 | **285,608** | 289,320 | **436,118** | 442,763 |
| Joint ventures | 21 | **293,065** | 12,545 | **24,090** | - |
| Long term loan and receivables | 22 | **3,920** | 34,497 | **-** | 29,011 |
| Amount due from joint ventures | 27 | **30,268** | - | **-** | - |
| Available for sale financial assets | 23 | **577** | 577 | **577** | 577 |
| Intangible assets | 24 | **225,633** | 252,868 | **-** | - |
| Deferred tax assets | 25 | **116,603** | 96,588 | **-** | - |
| | | **4,338,652** | 4,588,281 | **3,970,851** | 2,882,651 |
| **Current assets** | | | | | |
| Inventories | 26 | **154,492** | 57,521 | **4,622** | 5,921 |
| Property development costs | 17(b) | **696,941** | 759,287 | **-** | - |
| Trade and other receivables | 27 | **3,045,275** | 1,334,888 | **321,814** | 237,361 |
| Amounts due from subsidiaries | 27 | **-** | - | **1,646,915** | 534,760 |
| Amounts due from associates and joint ventures | 27 | **134,380** | 19,981 | **129,849** | 15,218 |
| Tax recoverable | | **15,973** | 22,217 | **-** | 1,070 |
| Financial assets at fair value through profit or loss | 29 | **1,645** | 2,255 | **1,645** | 2,255 |
| Service concession asset | 18 | **1,135,279** | - | **-** | - |
| Other investment | 31 | **54,110** | - | **54,110** | - |
| Deposits, cash and bank balances | 30 | **724,237** | 722,157 | **88,391** | 139,673 |
| | | **5,962,332** | 2,918,306 | **2,247,346** | 936,258 |
| Total assets | | **10,300,984** | 7,506,587 | **6,218,197** | 3,818,909 |

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2017<br>RM'000 | 2016<br>RM'000 | 2017<br>RM'000 | 2016<br>RM'000 |
| **EQUITY** | | | | | |
| **Equity attributable to the equity holders of the Company** | | | | | |
| Share capital | 32 | **4,309,422** | 2,144,039 | **4,309,422** | 2,144,039 |
| Share premium | 33 | **-** | 372,391 | **-** | 372,391 |
| Retained earnings | | **457,849** | 344,311 | **413,933** | 407,710 |
| Other reserves | | **56,819** | 65,080 | **30,760** | 36,082 |
| | | **4,824,090** | 2,925,821 | **4,754,115** | 2,960,222 |
| Non-controlling interests | 19 | **104,498** | 99,221 | **-** | - |
| Total equity | | **4,928,588** | 3,025,042 | **4,754,115** | 2,960,222 |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Senior and Junior Sukuk | 36 | **-** | 1,058,477 | **-** | - |
| Post-employment benefit obligations | 37 | **18,626** | 14,935 | **7,440** | 6,953 |
| Long term borrowings | 38 | **891,248** | 1,072,304 | **182,258** | 333,366 |
| Long term liabilities | 39 | **332,259** | 2,915 | **-** | - |
| Government grant | 40 | **80,186** | 62,971 | **-** | - |
| Deferred tax liabilities | 25 | **62,278** | 80,368 | **-** | - |
| | | **1,384,597** | 2,291,970 | **189,698** | 340,319 |
| **Current liabilities** | | | | | |
| Redeemable preference shares | 34 | **178,699** | - | **-** | - |
| Provisions for other liabilities and charges | 35 | **24,098** | 26,117 | **-** | - |
| Trade and other payables | 41 | **1,255,145** | 1,314,575 | **159,233** | 124,117 |
| Amounts due to subsidiaries | 41 | **-** | - | **119,239** | 44,251 |
| Current tax liabilities | | **39,250** | 42,552 | **1,246** | - |
| Senior and Junior Sukuk | 36 | **1,058,500** | - | **-** | - |
| Short term borrowings | 43 | **1,432,107** | 806,331 | **994,666** | 350,000 |
| | | **3,987,799** | 2,189,575 | **1,274,384** | 518,368 |
| Total liabilities | | **5,372,396** | 4,481,545 | **1,464,082** | 858,687 |
| Total equity and liabilities | | **10,300,984** | 7,506,587 | **6,218,197** | 3,818,909 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| | Attributable to equity holders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital (Note 32) RM'000 | Share premium (Note 33) RM'000 | Other reserves (Note(a)) RM'000 | Retained earnings RM'000 | Total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
| At 1 January 2017 | 2,144,039 | 372,391 | 65,080 | 344,311 | 2,925,821 | 99,221 | 3,025,042 |
| **Comprehensive profit** | | | | | | | |
| - Profit for the financial year | - | - | - | 167,575 | 167,575 | 14,233 | 181,808 |
| **Other comprehensive income/(loss)** | | | | | | | |
| - Currency translation differences | - | - | (112) | - | (112) | - | (112) |
| - Share of associate's gain on re-measurement of financial derivatives | - | - | 88 | - | 88 | - | 88 |
| - Post-employment benefit obligations | - | - | 666 | (666) | - | - | - |
| - Actuarial (loss)/gain on post-employment benefit obligations | - | - | (3,251) | - | (3,251) | 73 | (3,178) |
| Total comprehensive income/(loss) | - | - | (2,609) | 166,909 | 164,300 | 14,306 | 178,606 |
| **Transactions with owners** | | | | | | | |
| Issuance of ordinary shares (Note 49(e)) | 1,724,339 | - | - | - | 1,724,339 | - | 1,724,339 |
| Acquisition of equity interest in a subsidiary | - | - | - | - | - | 771 | 771 |
| Employees' share option scheme (Note 32) | | | | | | | |
| - options granted | - | - | 187 | - | 187 | - | 187 |
| - options exercised | 68,613 | 40 | (3,222) | - | 65,431 | - | 65,431 |
| - options lapsed | - | - | (6,926) | 6,926 | - | - | - |
| Share-based payment transaction | - | - | 4,309 | - | 4,309 | - | 4,309 |
| Dividends paid for financial year ended | | | | | | | |
| - 31 December 2016 | - | - | - | (60,297) | (60,297) | - | (60,297) |
| - 31 December 2017 | - | - | - | - | - | (9,800) | (9,800) |
| Total transactions with owners | 1,792,952 | 40 | (5,652) | (53,371) | 1,733,969 | (9,029) | 1,724,940 |
| Transition to no-par value regime | 372,431 | (372,431) | - | - | - | - | - |
| At 31 December 2017 | 4,309,422 | - | 56,819 | 457,849 | 4,824,090 | 104,498 | 4,928,588 |

* The new Companies Act, 2016 (the "Act"), which came into effect on 31 January 2017, abolished the concept of authorized share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM372,431,093.31 for the purposes as set out in Section 618(3) of the Act. There is no impact on ordinary shares in issue or the relative entitlement of any of the members as a result of the transition.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| | Attributable to equity holders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Share capital (Note 32) RM'000** | **Share premium (Note 33) RM'000** | **Other reserves (Note(a)) RM'000** | **Retained earnings RM'000** | **Total RM'000** | **Non-controlling interests RM'000** | **Total equity RM'000** |
| At 1 January 2016 | 1,786,591 | 327,950 | 62,453 | 83,153 | 2,260,147 | 52,624 | 2,312,771 |
| **Comprehensive profit** | | | | | | | |
| - Profit for the financial year | - | - | - | 267,360 | 267,360 | 51,737 | 319,097 |
| **Other comprehensive income/(loss)** | | | | | | | |
| - Currency translation differences | - | - | 6 | - | 6 | - | 6 |
| - Share of associate's loss on re-measurement of financial derivatives | - | - | (1,017) | - | (1,017) | - | (1,017) |
| - Post-employment benefit obligations | - | - | (258) | 258 | - | - | - |
| Total comprehensive income/(loss) | - | - | (1,269) | 267,618 | 266,349 | 51,737 | 318,086 |
| **Transactions with owners** | | | | | | | |
| Issuance of: | | | | | | | |
| - ordinary shares | 357,318 | 44,385 | - | - | 401,703 | - | 401,703 |
| Acquisition of additional equity interest in subsidiaries | - | - | - | (7,106) | (7,106) | 23 | (7,083) |
| Employees' share option scheme (Note 32) | | | | | | | |
| - options granted | - | - | 4,559 | - | 4,559 | - | 4,559 |
| - options exercised | 130 | 56 | (17) | - | 169 | - | 169 |
| - options lapsed | - | - | (646) | 646 | - | - | - |
| Dividends paid for financial year ended 31 December 2016 | - | - | - | - | - | (5,163) | (5,163) |
| Total transactions with owners | 357,448 | 44,441 | 3,896 | (6,460) | 399,325 | (5,140) | 394,185 |
| At 31 December 2016 | 2,144,039 | 372,391 | 65,080 | 344,311 | 2,925,821 | 99,221 | 3,025,042 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

**Note (a)**

**Other reserves**

| | Other reserves RM'000 | Revaluation reserve RM'000 | Currency translation differences RM'000 | Share scheme reserve RM'000 | Warrant reserve RM'000 | Retirement benefit reserve RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2017 | **1,151** | **28,090** | **642** | **9,962** | **28,355** | **(3,120)** | **65,080** |
| **Other comprehensive income/(loss)** | | | | | | | |
| - Currency translation differences | **-** | **-** | **(112)** | **-** | **-** | **-** | **(112)** |
| - Share of associate's gain on re-measurement of financial derivatives | **88** | **-** | **-** | **-** | **-** | **-** | **88** |
| - Post-employment benefits obligations | **-** | **-** | **-** | **-** | **-** | **666** | **666** |
| - Actuarial loss on post-employment benefit obligations | **-** | **-** | **-** | **-** | **-** | **(3,251)** | **(3,251)** |
| Total other comprehensive income/(loss) | **88** | **-** | **(112)** | **-** | **-** | **(2,585)** | **(2,609)** |
| **Transactions with owners** | | | | | | | |
| Employees' share option scheme (Note 32) | | | | | | | |
| - options granted | **-** | **-** | **-** | **187** | **-** | **-** | **187** |
| - options exercised | **-** | **-** | **-** | **(3,222)** | **-** | **-** | **(3,222)** |
| - options lapsed | **-** | **-** | **-** | **(6,926)** | **-** | **-** | **(6,926)** |
| Share-based payment transaction | **-** | **-** | **-** | **4,309** | **-** | **-** | **4,309** |
| Total transactions with owners | **-** | **-** | **-** | **(5,652)** | **-** | **-** | **(5,652)** |
| At 31 December 2017 | **1,239** | **28,090** | **530** | **4,310** | **28,355** | **(5,705)** | **56,819** |
| At 1 January 2016 | 2,168 | 28,090 | 636 | 6,066 | 28,355 | (2,862) | 62,453 |
| **Other comprehensive income/(loss)** | | | | | | | |
| - Currency translation differences | - | - | 6 | - | - | - | 6 |
| - Share of associate's loss on re-measurement of financial derivatives | (1,017) | - | - | - | - | - | (1,017) |
| - Post-employment benefits obligations | - | - | - | - | - | (258) | (258) |
| Total other comprehensive income/(loss) | (1,017) | - | 6 | - | - | (258) | (1,269) |
| **Transactions with owners** | | | | | | | |
| Employees' share option scheme (Note 32) | | | | | | | |
| - options granted | - | - | - | 4,559 | - | - | 4,559 |
| - options exercised | - | - | - | (17) | - | - | (17) |
| - options lapsed | - | - | - | (646) | - | - | (646) |
| Total transactions with owners | - | - | - | 3,896 | - | - | 3,896 |
| At 31 December 2016 | 1,151 | 28,090 | 642 | 9,962 | 28,355 | (3,120) | 65,080 |

# COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| | Share capital (Note 32) RM'000 | Share premium (Note 33) RM'000 | Other reserves (Note(b)) RM'000 | Retained earnings RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| At 1 January 2017 | **2,144,039** | **372,391** | **36,082** | **407,710** | **2,960,222** |
| **Comprehensive income** | | | | | |
| - Profit for the financial year | **-** | **-** | **-** | **59,594** | **59,594** |
| **Other comprehensive income** | | | | | |
| - Actuarial gain on post-employment benefit obligations | **-** | **-** | **330** | **-** | **330** |
| Total comprehensive income | **-** | **-** | **330** | **59,594** | **59,924** |
| **Transactions with owners** | | | | | |
| Issuance of ordinary shares (Note 49(e)) | **1,724,339** | **-** | **-** | **-** | **1,724,339** |
| Employees' share option scheme (Note 32) | | | | | |
| - options granted | **-** | **-** | **187** | **-** | **187** |
| - options exercised | **68,613** | **40** | **(3,222)** | **-** | **65,431** |
| - options lapsed | **-** | **-** | **(6,926)** | **6,926** | **-** |
| Share-based payment transaction | **-** | **-** | **4,309** | **-** | **4,309** |
| Dividends paid for financial year ended 31 December 2016 | **-** | **-** | **-** | **(60,297)** | **(60,297)** |
| Total transactions with owners | **1,792,952** | **40** | **(5,652)** | **(53,371)** | **1,733,969** |
| Transition to no-par value regime* | **372,431** | **(372,431)** | **-** | **-** | **-** |
| At 31 December 2017 | **4,309,422** | **-** | **30,760** | **413,933** | **4,754,115** |

* The new Companies Act, 2016 (the "Act"), which came into effect on 31 January 2017, abolished the concept of authorized share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM372,431,093.31 for the purposes as set out in Section 618(3) of the Act. There is no impact on ordinary shares in issue or the relative entitlement of any of the members as a result of the transition.

# COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| | Share capital (Note 32) RM'000 | Share premium (Note 33) RM'000 | Other reserves (Note(b)) RM'000 | Retained earnings RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| At 1 January 2016 | 1,786,591 | 327,950 | 32,186 | 184,121 | 2,330,848 |
| **Comprehensive income** | | | | | |
| - Profit for the financial year | - | - | - | 222,943 | 222,943 |
| Total comprehensive income | - | - | - | 222,943 | 222,943 |
| **Transactions with owners** | | | | | |
| Issuance of: | | | | | |
| - ordinary shares | 357,318 | 44,385 | - | - | 401,703 |
| Employees' share option scheme (Note 32) | | | | | |
| - options granted | - | - | 4,559 | - | 4,559 |
| - options exercised | 130 | 56 | (17) | - | 169 |
| - options lapsed | - | - | (646) | 646 | - |
| Total transactions with owners | 357,448 | 44,441 | 3,896 | 646 | 406,431 |
| At 31 December 2016 | 2,144,039 | 372,391 | 36,082 | 407,710 | 2,960,222 |

# COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

**Note (b)**

**Other reserves**

| | Share scheme reserve RM'000 | Warrant reserve RM'000 | Retirement benefit reserve RM'000 | Total RM'000 |
|---|---|---|---|---|
| At 1 January 2017 | **9,962** | **28,355** | **(2,235)** | **36,082** |
| **Other comprehensive income** | | | | |
| - Actuarial gain on post-employment benefit obligations | **-** | **-** | **330** | **330** |
| Total comprehensive income | **-** | **-** | **330** | **330** |
| **Transactions with owners** | | | | |
| Employees' share option scheme (Note 32) | | | | |
| - options granted | **187** | **-** | **-** | **187** |
| - options exercised | **(3,222)** | **-** | **-** | **(3,222)** |
| - options lapsed | **(6,926)** | **-** | **-** | **(6,926)** |
| Share-based payment transaction | **4,309** | **-** | **-** | **4,309** |
| Total transactions with owners | **(5,652)** | **-** | **-** | **(5,652)** |
| At 31 December 2017 | **4,310** | **28,355** | **(1,905)** | **30,760** |
| At 1 January 2016 | 6,066 | 28,355 | (2,235) | 32,186 |
| **Transactions with owners** | | | | |
| Employees' share option scheme (Note 32) | | | | |
| - options granted | 4,559 | - | - | 4,559 |
| - options exercised | (17) | - | - | (17) |
| - options lapsed | (646) | - | - | (646) |
| Total transactions with owners | 3,896 | - | - | 3,896 |
| At 31 December 2016 | 9,962 | 28,355 | (2,235) | 36,082 |

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| | Note | Group 2017 RM'000 | Group 2016 RM'000 | Company 2017 RM'000 | Company 2016 RM'000 |
|---|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | | |
| Profit attributable to equity holders of the Company | | **167,575** | 267,360 | **59,594** | 222,943 |
| Adjustments for: | | | | | |
| Taxation | | **65,525** | 73,532 | **2,982** | 2,239 |
| Non-controlling interests | | **14,233** | 51,737 | **-** | - |
| Share of results of | | | | | |
| - associates | | **(9,252)** | (26,348) | **-** | - |
| - joint ventures | | **(15,776)** | (6,313) | **-** | - |
| Dividend income | 6 | **(74)** | (158) | **(106,615)** | (253,354) |
| Finance income | 8 | **(25,549)** | (23,466) | **(13,358)** | (7,704) |
| Gain on disposal | | | | | |
| - subsidiaries | 8 | **(64,686)** | - | **(36,100)** | (2,436) |
| - a joint venture | 8 | **(1,649)** | - | **-** | - |
| - associates | 8 | **-** | (2,770) | **-** | (4,858) |
| - investment properties | 8 | **-** | (186,549) | **-** | (36,604) |
| Gain arising from dilution of interest of an associate | 8 | **-** | (9,393) | **-** | - |
| Share based payments | 10 | **4,497** | 4,559 | **2,632** | 1,773 |
| Finance costs | 12 | **116,115** | 175,922 | **53,486** | 40,001 |
| Impairment/(write back) on investments in | | | | | |
| - subsidiaries | 19 | **-** | - | **(2,950)** | 21,858 |
| - loan stock | 19 | **-** | - | **-** | (17,333) |
| - associate | 20 | **-** | - | **6,645** | - |
| - goodwill | 24 | **-** | 53,378 | **-** | - |
| Fair value loss on financial assets at fair value through profit or loss | | **610** | 49 | **610** | 49 |
| (Write back of)/provision for receivables and amount due from subsidiaries | | **(527)** | 466 | **524** | 5,313 |
| Allowance for inventories obsolescence | | **351** | - | **-** | - |
| Property, plant and equipment | | | | | |
| - depreciation | | **20,743** | 20,112 | **1,261** | 1,228 |
| - written off | | **40** | 7,440 | **-** | - |
| - net gain on disposal | | **(189)** | (24) | **-** | - |
| Depreciation of investment properties | | **4,675** | 4,664 | **-** | - |
| Amortisation of intangible assets | | | | | |
| - service concession asset | 18 | **41,968** | 34,645 | **-** | - |
| - order book | 24 | **5,682** | 3,153 | **-** | - |
| (Write back of)/provision for | | | | | |
| - liabilities and charges | 35 | **(2,019)** | 15,607 | **-** | - |
| - post-employment benefits | 37 | **1,190** | 2,082 | **972** | 785 |

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **OPERATING ACTIVITIES (CONTINUED)** | | | | | |
| Unrealised loss/(gain) on currency translation differences | | **2,290** | (887) | **1,934** | (381) |
| Realised gain on transactions with associates | | **(163)** | (1,732) | **-** | - |
| Operating profit/(loss) from operations before changes in working capital | | **325,610** | 457,066 | **(28,383)** | (26,481) |
| Changes in working capital: | | | | | |
| Property development costs | | **17,774** | 77,444 | **-** | - |
| Inventories | | **33,655** | 5,581 | **1,299** | 1,299 |
| Receivables | | **(1,207,390)** | (254,534) | **(45,565)** | (44,984) |
| Amounts due from subsidiaries (net) | | **-** | - | **(57,776)** | (32,338) |
| Amounts due from associates and joint ventures (net) | | **8,601** | (1,278) | **8,368** | 20,705 |
| Amounts due to related parties (net) | | **-** | - | **9** | 187 |
| Payables | | **(7,841)** | 116,333 | **26,698** | 51,954 |
| Net cash flow (used in)/generated from operations | | **(829,591)** | 400,612 | **(95,350)** | (29,658) |
| Interest income received | | **16,816** | 9,580 | **8,227** | 3,445 |
| Dividends received from | | | | | |
| - subsidiaries | | **-** | - | **93,324** | 149,543 |
| - financial assets at fair value through profit or loss | | **107** | 158 | **107** | 158 |
| Tax refunded | | **5,072** | 2,440 | **1,470** | - |
| Tax paid | | **(86,302)** | (56,870) | **(2,136)** | (3,309) |
| Finance cost paid | | **(231,310)** | (197,003) | **(62,353)** | (38,692) |
| Retirement benefits paid | 37 | **(2,054)** | (2,077) | **(155)** | (369) |
| Net cash flow (used in)/generated from operating activities | | **(1,127,262)** | 156,840 | **(56,866)** | 81,118 |

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **INVESTING ACTIVITIES** | | | | | |
| Proceeds from disposal of | | | | | |
| - associates | | **-** | 8,500 | **-** | 8,500 |
| - a joint venture | | **3,652** | - | **-** | - |
| Redemption of redeemable preference shares by subsidiaries | | **-** | - | **73,841** | 101,884 |
| Redemption of loan stock by a subsidiary | | **-** | - | **-** | 17,333 |
| Net cash outflow from disposal of subsidiaries | 5(i) & (iii) | **(2,702)** | - | **5,731** | - |
| Net cash outflow from acquisition of a subsidiary | 5(ii) | **(558,773)** | (2,204) | **-** | - |
| Proceeds from disposal of asset held for sale | A | **-** | 237,683 | **-** | 3,100 |
| Proceeds from disposal of property, plant and equipment | | **242** | 86 | **-** | - |
| Purchase of property, plant and equipment | | **(176,012)** | (130,687) | **(375)** | (761) |
| Purchase of investment properties | | **(24,490)** | (107,750) | **-** | - |
| Purchase of land held for property development | | **(22,980)** | (288,363) | **-** | - |
| Capital repayment of a financial asset at fair value through profit or loss | | **-** | 77 | **-** | 77 |
| Subscription of shares in | | | | | |
| - subsidiaries | | **-** | - | **(737,884)** | - |
| - associate | | **-** | (110,000) | **-** | - |
| - joint venture | | **(228,830)** | (70) | **-** | - |
| Balance of payment for acquisition of a subsidiary | 5(iv) | **(22,302)** | - | **-** | - |
| Dividends received from associates | | **26,776** | 28,853 | **21,776** | 28,853 |
| Acquisition of additional equity interest in a subsidiary | | **-** | (7,132) | **-** | (7,132) |
| Proceed from Government grant | | **17,215** | 29,947 | **-** | - |
| Financial assets | | | | | |
| - purchase of unit trusts | | **(54,110)** | - | **(54,110)** | - |
| Repayment of advances by subsidiaries | | **-** | - | **57,334** | 89,097 |
| Advances to subsidiaries | | **-** | - | **(1,592,286)** | (630,230) |
| Net cash flow used in investing activities | | **(1,042,314)** | (341,060) | **(2,225,973)** | (389,279) |

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **FINANCING ACTIVITIES** | | | | | |
| Proceeds from term loans | | **3,315,560** | 734,137 | **1,295,349** | - |
| Repayment of term loans | | **(2,863,577)** | (694,362) | **(793,265)** | (1,900) |
| Proceeds from private placement of shares | | **-** | 401,703 | **-** | 401,703 |
| Proceeds from right issue | 49(e) | **1,732,149** | - | **1,732,149** | - |
| Payment for transaction costs of right issue | | **(7,810)** | - | **(7,810)** | - |
| Proceeds from share options exercised | | **65,431** | 169 | **65,431** | 169 |
| Subscription of shares by non-controlling interest | | **-** | 49 | **-** | - |
| Dividend paid to shareholders | | **(60,297)** | (44,664) | **(60,297)** | (44,664) |
| Dividend paid to non-controlling interest | | **(9,800)** | (5,163) | **-** | - |
| Redemption of loan stock | | **-** | (7,000) | **-** | - |
| (Pledged)/released of bank balances and fixed deposits as security for financing | | **(130,804)** | 52,887 | **9,285** | 6,775 |
| Net cash flow generated from financing activities | | **2,040,852** | 437,756 | **2,240,842** | 362,083 |
| CHANGES IN CASH AND CASH EQUIVALENTS | | **(128,724)** | 253,536 | **(41,997)** | 53,922 |
| CASH AND CASH EQUIVALENT AT BEGINNING OF THE FINANCIAL YEAR | | **592,765** | 339,229 | **109,582** | 55,660 |
| CASH AND CASH EQUIVALENT AT END OF THE FINANCIAL YEAR | 30 | **464,041** | 592,765 | **67,585** | 109,582 |

**A. Non-cash transactions other than those disclosed elsewhere in the financial statements**

**INVESTING ACTIVITIES**

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Gross proceeds from disposal of assets held for sale | **-** | 730,800 | **-** | 90,800 |
| Less: | | | | |
| - cash directly repaid for term loan and finance cost | **-** | (493,117) | **-** | (87,700) |
| Net proceeds from disposal of assets held for sale | **-** | 237,683 | **-** | 3,100 |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

## 1 GENERAL INFORMATION

The Company is principally an investment holding company. The Company also engages in property development, property investment, construction related activities, environmental engineering and provision of management services to its subsidiaries.

The Group is principally engaged in property development, property investment, engineering and construction related activities, environmental engineering, infrastructure and concession, facilities management and parking services.

The principal activities of the subsidiaries, joint ventures and associates are described in Note 47 to the financial statements.

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

The address of the registered office and principal place of business of the Company is as follows:

Level 33A, Menara NU 2
No. 203, Jalan Tun Sambanthan
Kuala Lumpur Sentral
50470 Kuala Lumpur

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 22 March 2018.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

### 2.1 BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRS) and the requirements of the Companies Act, 2016 in Malaysia.

The Group includes transitioning entities and has elected to continue to apply FRS during the financial year. The Group and the Company will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards (MFRS) for the financial year beginning 1 January 2018. In adopting the new framework, the Group and the Company will be applying MFRS 1 “First-time Adoption of MFRS”.

The financial statements have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The preparation of financial statements in conformity with FRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Group’s and the Company’s accounting policies. Although these estimates and judgement are based on the Directors’ best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 BASIS OF PREPARATION (CONTINUED)

#### (a) Standards, amendments to published standards and interpretations that are effective

The Group and the Company have applied the following amendments for the first time for the financial year beginning on 1 January 2017:

- Amendments to FRS 107 'Statement of Cash Flows – Disclosure Initiative'
- Amendments to FRS 112 'Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses'
- Annual Improvements to FRSs 2014 – 2016 Cycle: FRS 12 'Disclosures of Interests in Other Entities'

The adoption of the Amendments to FRS 107 has required additional disclosure of changes in liabilities arising from financing activities. Other than that, the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

#### (b) Standards early adopted by the Group and the Company

There are no standards early adopted by the Group and the Company.

#### (c) Standards and amendments that have been issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2018. None of these is expected to have a significant effect on the consolidated financial statements of the Group and the Company, except the following set out below:

- Amendments to FRS 140 'Classification on 'Change in Use' – Assets transferred to, or from, Investment Properties' (effective from 1 January 2018) clarify that to transfer to, or from investment properties there must be a change in use. A change in use would involve an assessment of whether a property meets, or has ceased to meet, the definition of investment property. The change must be supported by evidence that the change in use has occurred and a change in management's intention in isolation is not sufficient to support a transfer of property.

  The amendments also clarify the same principle applies to assets under construction.

- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. FRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

  IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

  The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

  If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

  An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 BASIS OF PREPARATION (CONTINUED)

#### (c) Standards and amendments that have been issued but not yet effective (continued)

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace FRS 139 "Financial Instruments: Recognition and Measurement"

  MFRS 9 retains but simplifies the mixed measurement model in FRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the FRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes are:

  - For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss.

  - When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in FRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group and the Company have reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The financial assets held by the Group include:

- equity instruments currently classified as available-for-sale for which a FVOCI election is available;

- equity investments currently measured at fair value through profit or loss (FVPL) which will continue to be measured on the same basis under MFRS 9; and

- debt instruments currently classified as held-to-maturity and measured at amortised cost which meet the conditions for classification at amortised cost under MFRS 9.

Accordingly, the Group and the Company do not expect the new guidance to affect the classification and measurement of these financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from FRS 139 'Financial Instruments: Recognition and Measurement' and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under FRS 139. It applies to financial assets classified at amortised cost, trade and other receivables, amounts due from subsidiaries, amounts due from associates and joint ventures. Based on the assessments undertaken to date, the Group and the Company do not expect a significant increase in the loss allowance.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group and the Company will apply the new rules retrospectively from 1 January 2018 with the practical expenditures permitted under the standard.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 BASIS OF PREPARATION (CONTINUED)

#### (c) Standards and amendments that have been issued but not yet effective (continued)

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces FRS 118 'Revenue' and FRS 111 'Construction contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

  A new five-step process is applied before revenue can be recognised:
  - Identify contracts with customers
  - Identify the separate performance obligations
  - Determine the transaction price of the contract;
  - Allocate the transaction price to each of the separate performance obligations; and
  - Recognise the revenue as each performance obligation is satisfied.

  Key provisions of the new standard are as follows:
  - Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements;
  - If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal;
  - The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa;
  - There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few; and
  - As with any new standard, there are also increased disclosures.

  The Group and the Company have assessed the effects of applying the new standard on the Group's financial statements and have identified the following areas that will be affected:

  - Accounting for customer contracts in relation to property development activities where customer credit assessment have not been performed;
  - Accounting for certain costs incurred in fulfilling a contract such as sales and marketing expenses;
  - Accounting for separate performance obligations in relation to property development activities which could affect the timing of the recognition of revenue going forward; and
  - Presentation of contract assets and contract liabilities in the statement of financial position – MFRS 15 requires separate presentation of contract assets and contract liabilities in the statement of financial position.

The new standard also expands the disclosure movement in contract liability which relates to remaining performance obligations that has yet to be satisfied to the customers.

Based on the assessments undertaken to date, the Group and the Company do not expect any significant change in the revenue being recognised arising from the adoption of MFRS 15.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 BASIS OF PREPARATION (CONTINUED)

#### (c) Standards and amendments that have been issued but not yet effective (continued)

The Group and the Company will apply the new rules retrospectively from 1 January 2019.

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes FRS 117 'Leases' and the related interpretations.

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on statement of financial position) or operating leases (off statement of financial positon). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in profit or loss.

  For lessors, MFRS 16 retains most of the requirements in FRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

  The Group and the Company are currently assessing the impact of the adoption of MFRS 16.

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

  IC Interpretation 23 will be applied retrospectively.

- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures' (effective from 1 January 2019) clarify that an entity should apply MFRS 9 'Financial Instruments' (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future.

  In addition, such long-term interest are subject to loss allocation and impairment requirements in MFRS 128.

  The amendments shall be applied retrospectively.

- Amendments to MFRS 9 'Prepayment features with negative compensation' (effective 1 January 2019) allow companies to measure some pre-payable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model.

  The amendments will be applied retrospectively.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 BASIS OF PREPARATION (CONTINUED)

#### (c) Standards and amendments that have been issued but not yet effective (continued)

- Annual Improvements to MFRSs 2015 – 2017 Cycle:

    - Amendments to MFRS 3 'Business Combinations' (effective from 1 January 2019) clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.

    - Amendments to MFRS 11 'Joint Arrangements' (effective from 1 January 2019) clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.

    - Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

    - Amendments to MFRS 123 'Borrowing Costs' (effective from 1 January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

### 2.2 ECONOMIC ENTITIES IN THE GROUP

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activity of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Subsidiaries are consolidated using the acquisition method of accounting.

Subsidiaries that were consolidated prior to 1 January 2002 are in accordance with Malaysian Accounting Standard 2 'Accounting for Acquisitions and Mergers', the generally accepted accounting principles prevailing at that time.

The Group has taken advantage of the transitional provision provided by FRS 3 (revised) to apply these standards prospectively. Accordingly, business combinations entered into prior to the respective effective dates have not been restated to comply with these standards.

Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Acquisition related costs are recognised as expenses when incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to the fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. See accounting policy Note 2.7 on intangible assets. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss.

Non-controlling interest represents that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the non-controlling interests' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the non-controlling interests' share of changes in the subsidiaries' equity since that date.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(a) Subsidiaries (continued)

All earnings and losses of the subsidiaries are attributable to the parent and the non-controlling interest, even if the attributable losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit and loss attributable to non-controlling interests for prior financial year is not restated.

The Group has changed its accounting policy on business combinations and accounting for non-controlling interest when it adopted the revised FRS 3 "Business Combinations" and FRS 127 "Consolidated and Separate Financial Statements".

Previously, contingent consideration in a business combination was recognised when it is probable that payments will be made. Acquisition-related costs were included as part of the cost of business combination. Any non-controlling interest in the acquiree was measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Any adjustment to the fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group was accounted for as a revaluation.

The Group has applied the new policies prospectively to transactions occurring on or after 1 January 2011. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

Previously, the Group had stopped attributing losses to the non-controlling interest because the losses exceeded the carrying amount of the non-controlling interest. The Group has applied this policy prospectively. On the date of adoption of the new policy, the non-controlling interest reflects its previous carrying amount.

Intragroup transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

The Group had adopted FRS 10 "Consolidated Financial Statements" with effective for financial year beginning 1 January 2013 and resulted in changes to the following policies:

- Control exists when the Group is expected, or has rights, to variable from its involvement with the entity and has the ability to the effect those returns through its power over the entity. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

- Potential voting rights are considered when assessing control only when such right are substantive. In the previous financial years, potential voting rights are considered with assessing control when such rights are presently exercisable.

- The Group considers it has de *facto power* over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider de *facto power* in its assessment of control.

The change in accounting policy had been made retrospectively and in accordance with the transitional provision of FRS 10. The adoption of FRS 10 had no significant impact to the financial statements of the Group.

**Disposal of subsidiaries**

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when the control is lost, with the change in carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets and liabilities. This may mean that amount previously recognised in other comprehensive income are reclassified to profit or loss.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries disposed.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(b) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(c) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with the Group.

When the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains or losses arising in investments in associates are recognised in the profit or loss.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(d) Joint arrangements

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

The Group had adopted FRS 11 "Joint Arrangements" with effect from 1 January 2013. As a result, joint arrangement are classified and accounted for as follows:

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

- A joint arrangement is classified as "joint venture" when the Group has rights only to the net assets of the arrangement. The Group accounts for its interest in the joint venture using the equity method.

Investments in joint ventures are stated at cost in the separate financial statements. Where an indication of impairment exists, the carrying value of the investment is assessed and written down immediately to its recoverable amount. Refer to accounting policy on impairment of non-financial assets as set out in Note 2.21 to the financial statements.

Results and interests in joint venture are equity accounted in the venturer's financial statements of the Group.

Equity accounting involves recognising the venturer's share of the post-acquisition results of joint ventures in the profit or loss and its share of post-acquisition movements within reserves in reserves. The cumulative post acquisition movements are adjusted against the cost of the investment and include goodwill on acquisition (net of accumulated impairment losses).

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturer. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

Where necessary, adjustments have been made to the financial statements of joint ventures to ensure consistency of accounting policies with those of the Group.

### 2.3 FOREIGN CURRENCIES

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

All foreign exchange gains and losses are presented in the statements of comprehensive income within other expenses.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 FOREIGN CURRENCIES (CONTINUED)

(b) Transactions and balances (continued)

The principal closing rates used in translation of foreign currency amounts were as follows:

| Foreign currency | 31.12.2017 RM | 31.12.2016 RM |
|---|---|---|
| 100 Thai Baht | **12.33** | 12.40 |
| 1 Australian Dollar | **3.15** | 3.23 |
| 1 UK Pound | **5.46** | 5.51 |
| 1 Singapore Dollar | **3.03** | 3.10 |
| 1 US Dollar | **4.06** | 4.48 |

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of that statement of financial position;
- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### 2.4 INVESTMENTS

In the Company's separate financial statements, investments in subsidiaries, joint ventures and associates are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, joint ventures and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

The amounts due from subsidiaries of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's investments in the subsidiaries.

### 2.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses except for freehold land which is not depreciated. Freehold land is not depreciated as it has an infinite life. Construction in progress are also not depreciated as these assets are not available for use. Cost includes expenditure that is directly attributable to the acquisition of the items. The initial cost of property, plant and equipment is net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of acquisition of the property, plant and equipment.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial year in which they are incurred.

Other property, plant and equipment are depreciated on the straight line basis to write off the cost of the assets, or their revalued amounts to their residual values over their estimated useful lives summarised as follows:

| | |
|---|---|
| Buildings | 50 years |
| Plant and machinery | 5 to 10 years |
| Furniture, fittings, office equipment and computers | 3 to 20 years |
| Motor vehicles | 3 to 5 years |

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting date.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. Refer to accounting policy on impairment of non-financial assets as set out in Note 2.21 to the financial statements.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are credited or charged to other expenses in the profit or loss.

### 2.6 INVESTMENT PROPERTIES

Investment properties, comprising land and buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment properties are stated at cost less any accumulated depreciation and accumulated impairment losses. Investment properties are depreciated on the straight line basis to write off the cost of the assets to their residual values over their estimated useful lives. Cost of investment property is net of the amount of GST, except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of acquisition of the investment property.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it is derecognised from the statement of financial position. The difference between the net disposal proceeds and the carrying amount is credited or charged to the profit or loss in the financial year of the retirement or disposal.

Investment properties also include properties that are under construction for future use as investment properties. These investments are also carried at cost.

Leasehold land are amortised over the period of the respective leases ranging from 66 years to 99 years. Amortisation is computed on the straight line method to write off the cost of each asset over its estimated useful life. The principal annual depreciation rate for related building is 2% per annum.

### 2.7 INTANGIBLE ASSETS

(a) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7 INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill (continued)

Goodwill is not amortised but tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. See accounting policy Note 2.21 to the financial statements on impairment of non-financial assets.

(b) Development rights – finite life

The Group capitalises purchased development rights. The development rights, which has finite useful life, is initially recognised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The intangible assets is amortised based on the percentage of completion over the development period. The amortisation period and method are reviewed at each reporting date. The effects of any revision are recognised in profit or loss when changes arise. Where an impairment indication exists, the carrying amount of the development rights is assessed and written down immediately to its recoverable amount.

(c) Order book – finite life

The order book with finite useful life is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated over the estimated construction period related to the relative order book values. Where an impairment indication exists, the carrying amount of the order book is assessed and written down immediately to its recoverable amount.

### 2.8 LEASES

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

**Accounting by lessee**

**Finance Lease**

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

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charges is charged to the profit or loss over the lease period.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the estimated useful life of the assets and the lease term.

**Operating Lease**

Leases of assets where a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives from the lessor) are charged to the profit or loss on the straight-line basis over the lease period.

**Accounting by lessor**

**Operating leases**

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 PROPERTY DEVELOPMENT ACTIVITIES

(a) Land held for property development

Land held for property development consists of land or such portion thereof on which no significant development work has been undertaken or where development activities is not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at cost less accumulated impairment losses.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where the Group and the Company had previously recorded the land at revalued amount, it continues to retain this amount as its surrogate cost as allowed by FRS $201_{2004}$"Property Development Activities". Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. Refer to accounting policy on impairment of non-financial assets as set out in Note 2.21 to the financial statements.

Land held for property development is transferred to property development costs (under current assets) (Note 2.9(b)) when development activities have commenced and can be completed within the Group's and the Company's normal development cycle.

(b) Property development costs

Property development costs comprise costs associated with the acquisition of land or such portion thereof and all costs directly attributable to development activities or that can be allocated on a reasonable basis to these activities.

Property development costs are transferred from land held for property development (Note 2.9(a)) when physical development activities have commenced and can be completed within the Group's and the Company's normal development cycle.

Property development costs are recognised when incurred.

When the outcome of the development activity can be estimated reliably and the sale of the development unit is effected (i.e. upon the signing of the individual sales and purchase agreements), property development revenue and costs are recognised as revenue and expenses respectively by reference to the stage of completion of development activity at the reporting date in accordance with FRS 201 "Property Development Activities". The stage of completion is determined based on the proportion that the property development costs incurred to-date bear to the estimated total costs for the property development.

When the outcome of a development activity cannot be estimated reliably, 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 when incurred.

Irrespective of whether the outcome of a property development activity can be estimated reliably, when it is probable that total property development costs (including expected defect liability expenditure) will exceed total property development revenue, the expected loss is recognised as an expense immediately.

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

Borrowing costs are capitalised in accordance with Note 2.22 to the financial statements.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 SERVICE CONCESSION ASSET

Where the Group provides construction services in exchange for the concession assets, the contract revenue is recognised at its fair value using the percentage of completion method in accordance with the accounting policy stipulated in Note 2.13 Construction Contracts, with the corresponding entry recorded as Service Concession Asset (SCA) in the statement of financial position. The SCA represents the Group's rights (licence) to collect toll under the concession agreement from users of the highway.

The SCA is amortised upon the commencement of the concession period. The amortisation formula applied in arriving at the annual amortisation charge during the period where toll is collected from users of the highway is as follows:

$$\frac{\text{Cumulative traffic volume to-date}}{\text{Projected total traffic volume for the entire concession period}} \times \text{SCA}$$

Where an indication of impairment exists, the carrying amount of the SCA is assessed and written down immediately to its recoverable amount. Refer to accounting policy on impairment of non-financial assets as set out in Note 2.21 to the financial statements.

### 2.11 INVENTORIES

Inventories are stated at the lower of cost and net realisable value.

The cost of unsold properties comprises cost associated with the acquisition of land, direct costs and related allocation costs attributable to property development activities.

Costs of purchased inventory is determined after deducting rebates, discounts and the amount of GST, except where the amount of GST incurred is not recoverable from the government and valued using weighted average cost method. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of purchased inventory.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

### 2.12 RECEIVABLES

Receivables are recognised initially at fair value, with the amount of GST included. The net amount of GST recoverable from the government is presented as other receivables in the statement of financial position. Receivables is subsequently measured at amortised cost using the effective interest method, less provision for impairment. The provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due. Receivables are classified as current assets if at the time the amount is due in one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current assets.

### 2.13 CONSTRUCTION CONTRACTS

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

Construction contracts are recognised when incurred. Contract revenue is recognised based on percentage of completion method. The stage of completion of a construction contract is measured by reference to the proportion that contract costs incurred for work performed to date to the estimated total costs for the contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as recoverables, prepayments or other assets, depending on their nature.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Irrespective of whether the outcome of a construction contract can be estimated reliably when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the attributable profit/loss recognised on each contract is compared against the progress billings up to the end of the financial year. Where costs incurred and recognised profit (less recognised losses) exceed progress billings, the balance is shown as 'Amounts due from customers on contracts' under trade and other receivables. Conversely, where progress billings exceed costs incurred and attributable profit, the balance is shown as 'Amounts due to customers on contracts' under trade and other payables.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.14 EMPLOYEE BENEFITS

(a) Short term employee benefits

The Group and the Company recognise a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group and the Company recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the financial year in which the associated services are rendered by employees of the Group and the Company.

(b) Post-employment benefits

The Group and the Company have various post-employment benefit schemes in accordance with local conditions and practices. These benefits plans are either defined contribution or defined benefit plans.

**Defined contribution plan**

A defined contribution plan is a pension plan under which the Group and the Company pay fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior financial years. A defined contribution plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors, such as age, years of service or compensation.

The Group's and the Company's contributions to defined contribution plan are charged to the profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**Defined benefit plan**

The Group and the Company provide for unfunded retirement benefits to eligible employees that have been in the service of the Group and the Company for a continuous period of at least ten (10) years.

This scheme is closed to new employees since 1 September 2002.

The Group determines the present value of the defined benefit obligation with sufficient regularity such that the liability recognised in the financial statements does not differ materially from the amount that would have been determined as at that date. The defined benefit obligation, calculated using the projected unit credit method, is determined by a qualified independent actuary after considering the estimated future cash outflows using the market yields at the valuation date of high quality corporate bonds. The latest actuarial valuation was carried out on 30 November 2017.

The current service cost recognised in the profit or loss is calculated based on the present value of the benefits accruing over the financial year following the valuation date with reference to the number of eligible employees and projected final salaries.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in profit or loss, unless the changes to the plan are conditional on the related employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight line basis over the vesting period.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.14 EMPLOYEE BENEFITS (CONTINUED)

(c) Share-based compensation

The Group and the Company operate an equity-settled, share-based compensation plan for the employees of the Group and of the Company. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the profit or loss over the vesting periods of the grant with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each reporting date, the Group and the Company revise its estimates of the number of share options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

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

### 2.15 PROVISIONS

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group and the Company expect a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

The Group provides for estimated liability on projects still under progress at the reporting date. This provision is calculated based on contract agreements/past histories.

### 2.16 PAYABLES

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Payables are initially recognised at fair value with the amount of GST included. The net amount of GST payable to the government is presented as other payables in the statement of financial position. Payables is subsequently measured at amortised cost using the effective interest method.

### 2.17 SENIOR AND JUNIOR SUKUK

The Senior and Junior Sukuk (Sukuk) are Islamic securities issued in accordance with the Syariah principle of Istisna'. Sukuk issued by the Group are stated at net proceeds received on issue. The Sukuk issuance expenses which represent the difference between the net proceeds and the total amount of the payment of the Sukuk are allocated to the periods over the term of the Sukuk at a constant rate on the carrying amounts.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.18 CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances, demand deposits, short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts and exclude the designated bank balances of which have been charged as security for borrowings.

Bank overdrafts are presented within borrowings in current liabilities on the statement of financial position.

### 2.19 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group and the Company do not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company. The Group and the Company do not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any non-controlling interests.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions and the information about the contingent liabilities acquired are disclosed in the financial statements.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of FRS 137 “Provisions, Contingent Liabilities and Contingent Assets” and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with FRS 118 “Revenue”.

### 2.20 INCOME TAX

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits. Tax is recognised in the profit or loss, except to the extent it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.21 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the profit or loss. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

### 2.22 BORROWING COSTS

Interest incurred on general and specific borrowings to finance the construction of property, plant and equipment and investment properties is capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the assets for its intended use. Interests relating to property development activities and construction contracts are accounted for in a similar manner. All other borrowings costs are expensed on an effective interest rate method.

### 2.23 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's and the Company's activities. Revenue is shown net of service tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group and the Company recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's and the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group and the Company base its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Construction contracts

Contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date as stated in Note 2.13 to the financial statements.

(b) Property development activities

Property development revenue and costs are recognised as revenue and expenses respectively by reference to the stage of completion of development activity at the reporting date in accordance with FRS 201 "Property Development Activities" as stated in Note 2.9(b) to the financial statements.

(c) Concession revenue

Concession revenue from the operation of toll roads and port operations is recognised as and when the services are performed.

(d) Hotel operations revenue

Hotel revenue represents income derived from room rentals, sales of food and beverage and other hotel related income. Room rental income is accrued on a daily basis on customer-occupied rooms. Sales of food and beverage are recognised upon delivery to customers. Hotel revenue is recognised net of sales tax and discounts.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.23 REVENUE RECOGNITION (CONTINUED)

(e) Other revenue

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

Interest income is recognised using the effective interest method, taking into account the principal outstanding and the effective rate over the period to maturity, unless collectibility is in doubt, in which case it is recognised on a cash receipt basis.

When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

Revenue from building maintenance and management services are recognised upon performance of services.

### 2.24 FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

**Financial assets**

**Classification**

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition:

- Financial assets at fair value through profit or loss: Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired or incurred principally for the purpose of selling or re-purchasing it in the short-term. Assets in this category are classified as current assets;

- Loans and receivables: These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category are classified as current assets or non-current assets for maturities greater than 12 months after the end of the reporting period; and

- Available-for-sale financial assets: Available-for-sale financial assets are non-derivative financial assets that cannot be classified as financial assets at fair value through profit or loss, loans and receivables or cash and cash equivalents. These assets are included in non-current assets unless the financial assets mature or management intends to dispose of it within 12 months of the end of the reporting period.

**Recognition and measurement**

Regular way purchases and sales of financial assets are recognised on the trade-date (the date on which the Group commits to purchase or sell the asset).

Financial assets other than financial assets carried at fair value through profit or loss are initially recognised at fair value plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.24 FINANCIAL INSTRUMENTS (CONTINUED)

**Financial assets (continued)**

**Subsequent measurement – gains and losses**

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and cash and cash equivalents are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are recognised in the profit or loss in the period in which they arise.

Changes in the fair value of the "financial assets available-for-sale" category are recognised in other comprehensive income. When assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit or loss.

Fair values for quoted investments are based on observable market prices.

**Subsequent measurement – impairment of financial assets**

**Assets carried at amortised cost**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial re-organisation;
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio; and
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' or a 'held-to-maturity investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectable, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.24 FINANCIAL INSTRUMENTS (CONTINUED)

**Financial assets (continued)**

**Assets classified as available-for-sale**

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group uses criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

In the case of equity securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

**Offsetting financial assets**

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

**De-recognition**

Financial assets are de-recognised when the right to receive cash flows from the investment have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

When available for sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

**Financial liabilities**

The Group classifies its financial liabilities as other financial liabilities. The classification depends on the nature of the liabilities and the purpose for which the financial liabilities were incurred. Management determines the classification at initial recognition.

**Other financial liabilities**

When other financial liabilities are recognised initially, they are measured at fair value plus directly attributable transaction costs.

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

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expired.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.25 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board of Directors that makes strategic decisions.

Segment reporting is presented for enhanced assessment of the Group's and of the Company's risks and returns. Business segments provide products or services that are subject to risk and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises within a single segment.

### 2.26 SHARE CAPITAL

(a) Classification

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument. See accounting policy Note 2.27 on borrowings.

(b) Share issue costs

Incremental costs directly attributable to the issue of new shares or options are deducted against share premium account.

(c) Dividend distribution

Distributions to holders of an equity instrument is debited directly to equity, net of any related income tax benefit and the corresponding liability is recognised in the period in which the dividends are approved.

(d) Warrants reserve

Proceeds from the issuance of warrants, net of issuance costs, are credited to warrants reserve which is non-distributable. Warrants reserve are transferred to share premium reserve upon the exercise of warrants. Warrants reserve in relation to unexercised warrants at the expiry of the warrants period is transferred to retained earnings.

Issuance of free warrants is not recognised in the financial statements, except for the warrants issued in a business combination in which case the warrants are fair valued as part of the purchase consideration.

### 2.27 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method, except for borrowing costs incurred for the construction of any qualifying asset.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised as finance cost in profit or loss.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.28 FAIR VALUE MEASUREMENTS

From 1 January 2013, the Group adopted FRS 13 "Fair Value Measurement" which prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

### 2.29 GOVERNMENT GRANT

Grant from the Government are recognised at their fair values where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grant relating to the acquisition of assets are classified as non-current are credited to the profit or loss over the expected lives of the related assets, on basis consistent with the depreciation of the related assets.

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, not necessary equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's and the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(a) Revenue recognition – Property Development and Construction Contracts

The Group and the Company recognise property development and construction contract revenue and expenses in the profit or loss by using the stage of completion method. The stage of completion is measured by reference to the proportion of property development and contract costs incurred for work performed to date to the estimated total costs for the property development and construction contract.

Significant judgement is required in determining the stage of completion, the extent of the property development and construction costs incurred and the estimated total property development and construction costs.

Total contract revenue also includes an estimation of the recoverable variation works from the customers. In making the judgement, the Group relied on past experience and work of specialist.

(b) Goodwill and other intangible assets with indefinite useful lives

The Group tests at least annually whether goodwill have suffered any impairment, in accordance with the accounting policy stated in Notes 2.7 and 2.21. The recoverable amounts of cash generated units have been determined based on value-in-used and/or fair value less cost to sell calculations as appropriate. These calculations require the use of estimates. Refer to Note 2.21 for details of impairment testing of goodwill and other intangible assets with definite or indefinite useful lives.

(c) Service concession asset

Following the issuance of Federal Roads (Private Management) (Collection of Tolls) (EDL) (Revocation) Order 2017 on 28 December 2017 by the Government of Malaysia ("GoM"), the GoM has requested for a mutual termination agreement to be finalised between the GoM and the Group based on terms to be discussed and mutually agreed. The Directors of the Company having considered the Group's rights under the Concession Agreement dated 26 June 2007, has estimated that the compensation to be received will not be lower than the carrying amount of the service concession asset. Where the final compensation amount to be received is different from the carrying amount, such difference together with any tax effects thereon will impact the results of the Group in the period the mutual termination agreement is finalised.

## 4 FINANCIAL RISK MANAGEMENT

(a) The Group's activities expose it to a variety of financial risks, including interest rate risk, foreign currency risk, liquidity and cash flow risks, credit risk and capital risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems and adherence to Group financial risk management policies. The Group does not trade in financial instruments.

(i) Interest rate risk

Interest rate risks arise mainly from the Group's short-term deposits and borrowings. The Group's short-term deposits are placed at prevailing interest rates.

Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group manages this risk through the use of fixed and floating rate debt.

The Group's outstanding borrowings as at year end at variable rates on which hedges have not been entered into, are denominated in RM. If the annual interest rates of these borrowings increase/decrease by 1% respectively (2016: 1%) with all other variables including tax rate being held constant, the result after tax will be lower/higher by 2.2% (2016: 2.6%) as a result of higher/lower interest expense on these borrowings.

(ii) Foreign currency risk

The Group and the Company are not exposed to significant foreign currency risk.

(iii) Liquidity and cash flow risks

The Group manages its liquidity risk by maintaining sufficient levels of cash or cash convertible investments and available credit facilities to meet its working capital requirements.

The table below analyses the financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity and cash flow risk (continued)

| | Within 1 year RM'000 | Between 1 and 5 years RM'000 | Over 5 years RM'000 | Total RM'000 |
|---|---|---|---|---|
| **The Group** | | | | |
| **At 31 December 2017** | | | | |
| Trade and other payables | **1,235,542** | **1,844** | **-** | **1,237,386** |
| Borrowings | **1,551,350** | **983,654** | **-** | **2,535,004** |
| Sukuk | **1,125,844** | **-** | **-** | **1,125,844** |
| | **3,912,736** | **985,498** | **-** | **4,898,234** |
| **At 31 December 2016** | | | | |
| Trade and other payables | 1,282,544 | 2,439 | - | 1,284,983 |
| Borrowings | 895,121 | 1,160,502 | - | 2,055,623 |
| Sukuk | 81,843 | 639,602 | 827,415 | 1,548,860 |
| | 2,259,508 | 1,802,543 | 827,415 | 4,889,466 |
| **The Company** | | | | |
| **At 31 December 2017** | | | | |
| Trade and other payables | **150,574** | **-** | **-** | **150,574** |
| Amounts due to subsidiaries | **119,239** | **-** | **-** | **119,239** |
| Borrowings | **1,066,855** | **188,658** | **-** | **1,255,513** |
| Financial guarantee contract | **484,495** | **794,996** | **-** | **1,279,491** |
| | **1,821,163** | **983,654** | **-** | **2,804,817** |
| **At 31 December 2016** | | | | |
| Trade and other payables | 123,207 | - | - | 123,207 |
| Amounts due to subsidiaries | 44,251 | - | - | 44,251 |
| Borrowings | 383,808 | 361,119 | - | 744,927 |
| Financial guarantee contract | 412,834 | 799,383 | - | 1,212,217 |
| | 964,100 | 1,160,502 | - | 2,124,602 |

**4 FINANCIAL RISK MANAGEMENT (CONTINUED)**

(iv) Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, setting of counterparty limits and monitoring procedures. The Group seeks to invest cash assets safely and profitably. Credit risks are minimised given the Group's policy of selecting only counterparties with high creditworthiness.

The Group closely monitors collections from these customers. In addition, the Group's historical experience in collection of trade receivables falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts allowed for collection losses is inherent in the Group's trade receivables.

The Group has no significant concentrations of credit risk, notwithstanding that all of its deposits are placed with financial institutions in Malaysia. The likelihood of non-performance by these financial institutions is remote based on their high credit ratings.

(v) Capital risk

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

As part of its capital management plan, the Group and the Company may adjust the amount of dividends paid to the shareholder, return capital to shareholder or sell assets to reduce debt.

Management monitors capital based on the Company's gearing ratio. The gearing ratio is calculated as total debt divided by total equity. Total debts is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statements of financial position).

The gearing ratios at 31 December 2017 and 31 December 2016 were as follows;

| | **Group** | |
|---|---|---|
| | **2017 RM'000** | **2016 RM'000** |
| Total debt | **3,381,855** | 2,937,112 |
| Total equity | **4,928,588** | 3,025,042 |
| Total capital | **8,310,443** | 5,962,154 |
| Gearing ratio | **0.69** | 0.97 |

(b) Fair values

The carrying amounts of the following financial assets and liabilities approximate their fair values due to the relatively short term maturity of these financial instruments: deposits, cash and bank balances, receivables and payables (including non-trade amounts due to/from related companies), loan stocks and short term borrowings.

**Fair value estimation**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Fair values (continued)

**Fair value estimation (continued)**

The following table presents the Group's and the Company's assets and liabilities that are measured at fair value at 31 December 2017.

**Assets**

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| **Level 1** | | | | |
| Available for sale financial assets | **268** | 268 | **268** | 268 |
| Financial assets at fair value through profit or loss | **1,645** | 2,255 | **1,645** | 2,255 |
| **Level 2** | | | | |
| Available for sale financial assets | **309** | 309 | **309** | 309 |

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The fair value of the Group's and of the Company's assets and liabilities that are not measured at fair value as at 31 December 2017 are disclosed in the respective notes to the financial statements.

## 5 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

**Financial year ended 31 December 2017**

**(i) Semasa Services Sdn. Bhd.**

On 12 January 2017, the Company entered into a conditional Share Sale Agreement with Crystal Clear Cleaning Sdn. Bhd. for the disposal of its entire equity interest in Semasa Services Sdn. Bhd., a wholly owned subsidiary of the Company, for a total cash consideration of RM4.8 million ("Purchase Price") with a provision for adjustment to the Purchase Price.

The disposal was completed on 5 April 2017. The final Purchase Price was RM5.7 million with a gain of disposal of RM3.8 million.

## 5 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

**Financial year ended 31 December 2017 (continued)**

**(i) Semasa Services Sdn. Bhd. (continued)**

The effects of the above disposal to the financial position of the Group as at the date of disposal were as follows:

| | As at 5.4.2017 RM'000 |
|---|---|
| Purchase consideration for 100% equity interest | 5,732 |
| Less: | |
| Net assets disposed (a) | (1,887) |
| Gain on disposal | 3,845 |
| (a) Net assets disposed represented by the following: | |
| Property, plant and equipment (Note 15) | 388 |
| Deferred tax | 83 |
| Tax recoverable | 290 |
| Cash and bank balances | 5,097 |
| Trade and other receivables | 2,577 |
| Trade and other payables | (6,548) |
| Total net assets disposed | 1,887 |
| (b) Net cash flow represented by the following: | |
| Total consideration recoverable from disposal of 100% equity interest | 5,732 |
| Less: | |
| Cash and bank balances | (5,097) |
| Net cash inflow from disposal | 635 |

**(ii) Kwasa Sentral Sdn. Bhd.**

On 14 August 2014, the Company entered into a shareholders' agreement with Kwasa Land Sdn. Bhd. and Kwasa Sentral Sdn. Bhd. ("KSSB") for the subscription of 700,000 new ordinary shares of RM1.00 each, representing a 70% equity interest in KSSB for a cash subscription payment of approximately RM816.6 million ("Subscription"). KSSB is a special purpose vehicle incorporated to undertake the mixed development of 64.07 acres of land ("MX-1 Land") identified to be the town centre of the proposed Kwasa Damansara Township. The Subscription was approved by the Company's shareholders at the Extraordinary General Meeting held on 12 February 2015.

On 8 August 2016, a Supplemental Shareholders' Agreement was signed to, amongst others, to allow the Parties to mutually agree on a suitable date to be the unconditional date (which was to be a date falling within six (6) months after the date of fulfilment of the conditions precedent).

On 11 November 2016, the Company announced that all the conditions precedent as set out in the shareholders' agreement and supplemental shareholders' agreement had been fulfilled.

## 5 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

**Financial year ended 31 December 2017 (continued)**

**(ii) Kwasa Sentral Sdn. Bhd. (continued)**

On 9 May 2017, a second supplemental shareholders' agreement was signed to vary certain terms of the shareholders' agreement and supplemental shareholders' agreement. The subscription payment to be paid upon the unconditional date was agreed to be RM819.5 million as the MX-1 Land size was 64.3 acres pursuant to the subdivision and the number of ordinary shares to be issued by KSSB remained the same. In addition, the Parties mutually agreed a suitable date to be the unconditional date which shall be a date occurring no later than 29 December 2017 or any other date as may be agreed upon in writing by the Parties.

The Subscription was completed and the shareholders' agreements became unconditional on 20 December 2017. With this, KSSB became the Group 70% equity owned subsidiary.

The effects of the above acquisition to the financial position of the Group as at 31 December 2017 at the date of acquisition are as follows:

| | **As at 31.12.2017 RM'000** |
|---|---|
| Investment properties (Note 16) | **685,926** |
| Land held for property development (Note 17(a)) | **215,375** |
| Other receivables | **265,968** |
| Tax recoverable | **60** |
| Deposits, cash and bank balances | **179,111** |
| Other payables | **(11,546)** |
| Amount due to non-controlling interest | **(5,368)** |
| Redeemable preference shares | **(178,699)** |
| Non-controlling interest | **(771)** |
| Total net assets acquired | **1,150,056** |
| Profit guarantee to non-controlling interest (Note 39) | **(330,510)** |
| Purchase consideration | **819,546** |
| Less: | |
| Cash and cash equivalent of the subsidiary acquired | **(179,111)** |
| Deposit paid in prior year | **(81,662)** |
| Net cash outflow on acquisition | **558,773** |

Had KSSB been consolidated from 1 January 2017, the consolidated statements of comprehensive income would show a pro-forma profit after taxation of RM114,668.

## 5 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

**Financial year ended 31 December 2017 (continued)**

**(iii) 59 INC Sdn. Bhd.**

The Company had on 26 December 2017 entered into a Share Sale Agreement (“SSA”) with TH Properties Sdn. Bhd. (“THP”) for the disposal of 200,000 ordinary shares in 59 INC Sdn. Bhd. (“59 INC”), representing the Company’s 40% equity interest in 59 INC for a total cash consideration of RM100,138,792. The Company had simultaneously entered into a Subscription and Shareholders’ Agreement (“SASA”) with THP and 59 INC, whereby THP has agreed to subscribe for 500,000 new ordinary shares in 59 INC. Following the completion of the SSA and SASA, the Company’s equity interest in 59 INC has been diluted from 100% to 30%, resulting in a total gain of RM60.8 million.

The effects of the above disposal to the financial position of the Group as at the date of disposal is as follows:

| | As at 26.12.2017 RM’000 |
|---|---|
| Purchase consideration for 70% equity interest | 100,139 |
| Fair value of 30% equity interest retained | 42,917 |
| | 143,056 |
| Less: | |
| Net assets disposed (a) | (73,455) |
| Incidental costs of disposal | (8,760) |
| Disposal gain before tax | 60,841 |
| Real property gain tax | (1,000) |
| Disposal gain after tax | 59,841 |
| (a) Net assets disposed represented by the following: | |
| Property, plant and equipment (Note 15) | 156 |
| Investment properties (Note 16) | 32,265 |
| Land held for property development (Note 17(a)) | 168,460 |
| Intangible assets (Note 24) | 18,017 |
| Other receivables | 43 |
| Cash and bank balances | 3,337 |
| Trade and other payables | (6,019) |
| Amount due to the Company and subsidiaries | (32) |
| Deferred tax liabilities | (19,772) |
| Redeemable preference shares | (123,000) |
| Total net assets disposed | 73,455 |
| (b) Net cash flow represented by the following: | |
| Total consideration recoverable from disposal of 70% equity interest | 100,139 |
| Less: | |
| Cash and bank balances | (3,337) |
| Amount due from THP | (100,139) |
| Net cash outflow from disposal | (3,337) |

**5 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)**

**Financial year ended 31 December 2017 (continued)**

**(iii) 59 INC Sdn. Bhd. (continued)**

Based on the SSA, the disposal consideration will be settled via two (2) tranches as follows:

(a) 10% within 14 business days after signing of SSA; and

(b) 90% upon six (6) months from SSA

The 10% was fully received on 11 January 2018.

**Financial year ended 31 December 2016**

**(iv) Nilaitera Sdn. Bhd.**

The Company's wholly owned subsidiary MRCB Land Sdn. Bhd. had on 9 December 2016 entered into a Share Sale Agreement with Nusa Gapurna Development Sdn. Bhd. ("NGD") for the proposed acquisition of 1,000,000 ordinary shares of RM1.00 each, representing 100% equity interest in Nilaitera Sdn. Bhd. ("Nilaitera") for a total cash consideration of RM24,780,100 ("Purchase Consideration").

The acquisition was completed on 19 December 2016. With this, Nilaitera became a wholly owned subsidiary of the Company.

The details of the provisional fair value of Nilaitera's identifiable assets and liabilities assumed at the date of acquisition are as follows:

| | **RM'000** |
|---|---|
| Land held for property development (Note 17(a)) | 36,305 |
| Bank balance | 274 |
| Other receivables | 2 |
| Other payables | (11,801) |
| Purchase consideration | 24,780 |
| Less: | |
| Cash and cash equivalent of the subsidiary acquired | |
| - bank balance | (274) |
| Amount due to NGD | (22,302) |
| Cash outflow on acquisition | 2,204 |

Based on the Share Sale Agreement, the 90% of purchase consideration of RM22,302,090 will be paid by 19 June 2017, six ("6") months from the date of completion. This payment was settled in the current financial year.

The effects of the above acquisition to the financial position of the Group as at 31 December 2016 are as follows:

| | **RM'000** |
|---|---|
| Land held for property development (Note 17(a)) | 36,405 |
| Bank balance | 274 |
| Other receivables | 2 |
| Other payables | (11,902) |
| | 24,779 |

Had Nilaitera been consolidated from 1 January 2016, the consolidated statements of comprehensive income would show pro-forma loss after taxation of RM4,951.

## 6 REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Property development | **754,396** | 1,141,461 | **-** | - |
| Construction contracts | **1,795,242** | 919,215 | **439,582** | 278,000 |
| Rental income | **85,618** | 128,935 | **15,011** | 16,290 |
| Building services | **54,976** | 71,356 | **-** | - |
| Toll concession | **112,053** | 109,362 | **-** | - |
| Dividend income (gross) | **74** | 158 | **106,615** | 253,354 |
| Management fees | **5,435** | 4,564 | **60,543** | 51,426 |
| Sale of goods | **5,875** | 26,168 | **1,875** | 1,700 |
| Others | **9,982** | 6,853 | **-** | 1,216 |
| | **2,823,651** | 2,408,072 | **623,626** | 601,986 |

## 7 COST OF SALES

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Property development | **516,053** | 772,747 | **-** | - |
| Construction contracts | **1,590,642** | 843,365 | **431,655** | 270,334 |
| Rental income | **80,730** | 99,836 | **12,885** | 12,918 |
| Building services | **37,260** | 44,170 | **-** | - |
| Toll concession | **61,453** | 54,516 | **-** | - |
| Sale of goods | **3,983** | 22,060 | **1,299** | - |
| Others | **5,161** | 4,387 | **-** | 467 |
| | **2,295,282** | 1,841,081 | **445,839** | 283,719 |

## 8 OTHER INCOME AND FINANCE INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Gain on disposal of: | | | | |
| - subsidiaries (Note 49(a) & (g)) | **64,686** | - | **36,100** | 2,436 |
| - joint venture (Note 49(b)) | **1,649** | - | **-** | - |
| - associates | **-** | 2,770 | **-** | 4,858 |
| - investment properties | **-** | 186,549 | **-** | 36,604 |
| Gain arising from dilution of interest of an associate | **-** | 9,393 | **-** | - |
| Building maintenance services | **12,871** | 10,044 | **-** | - |
| Rental income from land and buildings | **567** | 2,511 | **196** | 1,893 |
| Agent fee | **-** | 37,947 | **-** | - |
| Insurance claim | **-** | 10,100 | **-** | - |
| Others | **24,164** | 17,429 | **195** | 223 |
| | **103,937** | 276,743 | **36,491** | 46,014 |
| Finance income from | | | | |
| - unwinding of discount for financial assets | **6,324** | 10,948 | **-** | - |
| - fixed deposits | **16,789** | 9,447 | **8,203** | 3,420 |
| - advances granted to a foreign subsidiary | **-** | - | **5,132** | 4,259 |
| - others | **2,436** | 3,071 | **23** | 25 |
| | **25,549** | 23,466 | **13,358** | 7,704 |

## 9 PROFIT BEFORE INCOME TAX

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Profit before income tax is arrived at after charging/(crediting): | | | | |
| Auditors' remuneration | | | | |
| - statutory audit | **1,058** | 970 | **190** | 195 |
| - other services | | | | |
| - audit related | **186** | 98 | **55** | 8 |
| - non audit related | **708** | 1,805 | **131** | 645 |
| Staff costs (including remuneration of Executive Directors) (Note 10) | **211,422** | 181,105 | **67,411** | 60,267 |
| Depreciation of investment properties (Note 16) | **4,675** | 4,664 | **-** | - |

## 9 PROFIT BEFORE INCOME TAX (CONTINUED)

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| Profit before income tax is arrived at after charging/(crediting): (continued) | | | | |
| Property, plant and equipment (Note 15) | | | | |
| - depreciation | **20,743** | 20,112 | **1,261** | 1,228 |
| - written off | **40** | 7,440 | **-** | - |
| - net gain on disposal | **(189)** | (24) | **-** | - |
| Amortisation of: | | | | |
| - service concession asset (Note 18) | **41,968** | 34,645 | **-** | - |
| - order book (Note 24) | **5,682** | 3,153 | **-** | - |
| Impairment/(write back) on investment in | | | | |
| - subsidiaries (Note 19) | **-** | - | **(2,950)** | 21,858 |
| - associate (Note 20) | **-** | - | **6,645** | - |
| - goodwill (Note 24) | **-** | 53,378 | **-** | - |
| (Write back)/provision for impairment on receivables and amount due from subsidiaries (Note 27) | **(527)** | 466 | **524** | 5,313 |
| Allowance for inventories obsolescence | **351** | - | **-** | - |
| Gain on disposal of | | | | |
| - subsidiaries | **(64,686)** | - | **(36,100)** | (2,436) |
| - associates | **-** | (2,770) | **-** | (4,858) |
| - a joint venture | **(1,649)** | - | **-** | - |
| Gain arising from dilution of interest of an associate | **-** | (9,393) | **-** | - |
| Fair value loss of financial assets at fair value through profit or loss | **610** | 49 | **610** | 49 |
| Rental of | | | | |
| - premises | **49,657** | 48,466 | **18,337** | 19,603 |
| - motor vehicles | **180** | 9 | **14** | 9 |
| - office equipment | **632** | 765 | **13** | 19 |
| (Reversal of)/provision for liquidated ascertained damages (Note 35) | **(2,019)** | 15,607 | **-** | - |
| Realised loss on foreign exchange | **11** | - | **0** | - |
| Unrealised loss/(gain) on foreign exchange | **2,290** | (887) | **1,934** | (381) |

Included in cost of sales were direct operating expenses from property, plant and equipment and investment properties that generated rental income of the Group and of the Company during the financial year which amounted to RM12,189,891 (2016: RM35,096,501) and Nil (2016: RM270,787) respectively.

Note - "0" denotes as amount less than RM1,000.

## 10 STAFF COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Wages, salaries and bonus | **163,332** | 138,005 | **50,804** | 44,865 |
| Defined contribution plan | **23,052** | 17,841 | **7,971** | 7,027 |
| Defined benefit plan (Note 37) | **1,190** | 2,082 | **972** | 785 |
| Share based payment (Note 32) | **4,497** | 4,559 | **2,632** | 1,773 |
| Other employee benefits | **19,351** | 18,618 | **5,032** | 5,817 |
| | **211,422** | 181,105 | **67,411** | 60,267 |

The number of persons employed by the Group and the Company at the end of the financial year were 1,989 (2016: 1,769) and 348 (2016: 338) respectively.

## 11 DIRECTORS' REMUNERATION

The Directors of the Company in office during the financial year are as follows:

**Non-executive Directors**

Tan Sri Azlan Mohd Zainol (Chairman)
Datuk Shahril Ridza Ridzuan
Rohaya Mohammad Yusof
Jamaludin Zakaria
Hasman Yusri Yusoff
To' Puan Looi Lai Heng (Appointed on 11 December 2017)

**Executive Directors**

Tan Sri Mohamad Salim Fateh Din (Group Managing Director)
Mohd Imran Tan Sri Mohamad Salim (Executive Director)

The aggregate amounts of remuneration received/receivable by Directors of the Company for the financial year were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **Non-executive Directors** | | | | |
| **The Company** | | | | |
| Directors' fees | **811** | 952 | **811** | 952 |
| Other emoluments | **478** | 305 | **478** | 305 |
| | **1,289** | 1,257 | **1,289** | 1,257 |
| **The subsidiaries** | | | | |
| Directors' fees | **65** | 62 | **-** | - |
| Other emoluments | **2** | - | **-** | - |
| | **1,356** | 1,319 | **1,289** | 1,257 |

**11 DIRECTORS' REMUNERATION (CONTINUED)**

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| **Executive Directors** | | | | |
| **The Company** | | | | |
| Salaries | **5,216** | 4,810 | **5,216** | 4,810 |
| Defined contribution plan | **1,088** | 1,007 | **1,088** | 1,007 |
| Other employee benefits | **270** | 252 | **270** | 252 |
| Share based payments | **804** | 404 | **804** | 404 |
| | **7,378** | 6,473 | **7,378** | 6,473 |
| **The subsidiaries** | | | | |
| Salaries | **3,641** | 3,898 | **-** | - |
| Defined contribution plan | **635** | 684 | **-** | - |
| Other employee benefits | **394** | 718 | **-** | - |
| Share based payments | **281** | 89 | **-** | - |
| | **12,329** | 11,862 | **7,378** | 6,473 |
| | **13,685** | 13,181 | **8,667** | 7,730 |
| **Benefits-in-kind** | | | | |
| **The Company** | | | | |
| Non-executive Director | **198** | 80 | **198** | 80 |
| Executive Directors | **49** | 80 | **49** | 80 |
| | **247** | 160 | **247** | 160 |
| **The subsidiaries** | | | | |
| Executive Directors | **47** | 51 | **-** | - |
| | **294** | 211 | **247** | 160 |

Included in the analysis above is remuneration for Directors of the Company and its subsidiaries in accordance with the requirement of Companies Act, 2016. Expenses incurred on the indemnity given or insurance effected for any Director and the officer of the Company and its subsidiaries during the financial year amounted to RM169,533 (2016: RM5,569).

## 12 FINANCE COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| Arrangement fees for borrowings | **2,769** | 2,061 | **300** | 268 |
| Finance cost on | | | | |
| - Senior and Junior Sukuk | **81,844** | 81,844 | **-** | - |
| - term loans | **24,945** | 86,731 | **49,234** | 38,643 |
| - hire purchase | **-** | 2 | **-** | - |
| - loan stock | **-** | 491 | **-** | - |
| Others | **567** | - | **-** | - |
| Amortisation of loan issuance cost | **5,990** | 4,793 | **3,952** | 1,090 |
| | **116,115** | 175,922 | **53,486** | 40,001 |

## 13 INCOME TAX EXPENSE

(a) Tax charged/(credited) for the financial year

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| In Malaysia | | | | |
| Current tax | **83,081** | 90,092 | **3,067** | 2,239 |
| (Over)/under provision in prior years | **(2,560)** | 8,248 | **(85)** | - |
| | **80,521** | 98,340 | **2,982** | 2,239 |
| Deferred tax | **(18,416)** | (24,808) | **-** | - |
| Income tax expense | **62,105** | 73,532 | **2,982** | 2,239 |
| Foreign tax | **3,420** | - | **-** | - |
| | **65,525** | 73,532 | **2,982** | 2,239 |
| Current tax: | | | | |
| - income tax | **85,501** | 88,838 | **2,067** | 985 |
| - real property gain tax | **1,000** | 1,254 | **1,000** | 1,254 |
| (Over)/under provision in prior years | **(2,560)** | 8,248 | **(85)** | - |
| | **83,941** | 98,340 | **2,982** | 2,239 |
| Deferred tax: | | | | |
| Origination net of reversal of temporary differences (Note 25) | **(18,416)** | (24,808) | **-** | - |
| Income tax expense | **65,525** | 73,532 | **2,982** | 2,239 |

## 13 INCOME TAX EXPENSE (CONTINUED)

(b) Numerical reconciliation of taxation and the product of accounting profit multiplied by the Malaysia tax rate

The explanation of the relationship between income tax expense and profit before income tax is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| Profit before income tax (excluding share of results of associates and joint ventures) | **222,305** | 359,968 | **62,576** | 225,182 |
| Tax calculated at the Malaysian tax rate of 24% (2016: 24%) | **53,353** | 86,392 | **15,018** | 54,044 |
| Tax effects of: | | | | |
| Income not subject to tax | **(2,719)** | (38,147) | **(22,662)** | (59,637) |
| Expenses not deductible for tax purposes | **27,558** | 20,086 | **17,821** | 12,193 |
| Deductible temporary differences and tax losses not recognised | **5,390** | 1,717 | **331** | 403 |
| Income subject to different tax rate | **(15,497)** | (4,764) | **(7,441)** | (4,764) |
| (Over)/under provision of tax in prior years | **(2,560)** | 8,248 | **(85)** | - |
| Income tax expense | **65,525** | 73,532 | **2,982** | 2,239 |

## 14 EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the profit attributable to equity holders of the Company for the financial year by the weighted average number of ordinary shares in issue during the financial year.

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| Profit for the financial year attributable to the equity holders of the Company (RM'000) | **167,575** | 267,360 |
| Weighted average number of ordinary shares in issue ('000) | **2,556,085** | 1,937,800 |
| Basic earnings per share (sen) | **6.56** | 13.80 |

### (b) Diluted earnings per share

| | | |
|---|---|---|
| Profit for the financial year attributable to the equity holders of the Company (RM'000) | **167,575** | 267,360 |
| Weighted average number of ordinary shares in issue ('000) | **2,556,085** | 1,937,800 |
| Adjustment for warrants B ('000) | **15,238** | 3 |
| Adjusted weighted average number of ordinary shares in issue ('000) | **2,571,323** | 1,937,803 |
| Diluted earnings per share (sen) | **6.52** | 13.80 |

## 14 EARNINGS PER SHARE (CONTINUED)

### (b) Diluted earnings per share (continued)

For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares issued during the financial year were adjusted for the dilutive effects of all potential ordinary shares i.e. warrants B.

Warrants A was not included in the calculation because the fair value of the issued ordinary shares as at 31 December 2017 was lower than warrant A's exercise price. Accordingly, there is no bonus element in the outstanding shares for the purpose of computing the dilution.

## 15 PROPERTY, PLANT AND EQUIPMENT

| | Freehold land and buildings RM'000 | Plant and machinery RM'000 | Furniture, fittings, office equipment and computers RM'000 | Motor vehicles RM'000 | Construction in progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **2017** | | | | | | |
| **Cost/valuation** | | | | | | |
| At 1.1.2017 | 259,986 | 25,178 | 58,416 | 13,542 | 157,081 | 514,203 |
| Additions | 46,897 | 4 | 5,379 | 908 | 144,609 | 197,797 |
| Disposals | - | - | (231) | (1,488) | - | (1,719) |
| Disposal of a subsidiary (Note 5 (i) and (iii)) | - | - | (826) | (65) | (156) | (1,047) |
| Written off | - | - | (112) | - | - | (112) |
| At 31.12.2017 | 306,883 | 25,182 | 62,626 | 12,897 | 301,534 | 709,122 |
| **Accumulated depreciation** | | | | | | |
| At 1.1.2017 | 18,630 | 15,436 | 34,386 | 7,928 | - | 76,380 |
| Charge for the financial year | 7,931 | 2,231 | 9,124 | 1,457 | - | 20,743 |
| Disposals | - | - | (178) | (1,488) | - | (1,666) |
| Disposal of a subsidiary (Note 5(i) and (iii)) | - | - | (438) | (65) | - | (503) |
| Written off | - | - | (72) | - | - | (72) |
| At 31.12.2017 | 26,561 | 17,667 | 42,822 | 7,832 | - | 94,882 |

**15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

| | Freehold land and buildings RM'000 | Plant and machinery RM'000 | Furniture, fittings, office equipment and computers RM'000 | Motor vehicles RM'000 | Construction in progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **2016** | | | | | | |
| **Cost/valuation** | | | | | | |
| At 1.1.2016 | 243,006 | 25,178 | 57,604 | 9,248 | 62,792 | 397,828 |
| Additions | 24,997 | 2,284 | 4,823 | 4,294 | 94,289 | 130,687 |
| Disposals | - | (2,284) | (713) | - | - | (2,997) |
| Written off | (8,017) | - | (3,298) | - | - | (11,315) |
| At 31.12.2016 | 259,986 | 25,178 | 58,416 | 13,542 | 157,081 | 514,203 |
| **Accumulated depreciation** | | | | | | |
| At 1.1.2016 | 11,467 | 12,960 | 28,797 | 7,139 | - | 60,363 |
| Charge for the financial year | 7,931 | 2,476 | 8,916 | 789 | - | 20,112 |
| Release on disposals | - | - | (220) | - | - | (220) |
| Written off | (768) | - | (3,107) | - | - | (3,875) |
| At 31.12.2016 | 18,630 | 15,436 | 34,386 | 7,928 | - | 76,380 |
| **Net book value** | | | | | | |
| At 31.12.2017 | **280,322** | **7,515** | **19,804** | **5,065** | **301,534** | **614,240** |
| At 31.12.2016 | 241,356 | 9,742 | 24,030 | 5,614 | 157,081 | 437,823 |

## 15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Details of the freehold land and buildings of the Group are as follows:

| | Freehold land RM'000 | Buildings RM'000 | Total RM'000 |
|---|---|---|---|
| **Group** | | | |
| **2017** | | | |
| **Cost** | | | |
| At 1.1.2017 | **157,235** | **102,751** | **259,986** |
| Additions | **46,069** | **828** | **46,897** |
| At 31.12.2017 | **203,304** | **103,579** | **306,883** |
| **Accumulated depreciation** | | | |
| At 1.1.2017 | **-** | **18,630** | **18,630** |
| Charge for the financial year | **-** | **7,931** | **7,931** |
| At 31.12.2017 | **-** | **26,561** | **26,561** |
| **2016** | | | |
| **Cost** | | | |
| At 1.1.2016 | 143,167 | 99,839 | 243,006 |
| Additions | 14,068 | 10,929 | 24,997 |
| Written off | - | (8,017) | (8,017) |
| At 31.12.2016 | 157,235 | 102,751 | 259,986 |
| **Accumulated depreciation** | | | |
| At 1.1.2016 | - | 11,467 | 11,467 |
| Charge for the financial year | - | 7,931 | 7,931 |
| Written off | - | (768) | (768) |
| At 31.12.2016 | - | 18,630 | 18,630 |
| **Net book value** | | | |
| At 31.12.2017 | **203,304** | **77,018** | **280,322** |
| At 31.12.2016 | 157,235 | 84,121 | 241,356 |

**15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

| | Furniture, fittings, office equipment and computers RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|
| **Company** | | | |
| **2017** | | | |
| **Cost** | | | |
| At 1.1.2017 | **6,536** | **172** | **6,708** |
| Additions | **375** | **-** | **375** |
| At 31.12.2017 | **6,911** | **172** | **7,083** |
| **Accumulated depreciation** | | | |
| At 1.1.2017 | **4,610** | **172** | **4,782** |
| Charge for the financial year | **1,261** | **-** | **1,261** |
| At 31.12.2017 | **5,871** | **172** | **6,043** |
| **2016** | | | |
| **Cost** | | | |
| At 1.1.2016 | 5,777 | 172 | 5,949 |
| Additions | 761 | - | 761 |
| Written off | (2) | - | (2) |
| At 31.12.2016 | 6,536 | 172 | 6,708 |
| **Accumulated depreciation** | | | |
| At 1.1.2016 | 3,384 | 172 | 3,556 |
| Charge for the financial year | 1,228 | - | 1,228 |
| Written off | (2) | - | (2) |
| At 31.12.2016 | 4,610 | 172 | 4,782 |
| **Net book value** | | | |
| At 31.12.2017 | **1,040** | **-** | **1,040** |
| At 31.12.2016 | 1,926 | - | 1,926 |

Included in property, plant and equipment of the Group are the net book values of the following assets acquired under hire purchase terms:

| | Net book value | |
|---|---|---|
| | **2017 RM'000** | **2016 RM'000** |
| **Group** | | |
| Motor vehicles | **3,657** | 3,938 |

The property, plant and equipment of the Group with net book value of RM126,923,447 (2016: RM121,935,321) have been charged as security for term loan facilities of the Group.

Borrowings costs of RM21,786,108 (2016: RM4,617,838) for the Group have been capitalised to the asset under construction during the financial year.

## 16 INVESTMENT PROPERTIES

| | Land & building RM'000 | Construction in progress RM'000 | Total RM'000 |
|---|---|---|---|
| **Group** | | | |
| **2017** | | | |
| **Cost** | | | |
| At 1.1.2017 | **371,931** | **264,957** | **636,888** |
| Additions | **879** | **41,356** | **42,235** |
| Acquisition of a subsidiary (Note 5(ii)) | **507,459** | **178,467** | **685,926** |
| Disposal of a subsidiary (Note 5(iii)) | **(32,265)** | **-** | **(32,265)** |
| Reclassification | **2,098** | **(2,098)** | **-** |
| At 31.12.2017 | **850,102** | **482,682** | **1,332,784** |
| **Accumulated depreciation** | | | |
| At 1.1.2017 | **72,972** | **-** | **72,972** |
| Charge for the financial year | **4,675** | **-** | **4,675** |
| At 31.12.2017 | **77,647** | **-** | **77,647** |
| **Accumulated impairment loss** | | | |
| At 1.1.2017/31.12.2017 | **43,839** | **-** | **43,839** |
| **2016** | | | |
| **Cost** | | | |
| At 1.1.2016 | 371,931 | 153,733 | 525,664 |
| Additions | - | 111,224 | 111,224 |
| At 31.12.2016 | 371,931 | 264,957 | 636,888 |
| **Accumulated depreciation** | | | |
| At 1.1.2016 | 68,308 | - | 68,308 |
| Charge for the financial year | 4,664 | - | 4,664 |
| At 31.12.2016 | 72,972 | - | 72,972 |
| **Accumulated impairment loss** | | | |
| At 1.1.2016/31.12.2016 | 43,839 | - | 43,839 |
| **Net book value** | | | |
| At 31.12.2017 | **728,616** | **482,682** | **1,211,298** |
| At 31.12.2016 | 255,120 | 264,957 | 520,077 |

## 16 INVESTMENT PROPERTIES (CONTINUED)

The investment properties of the Group with net book value of RM463,030,155 (2016: RM440,054,705) have been charged as security for term loan facilities of the Group and of the Company (Notes 38 and 43).

Borrowings costs of RM16,806,417 (2016: RM10,766,602) for the Group has been capitalised in the construction in progress for the investment properties during the financial year.

At 31 December 2017, there were no contractual obligations for future repairs and maintenance (2016: Nil).

The leasehold land of the Group have lease periods ranging from 59 years to 98 years.

**Fair value information**

The fair value of the investment properties excluding those being constructed as at financial year end are categorised as follows:

| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **2017** | | | | |
| Land and Building | **-** | **-** | **208,468** | **208,468** |
| **2016** | | | | |
| Land and Building | - | - | 277,414 | 277,414 |

The fair value of investment properties under construction including lands amounting to RM1,046,230,376 (2016: RM318,948,624) cannot be reliably and separately determined until the construction is completed or the fair value becomes reliably determined, whichever is earlier.

**Level 3 fair value**

Level 3 fair value is estimated using unobservable inputs for the investment property.

The following table shows a reconciliation of Level 3 fair value for investment properties excluding those being constructed as at financial year end.

| | 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| **Group** | | |
| At 1 January | **277,414** | 281,013 |
| Reduction | **(68,946)** | (3,599) |
| At 31 December | **208,468** | 277,414 |

## 16 INVESTMENT PROPERTIES (CONTINUED)

**Level 3 fair value (continued)**

The following table shows the valuation techniques used in determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models:

| Valuation Technique | Significant Unobservable Inputs | Inter-relationship Between Significant Unobservable Inputs and Fair Value Measurement |
|---|---|---|
| Discounted cash flow | - Expected market rental growth: 3% per every 3 years | The estimated fair value would increase/(decrease) if<br>- Expected market rental growth were higher/(lower) |
| | - Yield: 4% to 6% | - Yield rate were higher/(lower) |
| | - Discount rate: 6.5% | - Discount rates were lower/(higher) |

**Valuation process applied by the Group for Level 3 fair value**

The fair value of the investment properties above were based on management's estimates.

The fair value of the investment properties above excludes investment properties that are under construction as the fair value of these properties are not expected to be reliably measurable until construction completed.

The fair value of the investment properties is determined based on income approach using Level 3 inputs in the fair value hierarchy of FRS 13 "Fair Value Measurement". The fair value of the investment properties is derived from an estimate of the market rental which the investment properties can reasonably be let for. Outgoings are deducted from the annual rental income and thereafter, the net annual rental income is capitalised at an appropriate current market yield to arrive at its fair value.

## 17 PROPERTY DEVELOPMENT ACTIVITIES

### 17(a) Land held for property development

| | Group | |
|---|---|---|
| | **2017 RM'000** | **2016 RM'000** |
| **At cost:** | | |
| Freehold land | **732,976** | 1,047,070 |
| Leasehold land | **330,829** | 237,360 |
| Development expenditure | **524,476** | 514,335 |
| | **1,588,281** | 1,798,765 |
| Less: Accumulated impairment losses | **(30,841)** | (31,126) |
| | **1,557,440** | 1,767,639 |
| At start of financial year | **1,767,639** | 1,786,892 |
| Development expenditure incurred | **23,506** | 70,141 |
| Transfer to property development costs (Note 17(b)) | **(280,586)** | (343,921) |
| Acquisition of freehold land | **-** | 211,322 |
| Acquisition of leasehold land | **-** | 6,900 |
| Acquisition of a subsidiary (Note 5(ii)) | **215,375** | 36,305 |
| Disposal of land | **(34)** | - |
| Disposal of a subsidiary (Note 5(iii)) | **(168,460)** | - |
| At end of the financial year | **1,557,440** | 1,767,639 |

## 17 PROPERTY DEVELOPMENT ACTIVITIES (CONTINUED)

### 17(b) Property development costs

| | Group | |
|---|---|---|
| | **2017 RM'000** | **2016 RM'000** |
| At start of the financial year | | |
| - land, at cost | **384,641** | 184,931 |
| - development costs | **1,422,702** | 706,369 |
| - accumulated costs charged to profit or loss | **(1,048,056)** | (402,690) |
| | **759,287** | 488,610 |
| Costs incurred during the financial year | | |
| - transfer from land held for property development (Note 17(a)) | | |
| - land, at cost | **261,766** | 270,152 |
| - development costs | **18,820** | 73,769 |
| | **280,586** | 343,921 |
| - land, at cost | **8,169** | - |
| - development costs | **512,582** | 688,656 |
| | **801,337** | 1,032,577 |
| Foreign currency translation | | |
| - land, at cost | **(456)** | (498) |
| - development costs | **(2,547)** | 1,857 |
| | **(3,003)** | 1,359 |
| Transfer to inventories | | |
| - land, at cost | **(104,864)** | - |
| - development costs | **(26,113)** | - |
| | **(130,977)** | - |
| Development cost transferred to construction contract | **(221,927)** | (2,698) |
| Costs charged to profit or loss | **(507,776)** | (760,561) |
| Reversal upon completion of projects | | |
| - land, at cost | **(16,673)** | (69,944) |
| - development costs | **(92,522)** | (45,251) |
| - accumulated costs charged to profit or loss | **109,195** | 115,195 |
| At end of the financial year | **696,941** | 759,287 |

## 17 PROPERTY DEVELOPMENT ACTIVITIES (CONTINUED)

### 17(b) Property development costs (continued)

| | Group | |
|---|---|---|
| | **2017 RM'000** | **2016 RM'000** |
| Analysed as follows | | |
| - land, at cost | **532,583** | 384,641 |
| - development costs | **1,610,995** | 1,422,702 |
| - accumulated costs charged to profit or loss | **(1,446,637)** | (1,048,056) |
| | **696,941** | 759,287 |

Included in development expenditure are the following charges made during the financial year:

| | Group | |
|---|---|---|
| | **2017 RM'000** | **2016 RM'000** |
| Interest capitalised | **25,639** | 14,356 |

The freehold and leasehold lands of certain subsidiaries are pledged as security for term loan facilities (Notes 38 and 43).

## 18 SERVICE CONCESSION ASSET

| | Group | |
|---|---|---|
| | **2017 RM'000** | **2016 RM'000** |
| **Cost** | | |
| At start of the financial year | **1,325,672** | 1,324,672 |
| Additions | **900** | 1,000 |
| At end of the financial year | **1,326,572** | 1,325,672 |
| Less: Accumulated amortisation | | |
| - At start of the financial year | **(149,325)** | (114,680) |
| - Charge for the financial year (Note 9) | **(41,968)** | (34,645) |
| - At end of the financial year | **(191,293)** | (149,325) |
| As at 31 December | **1,135,279** | 1,176,347 |

On 22 December 2017, the Secretary General, Ministry of Works Malaysia, representative of Government of Malaysia ("GoM"), issued a letter to MRCB Lingkaran Selatan Sdn Bhd ("MLSSB"), a wholly owned subsidiary of the Company, to inform that the concession period of the Eastern Dispersal Link ("EDL") Expressway shall end on 31 December 2017, after which the Expressway shall be taken over by the GoM. For this purpose, a mutual termination agreement and its terms and conditions will be discussed and agreed mutually between the GoM and MLSSB.

## 18 SERVICE CONCESSION ASSET (CONTINUED)

Subsequent thereto, a Federal Roads (Private Management) (Collection of Tolls) (EDL) (Revocation) Order 2017 was issued by the GoM on 28 December 2017 to revoke the previous order that allowed MLSSB to collect toll. This order came into operation on 1 January 2018. As at 31 December 2017, the mutual termination agreement with the GoM has not been finalised.

Having considered the Group's rights under the Concession Agreement dated 26 June 2007, the Directors of the Company are of the view that the recoverable amount under the mutual termination agreement will not be lower than the carrying amount of the Service Concession Asset ("SCA"). The mutual termination agreement is expected to be completed within the next twelve (12) months. Accordingly, the carrying amount of the SCA has been reclassified to current assets.

The proceeds to be recovered from the GoM will be used principally for the settlement of the Senior and Junior Sukuk, as indicated in Note 36 to the financial statements. As the settlement with the GoM is expected to be within the next 12 months, the Senior and Junior Sukuk have been reclassified as current liabilities.

## 19 SUBSIDIARIES

| | Company | |
|---|---|---|
| | **2017** | **2016** |
| | **RM'000** | **RM'000** |
| Cost of investment | **3,764,701** | 2,667,907 |
| Less: Accumulated impairment losses | | |
| - At start of financial year | **(259,533)** | (304,547) |
| - Write back/(charge) for the financial year (Note 9) | **2,950** | (21,858) |
| - Disposal of a subsidiary | **908** | - |
| - Written off during the financial year | **-** | 66,872 |
| | **(255,675)** | (259,533) |
| | **3,509,026** | 2,408,374 |
| Loan stocks | **-** | 17,333 |
| Redeemed during the financial year | **-** | (17,333) |
| | **-** | - |
| Accumulated impairment losses | | |
| - At start of financial year | **-** | (17,333) |
| - Written back during the financial year | **-** | 17,333 |
| | **-** | - |
| | **-** | - |
| At 31 December | **3,509,026** | 2,408,374 |

Cost of investment includes the guaranteed return to a non-controlling interest in a subsidiary of RM115 million which is recoverable from the non-controlling interest's portion of further profits distribution by the subsidiary.

In addition, the cost of investment is net of the disposal effects of subsidiaries and the conversion of receivables to cost of investment in subsidiaries in the form of redeemable preference shares of RM520,890,000 (2016: RM519,168,750).

The loan stocks issued by a subsidiary pursuant to a Joint Venture Agreement and was fully redeemed on 31 December 2016.

## 19 SUBSIDIARIES (CONTINUED)

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

| | Cosy Bonanza Sdn Bhd RM'000 | Prema Bonanza Sdn Bhd RM'000 | Seri Iskandar Development Corporation Sdn Bhd RM'000 | Metro Spectacular Sdn Bhd RM'000 | Rukun Juang Sdn Bhd RM'000 | Kwasa Sentral Sdn Bhd RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Group – 2017** | | | | | | | |
| NCI percentage of ownership interest and voting interest | **34.3%** | **49.0%** | **30.0%** | **49.0%** | **15.0%** | **30.0%** | |
| Accumulated NCI as at 31 December | **15,469** | **88,995** | **1,091** | **(784)** | **(1,044)** | **771** | **104,498** |
| Profit/(loss) allocated to NCI during the financial year | **3,571** | **11,632** | **(250)** | **685** | **(1,405)** | **-** | **14,233** |
| Other comprehensive income | **-** | **-** | **73** | **-** | **-** | **-** | **73** |
| | **3,571** | **11,632** | **(177)** | **685** | **(1,405)** | **-** | **14,306** |
| **Summarised financial information before intra-group elimination** | | | | | | | |
| **As at 31 December** | | | | | | | |
| Non-current assets | **1,868** | **3,026** | **44,941** | **1,854** | **100** | **560,367** | **612,156** |
| Current assets | **50,937** | **208,876** | **28,608** | **39,962** | **1,421,659** | **445,138** | **2,195,180** |
| Non-current liabilities | **-** | **-** | **(546)** | **-** | **(96,500)** | **-** | **(97,046)** |
| Current liabilities | **(7,706)** | **(32,840)** | **(88,121)** | **(43,416)** | **(1,332,356)** | **(184,091)** | **(1,688,530)** |
| Net assets/(liabilities) | **45,099** | **179,062** | **(15,118)** | **(1,600)** | **(7,097)** | **821,414** | **1,021,760** |
| **Year ended 31 December** | | | | | | | |
| Revenue | **11,014** | **79,062** | **14,953** | **2,500** | **1,258,715** | **-** | **1,366,244** |
| Profit/(loss) for the financial year | **10,410** | **23,739** | **(831)** | **1,397** | **(9,368)** | **-** | **25,347** |
| Total comprehensive income/(loss) | **10,410** | **23,739** | **(588)** | **1,397** | **(9,368)** | **-** | **25,590** |
| Dividend paid | **-** | **(20,000)** | **-** | **-** | **-** | **-** | **(20,000)** |
| Net cash generated from/(used in) operating activities | **1,483** | **19,101** | **(4,410)** | **(2,865)** | **(694,036)** | **-** | **(680,727)** |
| Net cash used in investing activities | **-** | **(2)** | **(7)** | **-** | **(100)** | **-** | **(109)** |
| Net cash (used in)/generated from financing activities | **-** | **(10,200)** | **(6,000)** | **2,844** | **697,199** | **179,111** | **862,954** |
| Dividend paid to NCI | **-** | **(9,800)** | **-** | **-** | **-** | **-** | **(9,800)** |
| Net increase/(decrease) in cash and cash equivalents | **1,483** | **(901)** | **(10,417)** | **(21)** | **3,063** | **179,111** | **172,318** |
| Cash and cash equivalents | | | | | | | |
| - at beginning of the financial year | **24,558** | **36,062** | **26,996** | **2,073** | **2,183** | **-** | **91,872** |
| - at end of the financial year | **26,041** | **35,161** | **16,579** | **2,052** | **5,246** | **179,111** | **264,190** |

**19 SUBSIDIARIES (CONTINUED)**

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows: (continued)

| | Cosy Bonanza Sdn Bhd RM'000 | Prema Bonanza Sdn Bhd RM'000 | Seri Iskandar Development Corporation Sdn Bhd RM'000 | Metro Spectacular Sdn Bhd RM'000 | Rukun Juang Sdn Bhd RM'000 | Other individually immaterial subsidiaries RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Group – 2016** | | | | | | | |
| NCI percentage of ownership interest and voting interest | 34.3% | 49.0% | 30.0% | 49.0% | 15.0% | | |
| Accumulated NCI as at 31 December | 11,898 | 87,163 | 1,267 | (1,468) | 361 | - | 99,221 |
| Profit/(loss) allocated to NCI during the financial year | 72 | 53,973 | (59) | (1,517) | (313) | (419) | 51,737 |
| Other comprehensive income | - | - | - | - | - | - | - |
| | 72 | 53,973 | (59) | (1,517) | (313) | (419) | 51,737 |
| **Summarised financial information before intra-group elimination** | | | | | | | |
| **As at 31 December** | | | | | | | |
| Non-current assets | 1,462 | 240 | 43,227 | - | 222,340 | - | 267,269 |
| Current assets | 56,158 | 352,876 | 42,621 | 37,636 | 9,987 | - | 499,278 |
| Non-current liabilities | - | - | (796) | - | (162,453) | - | (163,249) |
| Current liabilities | (22,931) | (177,793) | (99,582) | (40,633) | (67,603) | - | (408,542) |
| Net assets/(liabilities) | 34,689 | 175,323 | (14,530) | (2,997) | 2,271 | - | 194,756 |
| **Year ended 31 December** | | | | | | | |
| Revenue | 2,078 | 539,474 | 21,262 | - | - | - | 562,814 |
| Profit/(loss) for the financial year | 208 | 110,150 | (195) | (3,096) | (2,086) | - | 104,981 |
| Total comprehensive income/(loss) | 208 | 110,150 | (195) | (3,096) | (2,086) | - | 104,981 |
| Net cash (used in)/generated from operating activities | (53,062) | 131,508 | (6,426) | (37,901) | (163,889) | - | (129,770) |
| Net cash used in investing activities | - | - | (4) | - | - | - | (4) |
| Net cash generated from/(used in) financing activities | 23,054 | (111,898) | 6,000 | 39,974 | 164,736 | - | 121,866 |
| Net cash used in the acquisition of NCI | - | - | - | - | - | (5,957) | (5,957) |
| Dividend paid to NCI | (31,975) | - | - | - | - | - | (31,975) |
| Net (decrease)/increase in cash and cash equivalents | (61,983) | 19,610 | (430) | 2,073 | 847 | (5,957) | (45,840) |
| Cash and cash equivalents | | | | | | | |
| - at beginning of the financial year | 86,541 | 16,452 | 27,426 | - | 1,336 | 5,957 | 137,712 |
| - at end of the financial year | 24,558 | 36,062 | 26,996 | 2,073 | 2,183 | - | 91,872 |

## 20 ASSOCIATES

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| **In Malaysia** | | | | |
| Quoted investment at cost | **361,625** | 361,625 | **361,625** | 361,625 |
| Unquoted investments at cost | **81,138** | 81,138 | **81,138** | 81,138 |
| Share of post-acquisition accumulated profit | **1,841** | 5,724 | **-** | - |
| Unrealised gains* | **(158,996)** | (159,167) | **-** | - |
| | **285,608** | 289,320 | **442,763** | 442,763 |
| Less: Accumulated impairment losses | | | | |
| At start of financial year | **-** | - | **-** | - |
| Charge for financial year | **-** | - | **(6,645)** | - |
| At end of financial year | **-** | - | **(6,645)** | - |
| | **285,608** | 289,320 | **436,118** | 442,763 |
| Analysis of associates are as follows: | | | | |
| Group's share of net tangible assets | **282,529** | 286,241 | | |
| Goodwill of acquisition | **3,079** | 3,079 | | |
| | **285,608** | 289,320 | | |

* Unrealised gains comprise unrealised profits mainly arising from the disposal of assets to an associate company.

The fair value of the quoted investment as at 31 December 2017 is RM372,396,250 (2016: RM357,500,400), based on quoted market prices at the reporting date included within Level 1 of the fair value hierarchy.

## 20 ASSOCIATES (CONTINUED)

The following table summarises the information of the Group's material associates and reconciliation of the information to the carrying amount of the Group's interest in the associates.

| | MRCB-Quill REIT RM'000 | One IFC Sdn Bhd RM'000 | UEMB-MRCB JV Sdn Bhd RM'000 | MRCB Quill Management Sdn Bhd RM'000 | Other individually immaterial associates RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Group – 2017** | | | | | | |
| **Summarised financial information** | | | | | | |
| Percentage of ownership interest and voting interest | **27.9%** | **30.0%** | **49.0%** | **41.0%** | | |
| **As at 31 December** | | | | | | |
| Non-current assets | **2,125,985** | **381,618** | **581** | **1,120** | **-** | **2,509,304** |
| Current assets | **107,005** | **241,916** | **83,273** | **15,474** | **13,727** | **461,395** |
| Non-current liabilities | **(761,082)** | **(239,215)** | **(206)** | **-** | **-** | **(1,000,503)** |
| Current liabilities | **(142,586)** | **(156,607)** | **(58,526)** | **(2,576)** | **(12,497)** | **(372,792)** |
| Net assets | **1,329,322** | **227,712** | **25,122** | **14,018** | **1,230** | **1,597,404** |
| **Year ended 31 December** | | | | | | |
| Profit/(loss) from operations | **60,106** | **(21,117)** | **1,022** | **4,691** | **468** | **45,170** |
| (Over)/under recognition in prior year | **-** | **(11,409)** | **(837)** | **76** | **-** | **(12,170)** |
| Other comprehensive income | **317** | **-** | **-** | **-** | **-** | **317** |
| Total comprehensive income/(loss) | **60,423** | **(32,526)** | **185** | **4,767** | **468** | **33,317** |
| Included in total comprehensive income is: | | | | | | |
| Revenue | **181,502** | **108,564** | **-** | **13,707** | **1,500** | **305,273** |
| **Reconciliation of net assets to carrying amount** | | | | | | |
| **As at 31 December** | | | | | | |
| Group's share of net assets | **354,674** | **68,313** | **12,310** | **5,748** | **480** | **441,525** |
| Goodwill | **-** | **-** | **1** | **3,078** | **-** | **3,079** |
| Elimination of unrealised profit | **(149,099)** | **(9,897)** | **-** | **-** | **-** | **(158,996)** |
| Carrying amount in the statements of financial position | **205,575** | **58,416** | **12,311** | **8,826** | **480** | **285,608** |
| **Group's share of results** | | | | | | |
| **Year ended 31 December** | | | | | | |
| Group's share of profit/(loss) from operations | | | | | | |
| - current year | **16,763** | **(6,335)** | **501** | **1,923** | **202** | **13,054** |
| - (over)/under recognition in prior year | **-** | **(3,423)** | **(410)** | **31** | **-** | **(3,802)** |
| | **16,763** | **(9,758)** | **91** | **1,954** | **202** | **9,252** |
| Group's share of associate's other comprehensive gain | **88** | **-** | **-** | **-** | **-** | **88** |
| Group's share of total comprehensive income/(loss) | **16,851** | **(9,758)** | **91** | **1,954** | **202** | **9,340** |

## 20 ASSOCIATES (CONTINUED)

The following table summarises the information of the Group's material associates and reconciliation of the information to the carrying amount of the Group's interest in the associates. (continued)

| | MRCB-Quill REIT RM'000 | One IFC Sdn Bhd RM'000 | UEMB-MRCB JV Sdn Bhd RM'000 | MRCB Quill Management Sdn Bhd RM'000 | Other individually immaterial associates RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Group – 2016** | | | | | | |
| **Summarised financial information** | | | | | | |
| Percentage of ownership interest and voting interest | 27.9% | 30.0% | 49.0% | 41.0% | | |
| **As at 31 December** | | | | | | |
| Non-current assets | 2,179,373 | 353,560 | - | 644 | - | 2,533,577 |
| Current assets | 72,370 | 239,750 | 120,165 | 12,224 | 16,186 | 460,695 |
| Non-current liabilities | (685,405) | (239,170) | (206) | - | - | (924,781) |
| Current liabilities | (252,238) | (93,903) | (95,022) | (2,116) | (15,423) | (458,702) |
| Net assets | 1,314,100 | 260,237 | 24,937 | 10,752 | 763 | 1,610,789 |
| **Year ended 31 December** | | | | | | |
| Profit from operations | 39,011 | 18,342 | 9,448 | 7,106 | 1,151 | 75,058 |
| Other comprehensive loss | (3,264) | - | - | - | - | (3,264) |
| Total comprehensive income | 35,747 | 18,342 | 9,448 | 7,106 | 1,151 | 71,794 |
| Included in total comprehensive income is: | | | | | | |
| Revenue | 131,787 | 129,844 | 135,328 | 16,181 | 13,487 | 426,627 |
| **Reconciliation of net assets to carrying amount** | | | | | | |
| **As at 31 December** | | | | | | |
| Group's share of net assets | 350,432 | 78,071 | 12,219 | 4,409 | 277 | 445,408 |
| Goodwill | - | - | 1 | 3,078 | - | 3,079 |
| Elimination of unrealised profit | (148,782) | (10,385) | - | - | - | (159,167) |
| Carrying amount in the statements of financial position | 201,650 | 67,686 | 12,220 | 7,487 | 277 | 289,320 |
| **Group's share of results** | | | | | | |
| **Year ended 31 December** | | | | | | |
| Group's share of profit or loss from operations | | | | | | |
| - current year | 12,165 | 5,503 | 4,630 | 2,913 | 497 | 25,708 |
| - (over)/under recognition in prior year | - | (1,823) | 2,479 | - | (16) | 640 |
| | 12,165 | 3,680 | 7,109 | 2,913 | 481 | 26,348 |
| Group's share of associate's other comprehensive loss | (1,017) | - | - | - | - | (1,017) |
| Group's share of total comprehensive income | 11,148 | 3,680 | 7,109 | 2,913 | 481 | 25,331 |

## 20 ASSOCIATES (CONTINUED)

MRCB-Quill REIT ("MQ REIT") is a real estate investment trust listed on the Main Market of Bursa Malaysia Securities Berhad. The principal activity of MQ REIT includes the acquisition of and investment in commercial properties, primarily in Malaysia. The Group's 41% equity interest associate, MRCB Quill Management Sdn. Bhd. is the Manager of MQ REIT.

One IFC Sdn. Bhd. ("One IFC") is involved in the development of St. Regis Hotel and Residences in Kuala Lumpur Sentral. One IFC is a strategic partnership for the Group, enhancing the Group's involvement in the property development and property investment business.

UEMB-MRCB JV Sdn. Bhd. is a strategic partnership for the Group to undertake the RM1.4 billion PLUS contract awarded to construct a fourth lane from Shah Alam to Rawang/Jalan Duta Toll Plaza interchanges and from Nilai Utara to Seremban, enhancing the Group's involvement in the construction of highway.

The results of associates are accounted for by using equity method.

The Group and the Company had the following dividend receivables from associates during the financial year.

| | Group and Company | |
|---|---|---|
| | **2017 RM'000** | **2016 RM'000** |
| MQ REIT | **12,602** | 26,297 |
| UEMB-MRCB JV Sdn. Bhd. | **-** | 9,065 |
| MRCB Quill Management Sdn. Bhd. | **615** | 2,050 |
| | **13,217** | 37,412 |

The Group and the Company do not have any capital commitments or contingent liabilities in relation to its interest in the associates as at 31 December 2017 (2016: Nil).

## 21 JOINT VENTURES

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| **In Malaysia** | | | | |
| Unquoted investments at cost | **279,117** | 5,580 | **24,090** | - |
| Share of post-acquisition reserves | **13,948** | 6,965 | **-** | - |
| | **293,065** | 12,545 | **24,090** | - |

The following table summarises the information of the Group's joint ventures and reconcile the information to the carrying amount of the Group's interest in the joint ventures.

## 21 JOINT VENTURES (CONTINUED)

**Summarised financial information**

| 2017 | MRCB George Kent Sdn Bhd RM'000 | Dekad Kaliber Sdn Bhd RM'000 | CSB Development Sdn Bhd RM'000 | 59 INC Sdn Bhd RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| Percentage of ownership interest and voting interest | 50% | 51% | 70% | 30% | |
| **As at 31 December** | | | | | |
| Non-current assets | 6,935 | - | 293,904 | 268,226 | 569,065 |
| Current assets | 519,746 | - | 75,299 | 3,880 | 598,925 |
| Current liabilities | (485,447) | - | (41,627) | (129,051) | (656,125) |
| Net assets | 41,234 | - | 327,576 | 143,055 | 511,865 |
| **Year ended 31 December** | | | | | |
| Profit from operations | 30,480 | 7 | 760 | - | 31,247 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income | 30,480 | 7 | 760 | - | 31,247 |
| Included in total comprehensive income are as follows: | | | | | |
| Revenue | 456,538 | 139 | - | - | 456,677 |
| Depreciation | (1,543) | - | (1) | - | (1,544) |
| Interest income | 1,106 | - | 1,104 | - | 2,210 |
| Income tax expenses | (9,642) | (2) | 671 | - | (8,973) |

**21 JOINT VENTURES (CONTINUED)**

**Summarised financial information (continued)**

| 2017 | MRCB George Kent Sdn Bhd RM'000 | Dekad Kaliber Sdn Bhd RM'000 | CSB Development Sdn Bhd RM'000 | 59 INC Sdn Bhd RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| Percentage of ownership interest and voting interest | 50% | 51% | 70% | 30% | |
| **Reconciliation of net assets to carrying amount** | | | | | |
| **As at 31 December** | | | | | |
| Group's share of net assets | 20,617 | - | 229,532 | 42,916 | 293,065 |
| Carrying amount in statements of financial position | 20,617 | - | 229,532 | 42,916 | 293,065 |
| **Group's share of results** | | | | | |
| **Year ended 31 December** | | | | | |
| Group's share of profit from operations | 15,240 | 4 | 532 | - | 15,776 |
| Group's share of other comprehensive income | - | - | - | - | - |
| Group's share of total comprehensive income | 15,240 | 4 | 532 | - | 15,776 |

## 21 JOINT VENTURES (CONTINUED)

**Summarised financial information (continued)**

| 2016 | MRCB George Kent Sdn Bhd RM'000 | Dekad Kaliber Sdn Bhd RM'000 | CSB Development Sdn Bhd RM'000 | Total RM'000 |
|---|---|---|---|---|
| Percentage of ownership interest and voting interest | 50% | 51% | 70% | |
| **As at 31 December** | | | | |
| Non-current assets | 5,523 | 22 | 297,872 | 303,417 |
| Current assets | 51,011 | 60,140 | 202 | 111,353 |
| Current liabilities | (35,780) | (56,243) | (298,159) | (390,182) |
| Net assets | 20,754 | 3,919 | (85) | 24,588 |
| **Year ended 31 December** | | | | |
| Profit from operations | 10,179 | 2,204 | 142 | 12,525 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | 10,179 | 2,204 | 142 | 12,525 |
| Included in total comprehensive income are as follows: | | | | |
| Revenue | 105,092 | 38,568 | - | 143,660 |
| Depreciation | (645) | (14) | - | (659) |
| Interest income | 339 | - | - | 339 |
| Income tax expenses | (3,204) | (635) | - | (3,839) |

**21 JOINT VENTURES (CONTINUED)**

**Summarised financial information (continued)**

| **2016** | **MRCB George Kent Sdn Bhd RM'000** | **Dekad Kaliber Sdn Bhd RM'000** | **CSB Development Sdn Bhd RM'000** | **Total RM'000** |
|---|---|---|---|---|
| Percentage of ownership interest and voting interest | 50% | 51% | 70% | |
| **Reconciliation of net assets to carrying amount** | | | | |
| **As at 31 December** | | | | |
| Group's share of net assets | 10,377 | 1,999 | 169 | 12,545 |
| Carrying amount in statements of financial position | 10,377 | 1,999 | 169 | 12,545 |
| **Group's share of results** | | | | |
| **Year ended 31 December** | | | | |
| Group's share of profit from operations | 5,089 | 1,124 | 100 | 6,313 |
| Group's share of other comprehensive income | - | - | - | - |
| Group's share of total comprehensive income | 5,089 | 1,124 | 100 | 6,313 |

MRCB George Kent Sdn. Bhd. is a 50%:50% joint venture between MRCB Builders Sdn. Bhd., a wholly owned subsidiary of the Company and George Kent (Malaysia) Berhad ("The JV"). The JV is a Project Delivery Partner to undertake the design and construction work of the Light Rail Transit Line 3 from Bandar Utama to Johan Setia.

CSB Development Sdn. Bhd. is a 70% equity interest owned joint venture between MRCB Land Sdn. Bhd., a wholly owned subsidiary of the Company and Cyberview Sdn. Bhd.. The purpose of setting up the joint venture is to undertake the development of Cyberjaya City Centre.

Dekad Kaliber Sdn. Bhd. ("DKSB") is a 51%:49% joint venture between MRCB Engineering Sdn. Bhd., a wholly owned sub-subsidiary of the Company and Hicom Builders Sdn. Bhd.. The purpose of setting up the joint venture is to undertake the construction of the Integrated Immigration, Customs, Quarantine and Security Complex at Bukit Kayu Hitam, Kedah Darul Aman. The Group disposed its entire equity interest in DKSB on 17 February 2017 as indicated in Note 49(b) to the financial statement.

The results of joint ventures are accounted for by using equity method.

Dividend of RM5,000,000 was received from MRCB George Kent Sdn. Bhd. during the financial year (2016: Nil).

The Group does not have any capital commitments or performance guarantee extended to third party in relation to its interest in the joint ventures as at 31 December 2017 (2016: RM Nil).

## 22 LONG TERM LOAN AND RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| **In Malaysia** | | | | |
| Trade receivables | **3,920** | 5,486 | **-** | - |
| Other receivables | **-** | 29,011 | **-** | 29,011 |
| | **3,920** | 34,497 | **-** | 29,011 |

The carrying amounts of the Group's long term loan and receivables approximate their fair values, which are based on cash flows discounted using the current market interest rates. The fair values are within level 2 of the fair value hierarchy.

## 23 AVAILABLE FOR SALE FINANCIAL ASSETS

| | Group and Company | |
|---|---|---|
| | **2017 RM'000** | **2016 RM'000** |
| At 1 January/31 December | **577** | 577 |
| Available for sale financial assets include the following: | | |
| Shares in a corporation, quoted outside Malaysia | **910** | 910 |
| Less: Accumulated impairment losses | **(642)** | (642) |
| | **268** | 268 |
| Unquoted investments | **7,717** | 7,717 |
| Less: Accumulated impairment losses | **(7,408)** | (7,408) |
| | **309** | 309 |
| Total | **577** | 577 |

Available for sale financial assets are denominated in the following currencies:

| | Group and Company | |
|---|---|---|
| | **2017 RM'000** | **2016 RM'000** |
| Ringgit Malaysia | **309** | 309 |
| UK Pound | **268** | 268 |
| Total | **577** | 577 |

The fair values of the quoted investments are determined based on the quoted market bid prices available on the relevant stock exchange. The fair values of unquoted investments are measured at cost less impairment losses based on inputs of comparable investments. The fair value are within Level 2 of the fair value hierarchy.

## 24 INTANGIBLE ASSETS

The carrying amount of goodwill, development rights and order book on consolidation are as follows:

| | Group | |
|---|---|---|
| | **2017** **RM'000** | **2016** **RM'000** |
| **Goodwill** | | |
| At 1 January | **154,101** | 154,101 |
| **Accumulated impairment loss** | | |
| At 1 January | **(69,209)** | (15,831) |
| Addition | **-** | (53,378) |
| At 31 December | **(69,209)** | (69,209) |
| | **84,892** | 84,892 |
| **Development rights** | | |
| At 1 January/31 December | **18,017** | 18,017 |
| Disposal of a subsidiary (Note 5(iii)) | **(18,017)** | - |
| | **-** | 18,017 |
| **Order Book** | | |
| At 1 January | **149,959** | 160,786 |
| Amortisation charge (Note 9) | **(5,682)** | (3,153) |
| Amortisation charge capitalised in | | |
| - investment properties under construction | **(938)** | (3,474) |
| - property development costs | **(2,598)** | (4,200) |
| At 31 December | **140,741** | 149,959 |
| Total | **225,633** | 252,868 |

**Goodwill – 348 Sentral Sdn. Bhd. (RM53,118,877)**

Following the disposal of significant assets by a subsidiary in the financial year ended 31 December 2016, the goodwill of RM53,118,877 in respect of that subsidiary, was tested for impairment using the fair value less cost to sell method. The fair value of the remaining assets of the subsidiaries was unable to support the carrying value of the goodwill. Accordingly, the goodwill had been fully impaired and the carrying value of the Group's interest in the subsidiary has been written down to its estimated net recoverable value. The goodwill impairment has been charged to other operating expenses in the statements of comprehensive income.

## 24 INTANGIBLE ASSETS (CONTINUED)

**Goodwill – Gapurna group of companies (RM81,969,755)**

The goodwill of RM81,969,755 arising from the acquisition of Gapurna group of companies which are allocated to the engineering & construction and property development business segments (i.e. Cash Generating Units ("CGU")) was tested for impairment using the value in use ("VIU") method.

Based on the impairment assessment performed by the Group, no impairment is required for the goodwill.

The recoverable amount of the CGUs in respect of the goodwill was determined based on VIU calculations. Cash flow projections used in these calculations were based on financial budgets approved by the Board of Directors covering a three (3) year period (financial years 2018 to 2020).

Key assumptions used in the VIU calculations for the goodwill impairment assessment is as follows:

| | 2017 | 2016 |
|---|---|---|
| Gross margin | **10%-12%** | 10%-12% |
| Discount rate (pre-tax) | **8.40%** | 7.96% |
| Terminal growth rate | **1.00%** | 1.00% |

A reasonable possible change in the key assumptions would not result in any impairment.

**Financial year ended 31 December 2016**

**Development rights**

Development rights of RM18,016,809 allocated to 59 INC Sdn. Bhd., a property development company was tested for impairment using the VIU method.

The recoverable amount of CGU in development rights was determined based on VIU calculations. Cash flow projections used in these calculations were based on financial budgets approved by management covering a three (3) year period.

Key assumptions used in the VIU calculations for development rights are as follows:

| | 2016<br>% |
|---|---|
| Discount rate (pre-tax) | 10.07 |

Based on the impairment test, no impairment is required for the development rights attributable to 59 INC Sdn. Bhd..

A reasonable possible change in the key assumptions would not result in any impairment.

During the financial year ended 31 December 2017, 59 INC was disposed with its development rights (Note 5(iii)).

## 25 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Deferred tax assets | **116,603** | 96,588 | **-** | - |
| Deferred tax liabilities | **(62,278)** | (80,368) | **-** | - |
| | **54,325** | 16,220 | **-** | - |
| The movements during the financial year relating to deferred tax are as follows: | | | | |
| At start of the financial year | **16,220** | (8,588) | **-** | - |
| (Charged)/credit to statement of comprehensive income (Note 13) | | | | |
| Property, plant and equipment | **(1,075)** | (747) | **284** | 72 |
| Investment properties | **-** | 9,431 | **-** | - |
| Property development cost | **7,500** | (3,330) | **-** | - |
| Provisions | **(6,197)** | 9,190 | **(284)** | (72) |
| Order book | **1,364** | 757 | **-** | - |
| Tax losses | **9,184** | 423 | **-** | - |
| Service concession asset | **7,470** | 8,396 | **-** | - |
| Others | **170** | 688 | **-** | - |
| | **18,416** | 24,808 | **-** | - |
| Disposal of subsidiaries (Note 5(i) & (iii)) | **19,689** | - | **-** | - |
| At end of the financial year | **54,325** | 16,220 | **-** | - |

## 25 DEFERRED TAX (CONTINUED)

| | Group | | Company | |
|---|---|---|---|---|
| | 2017<br>RM'000 | 2016<br>RM'000 | 2017<br>RM'000 | 2016<br>RM'000 |
| **Subject to income tax** | | | | |
| **Deferred tax assets (before offsetting)** | | | | |
| Property, plant and equipment | **11,322** | 10,148 | **-** | - |
| Property development cost | **18,184** | 9,712 | **-** | - |
| Provisions | **15,279** | 21,637 | **134** | 418 |
| Tax losses | **28,307** | 19,123 | **-** | - |
| Service concession asset | **42,669** | 35,199 | **-** | - |
| Others | **5,794** | 5,222 | **-** | - |
| | **121,555** | 101,041 | **134** | 418 |
| Offsetting | **(4,952)** | (4,453) | **(134)** | (418) |
| Deferred tax assets (after offsetting) | **116,603** | 96,588 | **-** | - |
| **Deferred tax liabilities (before offsetting)** | | | | |
| Property, plant and equipment | **(8,815)** | (6,643) | **(134)** | (418) |
| Property development cost | **(32,988)** | (51,789) | **-** | - |
| Order book | **(25,025)** | (26,389) | **-** | - |
| Others | **(402)** | - | **-** | - |
| | **(67,230)** | (84,821) | **(134)** | (418) |
| Offsetting | **4,952** | 4,453 | **134** | 418 |
| Deferred tax liabilities (after offsetting) | **(62,278)** | (80,368) | **-** | - |

The amounts of deductible temporary differences and unused tax losses (which have no expiry date) for which no deferred tax assets are recognised in the statements of financial position are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017<br>RM'000 | 2016<br>RM'000 | 2017<br>RM'000 | 2016<br>RM'000 |
| Deductible temporary differences | **139,050** | 135,834 | **18,515** | 17,137 |
| Tax losses | **150,453** | 131,212 | **1,540** | 1,540 |

## 26 INVENTORIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Completed properties for sale | **151,213** | 29,653 | **4,622** | 5,921 |
| Raw materials | **3,279** | 27,868 | **-** | - |
| | **154,492** | 57,521 | **4,622** | 5,921 |

Inventories where the net realisation values are expected to be below the carrying value have been written down. Allowance for inventories obsolescence of RM350,649 (2016: Nil) was provided during the financial year.

## 27 TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Trade receivables | **1,513,817** | 245,194 | **62,365** | 66,040 |
| Less: Provision for impairment of trade receivables | **(7,131)** | (11,472) | **-** | - |
| | **1,506,686** | 233,722 | **62,365** | 66,040 |
| Amounts due from customers on contracts (Note 28) | **319,665** | 297,744 | **78,525** | 54,391 |
| Accrued billings in respect of property development | **506,741** | 463,973 | **-** | - |
| Amounts due from related parties | **68** | 1,001 | **68** | 77 |
| Deposits | **68,193** | 76,775 | **6,571** | 2,849 |
| Prepayments | **276,729** | 31,935 | **-** | - |
| Other receivables | **371,119** | 234,952 | **174,285** | 114,293 |
| Less: Provision for impairment of other receivables | **(3,926)** | (5,214) | **-** | (289) |
| | **712,115** | 338,448 | **180,856** | 116,853 |
| | **3,045,275** | 1,334,888 | **321,814** | 237,361 |

| | Company | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| Amounts due from subsidiaries* | **1,718,122** | 605,443 |
| Less: Provision for impairment of amounts due from subsidiaries | **(71,207)** | (70,683) |
| | **1,646,915** | 534,760 |

* Amounts due from subsidiaries include Redeemable Cumulative Preference Shares of RM18,838,000 (2016: RM30,000,000) held by the Company in MRCB Putra Sdn. Bhd., a wholly owned subsidiary.

## 27 TRADE AND OTHER RECEIVABLES (CONTINUED)

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **Currrent** | | | | |
| Amounts due from associates | **7,796** | 14,937 | **6,848** | 14,937 |
| Amounts due from joint ventures | **126,584** | 5,044 | **123,001** | 281 |
| | **134,380** | 19,981 | **129,849** | 15,218 |
| **Non-current** | | | | |
| Amounts due from joint ventures | **30,268** | - | **-** | - |

As at 31 December 2017, the Group's and the Company's amounts due from associates and joint ventures of RM6,848,000 (2016: RM14,937,000) were past due their contractual payment dates but not impaired as there is no expectation of default. These amounts were aged more than one year as at 31 December 2017.

The currency exposure profile of the trade and other receivables is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Ringgit Malaysia | **2,999,575** | 1,295,436 | **321,814** | 237,361 |
| Australian Dollar | **45,690** | 39,442 | **-** | - |
| Thai Baht | **10** | 10 | **-** | - |
| | **3,045,275** | 1,334,888 | **321,814** | 237,361 |

**Trade and other receivables that are neither past due nor impaired**

Credit terms of trade receivables range from 7 to 60 days (2016: range from 30 to 60 days).

Other than receivables that are impaired, trade and other receivables comprise:

- Receivables in relation to construction business arising from rendering of construction services to companies with a good collection track record with the Group and the Company. These receivables include retention sums which are to be settled in accordance with the terms of the respective contracts;

- Receivables in relation to property development activities arising from sale of development units to large number of property purchasers with end financing facilities from reputable end-financiers, and the ownership and rights to the properties revert to the Group in the event of default; and

- Receivables from other external parties with no history of default.

## 27 TRADE AND OTHER RECEIVABLES (CONTINUED)

### Trade and other receivables that are past due but not impaired

As at 31 December 2017, the Group's and the Company's trade receivables of RM33,109,680 (2016: RM67,337,869) and RM220,602 (2016: RM8,230,429) respectively were past due their contractual payment date but not impaired as it relates to a number of external parties where there is no expectation of default. The age analysis of these trade receivables is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **Trade receivables** | | | | |
| Less than three months | **18,648** | 42,090 | **169** | 8,186 |
| Between three to six months | **2,313** | 9,017 | **-** | - |
| Between six months and one year | **3,540** | 4,248 | **-** | - |
| More than one year | **8,609** | 11,983 | **52** | 44 |
| | **33,110** | 67,338 | **221** | 8,230 |

As at 31 December 2017, the Group's and the Company's other receivables of RM3,173,816 (2016: RM1,499,470) and RM307,805 (2016: Nil) respectively were past due their contractual payment date but not impaired as it relates to a number of external parties where there is no expectation of default. The age analysis of these other receivables is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **Other receivables** | | | | |
| Less than three months | **2,011** | 857 | **-** | - |
| Between three to six months | **290** | - | **-** | - |
| Between six months and one year | **495** | - | **307** | - |
| More than one year | **378** | 642 | **-** | - |
| | **3,174** | 1,499 | **307** | - |

### Trade and other receivables that are impaired

As at 31 December 2017, the Group's and the Company's trade and other receivables were individually impaired either because of difficulties in collecting promptly or the debtors are in financial difficulty. The aging of these receivables is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **Trade receivables** | | | | |
| Within 6 months | **-** | - | **-** | - |
| More than 6 months | **7,131** | 11,472 | **-** | - |
| | **7,131** | 11,472 | **-** | - |
| **Other receivables** | | | | |
| Within 6 months | **-** | - | **-** | - |
| More than 6 months | **3,926** | 5,214 | **-** | 289 |
| | **3,926** | 5,214 | **-** | 289 |

## 27 TRADE AND OTHER RECEIVABLES (CONTINUED)

**Trade and other receivables that are impaired (continued)**

Movements of the provision for impairment of trade and other receivables during the financial year are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| **Trade receivables** | | | | |
| At start of the financial year | **11,472** | 19,179 | **-** | - |
| Provision for impairment of receivables | **1,082** | 2,117 | **-** | - |
| Reversal of impairment | **(1,597)** | (849) | **-** | - |
| Written off | **(3,349)** | (8,975) | **-** | - |
| Disposal of a subsidiary | **(477)** | - | **-** | - |
| At end of the financial year | **7,131** | 11,472 | **-** | - |
| **Other receivables** | | | | |
| At start of the financial year | **5,214** | 33,637 | **289** | 12,834 |
| Provision for impairment of receivables | **262** | 517 | **-** | 289 |
| Reversal of impairment | **(274)** | (1,319) | **-** | - |
| Written off | **(1,276)** | (27,621) | **(289)** | (12,834) |
| At end of the financial year | **3,926** | 5,214 | **-** | 289 |

The creation and release of provision for impaired receivables have been included in 'other operating expenses' in the profit or loss. Amount charged to the allowance account are generally written off, when there is no expectation of further recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at 31 December 2017 is the carrying value of each class of receivables mentioned above.

Amounts due from subsidiaries, associates, joint ventures and related parties are unsecured, interest free and repayable on demand. There is no material difference between the carrying value of the trade and other receivables and their fair values, due to the short term duration of these receivables.

Amounts due from joint venture of RM30,268,000 is unsecured, interest bearing at 7% and repayable in financial years 2019 and 2020. As at 31 December 2017, the carrying value approximated the fair value.

## 28 CONSTRUCTION CONTRACTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Aggregate costs incurred to date | **5,492,494** | 4,068,268 | **867,906** | 435,235 |
| Attributable profits on contract works performed to date | **391,076** | 224,449 | **20,028** | 11,940 |
| Less: Provision for foreseeable losses | **(18,196)** | (17,956) | **-** | - |
| | **5,865,374** | 4,274,761 | **887,934** | 447,175 |
| Less: Progress billings | **(5,564,081)** | (4,009,159) | **(818,068)** | (393,694) |
| | **301,293** | 265,602 | **69,866** | 53,481 |
| Amounts due from customers on contracts (Note 27) | **319,665** | 297,744 | **78,525** | 54,391 |
| Amounts due to customers on contracts (Note 41) | **(18,372)** | (32,142) | **(8,659)** | (910) |
| | **301,293** | 265,602 | **69,866** | 53,481 |
| Retention sum on contracts, included under trade receivables | **122,235** | 87,541 | **43,542** | 18,721 |

The borrowing costs capitalised in construction contracts during the financial year was RM4,758,320 (2016: RM2,628,416).

## 29 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Shares in corporations, quoted in Malaysia | **1,645** | 2,255 | **1,645** | 2,255 |

Financial assets at fair value through profit or loss are presented within 'operating activities' as part of changes in working capital in the statements of cash flows.

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'other gain/(losses) – net' in the profit or loss.

The fair value of all equity securities is based on their current bid prices in an active market.

## 30 DEPOSITS, CASH AND BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Deposits with licensed banks | **195,716** | 260,581 | **8,604** | 10,123 |
| Deposits with licensed financial institutions | **-** | 948 | **-** | 948 |
| Cash held under Housing Development Accounts | **43,169** | 62,398 | **-** | - |
| Cash and bank balances | **485,352** | 398,230 | **79,787** | 128,602 |
| | **724,237** | 722,157 | **88,391** | 139,673 |

**30 DEPOSITS, CASH AND BANK BALANCES (CONTINUED)**

Included in the Group's and the Company's cash and bank balances and deposits with licensed banks and licensed financial institutions are restricted monies amounting to RM260,196,626 (2016: RM129,392,132) and RM20,806,196 (2016: RM30,090,569) respectively, representing:

- collateral pledged with licensed banks and/or licensed financial institutions by the Group and the Company for credit facilities granted and bank guarantee facilities issued to third parties; and

- proceeds from the issue of Senior and Junior Sukuk and long term loan by a subsidiary net of permitted withdrawal at date of issue of Sukuk have been channelled to Designated Accounts for the Eastern Dispersal Link Expressway project as provided under the terms and conditions of the Project Account Agreement (Note 36).

Cash held under Housing Development Accounts represents receipts from purchasers of residential properties less payments or withdrawals provided under the Housing Developers (Control and Licensing) Act, 1966.

Cash and cash equivalents of the Group and of the Company comprise:

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| Deposits, cash and bank balances | **724,237** | 722,157 | **88,391** | 139,673 |
| Less: | | | | |
| Cash and bank balances and fixed deposits held as security value | **(260,196)** | (129,392) | **(20,806)** | (30,091) |
| | **464,041** | 592,765 | **67,585** | 109,582 |

The currency denomination of the deposits, cash and bank balances of the Group and of the Company are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| Ringgit Malaysia | **705,937** | 711,870 | **88,357** | 139,639 |
| Australian Dollar | **17,376** | 9,356 | **34** | 34 |
| Thai Baht | **924** | 931 | **-** | - |
| | **724,237** | 722,157 | **88,391** | 139,673 |

The weighted average period effective interest rates per annum of deposits with licensed banks and financial institutions that were effective at the end of the financial year were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 %** | **2016 %** | **2017 %** | **2016 %** |
| Deposits with licensed banks | **3.27** | 2.98 | **3.38** | 3.38 |
| Deposits with licensed financial institutions | **-** | 3.05 | **-** | 3.05 |

## 30 DEPOSITS, CASH AND BANK BALANCES (CONTINUED)

The maturity periods of deposits with licensed banks and licensed financial institutions as at the financial year end were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 days | 2016 days | 2017 days | 2016 days |
| Deposits with licensed banks | **1 - 365** | 4 - 365 | **1 - 365** | 7 - 365 |
| Deposits with licensed financial institutions | **-** | 8 | **-** | 8 |

Bank balances are held at call except for the restricted monies.

## 31 OTHER INVESTMENT

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **Available-for-sale financial assets** | | | | |
| - Investment in unit trusts | **54,110** | - | **54,110** | - |

Investment in unit trusts made by the Company can be purchased or liquidated with one day's notice.

## 32 SHARE CAPITAL

| | Group and Company | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| **Authorised:** | | |
| Ordinary shares | | |
| At 1 January/31 December | **-** | 5,000,000 |

**Issued and fully paid:**

| | Group and Company | | | |
|---|---|---|---|---|
| | Number of shares 2017 '000 | Amount 2017 RM'000 | Number of shares 2016 '000 | Amount 2016 RM'000 |
| At 1 January | **2,144,039** | 2,144,039 | **1,786,591** | 1,786,591 |
| Issuance of new shares under the Right Issue – (a) | **2,192,593** | 1,732,148 | **-** | - |
| Transaction costs in respect of the Right Issue – (a) | **-** | (7,810) | **-** | - |
| Exercise of option under 2007/2017 ESOS – (b) | **50,113** | 68,613 | **130** | 130 |
| Conversion of Warrants B | **1** | 1 | **-** | - |
| Issue of shares pursuant to the Private Placement | **-** | - | **357,318** | 357,318 |
| Transition to no-par value regime on 31 January 2017 (Note 33) | **-** | 372,431 | **-** | - |
| At 31 December | **4,386,746** | 4,309,422 | **2,144,039** | 2,144,039 |

**32 SHARE CAPITAL (CONTINUED)**

(a) 2,192,593,285 new ordinary shares issued at RM0.79 per shares pursuant to the Right Issue as disclosed in Note 49(e) to the financial statements. Transaction costs incurred of RM7,810,098 in relation to new shares was set off against the share capital accounts.

(b) 50,113,242 shares by virtue of the exercise of options pursuant to the Company's Employees' Share Option Scheme (2007/2017 ESOS) at the exercise price ranging between RM1.00 and RM1.61 per share.

(c) 500 shares via conversion of warrant B at RM1.25 per warrant.

The new ordinary shares issued during the financial year ranked equally in all respects with the existing ordinary shares of the Company.

**Employees' Share Option Scheme**

The Company proposed a Employees' Share Option Scheme (2007/2012 ESOS or the Scheme) following the expiry of the 2002/2007 ESOS on 5 September 2007. The 2007/2012 ESOS was approved by the shareholders at an Extraordinary General Meeting held on 29 May 2007 and became effective on 31 October 2007 for a period of five (5) years.

On 25 October 2012, the Board of Directors had extended the duration of the ESOS for another five (5) years. The Scheme expired on 30 October 2017.

The details of the 2007/2017 ESOS are contained in the By-Laws and the salient features thereof are as follows:

(a) The Scheme is set up for the participation in the ordinary share capital of the Company only.

The total number of shares to be offered under the 2007/2017 ESOS shall not exceed 15% of the total number of issued and fully paid ordinary shares of the Company at any time during the tenure of the Scheme, which shall be in force for a period of ten (10) years commencing 31 October 2007.

(b) Eligible employees (including Executive Directors) are those who must have been confirmed in his/her position as an employee with a minimum of six (6) months continuous service on or prior to the date of offer of the 2007/2017 ESOS.

(c) The Scheme is administered by an ESOS Committee which consists of such persons duly appointed by the Board from time to time.

(d) An option granted under the 2007/2017 ESOS is capable of being exercised by the grantee by notice in writing to the Company commencing from the date of the offer and expiring on 30 October 2017.

(e) Options granted for each year may be exercised in full or in such lesser number of shares.

(f) The option price of each share shall be either at premium or at a discount of not more than 10% from the weighted average market price of the shares of the Company as stated in the Daily Official Listing issued by the Malaysia Securities Exchange Berhad for the five (5) market days immediately preceding the date of offer and shall not be less than the par value of the share.

(g) An eligible employee can only participate in one ESOS implemented by any company in the Group at any one time.

(h) All the new ordinary shares issued arising from the 2007/2017 ESOS shall rank pari passu in all respects with the existing ordinary shares of the Company.

On 6 June 2017, the shareholders of the Company had approved the granting of 1,443,750 options under the Scheme to Directors of the Company and person connected to the Directors and on the same day 1,443,750 options were granted and vested.

## 32 SHARE CAPITAL (CONTINUED)

**Employees' Share Option Scheme (continued)**

**Options expired on 30 October 2017**

Set out below are details of options over the ordinary shares of the Company granted under the 2007/2017 ESOS:

| | | | No. of ordinary shares of RM1.00 each covered under options | | | | |
|---|---|---|---|---|---|---|---|
| **Tranche** | **Date** | **Price*** | **At 1.1.2017** | **Granted** | **Exercised** | **Lapsed/ Expired** | **At 30.10.2017** |
| 1 | 21 Dec 2007 | RM2.03 | **499,410** | **40,592** | **-** | **(540,002)** | **-** |
| 2 | 28 Apr 2009 | RM1.00 | **58,111** | **20,523** | **-** | **(78,634)** | **-** |
| 3 | 24 Aug 2010 | RM1.45 | **368,500** | **74,829** | **-** | **(443,329)** | **-** |
| 4 | 27 June 2011 | RM1.80 | **13,000** | **-** | **-** | **(13,000)** | **-** |
| 5 | 28 Feb 2013 | RM1.17 | **14,052,272** | **4,192,001** | **(40,000)** | **(18,204,273)** | **-** |
| 6 | 27 Oct 2015 | RM1.00 | **75,688,125** | **11,621,165** | **(36,362,532)** | **(50,946,758)** | **-** |
| 7 | 1 June 2016 | RM1.00 | **3,368,750** | **1,273,227** | **-** | **(4,641,977)** | **-** |
| 8 | 16 Nov 2016 | RM1.00 | **47,492,500** | **12,810,859** | **(13,710,710)** | **(46,592,649)** | **-** |
| 9 | 6 June 2017 | RM1.04 | **-** | **1,989,418** | **-** | **(1,989,418)** | **-** |
| | | | **141,540,668** | **32,022,614** | **(50,113,242)** | **(123,450,040)** | **-** |

* The options prices have been adjusted for the effect of the rights issue of three hundred seventy seven (377) new options for every one thousand (1,000) existing options, granted by the Company on 6 October 2017.

50,113,242 options were exercised during the financial year and 123,450,040 options outstanding expired on 30 October 2017.

**Long-Term Incentive Plan**

Following the expiration of the 2007/2017 ESOS, the Group has implemented a Long-Term Incentive Plan ("LTIP or the Plan") of up to 10% of the issue and paid up share capital of the Company (excluding treasury shares), to eligible employees of the Group and eligible executive directors of the Company who fulfil the eligibility criteria. The LTIP was approved by the shareholders at an Extraordinary General Meeting held on 30 November 2016.

The LTIP is intended to allow the Company to attract, motivate, reward and/or retain the Eligible Persons through the grant/award of the Company ordinary shares as determined by the LTIP Committee in accordance with the By-Laws. The LTIP Committee shall have the discretion to determine and change any criteria or basis of making the offers of the share awards from time to time.

The LTIP will allow the Company to award ordinary shares to eligible persons by means of a Restricted Share Plan ("RSP") and a Performance Share Plan ("PSP") as follows;

(i) RSP – a restricted share plan designed to reward selected employees of the Group; and

(ii) PSP – a performance share plan designed to reward selected senior management employees of the Group and the Executive Directors of the Company.

The share awards to the eligible persons will not require any payment to the Company by the eligible persons.

**32 SHARE CAPITAL (CONTINUED)**

**Long-Term Incentive Plan (continued)**

The details of the LTIP are contained in the By-Laws and the salient features thereof are as follows:

(a) The aggregate maximum number of ordinary shares made available under the LTIP shall not exceed ten percent (10%) of the issued and paid up shares (excluding treasury shares) of the Company at any point of time during the duration of the LTIP, which shall be in force for a period of five (5) years commencing 28 November 2017.

(b) Eligible employees (including Executive Directors) are those who are confirmed full time employees within our Group.

(c) The LTIP is administered by a LTIP Committee which consists of such persons duly appointed by the Board from time to time.

(d) The LTIP may be terminated by the Board at any time before the date of expiry provided that the Company makes an announcement to Bursa Malaysia Securities Berhad.

(e) The LTIP Committee may (but shall not be obliged) establish a Trust to be administered by the Trustee(s), if required, to enable the Trustee to subscribe for new ordinary shares and/or acquire existing ordinary shares for the purpose of the LTIP and to pay expenses in relation to the administration of the Trust.

(f) All the new ordinary shares, upon allotment and issue, shall rank pari passu in all respects with the existing ordinary shares of the Company.

**Warrants A**

The warrants A of the Company are constituted by a deed poll dated 22 August 2013.

The salient terms of the warrants A are as follows:

(a) Each warrant A entitles the registered holder to subscribe for one (1) new ordinary share of RM1.00 each of the Company at any time during the five (5) years period commencing on and including 17 September 2013 ("First Issue Date"), to 16 September 2018 ("Exercise Period") at RM2.30 per new share of the Company ("Exercise Price") subject to adjustments in accordance with the provisions of the deed poll dated 22 August 2013 constituting the warrants;

(b) Any warrants A not exercised during the Exercise Period shall thereafter lapse and cease to be valid for any purpose; and

(c) The new shares of the Company allotted and issued upon exercise of the warrants A shall rank pari passu in all aspects with the existing shares of the Company, and shall be entitled to any dividends, rights, allotments and/or other distributions after the issue and allotment thereof.

The movement of the warrants A are as follows:

| | No. of ordinary shares of RM1.00 each covered under warrants A | | | |
|---|---|---|---|---|
| | **At 1.1.2017** | **Granted** | **Exercised** | **At 31.12.2017** |
| Number of unexercised warrants A* | **576,519,012** | **214,157,394** | **-** | **790,676,406** |

* The number of warrants A and its exercise price has been adjusted for the effect of the renounceable Rights Issue. Thirty seven (37) new warrants A for every one hundred (100) existing warrants A were granted on 1 November 2017. The exercise price was adjusted from RM2.30 to RM1.68 per warrant.

At financial year end, the outstanding warrants A included 790,676,406 units which are exercisable.

No warrants A were exercised during the financial year and the warrants outstanding at the financial year end have remaining contractual life until 16 September 2018.

## 32 SHARE CAPITAL (CONTINUED)

**Warrants B**

Pursuant to the renounceable Right Issue undertaken by the Company (Note 49(e)) during the financial year ended 31 December 2017, 438,518,657 warrants B of the Company were issued. On 3 November 2017, the Company listed and quoted the warrants B and the warrants B are constituted by a deed poll dated 19 September 2017.

At financial year end, the outstanding warrants B included 438,518,157 units which are exercisable.

500 warrants B were exercised during the financial year and the warrants outstanding at the financial year end have remaining contractual life until 29 October 2027.

The salient terms of the warrant B are as follows:

(a) Each warrant B entitles the registered holder to subscribe for one (1) new ordinary share of RM1.00 each of the Company at any time during the ten (10) years period commencing on and including 30 October 2017 ("First Issue Date"), to 29 October 2027("Exercise Period") at RM1.25 per new share of the Company ("Exercise Price") subject to adjustments in accordance with the provisions of the deed poll dated 19 September 2017 constituting the warrants;

(b) Any warrants B not exercised during the Exercise Period shall thereafter lapse and cease to be valid for any purpose; and

(c) The new shares of the Company allotted and issued upon exercise of the warrants B shall rank equally in all aspects with the existing shares of the Company, and shall be entitled to any dividends, rights, allotments and/or other distributions after the issue and allotment thereof.

The movement of the warrants B are as follows:

| | No. of ordinary shares of RM1.00 each covered under warrants B | | | |
|---|---|---|---|---|
| | **At 1.1.2017** | **Granted** | **Exercised** | **At 31.12.2017** |
| Number of unexercised warrants B | **-** | **438,518,657** | **(500)** | **438,518,157** |

## 33 SHARE PREMIUM

| | Group and Company | |
|---|---|---|
| | **2017 RM'000** | **2016 RM'000** |
| At 1 January | **372,391** | 327,950 |
| Issue of shares pursuant to the Private Placement | **-** | 44,385 |
| Exercise of options under 2007/2017 ESOS | **40** | 39 |
| Transferred from share options reserve | **-** | 17 |
| Transition to no-par value regime on 31 January 2017 (Note 32) | **(372,431)** | - |
| At 31 January/31December | **-** | 372,391 |

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM372,431,093 for the purposes as set out in Section 618(3) of the Act. There is no impact of ordinary shares in issue or the relative entitlement of any of the members as a result of the transition.

## 34 REDEEMABLE PREFERENCE SHARES

The redeemable preference shares ("RPS") were issued by the Company's 70% owned subsidiary, Kwasa Sentral Sdn. Bhd. ("KSSB") which the Company acquired on 20 December 2017 as stated in Note 49(f) to the financial statements.

The terms of the RPS are as follows;

(i) The RPS shall be held for a fixed period of up to five (5) years from the date of issue;
(ii) The RPS shall be transferable by any person. Any transfer shall be by instrument in writing in the usual or common form;
(iii) In each financial year, the declaration of dividends by KSSB in general meeting shall not exceed the amount recommended by the KSSB's directors, each holder of the RPS shall be entitled to a non-cumulative dividend in cash at the rate to be determined by KSSB's directors. Such dividend, if declared, shall be payable on a date to be determined by KSSB's directors. In the absence of any declaration of dividends by KSSB in any financial year, the rate of dividend on the RPS shall be zero;
(iv) The RPS holder shall have the right to request KSSB to redeem the RPS at any time as may be determined by the RPS holder upon the disposal or development of the land;
(v) No RPS may be converted into ordinary shares of KSSB;
(vi) The RPS shall rank ahead both as regards dividends and capital in priority to ordinary shares of KSSB. In the event of liquidation, dissolution or winding up of KSSB, the holder of the RPS shall be entitled to receive all surplus, assets or proceeds available for distribution, and shall rank in priority to the ordinary shares of KSSB; and
(vii) The RPS holder shall not have the right to vote at any general meeting of KSSB except that the RPS holder shall have the right at any general meeting of KSSB to one vote for each RPS held as stated in the Article of Association of KSSB.

the RPS have been classified a current liabilities as KSSB expects to redeem the RPS within the next twelve (12) months from 31 December 2017.

## 35 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **RM'000** | **RM'000** |
| Provision for liquidated ascertained damages | | |
| At 1 January | **26,117** | 10,510 |
| Charge to profit or loss | **-** | 15,607 |
| Unutilised amount reversed | **(2,019)** | - |
| At 31 December | **24,098** | 26,117 |

**Liquidated ascertained damages**

Provision for liquidated ascertained damages (LAD) is recognised for expected LAD claims based on the contract agreement and circumstances of projects.

## 36 SENIOR AND JUNIOR SUKUK

| | Group | |
|---|---|---|
| **Senior Sukuk** | **2017 RM'000** | **2016 RM'000** |
| Nominal value | **845,000** | 845,000 |
| Less: Unamortised cost of issue | **(7,216)** | (8,817) |
| | **837,784** | 836,183 |
| Senior Sukuk | **845,000** | 845,000 |
| Less: Issuance expenses | **(20,805)** | (20,805) |
| Net proceeds | **824,195** | 824,195 |
| Accumulated amortisation of issuance expenses | **13,589** | 11,988 |
| | **837,784** | 836,183 |

| **Junior Sukuk** | **2017 RM'000** | **2016 RM'000** |
|---|---|---|
| Nominal value | **230,000** | 230,000 |
| Less: Issuance expenses | **(300)** | (300) |
| Net proceeds | **229,700** | 229,700 |
| Accumulated amortisation of issuance expenses | **755** | 600 |
| Less: Accumulated unwinding of premium | **(9,739)** | (8,006) |
| | **220,716** | 222,294 |
| Total Senior and Junior Sukuk | **1,058,500** | 1,058,477 |

(i) In 2008, a subsidiary issued RM845 million Senior Sukuk and RM199.0 million Junior Sukuk which proceeds were used to finance the EDL project. Tenure of the Senior Sukuk ranges from 10.0 to 17.5 years and Junior Sukuk ranges from 18.0 to 19.5 years from the date of issue and carry profit rates, which have been fixed in accordance with the Syariah principles, at profit ratios ranging from 6.33% to 8.35% per annum for Senior Sukuk and 10.05% to 10.40% per annum for Junior Sukuk respectively. Both Sukuk are payable semi-annually from its respective issue dates and traded on the Scriptless Securities Trading System operated and managed by Bank Negara Malaysia.

(ii) Proceeds from the issue of both Sukuk were channelled to Designated Accounts. Permitted withdrawals relating to the EDL project from these Designated Accounts are subject to terms and conditions of the Project Account Agreement (Note 30).

(iii) The Junior Sukuk was fully subscribed by the Company in 2008. On 30 September 2011, the Company disposed the Junior Sukuk to The National Agricultural Cooperative Federation ("Purchaser") for a cash consideration of RM230.0 million. The Purchaser was the trustee for HanaDoal Landchip Malaysia JB Private Real Estate Fund Investment Trust No. 34 (REF Trust) of Korea.

(iv) The repayment of the Senior and Junior Sukuk are primarily from toll collections. Following the issuance of the Federal Roads (Private Management) (Collection of Tolls) (EDL) (Revocation) Order 2017 by the Government of Malaysia ("GoM") on 28 December 2017, as indicated in Note 18 to the financial statements, the Senior and Junior Sukuk will be settled via the proceeds from the GoM under the mutual termination agreement. Hence, the Senior and Junior Sukuk have been classified as current liabilities.

(v) On 28 February 2018, an Extraordinary General Meeting of the Senior and Junior Sukuk holders was convened to authorise the Group to commence negotiations with the GoM to ensure that the Senior and Junior Sukuk holders will be repaid based on its nominal value and interest accrued up to the settlement date.

(vi) Both Sukuk are denominated in Ringgit Malaysia.

(vii) The carrying amounts of the Senior and Junior Sukuk that are measured at amortised cost as at 31 December 2017 approximate their fair values.

## 37 POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Group and the Company provide for unfunded retirement benefits to eligible employees, those permanent employees who joined before 1 September 2002, and have been in the service of the Group and of the Company for a continuous period of at least ten (10) years.

The liability in respect of the defined benefit plan is the present value of the defined benefit obligation at the statements of financial position. The defined benefit obligation, calculated using the projected unit credit method, is determined by a qualified actuary on the basis of a triennial valuation and after considering the estimated future cash outflows using the market yields at the valuation date of high quality corporate bonds. The latest actuarial valuation was carried out on 30 November 2017.

The defined benefit plan exposed the Group and the Company to actuarial risk such as interest rate risk and salary inflation risk.

**Defined benefit plan**

| | Group | |
|---|---|---|
| | **2017 RM'000** | **2016 RM'000** |
| At 1 January | **16,312** | 16,307 |
| Charged to profit or loss | **1,190** | 2,082 |
| Utilised during the financial year | **(2,054)** | (2,077) |
| Re-measurement of post employment benefit obligations recognised in other comprehensive income | **3,178** | - |
| At 31 December | **18,626** | 16,312 |

| | Company | |
|---|---|---|
| | **2017 RM'000** | **2016 RM'000** |
| At 1 January | **6,953** | 6,537 |
| Charged to profit or loss | **972** | 785 |
| Utilised during the financial year | **(155)** | (369) |
| Re-measurement of post employment benefit obligations recognised in other comprehensive income | **(330)** | - |
| At 31 December | **7,440** | 6,953 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| Current (Note 41) | **-** | 1,377 | **-** | - |
| Non-current | **18,626** | 14,935 | **7,440** | 6,953 |
| | **18,626** | 16,312 | **7,440** | 6,953 |

## 37 POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

The amounts recognised in the Group's and the Company's statement of financial positions are analysed as follows based on valuation carried out on 30 November 2017:

| | Group RM'000 | Company RM'000 |
|---|---|---|
| **Present value of unfunded obligations** | | |
| At 31 December 2017 | **18,626** | **7,440** |
| At 31 December 2016 | 16,312 | 6,953 |
| At 31 December 2015 | 16,307 | 6,537 |
| At 31 December 2014 | 16,539 | 6,895 |
| At 31 December 2013 | 16,396 | 5,102 |

The expenses recognised in the Group's and the Company's profit or loss are analysed as follows:

| | Group | |
|---|---|---|
| | **2017 RM'000** | **2016 RM'000** |
| Current service cost | **962** | 1,194 |
| Interest cost | **1,019** | 888 |
| | **1,981** | 2,082 |
| Write back of provision no longer required | **(791)** | - |
| At 31 December | **1,190** | 2,082 |

| | Company | |
|---|---|---|
| | **2017 RM'000** | **2016 RM'000** |
| Current service cost | **406** | 410 |
| Interest cost | **566** | 375 |
| At 31 December | **972** | 785 |

The above charge to the profit or loss was included in administrative expenses of the year.

At 31 December 2017, the weighted average duration of the defined benefit obligation was 7.3 years (2016: 7.7 years).

## 37 POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

The principal actuarial assumptions used by the valuer in the valuation carried out on 30 November 2017 in respect of the Group's and the Company's defined benefit plan is as follows:

| | Group and Company % |
|---|---|
| Discount rate | 4.8 |
| Expected rate of salary increases | 8.0 |

There is no material effect to the defined benefit obligations should there be a 1% movement in the above assumed discounted rate.

## 38 LONG TERM BORROWINGS

(a)

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Term loans | **1,286,403** | 1,577,377 | **250,200** | 436,000 |
| Less: Unamortised cost of issue | **(942)** | (3,898) | **(942)** | (2,634) |
| | **1,285,461** | 1,573,479 | **249,258** | 433,366 |
| Less: Due within 12 months (Note 43) | **(394,213)** | (501,175) | **(67,000)** | (100,000) |
| | **891,248** | 1,072,304 | **182,258** | 333,366 |
| Term loans | **1,286,403** | 1,577,377 | **250,200** | 436,000 |
| Less: Issuance expenses | **(1,330)** | (7,345) | **(1,330)** | (5,450) |
| Net proceeds | **1,285,073** | 1,570,032 | **248,870** | 430,550 |
| Accumulated amortisation of issuance expenses | **388** | 3,447 | **388** | 2,816 |
| | **1,285,461** | 1,573,479 | **249,258** | 433,366 |
| Less: Due within 12 months (Note 43) | **(394,213)** | (501,175) | **(67,000)** | (100,000) |
| | **891,248** | 1,072,304 | **182,258** | 333,366 |

**38 LONG TERM BORROWINGS (CONTINUED)**

(b) The repayment period of the term loans (before issuance cost) are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| Analysis of term loans: | | | | |
| Payable within one year | **394,213** | 501,175 | **67,000** | 100,000 |
| Payable between one and two years | **335,310** | 364,945 | **183,200** | 67,000 |
| Payable between two and five years | **424,882** | 711,257 | **-** | 269,000 |
| Payable after five years | **131,998** | - | **-** | - |
| | **1,286,403** | 1,577,377 | **250,200** | 436,000 |
| Representing term loans: | | | | |
| Due within 12 months | **394,213** | 501,175 | **67,000** | 100,000 |
| Due after 12 months | **892,190** | 1,076,202 | **183,200** | 336,000 |
| | **1,286,403** | 1,577,377 | **250,200** | 436,000 |

| | **2017 %** | **2016 %** | **2017 %** | **2016 %** |
|---|---|---|---|---|
| (c) Weighted average year end effective interest rates per annum | **5.50** | 5.65 | **5.06** | 5.35 |

(d) All current financial borrowings balances are denominated in Ringgit Malaysia.

## 38 LONG TERM BORROWINGS (CONTINUED)

A. Effective interest rate and maturity profile of borrowings

The exposure of borrowings to interest rate and cash flow risk and the periods in which the borrowings mature are as follows:

| The Group | Effective interest rate as at year end % p.a | Total Carrying Amount RM'000 | < 1 year RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 | > 5 years RM'000 |
|---|---|---|---|---|---|---|
| | | | Floating interest rate | | | |
| **2017** | | | | | | |
| **Secured** | | | | | | |
| Revolving credit 1 | 5.44 | 740 | 740 | - | - | - |
| Revolving credit 2 | 4.71 | 59,053 | 59,053 | - | - | - |
| Revolving credit 3 | 5.85 | 3,000 | 3,000 | - | - | - |
| Term loan 1 | 5.35 | 727,666 | 727,666 | - | - | - |
| **Unsecured** | | | | | | |
| Revolving credit 4 | 4.67 | 200,000 | 200,000 | - | - | - |
| Revolving credit 5 | 4.29 | 28,097 | 28,097 | - | - | - |
| Trust receipts | 4.92 | 19,338 | 19,338 | - | - | - |
| | | 1,037,894 | 1,037,894 | - | - | - |
| | | | Fixed interest rate | | | |
| **Secured** | | | | | | |
| Term loan 2 | 4.50 | 155,000 | - | 155,000 | - | - |
| Term loan 3 | 6.50 | 182,258 | - | 182,258 | - | - |
| | | | Floating interest rate | | | |
| Term loan 2 | 5.06 | 164,882 | - | - | 164,882 | - |
| Term loan 4 | 5.06 | 67,000 | 67,000 | - | - | - |
| Term loan 5 | 5.14 | 105,570 | 35,570 | - | 70,000 | - |
| Term loan 6 | 4.60 | 47,611 | - | 47,611 | - | - |
| Term loan 7 | 5.64 | 164,997 | - | - | 32,999 | 131,998 |
| Term loan 8 | 5.72 | 193,000 | 96,500 | 96,500 | - | - |
| Term loan 9 | 6.10 | 183,597 | 183,597 | - | - | - |
| Term loan 10 | 5.00 | 21,546 | 11,546 | 8,000 | 2,000 | - |
| | | 1,285,461 | 394,213 | 489,369 | 269,881 | 131,998 |
| | | 2,323,355 | 1,432,107 | 489,369 | 269,881 | 131,998 |

**38 LONG TERM BORROWINGS (CONTINUED)**

A. Effective interest rate and maturity profile of borrowings (continued)

The exposure of borrowings to interest rate and cash flow risk and the periods in which the borrowings mature are as follows: (continued)

| The Group | Effective interest rate as at year end % p.a | Total Carrying Amount RM'000 | < 1 year RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 | > 5 years RM'000 |
|---|---|---|---|---|---|---|
| | | | Floating interest rate | | | |
| **2016** | | | | | | |
| **Secured** | | | | | | |
| Revolving credit 1 | 4.79 | 15,232 | 15,232 | - | - | - |
| Revolving credit 2 | 4.92 | 39,924 | 39,924 | - | - | - |
| **Unsecured** | | | | | | |
| Revolving credit 4 | 4.81 | 250,000 | 250,000 | - | - | - |
| | | 305,156 | 305,156 | - | - | - |
| | | | Fixed interest rate | | | |
| **Secured** | | | | | | |
| Term loan 2 | 4.35 & 4.50 | 110,000 | 110,000 | - | - | - |
| | | | Floating interest rate | | | |
| Term loan 2 | 5.55 | 137,755 | - | - | 137,755 | - |
| Term loan 4 | 5.02 | 167,000 | 100,000 | 67,000 | - | - |
| Term loan 5 | 5.15 | 100,042 | 100,042 | - | - | - |
| Term loan 6 | 4.65 | 26,651 | - | - | 26,651 | - |
| Term loan 7 | 5.72 | 113,398 | - | - | 113,398 | - |
| Term loan 9 | 6.16 | 76,343 | - | 76,343 | - | - |
| Term loan 10 | 5.00 | 16,000 | - | 14,000 | 2,000 | - |
| Term loan 11 | 5.18 | 95,876 | 95,876 | - | - | - |
| Term loan 12 | 5.67 | 266,366 | - | - | 266,366 | - |
| Term loan 13 | 6.49 | 206,338 | - | 206,338 | - | - |
| Term loan 14 | 4.75 | 95,257 | 95,257 | - | - | - |
| Term loan 15 | 5.23 | 162,453 | - | - | 162,453 | - |
| | | 1,573,479 | 501,175 | 363,681 | 708,623 | - |
| | | 1,878,635 | 806,331 | 363,681 | 708,623 | - |

### 38 LONG TERM BORROWINGS (CONTINUED)

A. Effective interest rate and maturity profile of borrowings (continued)

The exposure of borrowings to interest rate and cash flow risk and the periods in which the borrowings mature are as follows: (continued)

| The Company | Effective interest rate as at year end % p.a | Total Carrying Amount RM'000 | < 1 year RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 | > 5 years RM'000 |
|---|---|---|---|---|---|---|
| | Floating interest rate | | | | | |
| **2017** | | | | | | |
| **Secured** | | | | | | |
| Term loan 1 | **5.35** | **727,666** | **727,666** | **-** | **-** | **-** |
| Term loan 3 | **6.50** | **182,258** | **-** | **182,258** | **-** | **-** |
| Term loan 4 | **5.06** | **67,000** | **67,000** | **-** | **-** | **-** |
| **Unsecured** | | | | | | |
| Revolving credit 4 | **4.67** | **200,000** | **200,000** | **-** | **-** | **-** |
| | | **1,176,924** | **994,666** | **182,258** | **-** | **-** |
| **2016** | | | | | | |
| **Secured** | | | | | | |
| Term loan 3 | 5.02 | 167,000 | 100,000 | 67,000 | - | - |
| Term loan 4 | 5.67 | 266,366 | - | - | 266,366 | - |
| **Unsecured** | | | | | | |
| Revolving credit 3 | 4.81 | 250,000 | 250,000 | - | - | - |
| | | 683,366 | 350,000 | 67,000 | 266,366 | - |

B. Principal features of borrowings

**Term Loan 1**

Term loan 1 of RM727,665,694 is secured by way of:

(i) Commodity Murabahah Facility Agreement;
(ii) Memorandum of deposit over 700,000 ordinary shares of a subsidiary acquired, including all right, titles, interest, benefits, entitlements, distributions and dividends arising there from;
(iii) Letter of Undertaking from a subsidiary to channel at least RM737.9 million proceed into the Proceeds Accounts upon receipt of the same from the subsidiary's shares allotment monies;
(iv) Assignment of all present and future dividend income from a subsidiary to the Company;
(v) Assignment of all Designated Accounts; and
(vi) Such other documents as may be deemed necessary by the Financier at any time or as advised by the solicitors.

**38 LONG TERM BORROWINGS (CONTINUED)**

B. Principal features of borrowings (continued)

**Term Loan 2**

Term loan 2 of RM319,882,917 (2016: RM247,755,127) is secured by way of:
(i) Fixed charge over a leasehold land and the investment property with total carrying amount of RM367,477,009 (2016: RM328,250,957) (Note 16);
(ii) Master Deed of Assignment in respect of Assigned property as follows:
  (a) The Agreement to Build and Lease;
  (b) The Lease Agreement or the Tenancy Agreement;
  (c) The Construction Contract;
  (d) The Performance Bond; and
  (e) The Insurances
(iii) Memorandum of Deposit of the shares of the subsidiary;
(iv) Assignment and charge over Shared Designated Accounts;
(v) Debentures by the subsidiary;
(vi) Corporate Guarantee and undertaking by the Company; and
(vii) Priority and Security Sharing Agreement.

**Term Loan 3**

Term loan 3 of RM182,257,567 is secured by way of:
(i) Master Facility Agreement;
(ii) Pledge of subsidiary shares;
(iii) Assignment of designated Accounts;
(iv) Assignment of Finance Service reserve Accounts; and
(v) First Party Charge over Charged Units.

**Term Loan 4**

Term loan 4 of RM67,000,000 (2016: RM167,000,000) is secured by way of:
(i) First and third parties legal charge over the Group's investment properties with a carrying value of RM95,553,168 (2016: RM98,499,431) (Note 16);
(ii) Assignment of rental income from the investment properties above;
(iii) Assignment of the Company's beneficial rights arising from certain investments; and
(iv) Power of Attorney to initiate disposal of the pledged properties/investments upon occurrence of Trigger Events or Event of Default.

**Term Loan 5**

Term loan 5 of RM105,569,976 (2016: RM100,041,900) is secured by way of:
(i) Fixed charge over the leasehold lands of the Group with total carrying amount of RM104,478,070 (2016: RM104,478,070) (Note 17(a) and Note 17(b));
(ii) Master Deed of Assignment over all rights, interests and benefits as contained in the following:
  (a) The Management Agreement to be executed with the car park operator;
  (b) The Tenancy/Rental Agreement to be executed with the tenants;
  (c) The Performance Bonds or Guarantee from the contractor(s);
  (d) The Insurances; and
  (e) The other proceeds in relation to the mixed commercial development on Plot C (including but not limited to the rental proceeds from car park and proceeds from the sale of the development units).
(iii) Assignment and charge over Designated Accounts;
(iv) Debenture by the Group; and
(v) A corporate guarantee by the Company.

## 38 LONG TERM BORROWINGS (CONTINUED)

B. Principal features of borrowings (continued)

**Term Loan 6**

Term loan 6 of RM47,610,443 (2016: RM26,650,891) is secured by way of:
(i) Assignment of the Group's rights, title and interest in material construction contracts in respect of a Group's project;
(ii) Assignment of the insurance/Takaful policies;
(iii) Security Agreement over Designated Accounts;
(iv) A corporate guarantee by the Company;
(v) Letter of Negative Pledge by the Group in favour of the bank; and
(vi) Subordination of shareholders' loan/financing.

**Term Loan 7**

Term loan 7 of RM164,997,432 (2016: RM113,398,247) is secured by way of:
(i) A first party legal charge over certain part of the project land of the Group held for development with carrying value of RM126,932,035 (2016: RM121,935,321);
(ii) A corporate guarantee by the Company;
(iii) Assignment of all future and future rental receivables;
(iv) A first legal charge and assignment over all rights of Designated Accounts;
(v) Debenture by the Group; and
(vi) Assignment of the insurance policies.

**Term Loan 8**

Term loan 8 of RM193,000,000 is secured by way of:
(i) Debentures over the fixed and floating assets;
(ii) Deed of Assignment over a Letter of Undertaking from a shareholder of the Company;
(iii) Deed of Assignment over a Letter of Undertaking from the Company;
(iv) A charge over all proceed received by the subsidiary under the Subscription and Shareholders' Joint Venture Agreement;
(v) Corporate Guarantee by the Company;
(vi) Third party first legal charge over five (5) parcels of freehold land of a subsidiary with carrying value of RM77,389,936 (2016: Nil); and
(vii) Assignment and charge over Designated Accounts.

**Term Loan 9**

Term loan 9 of RM183,597,224 (2016: RM76,342,784) is secured by way of:
(i) A first party first legal charge over a freehold land of the Group held for development with carrying value of RM30,482,093 (2016: RM30,482,093) and receivables of RM305,076,269 (2016: RM147,801,353);
(ii) A corporate guarantee by the Company; and
(iii) Deed of Assignment over designated Accounts.

**Term Loan 10**

Term loan 10 of RM21,545,160 (2016: RM16,000,000) is secured by way of:
(i) A first party first legal charge over a freehold land of the Group held for development with carrying value of RM23,684,000 (2016: RM23,684,000);
(ii) A corporate guarantee by the Company;
(iii) Assignment and charge over the surpluses of Designated Accounts/Fixed Deposit;
(iv) Debentures by the Group; and
(v) Assignment over any bank guarantees and insurances.

**38 LONG TERM BORROWINGS (CONTINUED)**

B. Principal features of borrowings (continued)

**Term Loan 11**

Term loan 11 of Nil (2016: RM95,876,000) was secured by way of:
(i) Fixed charge over the Group's service concession asset amounting to RM1,176,346,634 (Note 18); and
(ii) First charge over Debt Service Reserve Account and second charge over the Redemption Account.

**Term Loan 12**

Term loan 12 (Sukuk Murabahah Programme) of Nil (2016: RM266,365,833) was secured by way of:
(i) Third party legal charge over the Group's wholly owned leasehold and freehold land of RM318,721,151 and RM61,342,232 respectively;
(ii) A minimum Security Cover Ratio of 0.7 time;
(iii) Any other lands and properties to be identified subject to the agreement between the issuer, the lead Arranger and the Sukuk holder of first issuance, if required in order to maintain the Security Cover Ratio;
(iv) A charge over the Designated Accounts; and
(v) A charge over the Company REIT units in an associate.

**Term Loan 13**

Term loan 13 of Nil (2016: RM206,338,460) was secured by way of:
(i) Freehold land of the Group held for development with a carrying value of RM266,975,097 (Note 17(a)); and
(ii) A corporate guarantee by the Company.

**Term Loan 14**

Term loan 14 of Nil (2016: RM95,257,660) was a AUD loan secured by way of:
(i) Freehold land of the Group held for development with a carrying value of RM24,354,657 (Note 17(b));
(ii) Assignment of all insurances;
(iii) Assignment by way of security of the Revenue Account, sales proceeds and the retention sums;
(iv) Assignment over rights, benefits, interest over the Contract Agreement executed between the Group and the contractor;
(v) Assignment by way of security of all rights, titles, benefits and interest including but not limited to any sales agreement(s) and sales proceeds (deposit, payments or otherwise), all permits and licences of the Group;
(vi) Charge over but not limited to the Interest Service Reserve Account; and
(vii) Corporate Guarantee and undertaking by the Company.

**Term Loan 15**

Term loan 15 of Nil (2016: RM162,452,715) was secured by way of:
(i) Deed of Assignment over a Letter of Undertaking from a shareholders of the Company;
(ii) Debentures over the fixed and floating assets;
(iii) A corporate guarantee by the Company;
(iv) Third party first legal charge over five (5) parcels of land of another subsidiary; and
(v) Assignment and charge over Designated Accounts.

Term loans 11 to 15 were settled during the financial year.

**38 LONG TERM BORROWINGS (CONTINUED)**

The reconciliation of movement of liabilities to cash flows arising from financing activities are as follows:

| | Short term borrowings RM'000 | Long term borrowings RM'000 | Senior and Junior Sukuk RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| Balance at 1 January 2017 | 806,331 | 1,072,304 | 1,058,477 | 2,937,112 |
| **Changes from financing cash flow** | | | | |
| Proceed from borrowings | 1,037,175 | 2,278,385 | - | 3,315,560 |
| Repayment of borrowings | (795,680) | (2,067,897) | - | (2,863,577) |
| Issuance cost paid | (11,148) | (1,330) | - | (12,478) |
| Total changes from financing cash flows | 230,347 | 209,158 | - | 439,505 |
| **Other changes of liabilities – related** | | | | |
| Amortisation of issuance cost | 1,216 | 3,999 | 1,756 | 6,971 |
| Unwinding of premium | - | - | (1,733) | (1,733) |
| Total other changes of liabilities – related | 1,216 | 3,999 | 23 | 5,238 |
| Reclassification from long term to short term | 394,213 | (394,213) | - | - |
| Balance at 31 December 2017 | 1,432,107 | 891,248 | 1,058,500 | 3,381,855 |
| **Company** | | | | |
| Balance at 1 January 2017 | 350,000 | 333,366 | - | 683,366 |
| **Changes from financing cash flow** | | | | |
| Proceed from borrowings | 839,349 | 456,000 | - | 1,295,349 |
| Repayment of borrowings | (251,465) | (541,800) | - | (793,265) |
| Issuance cost paid | (11,148) | (1,330) | - | (12,478) |
| Total changes from financing cash flows | 576,736 | (87,130) | - | 489,606 |
| **Other changes of liabilities – related** | | | | |
| Amortisation of issuance cost | 930 | 3,022 | - | 3,952 |
| Total other changes of liabilities – related | 930 | 3,022 | - | 3,952 |
| Reclassification from long term to short term | 67,000 | (67,000) | - | - |
| Balance at 31 December 2017 | 994,666 | 182,258 | - | 1,176,924 |

## 39 LONG TERM LIABILITIES

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **RM'000** | **RM'000** |
| Guaranteed return to a non-controlling interest (Note 5(ii)) | **330,510** | - |
| Hire purchase creditors due after 12 months (Note 42) | **1,749** | 2,274 |
| Other long term liabilities | **-** | 641 |
| | **332,259** | 2,915 |

The guaranteed return is a contractual obligation made by the Company to a non-controlling interest in Kwasa Sentral Sdn. Bhd. ("KSSB"), a 70% owned subsidiary of the Company (Note 49(f)) to guarantee the minimum return to their investment in the development project undertaken by KSSB which is payable based on certain milestone of the development project. As at the financial year end, the net present value of this guaranteed sum is RM330,510,000. The repayment period of the guaranteed return is as follows:

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **RM'000** | **RM'000** |
| Payable within one year | **-** | - |
| Payable between one and two years | **-** | - |
| Payable between two and five years | **34,431** | - |
| Payable after five years | **296,079** | - |
| | **330,510** | - |

## 40 GOVERNMENT GRANT

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **RM'000** | **RM'000** |
| Facilitation fund | **80,186** | 62,971 |

The facilitation fund represents grant received from the Malaysian Government for the planning, designing, financing, development, construction, equipping, installation, completion, testing and commissioning of the Penang Sentral transport terminal currently being constructed by a subsidiary of the Company.

## 41 TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Trade payables | **780,127** | 876,765 | **120,973** | 96,254 |
| Amounts due to customers on contracts (Note 28) | **18,372** | 32,142 | **8,659** | 910 |
| Progress billings in respect of property development | **1,351** | 37 | **-** | - |
| Amounts due to related parties | **-** | 1,855 | **-** | - |
| Hire purchase creditors due within 12 months (Note 42) | **1,086** | 965 | **-** | - |
| Other payables | **295,227** | 273,894 | **9,630** | 6,891 |
| Accruals | **158,982** | 127,540 | **19,971** | 20,062 |
| Post-employment benefit obligations (Note 37) | **-** | 1,377 | **-** | - |
| | **1,255,145** | 1,314,575 | **159,233** | 124,117 |

| | Company | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| Amounts due to subsidiaries | **119,239** | 44,251 |

The amounts due to related parties are unsecured, interest free and have no fixed terms of repayment.

Credit terms of trade payables for the Group and the Company range from 14 days to 90 days (2016: 14 days to 90 days).

Credit terms of other payables for the Group and the Company range from 14 days to 90 days (2016: 14 days to 90 days).

The currency exposure profile of the trade and other payables is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Ringgit Malaysia | **1,229,155** | 1,277,595 | **159,233** | 124,117 |
| Australian Dollar | **25,983** | 36,966 | **-** | - |
| Thai Baht | **7** | 14 | **-** | - |
| | **1,255,145** | 1,314,575 | **159,233** | 124,117 |

## 42 HIRE PURCHASE CREDITORS

| | Group | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| Analysis of hire purchase creditors: | | |
| Payable within one year | **1,206** | 1,113 |
| Payable between two and four years | **1,844** | 2,439 |
| | **3,050** | 3,552 |
| Less: Finance charges | **(215)** | (313) |
| | **2,835** | 3,239 |
| Present value of hire purchase creditors: | | |
| Payable within one year | **1,086** | 965 |
| Payable between two and four years | **1,749** | 2,274 |
| | **2,835** | 3,239 |
| Representing hire purchase creditors: | | |
| Due within 12 months (Note 41) | **1,086** | 965 |
| Due after 12 months (Note 39) | **1,749** | 2,274 |
| | **2,835** | 3,239 |

(a) The weighted average year end effective interest rates of hire purchase creditors was 5.46% per annum (2016: 5.34%).

(b) The hire purchase creditors are denominated in Ringgit Malaysia.

(c) Hire purchase liabilities are effectively secured as the rights to the assets under hire purchase revert to the hire purchase creditors in the event of default.

(d) The carrying amounts of the hire purchase creditors approximate its fair values as at reporting date.

## 43 SHORT TERM BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Secured short term borrowings and other credit facilities | **790,459** | 55,156 | **727,666** | - |
| Secured term loans due within 12 months (Note 38) | **394,213** | 501,175 | **67,000** | 100,000 |
| Unsecured short term borrowings (Note 38) | **247,435** | 250,000 | **200,000** | 250,000 |
| Total | **1,432,107** | 806,331 | **994,666** | 350,000 |

## 43 SHORT TERM BORROWINGS (CONTINUED)

The principal features for the short term borrowings (term loan) of the Group and the Company have been disclosed in Note 38 to the financial statements.

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 % | 2016 % | 2017 % | 2016 % |
| **Weighted average year end effective interest rates** | | | | |
| Secured short term borrowings and other credit facilities | **4.77** | 4.88 | **5.35** | - |
| Secured term loans | **5.60** | 4.89 | **5.06** | 5.02 |
| Unsecured short term borrowings | **4.65** | 4.81 | **4.67** | 4.81 |

Included in secured term loans due within 12 months was a Australian Dollar borrowings of Nil (2016: AUD29,528,103, equivalent to RM95,257,660).

Other than the above, the balance of the short term borrowings were denominated in Ringgit Malaysia.

## 44 RELATED PARTY DISCLOSURES

The related parties with whom the Group and the Company transacted with during the financial year include the following:

| Related parties | Nature of relationship |
|---|---|
| Sistem Televisyen Malaysia Berhad ("STMB") | A subsidiary of Media Prima Berhad ("MPB") and related by virtue of Datuk Shahril Ridza Ridzuan being common Director of both MPB and the Company. |
| Kumpulan Wang Simpanan Berhad ("KWSP") | Significant shareholder of the Company and related by virtue of Datuk Shahril Ridza Ridzuan being common Board member of both KWSP and the Company and Tan Sri Azlan Mohd Zainol and Puan Rohaya Mohammad Yusof are nominees of KWSP.<br><br>KWSP is also an Agency of Government of Malaysia. |
| Nusa Gapurna Development Sdn. Bhd ("NGD") | Related by virtue of KWSP and GSB which are 40% and 60% equity shareholders of NGD respectively. |
| Gapurna Retail Sdn. Bhd. ("GRSB") | Related by virtue of Tan Sri Mohamad Salim Fateh Din and Mohd Imran Tan Sri Mohamad Salim being common Board members of both GRSB and the Company. GRSB is wholly owned by GSB, a major shareholder of the Company. |
| Kejora Kinta Sdn. Bhd. ("KKSB") | Related by virtue of Tan Sri Mohamad Salim Fateh Din being common shareholder of both KKSB and the Company. |

## 44 RELATED PARTY DISCLOSURES (CONTINUED)

The related party transactions were carried out based on terms and conditions negotiated and agreed upon between the parties. The significant related party transactions and balances other than mentioned elsewhere in the financial statements are as follows:

(a) Transactions with related parties

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| Rental income from STMB | **1,783** | 1,783 | **-** | 1,634 |
| Management fees from subsidiaries | **-** | - | **55,464** | 46,862 |
| Management fees charged to an associate | **5,079** | 4,564 | **5,079** | 4,564 |
| Provision of building maintenance services to KWSP and GRSB | **1,110** | 2,972 | **-** | - |
| Acquisition of subsidiary from NGD | **-** | 24,780 | **-** | - |
| Purchase of freehold residential Land from KKSB | **-** | 6,900 | **-** | - |
| Progress billings charged to the Directors and key management of the Group and of the Company | **7,015** | 8,239 | **-** | - |
| Redemption of loan stock (Note 19) | **-** | - | **-** | 17,333 |
| **Progress billings charged by subsidiaries** | | | | |
| - MRCB Builders Sdn. Bhd. | **-** | - | **214,604** | 172,022 |
| - MRCB Environmental Services Sdn. Bhd. | **-** | - | **84,950** | 14,150 |
| Repayment of advances by subsidiaries | **-** | - | **57,334** | 89,097 |
| Advances to subsidiaries | **-** | - | **(1,592,286)** | (630,230) |

As at 31 December 2017 the outstanding amount arising from the progress billings to the Directors and key management was RM1,053,132 (2016: Nil).

(b) Key management compensation (including Executive Directors)

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| Salaries and other short term employee benefits | **20,708** | 17,736 | **14,064** | 12,371 |
| Post-employment benefits | **3,435** | 2,862 | **2,314** | 1,994 |
| Share based payments | **1,867** | 529 | **1,334** | 399 |

### 44 RELATED PARTY DISCLOSURES (CONTINUED)

(c) The Group's and the Company's significant transactions with government and government-related entities on terms and conditions negotiated and agreed upon are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| **Progress billings charged to customers on contracts:** | | | | |
| - Desaru Convention Centre Sdn. Bhd. | **29,693** | 11,945 | **29,693** | 11,945 |
| - Desaru Corniche Hotel Sdn. Bhd. | **58,561** | 32,043 | **58,561** | 32,043 |
| - Desaru Estate Sdn. Bhd. | **82,783** | 38,651 | **82,783** | 38,651 |
| - Desaru Peace Holdings Club Sdn. Bhd. | **48,536** | 36,825 | **48,536** | 36,825 |
| - Jabatan Pengairan Dan Saliran Malaysia | **92,803** | 22,189 | **92,803** | 22,189 |
| - Johor Land Berhad | **67,446** | 58,536 | **67,446** | 58,536 |
| - Kementerian Belia dan Sukan | **1,211,914** | - | **-** | - |
| - MASS Rapid Transit Corporation Sdn. Bhd. | **22,677** | 23,625 | **-** | - |
| - Perbadanan PR1MA Malaysia | **36,685** | - | **-** | - |
| - Syarikat Prasarana Negara Berhad | **41,941** | 275,091 | **-** | - |
| - Tenaga Nasional Berhad | **106,042** | 54,008 | **319** | - |
| **Progress billings charged to purchasers** | | | | |
| - Malaysia Building Society Berhad | **47,120** | 18,502 | **-** | - |
| - Perbadanan Harta Intelek Berhad | **2,834** | 8,721 | **-** | - |
| - Pertubuhan Keselamatan Sosial | **-** | 37,070 | **-** | - |
| **Rental income received from:** | | | | |
| - Jabatan Penilaian dan Perkhidmatan Harta | **2,565** | 2,515 | **2,565** | 2,515 |
| - Pelaburan Mara Berhad | **2,943** | - | **2,943** | - |
| **Project management and building maintenance service fees received from:** | | | | |
| - Keretapi Tanah Melayu Berhad | **3,344** | 3,308 | **-** | - |
| - Lembaga Tabung Haji | **-** | 5,338 | **-** | - |
| **Rental charged by:** | | | | |
| - Bank Kerjasama Rakyat Malaysia Berhad | **1,141** | 5,250 | **-** | - |
| - Lembaga Tabung Haji | **13,934** | 12,736 | **12,452** | 11,188 |
| - Pertubuhan Keselamatan Sosial | **34,483** | 32,907 | **-** | - |
| - Suruhanjaya Kominikasi dan Multimedia Malaysia | **2,465** | 2,465 | **-** | - |
| **Sale of property development land to:** | | | | |
| - MASS Rapid Transit Corporation Sdn. Bhd. | **-** | 180,000 | **-** | - |
| - Perbadanan PR1MA Malaysia | **-** | 21,226 | **-** | - |
| **Compensation and LAD charged to:** | | | | |
| - MASS Rapid Transit Corporation Sdn. Bhd. | **5,671** | 9,078 | **-** | - |

## 45 CONTINGENT LIABILITIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Performance guarantees extended to third parties | **309,747** | 282,064 | **234,918** | 208,729 |

## 46 CAPITAL COMMITMENT

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Authorised capital expenditure for property, plant and equipment | | | | |
| - contracted for | **10,975** | - | **-** | - |
| - not contracted for | **44,650** | 75,157 | **5,675** | 3,673 |
| | **55,625** | 75,157 | **5,675** | 3,673 |

## 47 SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

The Group's effective equity interest in the subsidiaries, joint ventures and associates as at 31 December 2017, their respective principal activities and country of incorporation are as follows:

| Name of enterprise | Principal activities | Country of incorporation | Effective equity interest 2017 % | Effective equity interest 2016 % |
|---|---|---|---|---|
| **SUBSIDIARIES:** | | | | |
| 348 Sentral Sdn. Bhd. | Leasing of office and service residence space and provision of interior design fit out consultancy work and services | Malaysia | **100.00** | 100.00 |
| **Held through 100% ownership by 348 Sentral Sdn. Bhd.** | | | | |
| - 348 Sentral Office Sdn. Bhd. | Pre-operating | Malaysia | **100.00** | 100.00 |
| - 348 Sentral Service Residence Sdn. Bhd. | Pre-operating | Malaysia | **100.00** | 100.00 |
| Country Annexe Sdn. Bhd. | Construction and property development | Malaysia | **100.00** | 100.00 |
| Cosy Bonanza Sdn. Bhd. | Property development | Malaysia | **65.70** | 65.70 |
| Excellent Bonanza Sdn. Bhd. | Property development, leasing of office space and provision of interior design fit out consultancy work and services | Malaysia | **100.00** | 100.00 |

## 47 SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

| Name of enterprise | Principal activities | Country of incorporation | Effective equity interest 2017 % | 2016 % |
|---|---|---|---|---|
| Gapurna Builders Sdn. Bhd. | Construction and development of property | Malaysia | **100.00** | 100.00 |
| Gapurna Global Solutions Sdn. Bhd. | Property and investment holding | Malaysia | **100.00** | 100.00 |
| Gapurna Land Sdn. Bhd. | Property development | Malaysia | **100.00** | 100.00 |
| Kuala Lumpur Sentral Sdn. Bhd. | Sale of land, property development and property management | Malaysia | **74.00** | 74.00 |
| **Held through 100% ownership by Kuala Lumpur Sentral Sdn. Bhd.** | | | | |
| - Unity Portfolio Sdn. Bhd. | Provision of management and maintenance services | Malaysia | **74.00** | 74.00 |
| Kwasa Sentral Sdn. Bhd. | Property development and investment holding | Malaysia | **70.00** | - |
| MRCB Builders Sdn. Bhd. | Engineering, construction services and investment holding | Malaysia | **100.00** | 100.00 |
| **Held through 100% ownership by MRCB Builders Sdn. Bhd.** | | | | |
| - Milmix Sdn. Bhd.* | Civil and infrastructure building contractor | Malaysia | **100.00** | 100.00 |
| - Region Resources Sdn. Bhd. | Engineering and construction services | Malaysia | **100.00** | 100.00 |
| - Sanjung Sepang Sdn. Bhd. | Trading in construction material | Malaysia | **100.00** | 100.00 |
| - Transmission Technology Sdn. Bhd. | Engineering, construction and commissioning of transmission lines and substations | Malaysia | **100.00** | 100.00 |
| - MRCB Environmental Services Sdn. Bhd. | Provision of project management and consultancy services and engaged in the design, construction, operation, management and maintenance of beaches and rivers for rehabilitation and improvement purposes | Malaysia | **100.00** | 100.00 |
| - MRCB Engineering Sdn. Bhd. | Engineering and construction services | Malaysia | **100.00** | 100.00 |
| **Held through 100% ownership by MRCB Environmental Services Sdn. Bhd.** | | | | |
| - MRCB Environment Sdn. Bhd.* | Infrastructure and environmental engineering | Malaysia | **100.00** | 100.00 |
| **Held through 100% ownership by MRCB Engineering Sdn. Bhd.** | | | | |
| - MRCB (Thailand) Ltd. ß | Pre-operating | Thailand | **100.00** | 100.00 |
| MRCB Land Sdn. Bhd. | Investment holding | Malaysia | **100.00** | 100.00 |

## 47 SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

| Name of enterprise | Principal activities | Country of incorporation | Effective equity interest 2017 % | 2016 % |
|---|---|---|---|---|
| **Held through 100% ownership by MRCB Land Sdn. Bhd.** | | | | |
| - Efficient Class Sdn. Bhd. | Property development | Malaysia | **100.00** | 100.00 |
| - Esquire Moments Sdn. Bhd. | Property development | Malaysia | **100.00** | 100.00 |
| - Crystal Hallmark Sdn. Bhd. | Property development | Malaysia | **100.00** | 100.00 |
| - Legasi Azam Sdn. Bhd. | Property development | Malaysia | **100.00** | 100.00 |
| - MRCB Rasma JV Sdn. Bhd. | Pre-operating | Malaysia | **100.00** | 100.00 |
| - Nilaitera Sdn. Bhd. | Property development | Malaysia | **100.00** | 100.00 |
| - Pinnacle Paradise Sdn. Bhd. | Property development | Malaysia | **100.00** | 100.00 |
| - Subang Sentral Sdn. Bhd. | Pre-operating | Malaysia | **100.00** | 100.00 |
| - Stigma Tiara Sdn. Bhd. | Pre-operating | Malaysia | **100.00** | 100.00 |
| - Lot F Residence Sdn. Bhd. | Pre-operating | Malaysia | **100.00** | - |
| - Lot F Hotel Sdn. Bhd. | Pre-operating | Malaysia | **100.00** | - |
| **Held through 85% ownership by MRCB Land Sdn. Bhd.** | | | | |
| - Rukun Juang Sdn. Bhd. | Construction and property development | Malaysia | **85.00** | 85.00 |
| **Held through 100% ownership by Rukun Juang Sdn. Bhd.** | | | | |
| - Bukit Jalil Sentral Property Sdn. Bhd. | Property development and property investment | Malaysia | **85.00** | - |
| **Held through 51% ownership by MRCB Land Sdn. Bhd.** | | | | |
| - Metro Spectacular Sdn. Bhd. | Property development | Malaysia | **51.00** | 51.00 |
| MRCB Prasarana Sdn. Bhd. | Operation, management and maintenance of the EDL Expressway and investment holding | Malaysia | **100.00** | 100.00 |
| **Held through 100% ownership by MRCB Prasarana Sdn. Bhd.** | | | | |
| - MRCB Lingkaran Selatan Sdn. Bhd. | Design, development, construction, project management, operations and maintenance of EDL Expressway | Malaysia | **100.00** | 100.00 |

## 47 SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

| Name of enterprise | Principal activities | Country of incorporation | Effective equity interest 2017 % | 2016 % |
|---|---|---|---|---|
| **Held through 100% ownership by MRCB Lingkaran Selatan Sdn. Bhd.** | | | | |
| - MRCB Southern Link Berhad | Design, development, construction, project management and financing of expressway and infrastructure related project | Malaysia | **100.00** | 100.00 |
| MRCB Putra Sdn. Bhd. | Property development, property management and investment holding | Malaysia | **100.00** | 100.00 |
| Malaysian Resources Development Sdn. Bhd. | Property development and investment holding | Malaysia | **100.00** | 100.00 |
| **Held through 100% ownership by Malaysian Resources Development Sdn. Bhd.** | | | | |
| - MRCB International Sdn. Bhd. | Investment holding | Malaysia | **100.00** | 100.00 |
| **Held through 100% ownership by MRCB International Sdn. Bhd.** | | | | |
| - MRCB Australia Holding Company Pty. Ltd. ß* | Investment holding | Australia | **100.00** | 100.00 |
| - MRCB Land (Australia) Pty. Ltd. ß | Property development | Australia | **100.00** | 100.00 |
| **Held through 100% ownership by MRCB Australia Holding Company Pty. Ltd.** | | | | |
| - MRCB Project Carnegie Pty. Ltd. ß | Property development | Australia | **100.00** | 100.00 |
| **Held through 100% ownership by MRCB Land (Australia) Pty. Ltd.** | | | | |
| - MRCB Project Incorporated Pty. Ltd. ß* | Property development | Australia | **100.00** | 100.00 |
| **Held through 100% ownership by Malaysian Resources Development Sdn. Bhd.** | | | | |
| - Golden East Corporation Sdn. Bhd.* | Property development and management | Malaysia | **100.00** | 100.00 |
| - Sunrise Properties Sdn. Bhd.* | Property development | Malaysia | **100.00** | 100.00 |
| - MRCB Property Development Sdn. Bhd.* | Investment holding | Malaysia | **100.00** | 100.00 |

## 47 SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

| Name of enterprise | Principal activities | Country of incorporation | Effective equity interest 2017 % | 2016 % |
|---|---|---|---|---|
| **Held through 70% ownership by Malaysian Resources Development Sdn. Bhd.** | | | | |
| - Seri Iskandar Development Corporation Sdn. Bhd. | Property development | Malaysia | **70.00** | 70.00 |
| Malaysian Resources Sentral Sdn. Bhd. | Provision of facility management | Malaysia | **100.00** | 100.00 |
| MRCB Sentral Properties Sdn. Bhd. | Property development and property management | Malaysia | **100.00** | 100.00 |
| MRCB Utama Sdn. Bhd. | Property development | Malaysia | **100.00** | 100.00 |
| Onesentral Park Sdn. Bhd. | Property development | Malaysia | **100.00** | 100.00 |
| Penang Sentral Sdn. Bhd. | Property development and management of a temporary transport terminal | Malaysia | **100.00** | 100.00 |
| P.J Sentral Development Sdn. Bhd. | Construction and property development | Malaysia | **100.00** | 100.00 |
| Prema Bonanza Sdn. Bhd. | Property development | Malaysia | **51.00** | 51.00 |
| Puncak Wangi Sdn. Bhd | Property investment and property management | Malaysia | **100.00** | 100.00 |
| Semasa Sentral Sdn. Bhd. | Operation, management and maintenance of the Kuala Lumpur Sentral Station | Malaysia | **100.00** | 100.00 |
| Semasa Parking Sdn. Bhd. | Operation and management of car park and parking areas | Malaysia | **100.00** | 100.00 |
| Semasa Sentral (Penang) Sdn. Bhd.* | Operation, management and maintenance of Penang Sentral | Malaysia | **100.00** | 100.00 |
| Sooka Sentral Sdn. Bhd. | Provision of management services | Malaysia | **100.00** | 100.00 |
| SynarGym Sdn. Bhd. | Leasing of office space and sub-lease to tenants and also leasing of machinery | Malaysia | **100.00** | 100.00 |
| Landas Utama Sdn. Bhd.* | Investment holding | Malaysia | **100.00** | 100.00 |
| Mafira Holdings Sdn. Bhd.* | Investment holding | Malaysia | **100.00** | 100.00 |
| **Held through 38.6% ownership by Mafira Holdings Sdn. Bhd.** | | | | |
| - Zen Concrete Industries Sdn. Bhd. ~ | Manufacturing and sale of pre-stressed spun concrete poles | Malaysia | **-** | 38.60 |
| MRCB Ceramics Sdn. Bhd.* | Manufacturing, distribution and sale of ceramic tiles | Malaysia | **100.00** | 100.00 |

## 47 SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

| Name of enterprise | Principal activities | Country of incorporation | Effective equity interest 2017 % | 2016 % |
|---|---|---|---|---|
| MRCB Green Energy Sdn. Bhd. | Pre-operating | Malaysia | **100.00** | 100.00 |
| MRCB Property Management Sdn. Bhd.* | Property investment and management | Malaysia | **100.00** | 100.00 |
| MR Securities Sdn. Bhd.* | Investment holding | Malaysia | **100.00** | 100.00 |
| **Held through 100% ownership by MR Securities Sdn. Bhd.** | | | | |
| - Semasa Security Sdn. Bhd. | Security guard services | Malaysia | **100.00** | 100.00 |
| Seleksi Untung Sdn. Bhd. | Modular building design system | Malaysia | **100.00** | 100.00 |
| Malaysian Resources Construction System Sdn. Bhd. | Pre-operating | Malaysia | **100.00** | - |
| MRCB DCS Holding Sdn. Bhd. | Pre-operating | Malaysia | **100.00** | 100.00 |
| **Held through 100% ownership by MRCB DCS Holding Sdn. Bhd.** | | | | |
| - Semasa District Cooling Sdn. Bhd. | Supply chilled water | Malaysia | **100.00** | 100.00 |
| - DCS Operation & Maintenance Sdn. Bhd. | Pre-operating | Malaysia | **100.00** | 100.00 |
| - KL Sentral DCS Sdn. Bhd. | Pre-operating | Malaysia | **100.00** | 100.00 |
| - PJ Sentral DCS Sdn. Bhd. | Pre-operating | Malaysia | **100.00** | 100.00 |
| - Penang Sentral DCS Sdn. Bhd. | Pre-operating | Malaysia | **100.00** | 100.00 |
| - KD District Cooling System Sdn. Bhd. | Pre-operating | Malaysia | **100.00** | 100.00 |
| Geometrik Dinamik Sdn. Bhd. | Pre-operating | Malaysia | **100.00** | - |
| Inovasi Kristal Sdn. Bhd. | Pre-operating | Malaysia | **100.00** | - |
| Iris Nova Sdn. Bhd. | Pre-operating | Malaysia | **100.00** | - |
| Superview Development Sdn. Bhd. ∂ | Property development, management and shares trading | Malaysia | **100.00** | 100.00 |
| MRCB Tekad Sdn. Bhd. ^ | Pre-operating | Malaysia | **100.00** | 100.00 |
| Semasa Services Sdn. Bhd. | Building services | Malaysia | **-** | 100.00 |
| 59 INC Sdn. Bhd. | Property development | Malaysia | **-** | 100.00 |
| Sibexlink Sdn. Bhd. ^^ | Sale of business information and website development | Malaysia | **-** | 100.00 |
| Bisraya Construction-MRCB Engineering Consortium ∂∂ | Engineering services and construction | Unincorporated | **-** | 30.00 |
| KONSORTIUM KOP-HG-MRCB-ISOPLAS ∂∂ | Design and build transmission line and substation | Unincorporated | **-** | 100.00 |

## 47 SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

| Name of enterprise | Principal activities | Country of incorporation | Effective equity interest 2017 % | Effective equity interest 2016 % |
|---|---|---|---|---|
| **ASSOCIATES:** | | | | |
| One IFC Sdn. Bhd. ß | Investment holding | Malaysia | **30.00** | 30.00 |
| MRCB-Quill REIT ß | Acquisition of land investment in commercial properties | Malaysia | **27.89** | 27.89 |
| MRCB Quill Management Sdn. Bhd. ß | Manage real estate investment trust | Malaysia | **41.00** | 41.00 |
| Suasana Sentral Two Sdn. Bhd. | Property development | Malaysia | **30.00** | 30.00 |
| UEMB – MRCB JV Sdn. Bhd. ß | Project management | Malaysia | **49.00** | 49.00 |
| **Held through 49% ownership by MRCB Land Sdn. Bhd.** | | | | |
| - Compass Sentral (PM) Sdn. Bhd. | Property management | Malaysia | **49.00** | 49.00 |
| Kota Francais (M) Sdn. Bhd.*ßß | Franchising property management and consultancy | Malaysia | **-** | 20.00 |
| **JOINT VENTURES:** | | | | |
| **Held through 70% ownership by MRCB Land Sdn. Bhd.** | | | | |
| - CSB Development Sdn. Bhd. | Property development | Malaysia | **70.00** | 70.00 |
| **Held through 50% ownership by MRCB Builders Sdn. Bhd.** | | | | |
| - MRCB George Kent Sdn. Bhd. | Project delivery partner | Malaysia | **50.00** | 50.00 |
| 59 INC Sdn. Bhd. | Property development | Malaysia | **30.00** | - |
| **Held through 51% ownership by MRCB Engineering Sdn. Bhd.** | | | | |
| - Dekad Kaliber Sdn. Bhd. | Engineering and construction services | Malaysia | **-** | 51.00 |

* Dormant
^ The subsidiary was under members' voluntary liquidation
∂ The subsidiaries are under creditors' voluntary liquidation
^^ The subsidiary was under members' voluntary liquidation and dissolved during the year
~ This associate is under court order creditor liquidation and dissolved during the year
∂∂ The consortium was dissolved during the year
ß Companies not audited by PricewaterhouseCoopers PLT
ßß Company not audited by PricewaterhouseCoopers PLT and dissolved during the year

## 48 SEGMENT REPORTING

Management has determined the operating segments based on the various reports prepared for the Board of Directors that are used to make strategic decisions.

The reportable operating segments derive their revenue primarily from the property development and investment, engineering, construction and environment, infrastructure and concession, facilities management and parking and others.

Segment results are defined as operating income before unallocated corporate expenses, finance income, finance cost and share of results from joint venture and associates.

Segment assets consist primarily of current and non-current assets.

Segment liabilities comprises of current and non-current liabilities.

The Group is domiciled in Malaysia. The results of its revenue from external customers in Malaysia is RM2,679,851,379 (2016: RM2,408,071,714) and the total of revenue from external customers from other countries is RM143,800,110 (2016: Nil).

Inclusive in the Group's non-current assets is RM455,593 (2016: RM444,642) located in countries other than Malaysia.

The revenue derived from transactions with a single external customer that amounted to 10% or more of the Group's revenue for the financial year was RM1,028,856,282 (2016: Nil).

| | Property development & investment RM'000 | Engineering, construction & environment RM'000 | Infrastructure & concession RM'000 | Facilities management & parking RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2017** | | | | | | |
| **Revenue** | | | | | | |
| Total revenue | **866,487** | **2,304,365** | **114,944** | **61,074** | **235,481** | **3,582,351** |
| Inter-segment revenue | **(7,792)** | **(530,478)** | **-** | **(5,319)** | **(215,111)** | **(758,700)** |
| External revenue | **858,695** | **1,773,887** | **114,944** | **55,755** | **20,370** | **2,823,651** |
| **Results** | | | | | | |
| Segment results | **175,951** | **92,691** | **55,210** | **11,435** | **2,139** | **337,426** |
| Unallocated corporate expenses | | | | | | **(24,555)** |
| Finance income | | | | | | **25,549** |
| Finance costs | | | | | | **(116,115)** |
| Share of results of joint ventures and associates | **9,694** | **15,334** | **-** | **-** | **-** | **25,028** |
| Profit before income tax | | | | | | **247,333** |
| Income tax expense | | | | | | **(65,525)** |
| Profit after tax | | | | | | **181,808** |
| Non-controlling interests | | | | | | **(14,233)** |
| Net profit for the financial year attributable to the equity holders of the Company | | | | | | **167,575** |

**48 SEGMENT REPORTING (CONTINUED)**

| | Property development & investment RM'000 | Engineering, construction & environment RM'000 | Infrastructure & concession RM'000 | Facilities management & parking RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **At 31 December 2017** | | | | | | |
| **Assets** | | | | | | |
| Segment assets | 7,041,042 | 674,173 | 1,258,699 | 82,543 | 533,278 | 9,589,735 |
| Joint ventures and associates | 545,746 | 32,927 | - | - | - | 578,673 |
| Tax recoverable and deferred tax assets | | | | | | 132,576 |
| Total assets | | | | | | 10,300,984 |
| **Liabilities** | | | | | | |
| Segment liabilities | 906,120 | 857,194 | 41,434 | 21,547 | 59,883 | 1,886,178 |
| Interest bearing instruments | | | | | | 3,384,690 |
| Current and deferred tax liabilities | | | | | | 101,528 |
| Total liabilities | | | | | | 5,372,396 |
| **Other disclosures** | | | | | | |
| Capital expenditure | 192,389 | 4,566 | 41,595 | 1,610 | 772 | 240,932 |
| Depreciation and amortisation | 14,156 | 10,297 | 42,406 | 2,660 | 3,549 | 73,068 |

## 48 SEGMENT REPORTING (CONTINUED)

| | Property development & investment RM'000 | Engineering, construction & environment RM'000 | Infrastructure & concession RM'000 | Facilities management & parking RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2016** | | | | | | |
| **Revenue** | | | | | | |
| Total revenue | 1,343,973 | 1,367,307 | 112,400 | 95,680 | 381,330 | 3,300,690 |
| Inter-segment revenue | (13,601) | (509,396) | - | (24,373) | (345,248) | (892,618) |
| External revenue | 1,330,372 | 857,911 | 112,400 | 71,307 | 36,082 | 2,408,072 |
| **Results** | | | | | | |
| Segment results | 464,646 | 11,582 | 58,540 | 15,827 | 6,876 | 557,471 |
| Unallocated corporate expenses | | | | | | (45,047) |
| Finance income | | | | | | 23,466 |
| Finance costs | | | | | | (175,922) |
| Share of results of joint ventures and associates | 18,926 | 13,323 | 412 | - | - | 32,661 |
| Profit before income tax | | | | | | 392,629 |
| Income tax expense | | | | | | (73,532) |
| Profit after tax | | | | | | 319,097 |
| Non-controlling interests | | | | | | (51,737) |
| Net profit for the financial year attributable to the equity holders of the Company | | | | | | 267,360 |

**48 SEGMENT REPORTING (CONTINUED)**

| | Property development & investment RM'000 | Engineering, construction & environment RM'000 | Infrastructure & concession RM'000 | Facilities management & parking RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **At 31 December 2016** | | | | | | |
| **Assets** | | | | | | |
| Segment assets | 4,519,096 | 795,632 | 1,267,222 | 93,341 | 410,626 | 7,085,917 |
| Joint ventures and associates | 277,270 | 24,595 | - | - | - | 301,865 |
| Tax recoverable and deferred tax assets | | | | | | 118,805 |
| Total assets | | | | | | 7,506,587 |
| **Liabilities** | | | | | | |
| Segment liabilities | 536,694 | 772,250 | 33,763 | 28,925 | 46,642 | 1,418,274 |
| Interest bearing instruments | | | | | | 2,940,351 |
| Current and deferred tax liabilities | | | | | | 122,920 |
| Total liabilities | | | | | | 4,481,545 |
| **Other disclosures** | | | | | | |
| Capital expenditure | 234,003 | 5,358 | 1,015 | 1,250 | 1,285 | 242,911 |
| Depreciation and amortisation | 14,473 | 6,473 | 35,185 | 3,014 | 3,429 | 62,574 |
| Impairment loss | 53,378 | - | - | - | - | 53,378 |

Capital expenditure consists of additions to property, plant and equipment, investment properties and service concession asset (Notes 15, 16 and 18).

The Group's business segments mainly operate in Malaysia.

**49 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

(a) On 12 January 2017, the Company entered into a conditional Share Sale Agreement with Crystal Clear Cleaning Sdn. Bhd. for the disposal of its entire equity interest in Semasa Services Sdn. Bhd., a wholly owned subsidiary of the Company, for a total cash consideration of RM4.8 million ("Purchase Price") with a provision for adjustment to the Purchase Price.

The disposal was completed on 5 April 2017. The final Purchase Price was RM5.7 million with a gain of disposal of RM3.8 million.

(b) On 17 February 2017, the Company's wholly owned subsidiary, MRCB Engineering Sdn. Bhd. entered into a Share Sale Agreement with Hicom Berhad for the disposal of its entire 51% equity interest represented by 510,000 ordinary shares of RM1.00 each in Dekad Kaliber Sdn. Bhd., for a total cash consideration of RM3,651,556.

The disposal was completed on the same day and generated a disposal gain of RM1.65 million.

(c) On 21 April 2017, Rukun Juang Sdn. Bhd. ("RJSB"), an 85% equity interest owned subsidiary of the Company, entered into a second supplementary agreement to the Privatisation Agreement with the Government of Malaysia, represented by the Ministry of Youth and Sport and Syarikat Tanah dan Harta Sdn Bhd to reduce the Contract Sum from RM1,631,880,000 to RM1,343,257,764. The Privatisation Agreement is in relation to the refurbishment and upgrading of facilities located at the National Sports Complex in Bukit Jalil ("Privatisation Project"). The Government will cause the Federal Lands Commissioner to transfer three (3) parcels of leasehold land located in Bukit Jalil, Kuala Lumpur measuring approximately 76.14 acres ("Lands") as consideration for RJSB undertaking the Privatisation Project. The Contract Sum is reduced to be commensurate with the reduction in the size of the Lands, as well as revised works packages under Project 1 and Project 2 respectively.

Project 1 was completed at the end of July 2017, whilst the construction commencement date for Project 2 shall be on a date to be mutually agreed by the Government and RJSB.

On 9 February 2018, the parties entered into a third supplemental agreement to the Privatisation Agreement to vary the calculation of Land Bond to be submitted to the Government, in order to expedite the transfer of the Lands to RJSB and/or its nominee(s).

The transfer of the leasehold lands is still pending at the date of this report.

(d) On 31 May 2017, the Company, Rukun Juang Sdn. Bhd. ("RJSB"), Tanjung Wibawa Sdn. Bhd. ("TWSB"), a wholly owned subsidiary of the Employees Provident Fund Board, and the Company's 85% owned subsidiary Bukit Jalil Sentral Property Sdn. Bhd. ("JV Co") entered into a subscription and shareholders' agreement ("SSA") which entailed the following:-

(i) RJSB and TWSB will co-invest in a special purpose company, namely Bukit Jalil Sentral Property Sdn. Bhd., for the purpose of jointly developing the Lands; and

(ii) the proposed disposal by RJSB of the Lands to JV Co for an aggregate consideration of up to RM1,426,163,112

The SSA is expected to be completed in the financial year ending 31 December 2018.

(e) On 3 November 2017, the Company completed its renounceable Rights Issue of up to 2,853,777,024 new ordinary shares in the Company ("MRCB Shares") at an issue price of RM0.79 per Right Share, together with up to 570,755,405 free detachable warrants ("Right Warrants"), on the basis of one (1) Rights Share for every one (1) existing MRCB Share held by the entitled shareholders as at 5.00 p.m. on 4 October 2017 and one (1) Rights Warrant for every five (5) Rights Shares subscribed for.

2,192,593,285 MRCB Shares together with 438,518,657 Right Warrants were issued pursuant to the Right Issue and the total proceeds raised was RM1.732 billion.

## 49 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(f) On 14 August 2014, the Company entered into a shareholders' agreement with Kwasa Land Sdn. Bhd. and Kwasa Sentral Sdn. Bhd. ("KSSB") for the subscription of 700,000 new ordinary shares of RM1.00 each, representing a 70% equity interest in KSSB for a cash subscription payment of approximately RM816.6 million ("Subscription"). KSSB is a special purpose vehicle incorporated to undertake the mixed development of 64.07 acres of land ("MX-1 Land") identified to be the town centre of the proposed Kwasa Damansara Township.

The Subscription was approved by the Company's shareholders at the Extraordinary General Meeting held on 12 February 2015.

On 8 August 2016, a Supplemental Shareholders' Agreement was signed to, amongst others, allow the Parties to mutually agree on a suitable date to be the unconditional date (which was to be a date falling within six (6) months after the date of fulfilment of the conditions precedent).

On 11 November 2016, the Company announced that all the conditions precedent as set out in the shareholders' agreement and supplemental shareholders' agreement had been fulfilled.

On 9 May 2017, a second supplemental shareholders' agreement was signed to vary certain terms of the shareholders' agreement and supplemental shareholders' agreement. The balance subscription payment to be paid upon the unconditional date was agreed to be RM737.9 million as the MX-1 Land size was 64.3 acres pursuant to the subdivision and the number of ordinary shares to be issued by KSSB remained the same. In addition, the Parties mutually agreed a suitable date to be the unconditional date which shall be a date occurring no later than 29 December 2017 or any other date as may be agreed upon in writing by the Parties.

The Subscription was completed and the shareholders' agreements became unconditional on 20 December 2017. With this, KSSB became the Group's 70% equity owned subsidiary.

(g) The Company had on 26 December 2017 entered into a Share Sale Agreement ("SSA") with TH Properties Sdn. Bhd. ("THP") for the disposal of 200,000 ordinary shares in 59 INC Sdn. Bhd. ("59 INC"), representing the Company's 40% equity interest in 59 INC for a total cash consideration of RM100,138,792. The Company had simultaneously entered into a Subscription and Shareholders' Agreement ("SASA") with THP and 59 INC, whereby THP has agreed to subscribe for 500,000 new ordinary shares in 59 INC. THP and the Company will hold 70% and 30% equity interest respectively in 59 INC.

The SSA and SASA were completed on the same day and generated a total gain before tax of RM60.8 million to the Group.

## 50 SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

On 19 March 2018, Legazi Azam Sdn. Bhd., a wholly owned subsidiary of the Company entered into a Sale and Purchase Agreement ("SPA") with Pertubuhan Keselamatan Sosial for the disposal of a parcel of freehold land measuring 1.866 acres held under Geran 34211, Lot No.94, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan bearing postal address no.16, Jalan Kia Peng, 50450 Kuala Lumpur for cash consideration of RM323 million, excluding Good and Services Tax.

At the date of this report, the completion of the SPA is still pending.

## 51 DIVIDENDS

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | **Dividend per share sen** | **Amount of dividend RM'000** | **Dividend per share sen** | **Amount of dividend RM'000** |
| Proposed first and final single tier dividend | **1.75** | **76,840** | **2.75** | 60,297 |

The Directors recommend the payment of a first and final single tier dividend in respect of the financial year ended 31 December 2017 of 1.75% or 1.75 sen per ordinary share, amounting to approximately RM76,840,000 at the date of this report which is subject to the approval of the members at the forthcoming Annual General Meeting.

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