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### CORPORATE INFORMATION

#### **BOARD OF DIRECTORS**

**EXECUTIVE CHAIRMAN** 

Goh Nan Kioh, B.Ec. (Hons.)

**EXECUTIVE DIRECTORS** 

Goh Nan Yang, B.Sc.(Hons.) (Also Alternate to Goh Nan Kioh)

Khoo Teng Keat, B.Com.(Hons.)(Actuarial Science)

SENIOR INDEPENDENT DIRECTOR

Dato' Koh Hong Sun, MA

INDEPENDENT DIRECTORS

Yeow See Yuen, B.Acc. (Hons.) Dato' Tan Ang Meng, CPA

Pengiran Saifuddin bin Pengiran Tahir, MBA, LLB

Jesper Bjorn Madsen, LL.M

Professor Dato' Dr. Tan Hui Meng, AM (Mal), M.B.B.S, (Mal), FRCS (Edin), FRCS (Glasg), FAMM (Urology), FEMGMS (USA)

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Tay Kheng Chiong, B.Eng. (Hons), MBA, C.Eng. MIET (UK)

#### **AUDIT COMMITTEE**

Yeow See Yuen (Chairman) Dato' Tan Ang Meng Tay Kheng Chiong Jesper Bjorn Madsen

#### REMUNERATION COMMITTEE

Goh Nan Kioh (Chairman) Dato' Koh Hong Sun Dato' Tan Ang Meng

#### **NOMINATING COMMITTEE**

Dato' Koh Hong Sun (Chairman) Dato' Tan Ang Meng Yeow See Yuen

#### **EMPLOYEES' SHARE OPTION COMMITTEE**

Goh Nan Kioh (Chairman) Yeow See Yuen Dato' Koh Hong Sun

#### **COMPANY SECRETARY**

Yong Lai Sim, ACIS

#### REGISTERED OFFICE

A-12-01, Level 12 Block A, PJ8 23 Jalan Barat Seksyen 8

46050 Petaling Jaya Tel: +603-7960 8818

+603-7960 7818 Fax: mfcb@mega-first.com E-mail:

#### SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Symphony Share Registrars Sdn. Bhd. (Company No. 378993-D) Level 6, Symphony House Block D13, Pusat Dagangan Dana 1

Jalan PJU 1A/46

47301 Petaling Jaya +603-7849 0777 Tel:

Fax: +603-7841 8151 / 8152 Email: ask\_us@symphony.com.my

#### **AUDITORS**

Crowe Horwath (AF 1018)

#### STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad,

Main Market,

Stock Code : 3069 Stock Name : **MFCB** 

: Trading/Services Sector

#### WEBSITE ADDRESS

www.mega-first.com



### PROFILE OF **DIRECTORS**

#### **GOH NAN KIOH**

Malaysian, Male, Aged 63 **Executive Chairman** Chairman of the Remuneration Committee and the Employees' Share Option Committee

MR GOH NAN KIOH joined the Board on 1 February 2003 as a Non-Independent Non-Executive Director. He was appointed as Chairman of the Board on 29 July 2003 and as Executive Chairman on 1 July 2011. Mr Goh holds a Bachelor of Economics (Honours) degree from the University of Malaya. He has wide and varied business investments in many countries.

Mr Goh Nan Kioh and his wife's siblings namely Dr Lim Thian Soo, Mr Lim Thiam Cheok and Ms Lim Yam Poh, are substantial shareholders of the Company. Mr Goh is also the brother of Mr Goh Nan Yang.

#### **GOH NAN YANG**

Malaysian, Male, Aged 53 Executive Director and Alternate Director to Goh Nan Kioh

MR GOH NAN YANG joined the Board on 13 March 2003 as the alternate director to Mr Goh Nan Kioh, who is his brother. He was appointed as Executive Director on 26 November 2004. Mr Goh graduated from the University of Toledo with a Bachelor of Science honours degree in Engineering. He joined a public listed company after graduation, during which period he was involved in several major infrastructure and housing projects. In the mid-1990s, he left employment and started his own business in property development and manufacturing activities in Melbourne, Australia. Since then, his business has diversified into hospitality and student education ventures.

Mr Goh Nan Yang is a non-executive director and deemed substantial shareholder of D&O Green Technologies Berhad ("D&O"), a company listed on Bursa Malaysia. He is deemed to be interested in various transactions between MFCB Group and D&O Group by virtue of his common directorships, and substantial shareholding in D&O.

#### KHOO TENG KEAT

Malaysian, Male, Aged 46 **Executive Director** 

MR KHOO TENG KEAT joined the Board on 6 September 2011 as Executive Director. He holds a Bachelor of Commerce (Actuarial Science) honours degree from University of Melbourne, Australia. Prior to joining the Company, Mr Khoo has more than 14 years experience as an equity analyst and has held senior positions with several reputable international investment banks.

#### DATO' KOH HONG SUN

Malaysian, Male, Aged 64 Senior Independent Director Chairman of the Nominating Committee, Member of the Remuneration Committee and the Employees' Share Option Committee

DATO' KOH HONG SUN joined the Board as an Independent Director on 1 December 2010. He holds a Master degree in Strategic and Security Studies from Universiti Kebangsaan Malaysia.

Dato' Koh had a distinguished career with the Royal Malaysian Police (RMP) for almost 40 years, having joined RMP as a Probationary Inspector in 1971 and retired in October 2010 as the Director of Commercial Crime Investigation Department. During the period as an officer of the RMP, he has held various important command posts including as Commandant of The Police Training Centre in Kuala Lumpur, Assistant Director NCB-Interpol, Officer-in-Charge of Brickfields Police District, Federal Traffic Chief, Deputy Chief Police Officer of Johor, Chief Police Officer of Penang and Commissioner of Police as Director of Commercial Crime Investigation Department.

Dato' Koh is also a Director of Genting Malaysia Berhad and DeGem Berhad (both listed on Bursa Malaysia). He is a Director of GLM REIT Management Sdn Bhd, the manager of Tower Real Estate Investment Trust and the Chairman of QBE Insurance (Malaysia) Berhad.



#### YEOW SEE YUEN

Malaysian, Male, Aged 49
Independent Director
Chairman of the Audit Committee,
Member of the Nominating Committee
and the Employees' Share Option Committee

MR YEOW SEE YUEN joined the Board as an Independent Director on 10 May 2006. He holds a first class honours degree in Accountancy from the National University of Singapore. Mr Yeow started his career in 1991 with Coopers & Lybrand, Singapore Office in the audit division. He left the firm in 1994 to join Deutsche Securities Asia Limited ("Deutsche Securities") where he spent 9 years working in the Equity Research Department. During that period, he progressed through a series of positions including Deputy Head of Indonesia Research, Head of Malaysian Research and Head of Consumer Research Asia. Since leaving Deutsche Securities in 2003, he has been actively involved in investment banking related work, including investor relations corporate advisory and research consultancy.

Mr Yeow is also a Director of D&O Green Technologies Berhad ("D&O") which is listed on Bursa Malaysia. He is deemed to be interested in certain transactions between MFCB Group and D&O Group by virtue of his common directorships.

#### TAY KHENG CHIONG

Malaysian, Male, Aged 53 Non-Independent Non-Executive Director Member of the Audit Committee

MR TAY KHENG CHIONG joined the Board as a Non-Independent Non-Executive Director on 1 June 2006. He holds a Bachelor of Engineering (Honours) degree majoring in Electrical and Electronics from the University of Sunderland, England. He also holds a Master of Business Administration degree from the University of Stratchclyde, Scotland and is a Chartered Engineer with the Institution of Electrical Engineers, United Kingdom. Mr Tay has more than 25 years' experience in the semiconductor industry. He joined a multinational semiconductor company upon graduation in 1989 as Development Engineer and was promoted to Director of Manufacturing in 1999. During 2001 to 2005, he was the Managing Director of Dominant Opto Technologies

Mr Tay is presently the Group Managing Director of D&O Green Technologies Berhad ("D&O") which is listed on Bursa Malaysia. He is deemed to be interested in certain transactions between MFCB Group and D&O Group by virtue of his common directorships.

#### DATO' TAN ANG MENG

Malaysian, Male, Aged 61
Independent Director
Member of the Audit Committee,
the Remuneration Committee and the
Nominating Committee

DATO' TAN ANG MENG joined the Board as an Independent Director on 1 December 2010. He is a certified public accountant and was admitted to the membership of the Malaysian Institute of Certified Public Accountants in 1980.

Dato' Tan started his career in 1975 with PriceWaterhouseCoopers, Kuala Lumpur Office in the audit division. He left the firm in 1981 to join UMW Holdings Berhad as Group Accountant. In 1983, he joined Guinness Malaysia Berhad as Assistant Chief Accountant. Following the merger between Guinness Malaysia Berhad and Malayan Breweries (M) Sdn Bhd, he was transferred to Malayan Breweries Limited in 1991 (which later changed its name to Asia Pacific Breweries Ltd) and served with the Group until January 2001. During that period, he held various senior management positions with his last position as Regional Director based in Singapore with responsibility for the brewery operations in China, Vietnam, Cambodia and Myanmar. In March 2001, he joined as Chief Executive Officer of Fraser & Neave Holdings Bhd, a position he held until his retirement in November 2010.

Dato' Tan is also a Director of iCapital.Biz Berhad and Red Sena Berhad (both listed on Bursa Malaysia) as well as QBE Insurance (Malaysia) Berhad.

#### PENGIRAN SAIFUDDIN BIN PENGIRAN TAHIR

Malaysian, Male, Aged 59 Independent Director

ENCIK PENGIRAN SAIFUDDIN BIN PENGIRAN TAHIR joined the Board on 15 August 2014 as Independent Director. He holds a Law Degree from University of London, England and a Master Degree in Business Administration from Universiti Malaysia Sabah. Encik Pengiran was admitted to the High Court of Borneo in 1988 and his career in the legal field included the appointment as a Senior Legal Officer in the Sabah State Attorney General Department from 1994 until 1996. Embarking into the corporate management field, he joined a fleet management services company, Angkatan Hebat Sdn Bhd as its Deputy Chief Executive Officer in 1996. A year later, he took up a similar position in K.K.I.P., the developer of Sabah's premier integrated industrial estate, and served in that capacity for over 13 years. Encik Pengiran Saifuddin was appointed Managing Director of Sabah Urban Development Corporaton Sdn Bhd in 2010 before moving on to Sabah Economic Development Corporation (SEDCO) to take up his current position as Group General Manager in December 2013.



### PROFILE OF **DIRECTORS** [cont'd]

#### JESPER BJORN MADSEN

Danish, Male, Aged 63 **Independent Director** Member of the Audit Committee

MR JESPER BJORN MADSEN joined the Board as an Independent Director on 30 November 2016. He holds a Master degree in Law from Copenhagen University, Denmark and later studied Scottish/English Law at the University of Edinburgh, Scotland. Mr Madsen has worked in the legal field for 4 years before joining Carlsberg A/S Group in 1984 and retired in 2009. During his 25 years working for Carlsberg A/S Group, he has held positions as Vice-President responsible for overseas investments and markets. General Manager and Managing Director of Carlsberg Brewery Hong Kong Ltd, Chief Operating Officer of Carlsberg Asia Pte Ltd, Senior Vice-President of Carlsberg Breweries A/S with responsibility for Asia, among other markets. He was also a non-executive Chairman or Vice-Chairman in a number of Carlsberg's subsidiaries in Asia.

Mr Madsen is also a Director of D&O Green Technologies Berhad (listed on Bursa Malaysia) and the Independent and Non-Executive Chairman of Tibet Water Resources Ltd (listed on Hong Kong Stock Exchange).

Mr Madsen is deemed to be interested in certain transactions between MFCB Group and D&O Group by virtue of his common directorships.

#### PROFESSOR DATO' DR. TAN HUI MENG

Malaysian, Male, Aged 62 **Independent Director** 

PROFESSOR DATO' DR. TAN HUI MENG is a Consultant Urologist in a private hospital in Malaysia. He is also an Adjunct Professor in University of Malaya and the University of Pennsylvania, and a member of 21 learned societies. He is the Honorary President of the Asia Pacific Society and Japan ASEAN Council for Men's Health and Aging. He is currently an Executive Member of the International Society of Men's Health, World Chinese Urological Associations (USA), Asian Society of Endourology and the International Society for Study of the Aging Males.

His research interest includes urolithiasis (stone diseases) prostatic diseases, erectile dysfunction and hormonal changes in the ageing male. He has published about 156 articles and abstracts in peer-reviewed iournals and 13 books on erectile dysfunction and men's health. Professor Dato' Dr. Tan sits on the editorial boards of 10 journals. He has been a consultant and panelist for the past three WHO Sponsored Consultations in Sexual Medicine in 1999, 2003 and 2009, as well the WHO affiliated the International Consultation of Urological Disease (ICUD)-Men's Health and Infertility in 2015/2016. Professor Dato' Dr. Tan was bestowed the Outstanding Urologist Award by the World Chinese Urological Association (WCUA), an affiliate of the American Urological Association (AUA) in 2010.

#### Note:

Save as disclosed above, the Directors have no family relationship with any Director and/or major shareholder of the Company, have no conflict of interest with the Company and have not been convicted for any offence within the past 5 years.



### PROFILE OF **KEY SENIOR MANAGEMENT**

#### **CHU BENG HAN**

Malaysian, Male, Aged 52 Head, Resources Division

MR CHU BENG HAN is the Head of the Resources Division. He joined Rock Chemical Industries (Malaysia) Berhad on 1 July 2004 as Group Operations Manager and later promoted as Executive Director on 26 November 2004. He was re-designated as Head of the Resources Division in March 2012.

Mr Chu Beng Han obtained a Bachelor of Engineering (Civil) degree from National University of Singapore. Prior to joining the Group, he has over 8 years of working experience in an international building and structural forensic consultancy firm and another 7 years in a senior management position in a public listed company involved in cement and ready-mixed concrete business.

He is the nephew of Mr Goh Nan Kioh and Mr Goh Nan

#### IR. YEONG CHEE MENG

Malaysian, Male, Aged 64 Head, Don Sahong Hydropower Project

MR YEONG CHEE MENG is the Head of the Don Sahong Hydropower Project. He joined the Company in April 2008 as Project Director for the Don Sahong Hydropower Project in Lao PDR. He is responsible for managing the development of the Don Sahong Hydropower Project, organizing all investigative works, formulating all works contracts, supervising consultants and contractors, and control and manage project schedule and cost to ensure all project milestones and targets such as land acquisition, environmental approval, construction schedule and cost, testing and commissioning, and commercial operation, are met.

Mr Yeong Chee Meng obtained a Bachelor of Engineering (Civil) honours degree from University Malaya. He also holds a Master of Applied Science in Project Management degree from University of South Australia. Upon graduation in 1978, he spent 22 years with the Public Works Department of Malaysia ("PWD"). During that period, he progressed through a series of positions including District Engineer - Sabak Bernam, Selangor, Assistant Director (Roads) - Penang State, Deputy Director - Negri Sembilan State and Head of Computer/IT Centre - Kuala Lumpur Headquarters. Over the next 14 years, his career progressed to several senior management positions such as General Manager (Construction) with KL International Airport Berhad, Managing Director of Sarawak Hidro Sdn Bhd, Project Director for Alfaisal University in Saudi Arabia and Senior General Manager (Non-Revenue Water Division) with SYABAS.

#### LIEW LEONG TING

Malaysian, Male, Aged 51 Director and Deputy General Manager, Shaoxing Power Plant

MR LIEW LEONG TING is the Director and Deputy General Manager of the Shaoxing Power Plant. He joined the MFCB Group in late 1995 as resident engineer to supervise the erecting, testing and commissioning of the Tawau Power Plant. In February 1997, he was seconded to the Shaoxing Power Plant as Director and Deputy General Manager. He is responsible for and oversees the daily administration, operation and maintenance and planning of the co-generation thermal power plant at Shaoxing, China.

Mr Liew Leong Ting obtained a Bachelor of Engineering (Mechanical) degree from Swinburne University of Technology, Australia. Upon graduation, he spent three years with a pulp and paper mill's thermal power and utilities plant as process engineer. He subsequently joined a multi-disciplinary consulting firm under the power division in 1993 during which he was responsible for carrying out specific engineering and project assignments in Shanghai and East Malaysia.

#### JEFF FERNANDEZ

Malaysian, Male, Aged 47 General Manager, Tawau Power Plant

MR JEFF FERNANDEZ is the General Manager of the Tawau Power Plant. He joined the MFCB Group in January 1996 as Mechanical Engineer. In November 1996, he was seconded to the Tawau Power Plant as Mechanical Engineer and later promoted as Senior Mechanical Engineer and Assistant Plant Manager. In 2012, he was promoted as General Manager of the Tawau Power Plant. Mr Jeff Fernandez is responsible for and oversees the daily administration, operation and maintenance of the Tawau Power Plant.

Mr Jeff Fernandez obtained a Bachelor of Science in Mechanical Engineering degree from Mapua Institute of Technology, Manila, Philippines. He is a registered Internal Combustion Engine Engineer - Grade One with the Department of Safety and Health, Malaysia.

Upon graduation, he spent 1.5 years with a sawmill and plywood manufacturing company as maintenance and construction supervisor before joining MFCB Group.



### PROFILE OF KEY SENIOR MANAGEMENT

[cont'd]

#### **CHU BENG CHIN**

Malaysian, Male, Aged 48 Head, Property Division

Mr Chu Beng Chin is the Head of the Property Division. He joined the Property Division on 1 June 2003 as Project Manager and later promoted as Director in 2008. He was re-designated as Head of the Property Division on 1 January 2011.

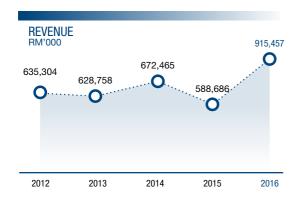
Mr Chu Beng Chin is a Professional Civil Engineer registered with Board of Engineers Malaysia. He obtained a Bachelor Degree of Engineering (Hons.) in Civil Engineering from University of Science, Malaysia (USM). Prior to joining the MFCB Group, he has over 5 years of working experience in the civil & structural engineering consulting and construction sector, and another 5 years as a Partner of a Civil & Structural Engineering Consulting Firm.

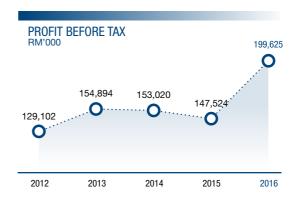
He is the nephew of Mr Goh Nan Kioh and Mr Goh Nan Yang.

#### Note:

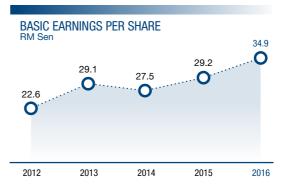
Save as disclosed above, the key senior management staff have no family relationship with any Director and/or major shareholder of the Company, have no directorship in public companies and listed issuers, have no conflict of interest with the Company and have not been convicted for any offence within the past 5 years.

### FINANCIAL HIGHLIGHTS





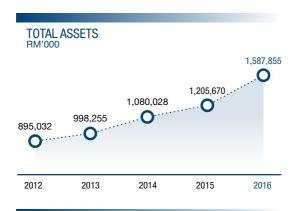


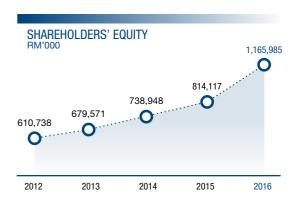


Financial Year Ended 31 December	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
Consolidated Statements of Profit or Loss and Other Comprehensive Income					
Revenue	635,304	628,758	672,465	588,686	915,457
Earnings before interest,					
taxes, depreciation and amortisation	162,798	188,798	188,960	189,773	258,236
Profit before tax	129,102	154,894	153,020	147,524	199,625
Profit after tax	93,662	107,185	107,296	107,654	157,238
Net profit attributable to equity holders	57,927	74,050	69,899	74,264	120,741

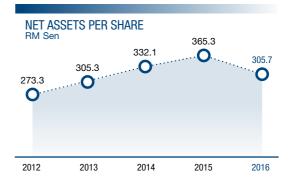
### MFCB

## FINANCIAL HIGHLIGHTS [cont'd]







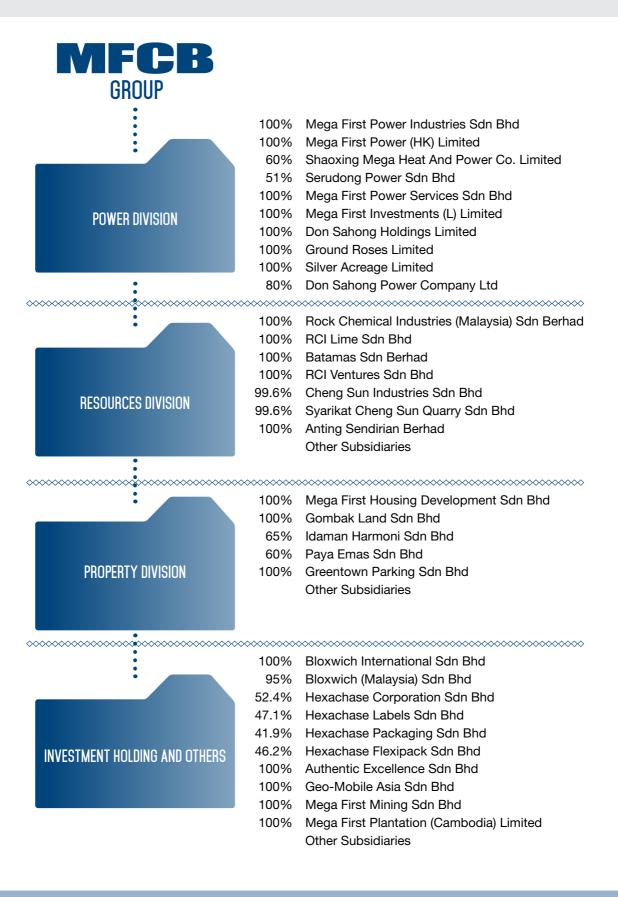


Financial Year Ended 31 December	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
Consolidated Statements of Financial Position					
Total assets	895,032	998,255	1,080,028	1,205,670	1,587,855
Total borrowings	68,712	71,779	92,774	139,976	88,631
Shareholders' equity	610,738	679,571	738,948	814,117	1,165,985
Bank balances and deposits	126,108	156,635	235,473	198,045	291,326
Financial Indicators					
Return on equity	9.5%	10.9%	9.5%	9.1%	10.4%
Return on total assets	6.5%	7.4%	6.5%	6.2%	7.6%
Gearing ratio	11.3%	10.6%	12.6%	17.2%	7.6%
Interest cover (times)	30.1	51.7	39.4	28.2	33.4
Basic earnings per share (sen) *	22.6 ^	29.1 ^	27.5 ^	29.2 ^	34.9
Net assets per share (sen)	273.3	305.3	332.1	365.3	305.7
Dividend per share (sen)	7.1	7.5	8.0	8.0	5.0
Price earning (PE) ratio	6.2	6.6	7.6	8.5	6.2
Gross dividend yield	4.4%	3.4%	3.3%	3.2%	2.3%
Share price as at the financial year end (RM)	1.60	2.18	2.40	2.49	2.15
Additional Information					
Interest	4,435	3,053	3,981	5,425	6,169
Depreciation	29,086	30,668	31,769	36,602	52,219
Amortisation	175	183	190	222	223

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

These are restated to reflect the adjustment arising from the Rights Issue with Warrants which was completed on 15 April 2016.

### **CORPORATE STRUCTURE**





### **FXFCUTIVE CHAIRMAN'S STATEMENT**

#### DEAR SHAREHOLDERS.

ON BEHALF OF THE BOARD OF DIRECTORS OF MEGA FIRST CORPORATION BERHAD, I AM PLEASED TO PRESENT TO YOU OUR ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016.



#### **Financial Performance**

For the financial year 2016, the revenue of the Group increased 55.5% to RM915.5 million and profit before tax increased 35.3% to RM199.6 million compared to the previous year. These significant increases were mainly due to the recognition of construction revenue and construction profit on the Don Sahong Hydropower Project amounting to RM362.4 million and RM96.1 million respectively. Excluding the effects of the Don Sahong Hydropower Project, revenue and profit before tax of the Group is RM553 million and RM103.5 million, down 6.1% and 29.8% respectively.

Profit was lower in financial year 2016 mainly due to a lower contribution from the existing Power businesses as a result of lower sales volumes. However, contribution from the Resources Division is higher on the back of increased demand from both the local and export markets and improved margins from driving operational efficiencies and the Property Division also contributed higher profits from fair value adjustments.

The Group has performed commendably, given the challenging economic environment it operates in. The Malaysian Ringgit continued its decline against most major currencies during the financial year 2016 with an average rate of 4.14 (2015: 3.91) against the US Dollar and is not showing any signs of improvement in the near future. The Chinese economy's GDP growth was 6.5% in 2016, the slowest in 26 years as it continues to move its economy away from manufacturing and into services.

#### **Prospects**

Earnings in financial year 2017 will be primarily driven by the continuous recognition of construction profit from the Don Sahong Hydropower Project as well as projected





earnings improvements from the Resources Division. These increases will be partially offset by lower expected earnings contributions from the existing power business.

We believe that the Group's financial performance and quality of earnings will improve significantly when the Don Sahong Hydropower Project commences commercial operation in year 2019. The earnings from this project will contribute a long term steady income stream to the Group, enabling it to take on business opportunities that arise and create long term sustainable growth for shareholders.

In the interim, the Group's resources are focused on ensuring the successful completion of the Don Sahong Hydropower Project as well as growing our Resources Division to be one of the largest in the region. Decisive measures have already been taken to conserve cash including the discontinuation of non-performing business activities, delay of non-essential capital expenditures as well as reducing the dividend payout ratio. As at 31 December 2016, the Group recorded a total cash balance of approximately RM332 million (including RM40.3 million liquid assets in the form of quoted shares).

#### OPERATIONS REVIEW AND PROSPECTS

#### **Power Division**

Moving forward, the steam plant in China is expected to continue to remain under pressure. Industrial demand for steam is projected to remain weak and tightening environmental protection policies are expected to increase the cost of doing business.

Coal prices have escalated by as much as 31% to about RMB770 per tonne in the first three months of 2017 from an average of RMB587 per tonne in 2016. Although a cost pass-through mechanism is in place for steam prices, higher coal prices are expected to erode the overall profit margin of the plant unless there



### **FXFCUTIVE CHAIRMAN'S STATEMENT** [cont'd]

#### **Power Division (Cont'd)**

is a corresponding upward adjustment in energy tariff. The energy tariff has been adjusted downwards multiple times in the past 3 and a half years and remained at RMB0.4938 per kWh since January 2016.

Earnings contribution from the Tawau plant is expected to improve on higher revenue from rate adjustments and lower operating costs. The existing power purchase agreement with Sabah Electricity Sdn. Bhd. ("SESB") will expire at the end of the year and on the request of SESB, a proposal for an extension of the power purchase agreement has been submitted for discussion and negotiation.

We remain focused on our strategy to grow the Power Division and expect our investment in the Don Sahong Hydropower Project to generate solid returns to the Group upon commercial operation.

Construction work on the Don Sahong Hydropower Project is on time in line with the construction schedule and barring no unforeseen circumstances, we expect no delays in the expected commercial operation date of end of year 2019. The progress of the main construction work is as follows:

- Powerhouse construction is ahead of schedule foundation excavation has been completed and structure concreting started.
- Earth and rock excavations within Sahong Channel are 98% and 37% completed respectively.
- Embankment excavation is 80% completed and concreting of embankment is 11% completed.
- Commenced turbine and generator equipment
- Transmission line construction is expected to commence in the second half of 2017.

As the time of writing, physical construction work on the Don Sahong Hydropower Project had reached a completion rate of about 23% and is expected to reach about 45% by the end of 2017. This will translate into higher recognition of construction revenue and profit in 2017 when compared to 2016.

#### **Resources Division**

We are delighted to note that the Resources Division's earnings have grown positively this financial year recording a 32.5% increase in profit before tax. This increase was mainly due to a 20% increase in sales volumes of lime products and 16% increase in sales volumes of calcium carbonate powder as well as enhanced cost savings from an internal rationalisation process that was completed in the preceding year.

We continue to stand firm in our belief that the Resources Division has tremendous potential and have plans to continue investing and expanding kiln capacity as long as there is continued strong demand within the Asia Pacific region.

Capacity expansion at our Gopeng plant started in year 2014 and Phase 1 included the installation of 1 new lime kiln, the addition of a hydration plant, a petcoke grinding plant and a quicklime grinding plant, and additional storage facilities. Phase 2 expansion included the installation of 1 new lime kiln that was commissioned in March 2017. The Resources Division now has in total 7 lime kilns with a total rated capacity of 1,560 ton/day.

With this enormous capacity, we are now well positioned to expand more aggressively into new markets within the region in 2017 and beyond. Earnings contribution from the division is expected to improve year on year on the back of higher sales volumes and improved capacity utilisation rates.

While competition from both local and regional players will likely intensify in the future, we are optimistic that the Resources Division will be able to compete effectively given its strategic location, efficient integrated set up as well as strong management team that continually strive to gain sales volumes and drive operational costs down.









### **FXFCUTIVE CHAIRMAN'S STATEMENT** [cont'd]



#### **Property Division**

The Property Division's profit before tax rose due to oneoff fair value gain adjustments on investment properties and was partially offset by write-offs made on 2 pieces of land upon the expiration of a joint development agreement.

The Group's earnings from property development will remain small as we focus on selling the remaining property inventories while rental income is expected to remain stable at financial year 2016 levels.

The property market in Malaysia has continued its slowdown and is expected to remain soft in 2017 as buyer sentiments remain subdued. We have halted all new property launches and will reassess this decision when market sentiment starts to improve. Over the longer term, it is the Group's intention to shift its focus from property development to property investment.

#### SHAREHOLDER VALUE CREATION

The creation of shareholder value is the top priority of management. The Group has been steadily laying down the ground work in the past years and the financial position of the Group continues to be strong with shareholder's equity breaking the RM1 billion mark as at 31 December 2016. Shareholder's equity stood at RM1.2 billion, a marked increase from RM814.1 million in the previous financial year. The Group's cash balances also remain strong despite the challenging business environment with cash and liquid assets amounting to RM332 million compared to RM240 million in the previous year.

We are confident that by being focused on our strategy, driving operational efficiencies, managing costs carefully and practising prudent financial management, we are well placed on a solid financial footing and will be able to steer the Group to greater heights in the future.

We are mindful of the need to allocate sufficient financial resources for growth and after considering the Group's funding requirements for the next few years, in particular for the Don Sahong Hydropower Project, the Board of Directors is recommending a final tax-exempt dividend per ordinary share of 3 sen for approval of the shareholders at the forthcoming Annual General Meeting. This will result in a total dividend for the financial year ended 2016 of 5 sen.

#### ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board of Directors, I would like to state my gratitude first and foremost the Group's management team and employees for their hard work, contribution and dedication in bringing the Group to where it is today. I look forward to continue working together with them in the future.

In the past year, we welcomed two new Independent Directors to the Board - Mr Jesper Bjorn Madsen and Dato Dr' Tan Hui Meng. Both directors bring with them a wealth of experience from two different industries and having them on the Board will undoubtedly lend the right balance of skills and diversity to the Board to meet the challenges the Group faces. I would also like to express my appreciation to my fellow colleagues on the Board. I value their contributions and have certainly benefitted from the knowledge they have shared.

Last but not least, I would like to convey my sincere thanks to all our valued shareholders, customers, suppliers and business associates for their continuous support and confidence in us over the years.

#### **Goh Nan Kioh**

**Executive Chairman** 

### MANAGEMENT'S DISCUSSION & ANALYSIS

#### **OVERVIEW**

The Group is a diversified company with three main businesses – Power Generation, Resources and Property Development and Investment.

The Power Division is the largest earnings contributor, accounting for 92.5% of the Group's core pre-tax profit, followed by the Resources Division at 7.5% and Property Division at 6.2%. The Group also operates several smaller businesses such as packaging products and printing of labels and stickers as well as manufacturing of automotive components. These smaller operating units are not separately disclosed as their earnings contributions are not material to the Group. Additionally, the Group owns 9,477 hectares of concession land and intends to develop it for agriculture purposes. Earnings from agricultural activities will not be material in the short-to-medium term.

#### FINANCIAL RESULTS

The following table sets forth a summary of the results of operations for the financial year ended 31 December 2016 and 2015:

			%	Proporti	on of Total
RM'000	2016	2015	Change	2016	2015
Revenue					
Power	751,671 <sup>(1)</sup>	435,231	72.7%	82.1%	73.9%
Resources	98,538	94,692	4.1%	10.8%	16.1%
Property	18,685	26,356	-29.1%	2.0%	4.5%
Core operations	868,894	556,279	56.2%	94.9%	94.5%
Investment holding and others	46,563	32,407	43.7%	5.1%	5.5%
Total Revenue	915,457	588,686	55.5%	100.0%	100.0%
Pre-Tax Profit					
Power	184,645 <sup>(2)</sup>	117,122	57.7%	92.5%	79.4%
Resources	15,026	11,337	32.5%	7.5%	7.7%
Property	12,323 <sup>(3)</sup>	7,428	65.9%	6.2%	5.0%
Core operations	211,994	135,887	56.0%	106.2%	92.1%
Investment holding and others	(12,369) (4)	11,637	n.m.	-6.2%	7.9%
Total Pre-Tax Profit	199,625	147,524	35.3%	100.0%	100.0%

<sup>(1)</sup> Including construction revenue of RM362.4 million, which is recognised using the percentage of completion method by reference to the completion of a physical proportion of the contract works performed as assessed by the project engineers and owners. During the construction phase of the Don Sahong Hydropower Project, the Group recognises revenue in respect of its construction services under a service concession arrangement with the corresponding entry in the statement of financial position under intangible asset, which arises because of its concession right in the Concession Agreement.

## MANAGEMENT'S **DISCUSSION & ANALYSIS**[cont'd]

#### FINANCIAL RESULTS (CONT'D)

- (2) Including construction profit of RM96.1 million.
- (3) Including fair value gain on investment properties of RM8.6 million and write-off of property development cost of RM6.7 million.
- (4) Including impairment charges relate to the decommissioning of the calcium silicate bricks operations amounting to RM3.3 million, accelerated depreciation of fixed assets in China amounting to RM15.9 million and gain on foreign exchange of RM14.4 million.

The Group reported a consolidated revenue of RM915.5 million, representing an increase of 55.5% from RM588.7 million in 2015. The higher revenue was mainly due to the recognition of construction revenue of RM362.4 million for the Don Sahong Hydropower Project and higher contribution from the Resources Division. Revenue from the existing Power business and Property Division fell 10.6% and 29.1% respectively.

The Group's pre-tax profit rose 35.3% to RM199.6 million in 2016 from RM147.5 million in 2015. The higher pre-tax profit was mainly due to the recognition of construction profit of RM96.1 million, higher contribution from the Resources (+32.5%) and Property (+65.9%) Divisions and lower losses from quoted investments (RM0.9 million versus RM2.8 million in 2015), partially offset by weaker earnings from the existing power operations (-24.4% to RM88.5 million), lower foreign exchange gains and asset impairment charges amounting to RM19.2 million.

The foreign exchange gains were nearly RM16 million lower because in 2015 the Group had made significant exchange rate gains on the appreciating USD and RMB cash reserves. The asset impairment charges relate to the decommissioning of the calcium silicate bricks operations (RM3.3 million) and accelerated depreciation of fixed assets in China (RM15.9 million).

#### **Power Division**

The Power Division operates two power plants, one in Zhejiang Province, China and the other in Tawau, Sabah. This Division remains the primary contributor to the Group's earnings.

Revenue (excluding construction revenue of RM362.4 million) declined 10.6% to RM389.2 million (2015: RM435.2 million) mainly due to lower contribution from both China and Tawau operations.

In China, steam and energy sales volumes were 7.3% and 9.9% lower respectively. Steam sales volume was adversely affected by weaker industrial output, increasingly onerous environmental protection policies and a mandatory 2-week factory closure to curb pollution ahead of the G20 Summit held in Hangzhou in September 2016. Energy, which is a by-product, declined in tandem with lower steam production.

While the average steam price was marginally higher due to rising coal prices in the second half of 2016, the average energy tariff recorded a 6.3% decline, resulting in an overall 9.1% reduction in revenue contribution from the China operations.

Steam prices are regularly adjusted by the local government to reflect the fluctuating coal prices. The average coal price in 2016 rose 2% to RMB587 per metric ton (2015: RMB575 per metric ton) resulting in the 1.5% increase in average steam price. Energy tariff on the other hand is determined by the power bureau. Despite the rising coal prices, energy tariff has remained unchanged at RMB0.4938 per kwh since the last downward revision in January 2016.

Therefore, the China operations posted a 19.7% decline in pre-tax profit to RM78 million on lower steam and energy sales volume and further margin pressure resulting from a 6.3% decline in energy tariff.

## MANAGEMENT'S **DISCUSSION & ANALYSIS** [cont'd]

#### FINANCIAL RESULTS (CONT'D)

#### **Power Division (Cont'd)**

In Tawau, revenue declined 16.4% to RM74.5 million due to shorter operating hours (-8.3%) and lower fuel oil prices (-16%), partially offset by rates adjustment on tariff and capacity payments pursuant to the arbitral tribunal's partial award in April 2016.

Excluding the RM7 million partial arbitration award in 2015, the Tawau operations recorded a 92.6% increase in pretax profit to RM6.2 million on upward tariff adjustments and lower operating costs. The lower fuel oil prices do not have a material impact on pre-tax profit due to a cost past-through pricing mechanism that is in place. The average fuel oil price fell 16% to RM1.17 per litre (2015: RM1.39 per litre) resulting in a 22.7% decline in the energy tariff.

Overall, the Power Division's pre-tax profit (excluding construction profit of RM96.1 million) fell 24.4% to RM88.5 million on lower profit contribution from China operations and the absence of RM7 million partial arbitration award in 2015, partially offset by a 92.6% improvement in profit contribution from Tawau operations to RM6.2 million.

#### **Resources Division**

The Group's Resources Division is mainly involved in the quarrying of limestone and the manufacturing of lime products: quicklime, hydrated lime, quicklime powder and calcium carbonate powder. Our products are used in a wide range of industries, and are sold locally as well as exported to various countries around the region such as India, Australia, Singapore, Indonesia, Papua New Guinea and Philippines.

Revenue from Resources Division was 4.1% higher at RM98.5 million (2015: RM94.7 million). Despite a challenging market condition, growth in sales volume increased at a healthy pace over the past 12 months. Lime products recorded a 19.6% increase in sales volume mainly due to higher demand from both local and export markets. The average selling price of lime products was however lower due to changes in the product mix and more intense competition. Margins however improved on better operating efficiencies, higher capacity utilisation and the absence of major maintenance costs incurred in 2015. Pre-tax profit therefore increased 32.5% to RM15 million (2015: RM11.3 million).

Limestone is the main raw material for the products of the Resources Division, and all limestone used for the products are sourced from the quarries of the Group located within the vicinity of the manufacturing plant. The Division is actively sourcing and acquiring limestone reserves to secure continuous supply of good quality limestone feedstock in the long-term.

#### **Property Division**

The main activities of our Property Division consist of property development and property investment. The Group's development projects focus primarily on building affordable housing for middle-income earners and shop houses for the neighborhood. However, owing to the unfavorable property outlook and market environment, the Group has decided to suspend all new launches in 2015. On the investment side, we own two office blocks and several retail units in PJ8 located in Petaling Jaya as well as own and manage close to 1,000 car park bays in Greentown Business Centre, Ipoh.

Revenue from Property Division of RM18.7 million was 29.1% lower as compared to 2015, mainly due to a 43.7% decrease in development revenue resulting from both lower unit sales and recognition of revenue as there were no new launches in the past two years. Pre-tax profit nonetheless rose 65.9% to RM12.3 million mainly attributable to the impact of a positive adjustment from the complete phase-out of a residential development project in Melaka, stronger earnings from the investment segment and a fair value gain on investment properties (RM8.6 million), partially offset by a write-off of property development cost (RM6.7 million).



## MANAGEMENT'S **DISCUSSION & ANALYSIS**[cont'd]

#### FINANCIAL RESULTS (CONT'D)

#### Don Sahong Hydropower Project ("the Project")

Construction of the Project is progressing as scheduled. As per the construction plan, construction activities are slower during the rainy season between May and October. This will translate into lower construction revenue and profit recognition (according to IC Interpretation 12) in the second and third quarter when compared to the first and fourth quarter.

#### Accounting

Under IC Interpretation 12 – Service Concession Arrangements and FRS 111 – Construction Contracts, the Group has recognised a total of RM96.1 million construction profit from the Project in 2016.

Within the scope of IC Interpretation 12, the infrastructure of the Project is recognised as an intangible asset to the extent that it receives a right (a license) to charge the user, based on Energy Availability as defined in the power purchase agreement between Electricite Du Laos and a subsidiary of the Company, for the construction of assets. The intangible asset is expressed as a measure of revenue and is measured at cost, which is equal to the projected project costs plus a margin.

Revenue from construction services is recognised using the percentage of completion method by reference to the completion of a physical proportion of the contract works performed. Contract works mean Engineering, Procurement, Construction and Commissioning Contract and construction of Transmission Facility. Physical completion of the Project has reached 16.5% as at the end of December 2016.

#### Financing

The total project cost including interest during the construction period is estimated at USD417 million. The Group intends to fund the project through a combination of internally generated funds (USD142.6 million), supplier credit (USD53 million), proceeds from rights issue (USD38.4 million) cum warrants (USD33 million on full conversion) and external bank borrowings (USD150 million). The Group is in an advanced stage of discussion with several banks to secure the USD150 million funding for the Project.

## MANAGEMENT'S **DISCUSSION & ANALYSIS** [cont'd]

#### **ASSETS AND LIABILITIES**

The following table sets forth a summary of major changes in assets and liabilities:

Asset/Liability Items	2016 RM'000	2015 RM'000	Changes RM'000	Explanation
Property, plant and equipment	315,511	333,500	(17,989)	The movements in net book value of property, plant and equipment can be analysed in Note 12 to the Financial Statements.
Investment properties	149,356	140,740	8,616	The increase was attributable to fair value adjustment for certain commercial units in PJ8 and Greentown car parking bays.
Land held for property development	44,438	51,215	(6,777)	The decrease was mainly attributable to write-offs relating to 2 plots of development land in Salak Tinggi.
Project development expenditure	169,049	221,726	(52,677)	Project development expenditure comprises mainly the costs accrued and incurred before and during the development and construction of the Don Sahong Hydropower Project and the development cost of the concession land for agricultural development. The decrease was mainly attributable to the recognition of construction costs associated with the Don Sahong Hydropower Project in the profit and loss. Costs of which construction revenue has not yet been recognised in profit and loss in the period in which the work is performed are reported as construction-in-progress, which forms part of property development expenditure.
Intangible asset	370,391	-	370,391	During the construction phase of the Don Sahong Hydropower Project, the Group recognises revenue in respect of its construction services under a service concession arrangement with the corresponding entry in the statement of financial position under intangible asset, which arises because of its concession right in the Concession Agreement.
Property development	-	6,370	(6,370)	Property development costs have been reclassified to inventories after delivery of vacant possession.
Bank balances and deposits	291,326	198,045	93,281	The movements in bank balances and deposits can be analysed in Statement of Cash Flows.
Borrowings	88,631	139,976	(51,345)	The decrease was mainly attributable to repayment in part of certain short-term borrowings.
Deferred taxation	33,054	19,296	13,758	The increase was mainly attributable to deferred tax liabilities for taxable temporary differences relating to intangible asset.

#### **FINANCIAL POSITION**

As a group, we maintain a group cash management system which enables us to fund the operations of our subsidiaries. We maintain credit facilities as required at several of our main operating units to support our sales and manufacturing activities and to fund working capital and the capital investments required to sustain and expand our business and manufacturing capabilities in order to meet customer demands.

As at 31 December 2016, the Group's net cash balance after deducting total borrowings of RM88.6 million amounted to RM243 million (including marketable securities of RM40.3 million). The Group currently anticipates its unrestricted cash, coupled with available credit facilities, will provide sufficient liquidity for the year ahead.



## MANAGEMENT'S **DISCUSSION & ANALYSIS**[cont'd]

#### **FOREIGN CURRENCY RISK**

As at 31 December 2016, approximately 47% and 16% of the Group's net assets were denominated in US Dollar and Renminbi, respectively. For the financial year ended 31 December 2016, about 40% and 34% of the Group's earnings were denominated in US Dollar and Renminbi, respectively. Therefore, the volatility of the Malaysian Ringgit's exchange rates against US Dollar and Renminbi will have a significant impact on the net assets and earnings of the Group.

The Malaysian Ringgit dropped to its lowest level over a decade in early 2017. Foreign currency fluctuations will affect our financial results and financial commitments denominated in US Dollar and Renminbi. We have been and will continue to manage the foreign currency risk by matching the existing cash holdings and future cash inflows (mainly dividends from subsidiaries) with the planned future cash outflows, in particular the Don Sahong Hydropower Project. The Group's Renminbi holdings are hedged against future payments to the EPC contractor for the Don Sahong Hydropower Project at an exchange rate of RMB6.205: USD1.

#### **DIVIDEND POLICY**

The Company does not have a fixed long term dividend policy. In deciding the dividend payout for each year, the Board considers the strength of cash flow from operating activities, the cash outlay commitments and future plans of the Group. For the financial year under review, the Company has decided to trim its dividend from a total of 8 sen in 2015 to 5 sen in order to conserve cash for the Don Sahong Hydropower Project.

#### FORWARD-LOOKING STATEMENT

The Group's growth prospects can be found in the Chairman's Statement.

### CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is an integral part of the Group's business framework. As a Group that operates across different countries with various business activities, we are mindful that our actions have an impact on the environment, community and people in the places we operate in.

We are committed to being responsible corporate citizens and make good business practices our top priority. By fulfilling our responsibilities, we believe that our stakeholders will be rewarded with sustainable value in the long run.

#### **Environment**

As a Group with core business activities in the power generation and resource sector, we recognise that our operations have an impact on the environment. We take environmental concerns very seriously and as a first step, we always ensure that our operations are in full compliance with the environmental laws and regulations governing the industries in the countries in which we operate. This includes emission management, waste reduction and waste disposal management amongst others. We are also always on the lookout for new technologies to reduce environmental impact and ensure that we are up to date with all the industry's environmental best practices.

The Don Sahong Hydropower Project for example, is the Group's first venture into renewable energy and moving forward, if the opportunity arises, it is the Group's intention to grow its Power Division by way of investment in clean renewable sources of energy.

Since the signing of the MOU for the Don Sahong Hydropower Project, we have made great efforts to ensure the long term sustainability of the surrounding environment. Numerous environmental studies have been undertaken and recommendations for improvement have been implemented. Most of these studies include creating alternative routes and natural pathways for fish migration.

Environmental monitoring to identify risks to the environment is ongoing and will continue even after commercial operation is achieved and remedial action taken as soon as risks are identified.

#### Community

Community development is a practice that is important to us. Each of our businesses set aside monetary aid to support the communities in which they operate in and to the best of our ability, we try to provide job opportunities to the local people.

We are pleased to say that in Laos in particular, we have seen a dramatic improvement in the quality of life of the communities around the project site resulting from contributions from the Group. Among some of the contributions are the building of a bridge and upgrading of access roads. This has greatly improved the connectivity between remote villages and the mainland, enabling villagers to operate businesses, have access to wider job opportunities as well as access to basic healthcare and education. For the nearby communities, we have also provided irrigation for rice cultivation and training in fish farming. This has increased their income multiple times compared to before. We have also provided access to clean water, sanitation and electricity and we are committed to the building of new schools and community health centres.

It is our hope that our contributions provide a positive impact to each community's way of life.

#### **People**

We recognise that our employees are our greatest assets and managing talent and staff retention is our key priority.

At the most basic level, we ensure that all our employees are provided with a comfortable working environment to ensure staff satisfaction and productivity. We adhere to all health and safety standards and have in place systems and good business practices to minimise accidents and injuries.

In terms of talent development, management takes a keen interest in all employees and ensure that all employees are equipped with the necessary skills and knowledge to perform their job function through various training programmes either offered by the company or by external parties. In terms of staff retention, we implement remuneration practices that are market competitive and employees can expect to progress to more senior and challenging roles within the Group that commensurate with their effort, performance and contributions.



### CORPORATE GOVERNANCE STATEMENT

The Board is committed to ensuring that good corporate governance practices are applied throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and to improve its financial performance. This disclosure statement sets out the manner in which the Board has applied the Principles of Corporate Governance pursuant to the Malaysian Code on Corporate Governance 2012 ("the Code") throughout the financial year ended 31 December 2016.

#### **BOARD OF DIRECTORS**

#### **Board Responsibilities**

The Board takes full responsibility for the overall performance of the Company and of the Group. It assumes, inter alia, the following responsibilities:-

- Reviews the capital budgets and regularly monitors their progress throughout the year, using appropriate financial indicators;
- Reviews critical business issues and the strategy in promoting business sustainability;
- Reviews the performance of the Group on a quarterly basis;
- Reviews the adequacy and effectiveness of the Group's risk management and internal control system, including the adequacy and integrity of management information;
- Reviews periodically management succession and calibre of key executives of the Group; and
- Oversee the implementation and development of effective communication with shareholders and stakeholders, including investor relations programme.

It is the policy of the Board that its prior approval shall be obtained for material capital expenditure, projects, acquisitions or divestitures. Additionally, the Directors are expected to act in a professional manner and to observe high ethical business standards, honesty and integrity at all times and thereby protect and promote the reputation and performance of the Company. Nevertheless, the Board is always guided by the Board Charter which outlines the duties and responsibilities and matters reserved for the Board in discharging its duties.

To assist in the discharge of its stewardship role, the Board has established Board Committees to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

#### **Board Composition**

The Board, led by an experienced Executive Chairman, is made up of nine members of whom three are Executive Directors, five are Independent Directors and one Non-Independent Non-Executive Director. Independent Directors form more than half of the Board, thus fulfilling the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad for ensuring that minority shareholders' interests are adequately represented.

The Board has not set specific gender diversity targets but is committed to ensuring diversity and inclusiveness in its composition and deliberations. The Board considers diversity from different aspects, including age, gender, educational and cultural background, ethnicity, nationalities, professional experience, skills, knowledge and length of service. Additionally, the Group will continue with equal employment opportunity policy that goes beyond gender in terms of promoting diversity in our business.

The Board considers that the Executive and Non-Executive Directors collectively bring the range of skills, knowledge, independence and experience necessary to direct the Company. The members of the Board with their combined experience and skills in business operations and development, management and professional experience enable the Board to provide stewardship and oversight of the Company. A brief profile of each Director is presented in the Profile of Directors section of this Annual Report.



The Executive Chairman essentially functions as Chief Executive Officer and Chairman of the Board. He leads the Board and ensures that appropriate discussion takes place and relevant opinions among Board members are forthcoming. In addition, the Chairman represents the Board to the shareholders to ensure orderly conduct and proceedings of general meetings and shareholders have adequate opportunity to air their views and obtain answers to their queries. The Executive Chairman also oversees the business affairs of the Group and is responsible for leading the Management in the execution of broad policies and strategies approved by the Board. The Executive Chairman is assisted by the Executive Directors in ensuring the smooth and effective running of the Group. The Executive Directors are assisted by the head of each division in implementing and running the Group's day-to-day business activities. The head of division with their "hands-on" knowledge and expertise in operational issues is responsible for formulating strategic plans to accommodate changes swiftly.

The Board is mindful that convergence of the two roles is not in compliance with Recommendation 3.4 of the Code, but takes into account the fact that the Executive Chairman is also the single largest shareholder, there is the advantage of shareholder leadership and a natural alignment of interests. He has shown tremendous commitment and had played an integral role in the stewardship of the Group. The Board is comfortable that there is no undue risk of potential conflict of interest as all related party transactions are disclosed and strictly dealt with in accordance with the MMLR. In addition, the Independent Directors who constitute a majority of the Board, provides for effective oversight over management and ensures that there is independence of judgement.

In respect of the year ended 31 December 2016, the Board is satisfied that its current composition and size is adequate, and provide for sufficient diversity taking into account the scope and nature of the operations of the Group.

#### **Board Charter**

The Board has adopted a Board Charter since 27 February 2014 and will be reviewed in 2017. The Board Charter provides guidance and clarity for Directors and Management in their stewardship of the Group and Company. The Board Charter covers key areas, amongst others, Code of Ethics and Conduct, matters reserved for the Board, Board size and composition, appointment and re-election of Directors, independence of Directors, tenure of independent director, Board evaluation and performance, roles of the Chairman, Executive Directors (including chief executive officer), Board and Board committees, and conflict of interest. The Board Charter may be viewed on the Company's website, <a href="https://www.mega-first.com">www.mega-first.com</a>.

#### **Appointment to the Board**

The Nominating Committee is responsible for, amongst others, making independent recommendations for appointments to the Board. Selection of candidates for appointment to the Board is facilitated through recommendations from the Directors, Management or external parties. All appointments to the Board will be made on merit and selection of candidates largely focuses on ensuring a good mix of skills, expertise, experience and background (including consideration of diversity and gender) required for an effective Board, and competing time commitments if the candidate has multiple board representations. The Board endeavours to ensure that it consists of individuals with a diverse background equipped with knowledge and experience to make sensible business decisions and recommendations, the ability to see the wider picture and raise constructive queries and the achievement of the Company's goals. The Board is of the view that it is important to recruit and retain the best available talent regardless of gender, ethnicity, age and length of service to maximize the effectiveness of the Board. Nevertheless, the Board, through the Nominating Committee, will take steps to ensure that women candidates are sought as part of its recruitment exercise.

#### **Re-election of Directors**

All Directors shall subject themselves for re-election at least once in every three years. Directors who are appointed by the Board are subject to election by shareholders at the next Annual General Meeting after their appointment. Independent Directors who have served a cumulative term of nine years or more, and wish to continue to act as Independent Director, is required to submit himself for re-appointment annually by shareholders at the Annual General Meeting.



#### **Directors' Independence and Tenure**

The Nominating Committee reviews the independence of Directors annually according to the criteria on independence set out in the MMLR. Under the evaluation process, each Independent Director will perform a self-review on his independence by completing a declaration form with questions drawn from the MMLR. The Nominating Committee evaluates the declaration and submits its findings to the Board for deliberation.

The Board's policy on the length of service of Independent Directors is that as long as the Board agrees that the Independent Director remains independent and is able to contribute positively to the Group, he or she shall be retained to serve irrespective of the years he or she has been an Independent Director.

Mr Yeow See Yuen has served the Company as an Independent Director for more than nine years. The Nominating Committee and the Board are satisfied that Mr Yeow See Yuen remains unbiased, objective and independent in expressing his opinions and in participating in the decision making of the Board. He possesses tremendous insights and in-depth knowledge of the Company's business and affairs. The length of his services on the Board has not in any way interfered with his objective and independent judgment in carrying out his role as a member of the Board and relevant Committees. With his skills and vast experience in business, accounting, finance and management, Mr Yeow See Yuen would be able to contribute during deliberations or discussions of the Board and Board Committees. He has also devoted sufficient attention to his responsibilities as an Independent Director and in carrying out his duty in the best interest of the Company and its shareholders. The Board believes that Mr Yeow See Yuen should be retained as Independent Director. The Board therefore recommends for shareholders' approval in the upcoming annual general meeting to retain Mr Yeow See Yuen as Independent Director.

#### **Time Commitment**

During the year ended 31 December 2016, six Board meetings were held and the attendance record of each Director is as follows:-

Name of Director	Attendance
Goh Nan Kioh	5 out of 6
Datuk Haji Abu Hanifah bin Noordin (*)	3 out of 3
Goh Nan Yang	5 out of 6
Khoo Teng Keat	5 out of 6
Yeow See Yuen	5 out of 6
Tay Kheng Chiong	6 out of 6
Dato' Tan Ang Meng	6 out of 6
Dato' Koh Hong Sun	6 out of 6
Pengiran Saifuddin bin Pengiran Tahir	3 out of 6
Jesper Bjorn Madsen (**)	Nil

- (\*) retired on 30 May 2016.
- (\*\*) no Board meeting was held since his appointment on 30 November 2016.

The dates for Board and Board Committees meetings and the Annual General Meeting for the financial year are scheduled in advance before the end of each financial year to facilitate the Directors' time management.

The Directors observe the recommendation of the Code that they are required to notify the Chairman of the Board before accepting any new directorship and to indicate the time expected to be spent on the new appointment.

#### **Access to Information and Advice**

On joining, all new Directors are given background information describing the Group and its activities as well as other information necessary to enable them to carry out their duties.

Board meetings are conducted in accordance to a structured agenda. Prior to the Board meeting, all Directors will receive the agenda and a set of Board papers containing information for deliberation at the Board meetings. This is to accord sufficient time for the Directors to review the Board papers and seek clarifications that they may require from the Management. Board meeting papers tabled to the Directors include the reports on the Group's financial position, results of operations, reasons for significant variation from the budgets, key business strategies of operating units in the light of any significant shifts in risk profiles, securities transactions of Directors and Principal Officers, and declaration by Directors on interest in contracts. Comprehensive annual budgets, business plans, strategies and risk profiles are presented to and approved by the Board. This is to enable the Directors to participate actively in the overall management and stewardship of the Company.

Minutes of each Board meeting are circulated to all Directors prior to the confirmation of the minutes to be done at the commencement of the following Board meeting. The Directors may request for clarification or raise comments before the minutes are confirmed as a correct record of the proceedings of the meeting.

The Board is also informed of the decision and significant issues deliberated by the Board Committees via the reporting of the Chairman of the respective Board Committees.

The Directors are notified of any corporate announcements released to the Bursa Malaysia. They are also notified of the impending restriction in dealing with the securities of the Company at least one month prior to the release of the announcement on the quarterly financial results of the Group.

All Directors either individually or collectively may seek external professional advice if required by them, at the Company's expense for furtherance of their duties if so required. The procedures established by the Board require that the external professional advisors are appointed by the Company. The letter of appointment for the external professional advisors will spell out clearly that they will be taking instructions from the concerned directors. No such advice was sought by any Director during the year.

All Directors have unrestricted direct access to the senior management personnel and the Company Secretary to enable them to discharge their duties and responsibilities effectively. The Board is supported by the services of a professionally qualified and competent Company Secretary who has more than thirty years working experience in company secretarial services. The Company Secretary attend all meetings of the Board and its Committees, and ensure that meetings are properly convened, all Directors receive timely information in advance prior to the meeting as well as accurate and proper records of the proceedings and resolution passed are taken and maintained. Additionally, the Company Secretary advise the Board on any updates relating to new statutory and regulatory requirements pertaining to the duties and responsibilities of Directors.



#### **Directors' Remuneration**

The Board maintains that the current remuneration for each category of directors is sufficient to attract and retain directors of high calibre needed to run the Group successfully. The Remuneration Committee reviews annually and the Board approve the remuneration for Executive Directors and senior management staff. The remuneration of the Executive Directors and senior management staff are structured so as to link rewards to corporate and individual performance. The remuneration package consists of basic salary, annual bonus, contribution to EPF based on statutory rate and other customary benefits-in-kind. The director's fees attributable to the Executive Directors for their directorship in other companies within the Group are paid to the Company.

The remuneration for Non-Executive Directors is by way of fixed annual fees, based on recommendations by the Board and approved by shareholders at annual general meeting. The level of remuneration reflects the experience and level of responsibilities undertaken by the particular Non-Executive Director concerned. The Non-Executive Directors are also paid a meeting allowance for each Board, Board Committee or general meeting they attend. They are also reimbursed reasonable expenses incurred by them in the course of carrying out their duties on behalf of the Company. The Directors concerned do not participate in the deliberation and decision in respect of his individual remuneration.

The aggregate remuneration of the Directors paid by the Company and its subsidiary companies during the year under review and categorized into appropriate components are as follows:-

	Executive Directors (RM'000)	Non-Executive Directors (RM'000)
Salary, bonus and other remuneration	843	-
Directors' fees	-	286
Attendance fees	_	30

The number of Directors whose total remuneration for the year falls into the following bands is as follows:-

Range of Remuneration bands	<b>Executive Directors</b>	Non-Executive Directors
RM50,000 and below	1	3
RM50,001 - RM100,000	_	4
RM350,001 - RM400,000	1	_
RM450,001 - RM500,000	1	_

#### **Directors' Training**

All Directors have successfully completed the mandatory accreditation programme prescribed by the MMLR.

The Board, through the Nominating Committee, oversees the training needs of its Directors. The Company Secretary compiles training programmes including those conducted by Bursa Malaysia which are available to the Directors for their selection and participation.

The Directors are mindful that they should receive appropriate continuous training in order to broaden their perspectives and to keep abreast with new developments for the furtherance of their duties. Training needs as deemed appropriate by individual Directors are provided by the Company. Each Director also evaluate his own training needs on a continuous basis and to determine the relevant programmes, seminars, briefings or dialogues available that would best enable them to enhance their knowledge and contributions to the Board.

The Directors are encouraged to visit the Group's operating centres to have an insight into the Group's various operations which would assist the Board to make effective decisions relating to the Group.

The programmes that were attended by the Directors during the year under review includes the following:-

Name	Programmes
Goh Nan Kioh	<ul> <li>Overview of the Companies Bill, 2016</li> <li>Key Disclosure Obligations of a Listed Company</li> </ul>
Goh Nan Yang	<ul> <li>Overview of the Companies Bill, 2016</li> <li>Key Disclosure Obligations of a Listed Company</li> </ul>
Khoo Teng Keat	<ul> <li>Overview of the Companies Bill, 2016</li> <li>Key Disclosure Obligations of a Listed Company</li> </ul>
Dato' Koh Hong Sun	<ul> <li>MAICSA Annual Conference 2016: Sustainability – Shaping the Future</li> <li>Bursa Malaysia CG Breakfast Series: Future of Auditor Reporting – The Game Changer for Board</li> <li>Companies Bill, 2016 – Overview of Key Changes</li> <li>MIA Audit Committee Conference 2016</li> <li>Update on Amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad</li> <li>Dialogue/Review Session on the Securities Commission's Draft Malaysian Code on Corporate Governance 2016</li> <li>FPLC Seminar 2016: Latest Updates on Directors' Remuneration</li> <li>Genting Malaysia Berhad's 28th Annual Senior Managers' Conference 2016: Creative Scene Investigation</li> <li>Kuala Lumpur SOGO Conference 2016: Between Us, Our Journey into the Future</li> </ul>
Tay Kheng Chiong	<ul><li>Overview of the Companies Bill, 2016</li><li>Key Disclosure Obligations of a Listed Company</li></ul>
Yeow See Yuen	<ul> <li>Overview of the Companies Bill, 2016</li> <li>Key Disclosure Obligations of a Listed Company</li> </ul>
Dato' Tan Ang Meng	<ul> <li>Tricor Breakfast Talk - Analysis of Corporate Governance Disclosure in the Annual Reports</li> <li>Talk by Tan Sri Andrew Sheng on Brexit Implications and Opportunities</li> <li>Overview of the Companies Bill, 2016</li> <li>The Interplay between CG, NFI and Investment decision – What Boards of Listed Companies Need to Know</li> </ul>
Pengiran Saifuddin bin Pengiran Tahir	<ul> <li>Annual National Seminar on Director Duties, Governance, Regulatory Updates &amp; Current Issues 2016</li> <li>Overview of the Companies Bill, 2016</li> </ul>
Jesper Bjorn Madsen	<ul> <li>Overview of the Companies Bill, 2016</li> <li>Key Disclosure Obligations of a Listed Company</li> </ul>

## CORPORATE GOVERNANCE STATEMENT

#### **BOARD COMMITTEES**

The Board delegates specific responsibilities to four committees namely Audit Committee, Remuneration Committee, Nominating Committee and Employees' Share Option Committee. All the committees have written terms of reference and, where applicable, comply with the recommendations of the Code. The Board receives reports of the Committee's proceedings and deliberations.

#### **Audit Committee ("AC")**

The AC plays an active role in helping the Board discharge its governance responsibilities and the Committee comprises wholly of Non-Executive Directors, a majority of whom are Independent Directors. The AC works within the purview of the terms of reference, which have been drafted in accordance with the MMLR. The role of the AC in relation to the external auditors is also embodied under its terms of reference.

The AC reviews issues of accounting policy and presentation for external financial reporting, monitors the work of the internal audit function and ensures an objective and professional relationship is maintained with the external auditors. Its principal function is to assist the Board in maintaining a sound system of internal controls and governance.

The AC has full access to the auditors, both internal and external, who in turn have access at all times to the Chairman of the AC. During the year, the AC met twice with the external auditors without any executive or employee present.

The Report of the AC, including its composition, duties and activities, is presented in the Audit Committee Report section of this Annual Report.

#### Remuneration Committee ("RC")

The RC is primarily responsible for recommending to the Board the remuneration packages of the Executive Directors of the Company. It is also responsible for reviewing and recommending to the Board the annual salary and bonus for the Executive Directors and senior management staff.

The RC consists of a majority of Non-Executive Directors. The composition of the RC is set out in the Corporate Information section of this Annual Report.

#### **Nominating Committee ("NC")**

The NC consists wholly of Non-Executive Directors and is chaired by the Senior Independent Director. The composition of the NC is set out in the Corporate Information section of this Annual Report.

The NC's role include assessing and recommending candidature of directors, succession plans and training programs, boardroom diversity, board composition, annual assessment of directors, Board and Board Committees. The NC meets as and when required, but at least once a year.

The activities undertaken by the NC in the year under review includes assessing the candidature for appointments to the Board and reviewing the results of the annual assessment on the Board, Board Committees and individual Directors, the effectiveness of the Board as a whole, training for Directors as well as the independence of an Independent Director whose tenure has exceeded nine years. The possibility of replacing Executive Directors and senior management will be addressed when circumstances require.

In selecting a suitable candidate, the NC takes into consideration the candidate's qualification, gender, experience, skill and background and directorships in other companies, having regard to the size of the Board and the required mix of skill, expertise, experience and diversity for an effective Board.

The Directors are provided with assessment forms to facilitate the annual assessment of the Board as a whole, Board Committees, and Directors. The criteria that are used in the assessment include the roles and responsibilities of the Board, the Board's composition, information to the Board, conduct of Board meetings, performance evaluation of Board Committees and Directors' self and peer assessment. The Company Secretary would compile the results for the NC's evaluation prior to reporting to the Board for deliberation and approval.



#### **Employees' Share Option ("ESOS") Committee**

The ESOS Committee is primarily responsible for administering the employee share option scheme of the Company in accordance with the By-Laws approved by the shareholders of the Company at a general meeting.

The ESOS Committee consists of a majority of Non-Executive Directors. The composition of the ESOS Committee is set out in the Corporate Information section of this Annual Report.

#### **ACCOUNTABILITY AND AUDIT**

#### **Financial Reporting**

The Directors are responsible for the preparation of the annual audited financial statements, and the Board ensures that the financial statements and the other financial reports of the Company and of the Group are prepared in accordance with applicable approved accounting standards and the provisions of the Companies Act, 1965.

On a quarterly basis, the Company releases to the Bursa Malaysia details of the Group's performance as well as information on current issues and concerns. These announcements are only released after scrutiny by the AC and approved by the Board of Directors. At the end of each financial year, a comprehensive annual report is published and sent to all the shareholders. This report is prepared in accordance with the MMLR and is available to the public.

#### **Risk Management and Internal Control**

The Board acknowledges its overall responsibility for maintaining the system of risk management and internal controls to safeguard shareholders' investment and the Company's assets. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with those risks and opportunities.

The approach to risk management is based on the identification, assessment, monitoring and management of material risks embedded in the business and management systems. The business unit head identifies and communicates with the Executive Directors of the Company the critical business risks and the management action plan to manage the risks. Such approaches are to mitigate and manage rather than eliminate risks and provide only reasonable assurance against misstatement or loss.

Information on the Group's internal control is presented in the Statement on Risk Management and Internal Control in this Annual Report.

#### **Conflict of Interest**

The Board is alert to the possibility of potential conflict of interest involving the Directors and the Company and affirms its commitment to ensuring that such situations of conflict are avoided. Directors are required to disclose any actual or potential conflict, or any material personal interest, on appointment as a director and are required to keep these disclosures up to date.

In the event that there is, or may be, a conflict between the personal or other interests of a Director, then the Director with an actual or potential conflict of interest in relation to a matter before the Board shall abstain and take no part in the discussion or decision making process.



#### **Related Party Transactions**

The Group has in place a procedure to ensure that the Company meets its obligations under the MMLR relating to related party transactions. The list of related parties is disseminated to the business units for the purposes of better managing the Group's compliance with requirements pursuant to the MMLR. All related party transactions are reviewed by the Internal Auditors and reported to the AC every quarter.

A list of significant related party transactions for the year under review is set out in Note 46 to the Financial Statements in this Annual Report.

#### **Internal Audit**

The Internal Audit Department reports directly to the AC. Their role is to carry out regular visits to the operating units to ensure compliance with the Group's policies, procedures and internal control systems. They have adopted a risk based approach when carrying out their audits. The findings are all properly documented and presented to the AC, with copies to the parties concerned, so that timely corrective measures can be taken.

A summary of the activities of the AC during the year as well as the role of the AC in relation to the external and internal auditors, are set out in the Audit Committee Report section of this Annual Report.

#### **Relationship with External Auditors**

The Company has always maintained a transparent and appropriate relationship with its external auditors in seeking professional advice and ensuring compliance with accounting standards. In addition, the external auditors are invited to attend the annual general meeting of the Company and are available to answer shareholders' questions on the conduct of the audit and the preparation and content of the audit report.

The terms of reference of the AC formalises the relationship with the external auditors. As one of its functions, the AC undertakes an annual assessment of the external auditors to gauge their performance, suitability and independence. It is the policy of the Board that the prior approval of the AC shall be obtained for any contract for non-audit services which will result in the cumulative fee for non-audit services by the external auditor exceeding 30% of the annual audit fee.

#### **Whistle-blowing Policy**

The Group is committed to achieving and maintaining the highest standard of work ethics in the conduct of business. The Group encourages its employees to raise genuine concerns about possible improprieties (misconduct or criminal offence) to the attention of the Board. All whistle-blowing reports are addressed to the Chairman of the Audit Committee of the Board. The Whistle-blowing Policy is available for reference on the Company's website, <a href="https://www.mega-first.com">www.mega-first.com</a>.

#### COMMUNICATION WITH SHARFHOLDERS AND INVESTORS

The Board acknowledges the need for shareholders and stakeholders to be informed of all material business matters affecting the Company. They are kept well informed of developments and performances of the Company through timely announcements and disclosures made to the Bursa Malaysia, including the release of financial results on a quarterly basis. The Company's annual report which contains all the necessary disclosures in addition to facts and figures about the Group and the Company is released within four months after the financial year end. In addition, efforts have been made to ensure that the report is user friendly so that shareholders have a good understanding about the Company and its operations. All announcements and disclosures made to Bursa Malaysia, including the annual report, are also accessible from the Company's website, <a href="https://www.mega-first.com">www.mega-first.com</a>.

The Company has been using the Annual General Meeting each year as a means of communicating with shareholders. All shareholders of the Company receive the annual report of the Company and the notice of the annual general meeting, which notice is also advertised in the press. The Company's annual report and notice of annual general meeting are also released to Bursa Malaysia via electronic submission on a timely basis to ensure effective dissemination to shareholders. Members of the Board, the Chief Financial Officer and the external auditors are present to answer questions raised at the general meetings of shareholders. Adequate time is given during general meetings to allow the shareholders to seek clarifications or ask questions on pertinent and relevant matters.

The voting on all resolutions to be tabled at the 51st AGM will be by way of poll and will be conducted electronically. In addition, the Company will appoint one scrutineer to validate the votes cast at the AGM. The detailed results of the voting in terms of number of votes and percentage for and against the respective resolution will be announced to Bursa Malaysia.

In addition to the above, the Company is always willing to meet up with institutional investors when the need arises, to elaborate or further clarify information already disclosed to the shareholders. Shareholders also can obtain upto-date information on the Group's latest quarterly financial report and announcements by accessing its website.

This statement is made in accordance with a resolution of the Board of Directors passed on 27 March 2017.



### STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Principle 6 of the Malaysian Code on Corporate Governance ("MCCG") requires listed companies to maintain a sound system of risk management and internal control to safeguard shareholders' interests and the Group's assets. The Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad require Directors of listed companies to include in their annual report a statement about the state of their risk management and internal control as a group. The Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers ("the Guidance") provides guidance for compliance with the aforesaid requirements. Set out below is the Board's Statement on Risk Management and Internal Control for the financial year ended 31 December 2016, which has been prepared in accordance with the Guidance, MMLR and recommendations of MCCG.

#### **Board's Responsibilities**

The Board acknowledges that it is responsible for the overall risk management and internal control system of the Group, and for reviewing its adequacy, integrity and effectiveness. The Group has an established internal audit function that reports to Executive Directors on a day-to-day basis and has direct access to the Chairman of the Audit Committee. The internal audit department works closely with the Chairman of the Audit Committee. It is responsible for undertaking regular review of the risk management and internal control processes in order to provide the Board, the Audit Committee and Executive Directors with independent and objective assurance that the risk management and internal control system is adequate and effective in addressing the risks identified. The Board recognises that such system is designed to manage, rather than to eliminate, the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group for the financial year under review, and the process has been in place during the financial year and up to the date of approval of the Annual Report. This process is an integral part of the Group's system of risk management and internal control.

#### **Management's Responsibilities**

Management is accountable to the Board for risk management and internal control and has implemented processes to identify, evaluate, manage and report risks and controls.

Business plans and business strategies are formulated by Executive Directors and presented to the Board for review to ensure proposed plans and strategies are in line with the Group's risk appetite. On the day-to-day operations, the respective Head of Division/Business Unit are responsible for managing the risk of their division/business unit. Changes in the key business risks faced by the Group or emergence of new key business risks and the corresponding internal controls to mitigate the risks are discussed during management meetings.

#### **The Risk Management Process**

The Group defines risk as any event that may impact upon its business objectives. It is measured in terms of likelihood and consequences. Business risks arise as much from the likelihood of loss opportunities as it does from uncertainties and hazards. Our risk management process is to identify, evaluate, respond and monitor appropriately the risks that might affect the Group's business objectives.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL [cont'd]

The key aspects of the risk management process are as follows:

#### (a) Establish Context

A Risk Management Committee comprising an Executive Director, Financial Controller and Head of Division/Business Unit is established to oversee the risk management activities of the Group. The Committee also oversees the effective communication and implementation of the Group's risk tolerance and other related issues. Significant risks are brought to the attention of the Committee and the Board.

#### (b) Identify Risk

Risks are primarily identified and assessed by segments, countries and functions. Risk identification involves examining all sources of potential risk and the perception of all stakeholders, both internal and external, which impact the achievement of the business objectives. All identified risks are documented in a Key Risk Record after assessing its possibilities and causes of occurrence as well as implications with treatment and ongoing monitoring.

#### (c) Analyse Risk

The identified risks are analysed to determine their risk levels, which are determined by the relationship between the likelihood and the consequences if the risk occurs. The likelihood and consequences are assessed by taking into account the adequacy and enforcement of existing controls. The Group uses a five-level scale for probability and a set of scales to measure different aspects of the impact. Risks are then scored in a qualitative risk matrix.

Risks are categorised into four levels - low, moderate, high and extreme.

Risk Level	Action to be Taken
Low risk	Managed by routine procedures and low level delegations, unlikely to consider specific application of resources.
Moderate risk	Managed by specific monitoring or response procedures within line management delegations.
High risk	Executive management accountability with senior management responsibility specified.
Extreme risk	Immediate action must be taken to reduce the risk. If it is not possible to reduce the risk immediately, it must be referred to the Executive Chairman.

Risks are managed by taking specific measures that are adapted to each identified risk, with broad participation of the management.

#### (d) Evaluate Risk

The evaluation takes into account the degree of control over each identified risk and the cost impact, benefits and opportunities presented by the risk. The significance of the risk, and the importance of the policy, program, process or activity, are considered in deciding if a risk is acceptable or otherwise. Risks with "High" or "Extreme" will be given high priority while risks that are beyond the control of the Group will be monitored closely with no specific action plan.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

#### (e) Treat Risk

Risks are treated in different ways depending on their nature. The intention of a risk treatment is to reduce the expected level of an unacceptable risk. There are a number of options available for treating risks. These should be considered in the light of cost and benefit for implementing action.

Where risks are identified as unavoidable or no suitable treatment plans are available, the management has accepted them. Other treatment options include avoiding the risk by not taking the activity that is likely to trigger the risk, reducing the risk by implementing preventive or reactive controls and transferring the risk by outsourcing the activity or purchasing insurance for insurable risks.

#### (f) Monitor and Review Risks

Review of the risk profiles, control procedures and status of the action plans are carried out on a regular basis by the respective Head of Division/Business Unit. This is to ensure that appropriate actions are taken to address issues reported on a timely basis or within agreed timelines in addition to keeping abreast of changes in business and operating environment.

The Key Risk Records from the core business divisions are reviewed by the Group Executive Directors and the status of mitigation plans are communicated to the Board.

Under the Group's Risk Management Framework, sources of risk can be categorised into the following risks, with different strategies to mitigate each:

#### (a) Strategic and Business Risks

The Group voluntarily accepts some risks in order to generate high expected returns. The first task in risk management is to establish whether the Group has a vision of the direction it wants to take. The Group takes on risks through its research and development activities and in-depth discussion at Board level.

#### (b) Operational Risk

The management of the Group's day-to-day operational risks is mainly decentralised at the division/business unit level and guided by standard operating procedures. Operational risks that cut across the organisation are coordinated centrally.

#### (c) Financial and Commercial Risks

The Group is exposed to various financial and commercial risks relating to credit, liquidity, interest rates, foreign currency exchange rates and commodity prices. The Group's risk management objectives and policies coupled with the required quantitative and qualitative disclosures relating to these risks are set out in Note 40 to the financial statements.

#### (d) Governance and Compliance Risks

The Group operates in diverse geographical locations and as such is exposed to compliance risks of the laws and regulations in the various countries the Group operates, and compliance with the various certifications. The responsibility and oversight of compliance is delegated to department heads. They have sufficient subject-specific knowledge and are familiar with the policies and procedures outlined in operating procedures manuals.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL [cont'd]

#### **Internal Control System**

- (a) The Group has an organisational structure that is aligned with its business and operational requirements, with clear and formally defined approving authority limits and authorisation procedures, which is the primary instrument that governs and manages the business decision making process within the Group.
- (b) Operating Procedures Manuals that set out the policies, procedures and practices to be adopted by all companies in the Group, to ensure clear accountabilities and control procedures are in place for all business units;
- (c) Comprehensive annual budgets that include business plans, strategies and risk profiles are presented to, and approved by the Board. Monthly results are then monitored against budgets and key performance indicators by the management, focusing on variances and important operational issues, and the findings discussed with the business units;
- (d) The Group has in place management information systems that capture, compile, analyse and report relevant data, which enable the management to make business decisions in an accurate and timely manner. Management and financial reports are generated regularly to facilitate financial and operating reviews of the various business units by the management and the Board.
- (e) Adequate insurance and physical security of major assets are in place to ensure that assets are safeguarded and sufficiently covered against disaster that will result in material losses to the Group.
- (f) On a quarterly basis, the Board reviews and discusses a comprehensive Quarterly Review Report, covering the Group's performance. In addition, the Board also deliberates on the appropriateness of key business strategies adopted by the business units in the light of any significant shifts in risk profiles. In this manner, the Board is not only kept well informed on current issues facing the Group but also participate in risk management;
- (g) Risk-based approach adopted by the internal audit department whose yearly audit plan is based on the key risk profiles of the business units of the Group. This plan, which is approved by the Audit Committee prior to the commencement of the yearly period, is also regularly reviewed for enhancement;
- (h) Regular internal audits are carried out to review the adequacy, integrity and effectiveness of the risk management and internal control system of the business units based upon the audit plan. Material audit findings are reported immediately to the Audit Committee and Executive Directors;
  - The reports outlining all significant audit observations and follow-up actions are submitted to the Audit Committee. The Committee reviews the findings with the management at its quarterly meetings and updates the Board on significant issues for the Board's attention and action. These, together with the External Auditors' reports, provide additional assurance that control procedures are in place, and being followed; and
- (i) A Whistleblowing Policy has been established to facilitate disclosure of any improper conduct within the Group.



### STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

[cont'd]

#### **Assurance to the Board**

The Executive Directors and Financial Controller are responsible for ensuring that the Group's risk management and internal control processes are systematically assessed and continuous improvements scrutinised by means of independent and objective evaluations. The Board has been assured by the Executive Directors and Financial Controller that these processes are adequately established and effectively implemented, and nothing has come to their attention which may render the financial results presented and information provided to be false and misleading in any material respect.

#### **Board's Commitment and Option**

The Board is mindful that the development of the Risk Management Framework is an ongoing process and continues to take steps to improve the risk management and internal control processes. During the financial year under review, some weaknesses in risk management and internal control were identified but were not considered significant to be mentioned in this Statement as none had materially impacted the business operations of the Group. Nevertheless, remedial actions and corrective measures have been or are being taken to address these weaknesses.

The Board is of the view that the Group's system of risk management and internal control is reasonably adequate in mitigating risks. However, the Board recognises the fact that it requires continuous review to meet the changing and challenging business environment as well as to safeguard shareholders' investments and the Group's assets. Therefore, the Board is committed towards maintaining an effective risk management and internal control system throughout the Group and where necessary put in place appropriate plans to further enhance the Group's system of risk management and internal control.

#### **Review of this Statement by External Auditors**

As required by Paragraph 15.23 of the MMLR of Bursa Malaysia Securities Berhad, the external auditors, Crowe Horwath, have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report for the financial year ended 31 December 2016. Their limited assurance review was performed in accordance with Recommended Practice Guide 5 (Revised) issued by the Malaysian Institute of Accountants, which does not require the external auditors to, and they did not, consider whether this statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system. It also does not require the external auditors to consider whether the processes to deal with material internal control aspects of any significant problems will, in fact, remedy the problems.

Based on their review, nothing had come to their attention that caused them to believe that the Statement on Risk Management and Internal Control set out above was not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers, nor was factually inaccurate.

## **AUDIT COMMITTEE REPORT**

## A. COMPOSITION

The Committee comprises four (4) members, all of whom are non-executive directors with a majority of them being independent directors. The members of the Committee during the financial year ended 31 December 2016 ("the financial year") were as follows:-

## 1) MR YEOW SEE YUEN

Chairman (Independent Director)

## 2) DATO' TAN ANG MENG

(Independent Director)

## 3) MR TAY KHENG CHIONG (appointed on 30 May 2016)

(Non-Independent and Non-Executive Director)

## 4] MR JESPER BJORN MADSEN (appointed on 30 November 2016)

(Independent Director)

## 5] DATO' HAJI ABU HANIFAH BIN NOORDIN (retired on 30 May 2016)

(Independent Director)

## B. ATTENDANCE AT MEETINGS

A total of five (5) meetings were held during the financial year and the attendance record of each of the member at the Committee meetings were as follows:-

Members	No. of Meetings			
	Held	Attended	Percent	
Yeow See Yuen (Chairman)	5	5	100	
Dato' Tan Ang Meng	5	5	100	
Tay Kheng Chiong	2	2	100	
Jesper Bjorn Madsen	-	-	-	
Dato' Haji Abu Hanifah bin Noordin	3	2	67	

The Head of the Internal Audit Department and the Company Secretary were in attendance at all the meetings. The Financial Controller and Finance Manager were present by invitation at all the meetings whilst an Executive Director was present by invitation at certain meetings. In addition, the Committee had met twice with the External Auditors, Messrs Crowe Horwath without the presence of Management, to discuss any matters which the External Auditors may wish to discuss.

## C. TERMS OF REFERENCE

In performing its statutory duties and responsibilities, the Audit Committee is guided by the terms of reference which can be viewed on the Company's website at www.mega-first.com.



## **AUDIT COMMITTEE REPORT** [cont'd]

#### SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE n

The Committee carried out its duties and responsibilities as set out in the terms of reference and carried out the activities as follow:

#### 1. **Financial Statement and Reporting Review**

- Reviewed and discussed the quarterly management report and accounts on the unaudited results of the Group. The review had included the comparative quarterly and year-to-date results.
- Reviewed the adequacy and appropriateness of disclosure of unaudited quarterly financial statements before recommendation to the Board of Directors for consideration and approval and release to Bursa Malaysia. When reviewing these financial statements, the Committee had obtained reasonable assurance that the condensed interim financial statements were prepared in accordance with the applicable financial reporting standards and the Bursa Malaysia Listing Requirements.
- Reviewed the audited financial statements of the Group and of the Company as well as the statutory auditors' report thereon prior to the submission the Board for their consideration and approval, upon being satisfied that, inter alia, the financial statements were drawn up in accordance with the applicable Malaysian Financial Reporting Standards and International Financial Reporting Standards issued by the Malaysian Accounting Standards Board and the Companies Act, 1965. The Committee's review has included an intelligent scrutiny of the statutory financial statements based on an analytical approach whilst at the same time obtaining assurance from Management and the external auditors that the financial statements were in compliance with the relevant statutory requirements, accounting standards and Malaysian Financial Reporting Standards to ensure it presented a true and fair view of the Company's financial performance.
- Reviewed the disclosure statements of published annual report of the Company which encompasses the Statement on Corporate Governance, Statement on Risk Management and Internal Control and other documents as set out in Part A of Appendix 9C of the Listing Requirements.

#### 2. **Matters Relating to External Audit**

- Reviewed and discussed with the external auditors their Audit Planning Memorandum covering inter alia, audit approach, significant events, areas of audit emphasis and timetable, before commencement of the annual audit.
- Reviewed and discussed with the external auditors their Audit Review Memorandum upon completion of the annual audit, covering significant audit findings, internal control points, status of audit and accounting issues and on the matter of independence of the external auditors.
- Met with the external auditors twice during the year without the presence of executive Board members and Management, to discuss issues, if any, arising out of the annual audit or any other matters the external auditors may wish to discuss with the Committee. There were no major issue raised during this meeting.



## D. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (CONT'D)

## 2. Matters Relating to External Audit (Cont'd)

2.4 Assessed and evaluated the performance and conduct of the audit undertaken by the external auditors for their re-appointment as auditors of the Company. In the evaluation, the Committee considered the scope of audit, performance, suitability, objectivity, and independence of external auditors by taking into the consideration of following factors:

### a. Objectivity and Independence

The external auditors provide an annual assurance regarding their independence, in compliance with the relevant ethical and regulatory requirements.

The external auditors' independence was further enhanced by the By-Laws of Malaysian Institute of Accountants (on professional ethics, conduct and practice) as well as Crowe Horwath's internal policy, which requires the audit engagement partner to be rotated every five (5) years. The current audit engagement partner will be due for rotation in 2017.

The provision of non-audit services rendered by external auditors was also reviewed by the Committee to assess reasonableness of fees charged and whether such services will impair their independence. The non-audit services rendered for the financial year ended 31 December 2016 were in relation to tax compliance services and the annual review of the Statement on Internal Control and Risk Management. The Committee opines that the services have not impaired the independence of external auditors.

### b. Effectiveness and Suitability

The Committee deliberated on the effectiveness of external auditors having regards to areas encompassing technical competency, availability of resources and quality of services. The external auditors have also demonstrated openness, objectivity and professionalism in all communication with Management and Audit Committee.

The Committee is satisfied with the performance, suitability and independence of external auditors and therefore has recommended to the Board for re-appointment as external auditors of the Company for 2017.

## 3. Matters Relating to Internal Audit

- 3.1 Reviewed and approved the Audit Planning Memorandum of the internal auditors for the financial year ended 31 December 2017 to ensure adequate scope and resources of the internal audit function and coverage on the activities of the Group taking into consideration the assessment of key risk areas.
- 3.2 Reviewed and discussed the internal audit reports prepared by the Internal Audit Department which consists of the findings, recommendations and the corrective actions committed by the Management to ensure that all key risks will be addressed and adequate controls put in place on a timely basis.
- 3.3 Reviewed the progress of action plans committed by the Management for the key findings highlighted in previous Internal Audit Reports issued until all material findings have been fully rectified.
- 3.4 Reviewed with the assistance of the Internal Audit Department on a quarterly basis to determine the presence of any related party transaction to ensure transactions are fair and reasonable which complied with the internal procedures and the Listing Requirements.



## **AUDIT COMMITTEE REPORT** [cont'd]

#### SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (CONT'D) D.

## **Other Matters Considered by The Committee**

- Reported to the Board on significant issues and concerns discussed during the Committee meetings together with applicable recommendations. Minutes of meetings were made available to all Board members.
- Discussed and noted the updates on regulatory requirements issued by regulatory, statutory and professional bodies, and business news articles published by the mass media which may be of interest to the Committee and the Board.
- Reviewed with the assistance of Internal Audit Department the allocation of options to ensure compliance with the By-Laws of the Employees' Share Option Scheme.

#### E. INTERNAL AUDIT FUNCTION AND ACTIVITIES

The internal audit function of the Company is performed in-house by its Internal Audit Department. The Committee is assisted by the Internal Audit Department in discharging its duties and responsibilities. The Internal Audit function is independent of the activities they audit. The Head of Internal Audit, who is an Associate member of The Institute of Internal Auditors, reports directly to the Committee and has unrestricted access to the Committee members on all matters. The Internal Audit Department expenses in respect of the financial year ended 31 December 2016 was RM336,831.

The primary responsibility of the Internal Audit Department is to undertake regular and systematic reviews of the risk management process, effectiveness of internal controls and governance practices of the Company and of the Group so as to provide reasonable assurance that the risk management process and internal controls are operating satisfactorily and effective and are in line with the Group's goals and objectives.

The Internal Audit Department performed routine audit and reviews on all business segments in accordance with the Audit Planning Memorandum which have been approved by the Committee. Audit reports were issued to the Management and the Committee with detailed findings, recommendations and management's responses on the findings. The Head of Internal Audit attends all meetings of the Committee and presents the quarterly work progress report on the status of completion of planned audit assignment including the findings on audit reports, updates on implementation of corrective actions on past key audit findings and the review of the quarterly related party transactions. During the financial year under review, 10 internal audit assignments were completed covering operating units on resources, power, property and other investment holdings within the Group. The audit activities encompassed operational and compliance audits of operations to ascertain adequacy and effectiveness of their system of internal control as well as determine the reliability and integrity of financial and operational information.

The Internal Audit Department also assisted the Committee to prepare the Report of the Audit Committee for inclusion in the Company's Annual Report, and reviewed the appropriateness of the Statement on Corporate Governance and the Statement on Risk Management and Internal Control in regard to the compliance with the Malaysian Code on Corporate Governance, paragraph 15.15 of the Main Market Listing Requirements and Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers as well as that processes adopted by Management were consistent with the Internal Audit function's understanding of the Group's risk management and internal control systems and corporate governance practices.

## ADDITIONAL COMPLIANCE INFORMATION DISCLOSURES

## 1) Utilisation of proceeds raised from corporate proposal

Proceeds totalling RM243.7 million was raised under the Rights Issue with Warrants which was completed on 15 April 2016. The status of utilisation of these proceeds as at 31 December 2016 is set out below:-

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Unutilised RM'000	Intended Timeframe for Utilisation from Completion Date
Don Sahong Hydropower Project	150,000	83,913	66,087	Within 36 months
Working capital and other general corporate purposes	25,035 <sup>(3)</sup>	25,035	-	Within 36 months
Repayment of short-term bank borrowings	65,000	65,000	-	Within 12 months
Estimated expenses in relation to the Rights Issue with Warrants	3,700	3,700 (4)	-	Within 3 months
	243,735 (1)(2)	177,648	66,087	_

### Notes:

- (1) The total gross proceeds of RM243.7 million was raised from the Rights Issue with Warrants, before the exercise of the Warrants.
- (2) The amount raised in USD was translated at an average exchange rate of USD1.00 to RM3.90.
- (3) The exchange difference arising from translation of USD proceeds has been adjusted against the amount proposed for working capital and other general corporate purposes.
- (4) The variation in the amount of estimated expenses has been adjusted against the amount proposed for working capital and other general corporate purposes.

## 2) Material Contracts with Related Parties

There was no material contract entered into by the Group involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2016 or entered into since the end of the previous financial year.

## 3) Non-audit fees for external auditors

The non-audit fee incurred for services by the external auditors and their affiliated companies to the Company and its subsidiaries for the financial year ended 31 December 2016 amounted to approximately RM96,000 (2015: RM17,000).



## ADDITIONAL COMPLIANCE INFORMATION DISCLOSURES

[cont'd]

#### 4) **Employees' Share Option Scheme**

The Employees' Share Option Scheme of the Company ("ESOS") was implemented on 1 August 2010 and shall be in force for a period of ten (10) years from 1 August 2010.

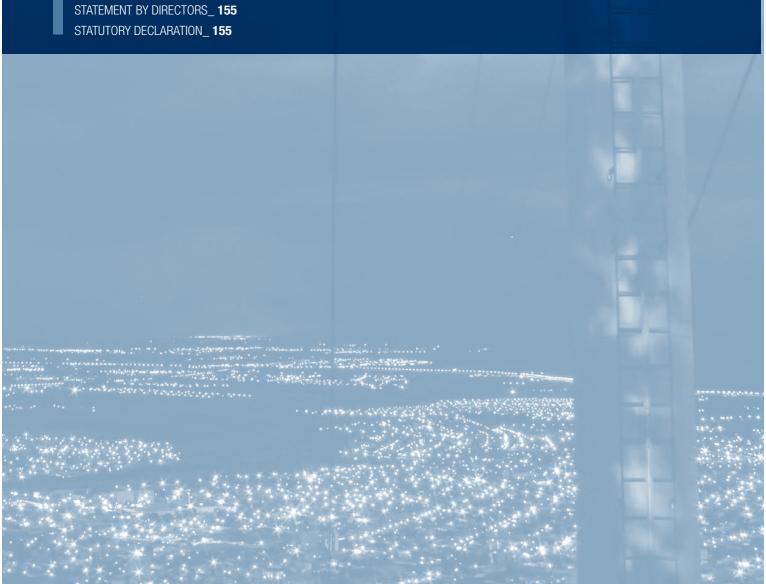
The total number of options granted, exercised and outstanding (as adjusted and based on the par value of RM1.00 per ordinary share) under the ESOS, are set out in the table below:-

Description	Number of Options (Since commencement of ESOS to 31 December 2016)			
	Grand Total	Directors		
(a) Granted	18,220,846	12,250,288		
(b) Exercised	2,647,000	2,647,000		
(c) Lapsed	1,746,751	980,000		
(d) Outstanding	13,827,095	8,623,288		

Percentages of options applicable to Directors and Senior Management under the ESOS:-

Directors and Senior Management	During the financial year 2016	Since commencement up to 31 December 2016
(a) Aggregate maximum allocation (b) Actual granted	50% 2.2%	50% 25.5%







## DIRECTORS' REPORT

## **DIRECTORS' REPORT**

The Directors of MEGA FIRST CORPORATION BERHAD have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 42 to the financial statements.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

## **RESULTS OF OPERATIONS**

The results of the operations of the Group and of the Company for the financial year are as follows:-

	GROUP RM'000	COMPANY RM'000
Profit before tax Income tax expense	199,625 (42,387)	83,185 (239)
Profit after tax for the financial year	157,238	82,946
Attributable to:- Owners of the Company Non-controlling interests	120,741 36,497	82,946
	157,238	82,946

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

## **DIVIDENDS**

Since the end of the previous financial year, the Company paid:-

- (a) a final tax-exempt dividend of 5.0 sen per ordinary share of RM1.00 each, in respect of the financial year ended 31 December 2015 on 1 July 2016; and
- (b) an interim tax-exempt dividend of 2.0 sen per ordinary share of RM1.00 each, in respect of the financial year ended 31 December 2016 on 14 October 2016.

The Board proposes a final tax-exempt dividend of 3.0 sen per ordinary share for the financial year ended 31 December 2016 (2015: 5.0 sen per ordinary share). The proposed dividend, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting, has not been included as a liability in these financial statements.

## RESERVES AND PROVISIONS

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

## ISSUES OF SHARES AND DEBENTURES

During the financial year:-

- (a) there was no change in the authorised share capital of the Company;
- (b) the Company increased its issued and paid-up share capital from RM243,345,000 to RM401,900,290 by way of:-
  - (i) an issuance of 157,048,290 new ordinary shares of RM1 each ("Rights Shares") for cash at an issue price of RM1.59 per share or USD0.38 per share pursuant to a renounceable rights issue together with 67,306,410 free detachable warrants ("Rights Issue with Warrants");
  - (ii) an issuance of 200,000 new ordinary shares of RM1 each for cash at the price of RM1.52 each pursuant to the exercise of options under the Employees' Share Option Scheme; and
  - (iii) an issuance of 1,307,000 new ordinary shares of RM1 each for cash at the price of RM1.50 arising from the exercise of options under the Employees' Share Option Scheme.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company; and

(c) there was no debenture issued by the Company.

## TREASURY SHARES

The information on the treasury shares is disclosed in Note 27 to the financial statements.



## **EMPLOYEES' SHARE OPTION SCHEME**

The Employees' Share Option Scheme ("ESOS") was approved by shareholders of the Company at an Extraordinary General Meeting held on 20 May 2010. The Scheme was implemented on 1 August 2010 and shall be in force for a period of 10 years unless otherwise terminated in accordance with its By-Laws.

The terms of the ESOS, the movements during the financial year and the exercisable period are set out in Note 28.2 to the financial statements.

The option prices and the details in the movement of the share options granted are as follows:-

		Shares of F	RM1 Each			
		<b>Balance</b>		Movements		Balance
	Exercise	as at	during	the financia	l year →	as at
Grant date	price	1.1.2016	Granted	Exercised	Lapsed	31.12.2016
	RM	'000	'000	'000	'000	'000
24.8.2010	1.34 *	1,580	38 *	(1,307)	_	311
29.6.2012	1.52	200	-	(200)	_	_
5.5.2015	2.00 *	12,325	1,683 *	_	(492)	13,516
		14,105	1,721	(1,507)	(492)	13,827

<sup>\*</sup> Arising from the Rights Issue with Warrants and in accordance with the ESOS By-Laws, adjustments have been made to both the number of options and the subscription price of options.

The persons to whom the options have been issued have no right to participate in other options of any other related corporations of the Company.

## WARRANTS

At the Extraordinary General Meeting held on 4 February 2016, the shareholders of the Company have approved the Rights Issue with Warrants. A total of 67,306,410 Warrants were issued by the Company on 8 April 2016 with a four (4) years tenure ending on 8 April 2020. The Warrants are listed and quoted on the Main Market of Bursa Malaysia Securities Berhad with effect from 15 April 2016. The issue price, entitlement basis and exercise price of the Warrants are as follows:-

- (a) the Warrants were issued for free on the basis of three (3) Warrants for every seven (7) Rights Shares subscribed under the Rights Issue with Warrants; and
- (b) each Warrant is exercisable into one (1) ordinary share at the exercise price of RM2.22 per share.

Warrant holders are not entitled to vote in any general meeting of shareholders of the Company or to participate in any distribution and/or offer of further securities in the Company unless and until the Warrant holder becomes a shareholder of the Company by exercising the Warrants.

## OTHER FINANCIAL INFORMATION

Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made up, 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 impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

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

- (a) which would require the further writing off of bad debts or the additional amount of allowance for impairment losses on receivables 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 the 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; or
- (d) 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.

The contingent liabilities are disclosed in Note 38 to the financial statements. At the date of this report, there does not exist:-

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

In the opinion of the Directors:-

- (a) no contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and
- (b) no item, transaction or event of a material and unusual nature has arisen during the financial year or in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

## **DIRECTORS**

The following Directors served on the Board of the Company since the date of the last report:-

- Goh Nan Kioh
- Goh Nan Yang (Also alternate to Goh Nan Kioh)
- Khoo Teng Keat
- Dato' Koh Hong Sun
- Yeow See Yuen
- Dato' Tan Ang Meng
- Pengiran Saifuddin Bin Pengiran Tahir
- Tay Kheng Chiong
- Jesper Bjorn Madsen (Appointed on 30 November 2016)
- Professor Dato' Dr. Tan Hui Meng (Appointed on 20 March 2017)
- Dato' Haji Abu Hanifah Bin Noordin (Retired on 30 May 2016)

## **DIRECTORS' INTERESTS**

According to the Register of Directors' Shareholdings, the interests of Directors in office in shares of the Company and of its related corporations at the end of the financial year are as follows:-

	Balance	Number of ordinary shares of RM1 each			
	as at 1.1.2016/Date of			Balance as at	
	appointment	Addition	Disposal	31.12.2016	
Shares In The Company					
Goh Nan Kioh - Direct - Deemed	713,600 71,895,800	1,349,520 54,242,286	-	2,063,120 126,138,086	
Doomou	7 1,000,000	04,242,200		120,100,000	
Goh Nan Yang - Direct	510,000	1,207,000	-	1,717,000	
Khoo Teng Keat - Direct	200,000	140,000	_	340,000	
Dato' Koh Hong Sun - Direct	100,000	410,000	(120,000)	390,000	
Yeow See Yuen - Direct - Deemed	436,500 26,000	855,500 18,200		1,292,000 44,200	
- Deemed	20,000	10,200	_	44,200	
Dato' Tan Ang Meng - Direct	300,000	188,000	(50,000)	438,000	
Tay Kheng Chiong - Direct	20,000	25,900	_	45,900	

## DIRECTORS' INTERESTS (CONT'D)

	Balance	Number of war	rants 2016/2020	
	as at 1.1.2016/Date of appointment	Addition	Disposal	Balance as at 31.12.2016
Warrants In The Company				
Goh Nan Kioh - Direct - Deemed		364,080 23,247,255	_ _	364,080 23,247,255
Goh Nan Yang - Direct	-	303,000	_	303,000
Khoo Teng Keat - Direct	-	60,000	_	60,000
Dato' Koh Hong Sun - Direct	_	90,000	-	90,000
Yeow See Yuen - Direct - Deemed	Ī	236,571 7,800	-	236,571 7,800
Dato' Tan Ang Meng - Direct	_	75,000	(75,000)	_
Tay Kheng Chiong - Direct	_	8,100	_	8,100



## DIRECTORS' INTERESTS (CONT'D)

In addition to the above, the following Directors who were in office at the end of the financial year are deemed to have interests in the shares of the Company to the extent of the options granted to them pursuant to the ESOS of the Company:-

	Options over ordinary shares of RM1 each					ch
	Exercise	Balance as at				Balance as at
	price	1.1.2016	Granted*	Exercised	Lapsed	31.12.2016
Goh Nan Kioh	RM1.50 RM2.00*	500,000 2,800,000	_ 388,328	(500,000)	- -	- 3,188,328
Goh Nan Yang	RM1.50 RM2.00*	500,000 2,000,000	_ 277,377	(500,000)	- -	- 2,277,377
Khoo Teng Keat	RM2.00*	1,000,000	138,688	_	_	1,138,688
Dato' Koh Hong Sun	RM1.52 RM2.00*	200,000 100,000	- 13,869	(200,000)	- -	- 113,869
Yeow See Yuen	RM1.50 RM2.00*	300,000 1,200,000	- 166,426	(300,000)	- -	- 1,366,426
Dato' Tan Ang Meng	RM2.00*	100,000	13,869	_	_	113,869
Tay Kheng Chiong	RM1.34* RM2.00*	280,000 100,000	37,862 13,869	(7,000) # -		310,862 113,869

Arising from the Rights Issue with Warrants and in accordance with the ESOS By-Laws, adjustments have been made to both the number of options and the subscription price of options.

In accordance with Section 8 of the Companies Act 2016, Goh Nan Kioh, by virtue of his interest in the shares of the Company, is deemed to have interests in the shares of all subsidiary companies within the Group to the extent of the Company's interests.

Other than as stated above, none of the Directors of the Company who were in office at the end of the financial year had any other interests in the shares of the Company or of its related corporations during the financial year.

## **DIRECTORS' BENEFITS**

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than those disclosed as Directors' remuneration section of our report) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the Director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 46 to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the options granted to the Directors pursuant to the Company's ESOS and the Warrants as disclosed above.

Exercised at the original price of RM1.50.



## **DIRECTORS' REMUNERATION**

The details of the directors' remuneration are disclosed in Note 45 to the financial statements.

## **SUBSIDIARIES**

The details of the Company's subsidiaries are disclosed in Note 13 and Note 42 to the financial statements.

The auditors' reports on the financial statements of the subsidiaries did not contain any qualification.

None of the subsidiaries had any interest in shares in the Company during the financial year.

## **AUDITORS' REMUNERATION**

During the financial year, the total amount paid to or receivable by the auditors as remuneration for their services rendered to the Group and the Company amounted to RM711,000 and RM158,000, respectively.

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 48 to the financial statements.

## SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

The significant events occurring after the end of the reporting period are disclosed in Note 49 to the financial statements.

## **AUDITORS**

The auditors, Messrs. Crowe Horwath, have indicated their willingness to continue in office.

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

Goh Nan Yang

Khoo Teng Keat

Petaling Jaya

10 April 2017



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MEGA FIRST CORPORATION BERHAD

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

## **Opinion**

We have audited the financial statements of Mega First Corporation Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 55 to 153.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

## **Basis for Opinion**

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

### Independence and Other Ethical Responsibilities

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

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial 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.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Don Sahong Hydropower Project - revenue recognition and intangible asset Refer to Note 5 and Note 20 in the financial statements

## **Key Audit Matter** The Group has undertaken the Don Sahong Hydropower Project ("DSPC") in Lao PDR. The accounting treatment adopted is in accordance with IC Interpretation 12 where the concession agreement in DSPC is considered to be a service concession arrangement, and an intangible asset of RM370.4 million has been recognised as at 31 December 2016. Revenue of RM362.4 million on the construction of the hydropower asset has been recognised for the financial year ended 31 December 2016, using the percentage of completion method in accordance with FRS 111.

The intangible asset and revenue recognition for the DSPC is considered a key audit matter due to the magnitude of the balances and risk of material misstatement due to significant judgement being applied in their determination.

## How our audit addressed the key audit matter

The audit of DSPC was undertaken by a component auditor ("CA"). Our procedures included:-

- Assessed the objectivity, independence and expertise of the CA:
- Assessed the related concession agreement for the fulfillment of the criteria of service concession arrangement for recognition of intangible asset;
- Tested the internal control of DSPC through assessing (c) the approval of budgets, authorising and recording of costs incurred;
- Reviewed and verified the management's basis to certify the physical completion progress to support the reasonableness of the percentage of completion and recognition of construction revenue and intangible asset:
- Performed our own inquiry and obtained explanations from management to corroborate the audit evidence obtained by the CA.



## INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF MEGA FIRST CORPORATION BERHAD [cont'd]

Idaman Harmoni Sdn. Bhd. ("IHSB") - dispute over additional taxes and penalties imposed by Inland Revenue Board of Malaysia ("IRBM")

Refer to Note 38(c) in the financial statements

There to Note 30(c) in the infancial statements						
Key Audit Matter	How our audit addressed the key audit matter					
One of the Group's subsidiaries, IHSB, has been imposed with additional taxes and penalties	Our audit procedures included :-					
amounting to RM26.3 million by the IRBM.	(a) Assessed the appropriateness of management's basis in disputing the additional taxes and penalties imposed;					
IHSB has disputed the additional taxes and penalties and no provision has been made as at	(b) Obtained the views from the tax and legal advisors appointed by IHSB;					
31 December 2016.	(c) Discussed the merits of the dispute with the legal advisor;					
There is a key audit area due to the risk of material misstatement arising from the dispute.	(d) Assessed the status of the dispute including legal proceeding to appeal against the additional taxes and penalties;					
	(e) Assessed adequacy of disclosures made in Note 38(c) in regard to the contingent liabilities arising from the dispute.					

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

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

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

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

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

### **Responsibilities of the Directors for the Financial Statements**

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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



## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MEGA FIRST CORPORATION BERHAD [cont'd]

## 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 skepticism throughout the audit. We also:-

- 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MEGA FIRST CORPORATION BERHAD [cont'd]

## **Report on Other Legal and Regulatory Requirements**

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 42 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

### **Other Reporting Responsibilities**

The supplementary information set out in Note 50 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## **Other Matters**

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

**Crowe Horwath** 

Firm No: AF 1018 Chartered Accountants Onn Kien Hoe

Approval No: 01772/11/2018 J Chartered Accountant

Kuala Lumpur



# STATEMENTS OF **PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		GROUP		COMPANY		
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	
Revenue	5	915,457	588,686	83,412	124,010	
Cost Of Sales		(687,653)	(433,486)	-	_	
Gross Profit		227,804	155,200	83,412	124,010	
Distribution Costs Administrative Expenses Other Expenses Other Income		(5,325) (35,143) (24,430) 42,888	(4,282) (36,254) (14,036) 52,321	- (7,964) (1,203) 12,855	(6,586) (2,769) 2,823	
Profit From Operations	6	205,794	152,949	87,100	117,478	
Finance Costs	7	(6,169)	(5,425)	(3,915)	(3,657)	
Profit Before Tax		199,625	147,524	83,185	113,821	
Income Tax Expense	8	(42,387)	(39,870)	(239)	(102)	
Profit After Tax For The Financial Year		157,238	107,654	82,946	113,719	
Other Comprehensive Income/(Expenses)	9					
Items that may be reclassified subsequently to profit or loss						
Fair value changes of available-for-sale financial assets Foreign currency translation Share of associate's foreign currency translation		585 10,445 –	(3,351) 34,254 (1,293)	(1,228) - -	(5,924) - -	
Total Other Comprehensive Income/(Expenses)		11,030	29,610	(1,228)	(5,924)	
Total Comprehensive Income For The Financial Year		168,268	137,264	81,718	107,795	

# STATEMENTS OF **PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME** FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 [cont'd]

		GROUP		СОМ	PANY
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit After Tax Attributable To:					
<ul><li>Owners Of The Company</li><li>Non-controlling Interests</li></ul>		120,741 36,497	74,264 33,390	82,946 -	113,719 -
		157,238	107,654	82,946	113,719
Total Comprehensive Income Attributable To:					
- Owners Of The Company		134,074	91,034	81,718	107,795
- Non-controlling Interests		34,194	46,230	_	
		168,268	137,264	81,718	107,795
Earnings Per Share (sen)	10				
- Basic		34.94	29.23		
- Diluted		34.91	29.06		



# STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

		GR	GROUP		IPANY
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
	Note	HIVI UUU	RIVI 000	RIVI 000	HIVI UUU
ASSETS					
Non-Current Assets					
Property, Plant And					
Equipment	12	315,511	333,500	101	197
Subsidiaries	13	_	_	348,222	229,758
Investment In Quoted					
Shares	14	40,315	41,512	2,665	6,800
Investment In Unquoted					
Shares	15	335	335	_	_
Land Use Rights	16	6,712	6,667	_	_
Investment Properties	17	149,356	140,740	_	_
Land Held For Property					
Development	18	44,438	51,215	_	_
Project Development					
Expenditure	19	169,049	221,726	107,822	107,228
Intangible asset	20	370,391	_	_	_
Goodwill On Consolidation	21	10,812	10,812	_	_
Deferred Tax Assets	31	2,690	3,068	_	_
Long-Term Prepayment		_	540		_
		1,109,609	810,115	458,810	343,983
<b>Current Assets</b>					
Inventories	22	59,874	67,575	_	_
Property Development	23	_	6,370	_	_
Receivables	24	127,046	123,565	153,964	122,416
Bank Balances And		, ,	-,	,	,
Deposits	25	291,326	198,045	134,715	36,018
		478,246	395,555	288,679	158,434
TOTAL ASSETS		1,587,855	1,205,670	747,489	502,417

## STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016 [cont'd]

		GR	OUP	СОМ	PANY
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
EQUITY AND LIABILITIES					
Share Capital Treasury Shares Reserves	26 27 28	401,900 (30,046) 794,131	243,345 (30,046) 600,818	401,900 (30,046) 316,780	243,345 (30,046) 175,166
Equity Attributable To Owners Of The Company		1,165,985	814,117	688,634	388,465
Non-controlling Interests	13	156,688	156,516	-	_
Total Equity		1,322,673	970,633	688,634	388,465
Non-Current Liabilities					
Payables Long-Term Borrowings Deferred Tax Liabilities	29 30 31	1,223 22,642 33,054	1,678 29,291 19,296	- - -	- - -
		56,919	50,265	-	-
<b>Current Liabilities</b>					
Payables Short-Term Borrowings Taxation	32 33	133,283 65,989 8,991	63,143 110,685 10,944	58,855 - -	68,952 45,000 –
		208,263	184,772	58,855	113,952
Total Liabilities		265,182	235,037	58,855	113,952
TOTAL EQUITY AND LIABILITIES		1,587,855	1,205,670	747,489	502,417
Net Assets Per Ordinary Share (sen)	34	306	365		



# STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

			<b>←</b>		— Non-Dis	tributable			Distributab	le Attributable		
GROUP	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	ESOS Reserve RM'000	Translation Reserve RM'000	Fair Value Reserve RM'000			Retained Profits RM'000	To Owners	Non- controlling Interests RM'000	Total Equity RM'000
Balance at 1 January 2015	243,002	(30,025)	33,940	599	36,635	8,447	15,208	-	431,142	738,948	146,669	885,617
Profit after taxation for the financial year	-	-	-	-	-	-	-	-	74,264	74,264	33,390	107,654
Other comprehensive income/ (expenses) for the financial year:-												
Fair value changes of available-for-sale financial assets Foreign currency translation difference	-	-	-	-	- 21,414	(3,351)	-	-	-	(3,351) 21,414	- 12,840	(3,351) 34,254
Share of associate's foreign currency translation difference	-	-	-	-	(1,293)	-	-	-	-	(1,293)	-	(1,293)
Total comprehensive income for the financial year	_	-	-	-	20,121	(3,351)	-	-	74,264	91,034	46,230	137,264
Contributions by and distributions to owners of the Company:-												
Dividends paid to: - shareholders of the Company (Note 11) - subsidiaries' non-controlling interests ESOS options granted ESOS options lapsed	- - -	-	-	- 1,537 (180)	- - -	- - -	- - -	- - -	(17,828) - - -	(17,828) - 1,537 (180)	(39,197) - -	(17,828) (39,197) 1,537 (180)
Purchase of treasury shares Exercise of ESOS options	343	(21)	239	(61)	-	_	-	-	-	(21) 521	_	(21) 521
Total transactions with owners of the Company Acquisition of a subsidiary (Note 43)	343	(21)	239	1,296	-	- -	- -	- -	(17,828)	(15,971)	(39,197) 205	(55,168) 205
Issuance of shares by a subsidiary to non-controlling interests Realisation of capital reserve	-	-	-	-	-	-	- 275	-	- (169)	- 106	2,540 69	2,540 175
Balance at 31 December 2015	243,345	(30,046)	34,179	1,895	56,756	5,096	15,483	-	487,409	814,117	156,516	970,633

# STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 [cont'd]

			•		— Non-Dis	ributable		-	Distributabl			
	Share	Treasury	Share	ESUS	Translation	Fair Value	Canital	Warrant		Attributable To Owners	Non- controlling	Tota
GROUP	Capital RM'000		Premium RM'000	Reserve RM'000		Reserve RM'000	Reserve RM'000		Profits RM'000	Company RM'000	Interests RM'000	Equity RM'000
Balance at 1 January 2016	243,345	(30,046)	34,179	1,895	56,756	5,096	15,483	-	487,409	814,117	156,516	970,633
Profit after taxation for the financial year	-	-	-	-	-	-	-	-	120,741	120,741	36,497	157,23
Other comprehensive income/ (expenses) for the financial year:-												
Fair value changes of available-for-sale financial assets	_	_	_	_	_	585	_	_	_	585	_	58
Foreign currency translation difference	-	-	-	-	12,748	-	-	-	-	12,748	(2,303)	10,44
Total comprehensive income for												
the financial year	-	-	-	-	12,748	585	-	-	120,741	134,074	34,194	168,26
Contributions by and distributions to owners of the Company:-												
Dividends paid to:												
shareholders of the Company (Note 11)	-	-	-	-	-	-	-	-	(26,698)	(26,698)	-	(26,69
· subsidiaries' non-controlling interests	-	-	-	-	-	-	-	-	-	-	(34,563)	(34,56
ESOS options granted	-	-	-	2,783	-	-	-	-		2,783	-	2,78
ESOS options lapsed	-	-	-	(121)	-	-	-	-	121	-	-	
ssuance of ordinary shares pursuant to:	457.040		07.044					10.010		0.40.705		0.40.70
Rights Issue with Warrants	157,048	-	67,841	(407)	-	_	-	18,846	-	243,735	-	243,73
ESOS options	1,507	-	1,195	(437)	-	_	_	_	-	2,265	_	2,26
Expenses in relation to Rights Issue with Warrants	-	_	(3,359)	_	-	-	-	(275)	-	(3,634)	_	(3,63
Total transactions with owners												
of the Company	158,555	_	65,677	2,225	_	_	_	18,571	(26,577)	218,451	(34,563)	183,88
Realisation of capital reserve	-	_	_	_,	_	_	67	_	(136)	(69)		(11
Accretion of interest in a subsidiary	-	-	-	-	-	-	-	-	(588)	(588)	588	(* '
Balance at 31 December 2016	401,900	(30,046)	99,856	4,120	69,504	5,681	15,550	18,571	580,849	1,165,985	156,688	1,322,67



# STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

[cont'd]

			◄	— Non Distr	ibutable —	<b>→</b> [	Distributable	
COMPANY	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	ESOS Reserve RM'000	Fair Value Reserve RM'000	Warrant Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
Balance at 1 January 2015	243,002	(30,025)	33,940	599	6,761	-	42,364	296,641
Profit after taxation for the financial year	_	-	-	-	-	-	113,719	113,719
Other comprehensive expenses for the financial year:-								
Fair value changes of available-for-sale financial assets	-	_	-	-	(5,924)	_	_	(5,924)
Total comprehensive income for the financial year	-	-	-	-	(5,924)	-	113,719	107,795
Contributions by and distributions to owners of the Company:-							(47.000)	(47.000)
Dividends (Note 11)	_	_	_	-	-	_	(17,828)	(17,828)
ESOS options granted	_	_	-	1,537	_	-	_	1,537
ESOS options lapsed	_	- (0.4)	-	(180)	_	-	_	(180)
Purchase of treasury shares	- 0.40	(21)	- 000	(04)	_	_	_	(21)
Exercise of ESOS options	343	_	239	(61)	-	_	_	521
Balance at 31 December 2015	243,345	(30,046)	34,179	1,895	837	-	138,255	388,465

# STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

[cont'd]

			•	— Non Distributable — Fair		<b>→</b> [	Distributable	outable	
COMPANY	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	ESOS Reserve RM'000	Value Reserve RM'000	Warrant Reserve RM'000	Retained Profits RM'000	Total Equity RM'000	
Balance at 1 January 2016	243,345	(30,046)	34,179	1,895	837	-	138,255	388,465	
Profit after taxation for the financial year	_	-	-	-	-	-	82,946	82,946	
Other comprehensive expenses for the financial year:-									
Fair value changes of available-for-sale financial assets	_	_	-	-	(1,228)	_	-	(1,228)	
Total comprehensive income for the financial year	-	-	_	-	(1,228)	-	82,946	81,718	
Contributions by and distributions to owners of the Company:-									
Dividends (Note 11)	-	-	-	-	-	_	(26,698)	(26,698)	
ESOS options granted	-	-	-	2,783	-	_	-	2,783	
ESOS options lapsed Issuance of ordinary shares pursuant to:	-	_	_	(121)	_	-	121	-	
- Rights Issue with Warrants	157,048	_	67,841	_	_	18,846	_	243,735	
- ESOS options	1,507	_	1,195	(437)	_	_	_	2,265	
Expenses in relation to Rights									
Issue with Warrants	-	_	(3,359)	_	-	(275)	-	(3,634)	
Balance at 31 December 2016	401,900	(30,046)	99,856	4,120	(391)	18,571	194,624	688,634	



# STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

GROUP	Note	2016 RM'000	2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		199,625	147,524
Adjustments for:			
Allowance for impairment losses:			
- Investment in quoted shares		2,310	5,357
- Project development expenditure		_	2,083
- Receivables, net		2,804	101
Amortisation of land use rights		223	222
Depreciation of property, plant and equipment		52,219	36,602
ESOS options expenses		2,783	1,537
Interest expense		6,169	5,425
Loss on derecognition of an associate		· _	2,256
Loss on disposal of:			,
- Property, plant and equipment		1	_
- Quoted shares		_	381
Provision for retirement benefits		48	24
Write-off of:			
- Bad debts		2	15
- Goodwill on incorporation of a subsidiary		_	1,279
- Inventories		1,328	382
- Land held for property development		6,708	_
- Property, plant and equipment		2,610	362
Construction profit		(96,113)	_
Dividend income		(580)	(320)
Fair value adjustment on investment properties		(8,616)	(020)
Gain on disposal of:		(5,5.5)	
- A subsidiary		_	(8)
- Property, plant and equipment		(1,281)	(286)
- Quoted shares		(867)	(===)
Gain on foreign exchange – Unrealised		(13,700)	(10,347)
Interest income		(4,776)	(5,908)
Write-back of:		(1,110)	(0,000)
- Impairment loss on quoted shares		_	(57)
- Inventories written off		(186)	(0.7)
		(100)	
Operating Profit Before Working Capital Changes		150,711	186,624
Decrease/(Increase) in:			
Inventories		6,559	1,721
Property development		6,370	4,428
Receivables		(5,962)	(9,085)
Decrease in payables		(360)	(4,576)
Cash From Operations		157,318	179,112
			•
Income tax paid		(33,960)	(47,131)
Retirement benefits paid		(212)	(64)
Net Cash From Operating Activities		123,146	131,917

The accompanying Notes on pages 67 to 153 form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 [cont'd]

GROUP	Note	2016 RM'000	2015 RM'000
CASH FLOWS FOR INVESTING ACTIVITIES			
Interest received Dividend received		4,776 580	5,908 320
Increase/(Decrease) in land held for		333	020
property development		69	(928)
Cash outflow for project development  Decrease in investment properties		(139,372)	(150,479) (8,045)
Net cash inflow from acquisition of a subsidiary	43	_	23
Net cash inflow from deconsolidation of a subsidiary	44	_	2
Proceeds from disposal of:		0.490	1 224
<ul><li>Property, plant and equipment</li><li>Quoted shares</li></ul>		2,489 3,775	1,334 7,072
- Interest in an associate		-	3,792
Purchase of:			
- Property, plant and equipment	37	(41,793)	(44,662)
- Land use rights - Quoted shares		(253) (3,435)	(559)
Government subsidy received on purchase of		(0, 100)	
property, plant and equipment		_	9,664
Net Cash For Investing Activities		(173,164)	(176,558)
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES			
Interest paid		(6,169)	(5,425)
Dividends paid to: - shareholders of the Company		(26,698)	(17,828)
- subsidiaries' non-controlling interests		(34,563)	(39,197)
Net (repayment)/drawdown of:		, ,	, , ,
- Trust receipts and revolving credits		(44,204)	42,396
- Hire purchase payables - Term loans		(716) (6,624)	(770) 4,289
Proceeds from issuance of shares pursuant to		(0,024)	4,209
exercise of ESOS options		2,265	521
Proceeds from issuance of shares pursuant to		0.40 =0=	
Rights Issue with Warrants Proceeds from issuance of shares by a subsidiary to		243,735	_
non-controlling interests		_	1,261
Purchase of treasury shares		_	(21)
Placement of deposits pledged to licensed banks		(3,486)	(20,520)
Net Cash From/(For) Financing Activities		123,540	(35,294)
EFFECT OF FOREIGN EXCHANGE TRANSLATION		16,790	21,470
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		90,312	(58,465)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		172,830	231,295
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	39	263,142	172,830

The accompanying Notes on pages 67 to 153 form an integral part of the financial statements.



STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 [cont'd]

COMPANY	Note	2016 RM'000	2015 RM'000
CASH FLOWS FOR FINANCING ACTIVITIES			
Profit before tax		83,185	113,821
Adjustments for:			
Allowance for impairment losses:			
- Investment in quoted shares		-	461
- Project development expenditure		100	2,083
Depreciation of property, plant and equipment		126	187
ESOS options expenses		2,783	1,537 3,657
Interest expense  Loss on disposal of property, plant and equipment		3,915 1	3,637
(Gain)/Loss on disposal of quoted shares		(866)	40
Write-off of bad debt		(000)	-
Dividend income		(79,913)	(121,800)
Gain on derecognition of an associate		(. 5,5 . 5)	(2,589)
Gain on foreign exchange – Unrealised		(11,910)	(105)
Interest income		(1,647)	(2)
Operating Loss Before Working Capital Changes		(4,324)	(2,710)
Increase in receivables		(3,933)	(2,675)
Increase/(Decrease) in payables		4	(116)
Cash For Operations		(8,253)	(5,501)
Income tax paid		(73)	(259)
Net Cash For Operating Activities		(8,326)	(5,760)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES			
Interest received		1,647	2
Dividend received		79,913	121,800
Increase in project development expenditure		(594)	(36,852)
Investment in subsidiaries		(118,464)	(120,407)
Repayment from subsidiaries		(31,417)	38,977
Proceeds from disposal of property, plant and equipment		6	
Proceeds from disposal of quoted shares	0.7	3,773	143
Purchase of property, plant and equipment	37	(37)	(26)
Net Cash (For)/From Investing Activities		(65,173)	3,637

# STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 [cont'd]

COMPANY	Note	2016 RM'000	2015 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(3,915)	(3,657)
Dividends paid		(26,698)	(17,828)
Net drawdown of short-term borrowings		(45,000)	30,000
(Repayment to)/Advances from subsidiaries		(9,004)	25,284
(Repayment to)/Advances from a related party		(1,097)	1,177
Proceeds from issuance of shares pursuant to			
exercise of ESOS options		2,265	521
Proceeds from issuance of shares pursuant to			
Rights Issue with Warrants		243,735	_
Purchase of treasury shares		_	(21)
Placement of deposits pledged to licensed banks		(2,568)	(23,984)
Net Cash From Financing Activities		157,718	11,492
EFFECT OF FOREIGN EXCHANGE TRANSLATION		11,910	105
NET INCREASE IN CASH AND CASH EQUIVALENTS		96,129	9,474
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		12,034	2,560
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	39	108,163	12,034



## NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

The Company is a public company limited by shares, incorporated and domiciled in Malaysia. The Company is listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company is located at A-12-01 Level 12, Block A, PJ8, No. 23 Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 10 April 2017.

## 2. PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 42 to the financial statements.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

## 3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Financial Reporting Standards ("FRSs") and the requirements of the Companies Act 1965 in Malaysia.

3.1 During the current financial year, the Group has adopted the following new accounting standards and/ or interpretations (including the consequential amendments, if any):-

## FRSs and/or IC Interpretations (Including The Consequential Amendments)

Amendments to FRS 11: Accounting for Acquisitions of Interests in Joint Operations

Amendments to FRS 10, FRS 12 and FRS 128: Investment Entities – Applying the Consolidation Exception

Amendments to FRS 101: Disclosure Initiative

Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to FRS 127: Equity Method in Separate Financial Statements

Annual Improvements to FRSs 2012 - 2014 Cycle

FRS 14 Regulatory Deferral Accounts

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements.



## 3. BASIS OF PREPARATION (CONT'D)

3.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

FRSs and/or IC Interpretations (Including The Consequential Amendments)	<b>Effective Date</b>
FRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to FRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 4: Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts	1 January 2018*
Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Defer until further notice
Amendments to FRS 107: Disclosure Initiative	1 January 2017
Amendments to FRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to FRS 140: Transfers of Investment Property	1 January 2018
Annual Improvements to FRSs 2014 – 2016 Cycle:	
Amendments to FRS 12: Clarification of the Scope of Standard	1 January 2017
Annual Improvements to FRS Standards 2014 – 2016 Cycles:	
Amendments to FRS 1: Deletion of Short-term Exemptions for First-time Adopters	1 January 2018
Amendments to FRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

\* Entities that meet the specific criteria in FRS 4.20B may choose to defer the application of FRS 9 until the earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.

As disclosed in Note 3.3 to the financial statements, the Group will be applying the Malaysian Financial Reporting Standards Framework for the annual period beginning on or after 1 January 2018. Therefore, the FRSs which are effective for annual periods beginning on or after 1 January 2018 above will not be applicable to the Group. The adoption of the other accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.



## NOTES TO THE FINANCIAL STATEMENTS

[cont'd]

## 3. BASIS OF PREPARATION (CONT'D)

3.3 MASB has issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRSs"), that are to be applied by all entities other than private entities; with the exception of entities that are within the scope of MFRS 141 (Agriculture) and IC Interpretation 15 (Agreements for Construction of Real Estate), including its parent, significant investor and venturer (herein called "transitioning entities").

As further announced by MASB on 28 October 2015, the transitioning entities are allowed to defer the adoption of MFRSs to annual periods beginning on or after 1 January 2018.

Accordingly, as a transitioning entity as defined above, the Group has chosen to defer the adoption of MFRSs and will only prepare its first set of MFRS financial statements for the financial year ending 31 December 2018. The Group is currently assessing the possible financial impacts that may arise from the adoption of MFRSs and the process is still ongoing.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities) controlled by the Group. 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 over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also 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.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

# NOTES TO THE FINANCIAL STATEMENTS [cont'd]

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.1 Basis of Consolidation (Cont'd)

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

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

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### Business combinations from 1 January 2011 onwards

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

## Business combinations before 1 January 2011

All subsidiaries are consolidated using the purchase method. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Non-controlling interests are initially measured at their share of the fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition.

## 4.2 Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequent if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.



## NOTES TO THE FINANCIAL STATEMENTS

[cont'd]

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

## 4.2 Goodwill (Cont'd)

Business combinations from 1 January 2011 onwards

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

Business combinations before 1 January 2011

Under the purchase method, goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiaries at the date of acquisition.

If, after reassessment, the Group's interest in the fair values of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognised as income immediately in profit or loss.

## 4.3 Financial Instruments

Financial assets and liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in FRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.3 Financial Instruments (Cont'd)

#### (a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

#### (i) Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

Financial assets at fair value through profit or loss could be presented as current assets or non-current assets. Financial assets that are held primarily for trading purposes are presented as current assets whereas financial assets that are not held primarily for trading purposes are presented as current assets or non-current assets based on the settlement date.

#### (ii) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

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

#### (iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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



## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.3 Financial Instruments (Cont'd)

#### (a) Financial Assets (Cont'd)

#### (iv) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

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

#### (b) Financial Liabilities

#### (i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

#### (ii) Other Financial Liabilities

Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.3 Financial Instruments (Cont'd)

#### (c) Equity Instruments

Equity instruments classified as equity are measured at cost and are not remeasured subsequently.

#### (i) Ordinary Shares

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

#### (ii) Treasury Shares

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Where treasury shares are sold, the difference between the sales consideration and the carrying amount of the treasury shares are shown as a movement in equity. When the consideration received is more than the carrying amount, the credit difference arising is taken to the share premium account. Where the consideration received is less than the carrying amount, the debit difference is offset against reserves.

#### (d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### 4.4 Functional and Foreign Currencies

#### (a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.



[cont'd]

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.4 Functional and Foreign Currencies (Cont'd)

#### (b) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the financial period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss except for differences arising from the translation of available-for-sale equity instruments which are recognised in other comprehensive income.

#### (c) Foreign Operations

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.



## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.4 Functional and Foreign Currencies (Cont'd)

#### (c) Foreign Operations (Cont'd)

The principal closing rates used in the translation of foreign currencies are as follows:-

	2016	2015	
	RM	RM	
1 Chinese Renminbi	0.646	0.661	
1 United States Dollar	4.486	4.294	
1 Singapore Dollar	3.101	3.040	
1 Hong Kong Dollar	0.578	0.554	

#### 4.5 Impairment

#### (a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss, investments in subsidiaries and investments in associates), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be an objective evidence of impairment.

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

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity into profit or loss.

With the exception of available-for-sale debt instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.



[cont'd]

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.5 Impairment (Cont'd)

#### (b) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their valueinuse, which is measured by reference to discounted future cash flow using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rate basis.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 4.6 Property, Plant and Equipment

Property, plant and equipment, other than freehold land and buildings, are stated at cost less accumulated depreciation and impairment losses, if any.

#### (a) Freehold Land and Leasehold Quarry Land

Freehold land is not depreciated.

Leasehold quarry land is in respect of land use rights held to extract limestone for the Group's quarry operations and is outside the scope of FRS 117. Leasehold quarry land is amortised on a straight-line basis over the period of the leases ranging from 30 to 60 years.

#### (b) Other Property, Plant and Equipment

Other property, plant and equipment, with the exception of power plants and construction-inprogress, are depreciated to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line basis to write off the cost of each asset over its estimated useful life. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual depreciation rates are:-

Buildings
Power plant, machinery and equipment
Vehicles

2.0% to 6.5% 5.0% to 50% 20% to 33%

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.6 Property, Plant and Equipment (Cont'd)

#### (b) Other Property, Plant and Equipment (Cont'd)

Power plants of subsidiaries are depreciated on the straight-line basis to write off the cost less estimated residual value over the concession periods ranged from 21 to 22 years. Nevertheless, the concessions are subject to renewal according to terms as provided in the power purchase agreement.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Construction-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Construction-in-progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use. Cost of construction-in-progress includes preliminary expenses, direct costs, related expenditure and interest cost on borrowings taken to finance the construction or acquisition of the assets to the date that the assets are completed and put into use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

#### 4.7 Capitalisation of Borrowing Costs

- (a) Borrowing costs incurred on the acquisition and construction or production of a qualifying asset which require a period of time to get them ready for their intended use are capitalised and included as part of the cost of the related assets.
- (b) Borrowing costs incurred on property development projects are capitalised and included as part of development expenditure.

Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they are incurred.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.8 Leased Assets

#### (a) Finance Assets

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

#### (b) Operating Lease

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the Group's statement of financial position.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

#### 4.9 Subsidiaries

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investment includes transaction costs.

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

#### 4.10 Land Use Rights

Land use rights are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is recognised in profit or loss on a straight-line basis over the term of the leases.

#### 4.11 Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.



### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.11 Investment Properties (Cont'd)

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property or inventories, the fair value at the date of change becomes the cost for subsequent accounting purposes. If owner-occupied property becomes an investment property, such property shall be accounted for in accordance with the accounting policy for property, plant and equipment up to date of change in use.

#### 4.12 Land Held for Property Development and Property Development

#### (a) Land Held for Property Development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with the policy on impairment of assets.

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

#### (b) Property Development

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

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

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

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

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



[cont'd]

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.13 Project Development Expenditure

Project development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as non-current assets to the extent that such expenditure is expected to generate future economic benefits. Project development expenditure is capitalised if, and only if, an entity can demonstrate all of the following:-

- (a) its ability to measure reliably the expenditure attributable to the asset under development;
- (b) the product or process is technically and commercially feasible;
- (c) its future economic benefits are probable;
- (d) its intention to complete and the ability to use or sell the developed asset; and
- the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised project development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Project development expenditure initially recognised as an expense is not recognised as assets in the subsequent period.

The project development expenditure is amortised on a straight-line method over the tenure of the concession period when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

The amortisation method, useful life and residual value are reviewed, and adjusted if appropriate, at the end of each reporting period.

#### 4.14 Inventories

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by the specific identification method.

Other inventories are valued at the lower of cost (determined on a weighted average or first-in first-out basis, as applicable) and net realisable value after making due allowance for any obsolete or slow-moving items. The cost of raw materials includes the original purchase price and the incidental expenses incurred in bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour and an appropriate proportion of overheads.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

#### 4.15 Cash and Cash Equivalents

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.16 Provisions

#### (a) General Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) 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.

#### (b) Provision for Project Costs to Completion

Project costs to completion are unavoidable costs of meeting or completing the obligations under a substantially completed contract. Provisions for project costs to completion are recognised in the period in which the Group becomes legally or constructively committed to perform the contract.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

#### 4.17 Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

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

A contingent asset is not recognised but is disclosed in the notes to the financial statements. When its inflow of economic benefit is virtually certain, then the related asset is recognised in the statement of financial position.

#### 4.18 Service Concession Arrangement

A service concession arrangement is an arrangement involving an operator constructing and/or upgrading, operating and maintaining infrastructure used to provide a public service for a specified period of time. The operator is paid for its services over the period of the arrangement. The arrangement is governed by a contract that sets out performance standards, mechanisms for adjusting prices and arrangements for arbitrating disputes. The grantor controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the infrastructure at the end of the term of the arrangement.

The Group, as the operator for constructing and operating infrastructure, recognises intangible asset arising from a service concession arrangement to the extent that it receives a right (a license) to charge the grantor, based on usage of the public service, for the construction of assets. Intangible assets recognised as a result of the service concession arrangement are accounted for based on Note 4.19 Intangible Assets.



## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.18 Service Concession Arrangement (Cont'd)

Revenue from construction services is recognised using the percentage of completion method by reference to the completion of a physical proportion of the contract works performed as assessed by the project engineers and owners. Contract works mean Engineering, Procurement, Construction and Commissioning Contract ("EPC Contract") and construction of Transmission Facility. Provision for anticipated loss on the construction project will be made in the financial statements as soon as the possibility of loss is ascertained.

Contracts of which incurred construction costs exceed calculated construction costs, and costs of project of which revenue have not yet been recognised are shown as "project development expenditure" under non-current assets or, conversely, "accrued construction costs" under current liabilities in the statement of financial position.

Revenue from operation services is recognised when the services have been rendered.

#### 4.19 Intangible Assets

Intangible assets recognised as a result of the service concession arrangement are measured at cost, which are the fair value of the consideration received or receivable for the construction services provided and is amortised on a straight-line basis over the period of the Concession Agreement, which is 25 years from the commercial operation date.

The Group estimate the fair value of the consideration received or receivable for the construction services provided to be equal to the projected project costs plus a margin. Project costs comprise all costs incurred during the development and construction phase of the Project and borrowing costs. Development costs include preliminary site works, environmental and social, project development and management, professional fees and insurance costs. Costs during the construction phase include EPC Contract and construction of Transmission Facility.

#### 4.20 Revenue and Other Income

Revenue is measured at fair value of the consideration received and receivable and is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:-

- (a) Dividends from subsidiaries and other investments are recognised when the shareholders' right to receive is established.
- (b) Interest income on short-term deposits and advances are recognised on an accrual basis based on effective interest method.
- (c) Revenue from the provision of management services is recognised based on services rendered.
- (d) Revenue from the sale of electricity and steam is recognised upon invoiced value of electricity and steam delivered, net of billing adjustments and goods and services tax.
- (e) Revenue from property development projects is accounted for based on the stage of completion method as determined by the proportion of the units sold attributable to the percentage of development work where the outcome of the projects can be reliably estimated. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.



## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.20 Revenue and Other Income (Cont'd)

- (f) Revenue from the sale of goods is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of goods and services tax, returns, cash and trade discounts.
- (g) Rental income is accounted for on a straight-line method over the lease term.
- (h) Construction revenue from service concession arrangement is recognised for operator services provided under the terms of a service concession arrangement and receives payment for its services over the period of the arrangement. This typically involves the operator constructing or upgrading infrastructure which is used to provide a public service and then being responsible for operating and maintaining that infrastructure for a specified period of time. Revenue and costs of the operator relating to the construction or upgrade services and revenue and costs relating to the operation services are accounted for as described in Note 4.18 Service Concession Arrangement.

#### 4.21 Income Tax

#### (a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

#### (b) Deferred Tax

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

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

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodies in the property over time, rather than through sale.



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## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.21 Income Tax (Cont'd)

#### (b) Deferred Tax (Cont'd)

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 taxable entity and the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

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

Revenues, expenses and assets are recognised net of GST. However, when the GST incurred are related to purchases of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

Receivables and payables are stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

#### 4.22 Employee Benefits

#### (a) Short-Term Benefits

Wages, salaries, bonuses and social security contributions are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

#### (b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.22 Employee Benefits (Cont'd)

#### (c) Share-Based Payment Transactions

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Company (known as "share options").

At grant date, the fair value of the share options is recognised as an expense on a straight-line method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding credit to employees' share option reserve in equity. The amount recognised as an expense is adjusted to reflect the actual number of the share options that are expected to vest. Service and non-market performance conditions attached to the transaction are not taken into account in determining the fair value.

In the Company's separate financial statements, the grant of the share options to the subsidiaries' employees is not recognised as an expense. Instead, the fair value of the share options measured at the grant date is accounted for as an increase to the investment in subsidiary undertaking with a corresponding credit to the employees' share option reserve.

Upon expiry of the share option, the employees' share option reserve is transferred to retained profits.

When the share options are exercised, the employees' share option reserve is transferred to share capital or share premium if new ordinary shares are issued, or to treasury shares if the share options are satisfied by the reissuance of treasury shares.

#### (d) Termination Benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for those benefits.

#### 4.23 Significant Accounting Estimates and Judgements

Estimates and judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are as discussed below:

#### (a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.



[cont'd]

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.23 Significant Accounting Estimates and Judgements (Cont'd)

#### (b) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made.

#### (c) Impairment of Non-financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value in use of the cash-generating unit to which the asset is allocated, the Group is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

#### (d) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

#### (e) Classification between Investment Properties and Owner-Occupied Properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

#### (f) Impairment of Available-for-sale Financial Assets

The Group reviews its available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group also records impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant' or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.



## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.23 Significant Accounting Estimates and Judgements (Cont'd)

#### (g) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

#### (h) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

#### (i) Fair Value Estimates for Certain Financial Assets and Financial Liabilities

The Group carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

#### (i) Share-based Payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity investments at the date at which they are granted. The estimating of the fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option volatility and dividend yield and making assumptions about them.

#### (k) Intangible assets, construction revenue and costs

Revenue from construction services is recognised using the percentage of completion method by reference to the completion of a physical proportion of the contract works performed as assessed by the project engineers and owners. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed. Intangible assets which is measured at the fair value of the consideration received or receivable for the construction services will also vary.



# [cont'd]

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.24 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment assets include all assets used by a segment. Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets do not include income tax assets, whilst segment liabilities do not include income tax liabilities.

Segment revenue, expenses and results include transfers between segments. These transfers are eliminated on consolidation.

#### 4.25 Earnings Per Ordinary Share

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees and the Warrants.

#### 4.26 Related Parties

A party is related to an entity (referred to as the "reporting entity") if:-

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
  - (i) has control or joint control over the reporting entity;
  - (ii) has significant influence over the reporting entity; or
  - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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



## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.26 Related Parties (Cont'd)

- (b) An entity is related to a reporting entity if any of the following conditions applies:-
  - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
  - (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including its director (whether executive or otherwise) of that entity.

#### 4.27 Government Grants

Government grants are recognised at their fair value when there is reasonable assurance that they will be received and all conditions attached will be met.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis over the periods necessary to match the grants with the related expenses which they are intended to compensate for. These grants are presented as other income in profit or loss in reporting the related expenses in profit or loss.

Grants that compensate the Group for the cost of an asset are presented in the statement of financial position by deducting the grants in arriving at the carrying amount of the relevant asset.

### 4.28 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the 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 account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. However, this basis does not apply to share-based payment transactions.



## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.28 Fair Value Measurement (Cont'd)

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

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

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

## 5. REVENUE

	GRO	OUP	COMPANY	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Construction revenue	362,444	_	_	_
Sale of electricity and steam	389,227	435,231	_	_
Sale of goods	143,949	127,562	_	_
Sale of properties	10,355	18,378	_	_
Dividend income	2	14	79,913	121,800
Interest income	1,630	3	1,647	2
Rental income	7,850	7,498	_	_
Management fee	_	_	1,852	2,208
	915,457	588,686	83,412	124,010

# 6. PROFIT FROM OPERATIONS

This is arrived at:-

	GROUP		COMPANY		
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	
After Crediting:					
Fair value adjustment on					
investment properties	8,616	_	_	_	
Gain on derecognition					
of an associate	_	_	_	2,589	
Gain on disposal of:					
- A subsidiary	_	8	_	_	
- Property, plant and equipment	1,281	286	_	_	
- Quoted shares	867	_	866	_	
Gain on foreign exchange, net:	744	00.107			
- Realised	711	22,197	-	-	
- Unrealised	13,700	10,347	11,910	105	
Gross dividends:			70.010	101 000	
- Subsidiaries	_	_	79,913	121,800	
- Others	580	320	-	_	
Interest income	4,776	5,908	1,647	2	
Rental income:	7.050	7.400			
- Investment properties	7,850	7,498	_	_	
- Others	1,500	1,491	_	_	
Write-back of:	7	10			
- Bad debts written off	7	13	_	_	
- Impairment loss on quoted shares	100	57	_	_	
- Inventories written off	186	_	_	_	
After Charging:					
Allowance for impairment losses:					
- Available-for-sale financial					
assets (including cumulative					
losses reclassified from other					
comprehensive income)					
- quoted shares	2,310	5,357	_	461	
- Project development expenditure	_	2,083	_	2,083	
- Receivables, net	2,804	101	_	_	
Amortisation of land use rights	223	222	_	_	



[cont'd]

#### PROFIT FROM OPERATIONS (CONT'D) 6.

	GRO	OUP	COMPANY		
	2016 2015		2016	2015	
	RM'000	RM'000	RM'000	RM'000	
After Charging:					
Auditors' remuneration:					
- Audit fees:					
- For the financial year	572	442	60	52	
- Underprovision in the					
previous financial year	43	23	8	4	
- Non-audit fees:					
- For the financial year	30	16	26	14	
- Underprovision in the					
previous financial year	66	1	64	1	
Depreciation of property,			400		
plant and equipment	52,219	36,602	126	187	
Direct operating expenses					
arising from investment	0.007	0.054			
properties	2,237	2,354	_	_	
Directors' remuneration:	200	0.10	200	0.10	
- Fees	286	312	286	312	
- Salary, bonus and other	0.40	000	0.40	000	
remuneration	843	800	843	800	
- Share options to Directors	1,657	896	1,657	896	
- Other emoluments	30	29	30	29	
Loss on derecognition of		0.056			
an associate	_	2,256	_	_	
Loss on disposal of:	4		4		
- Property, plant and equipment	1	- 201	1	- 10	
- Quoted shares	_	381	_	40	
Loss on foreign exchange, net: - Realised			1.075		
Provision for retirement benefits	48	24	1,075	_	
Rental of:	40	24	_	_	
- Access road	3	3			
- Land and buildings	545	209	- 170	170	
- Motor vehicles	306	209	170	170	
- Plant and machinery	158	572			
Staff costs:	130	372			
- Defined contribution plan	3,994	4,221	244	246	
- Salaries, wages, bonuses	0,004	7,221	277	240	
and allowances	35,800	32,480	2,202	2,089	
- Share options to staff	1,126	641	1,126	641	
- Other benefits	2,917	2,681	122	183	
Write-off of:	2,017	2,001	122	100	
- Bad debts	2	15	2	_	
- Goodwill on incorporation of a	_	10	_		
subsidiary	_	1,279	_	_	
- Inventories	1,328	382	_	_	
- Land held for property	-,				
development	6,708	_	_	_	
- Property, plant and equipment	2,610	362			

There was no monetary value of benefits-in-kind received by Directors of the Group and of the Company for the respective financial year ended 31 December 2016 and 31 December 2015.

# 7. FINANCE COSTS

	GRO	OUP	COMPANY		
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	
Interest on:					
- Bank overdrafts	125	161	97	159	
- Revolving credits	2,860	2,498	2,653	2,175	
- Term loans	2,039	1,954	_	_	
- Others	1,145	812	1,165	1,323	
	6,169	5,425	3,915	3,657	

## 8. INCOME TAX EXPENSE

	GRO	OUP	COMPANY		
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	
Current tax:					
- Malaysian taxation	7,608	12,450	271	102	
<ul><li>Foreign taxation</li><li>Overprovision in</li></ul>	24,571	31,764	-	-	
previous financial years	(3,590)	(230)	(32)	_	
	28,589	43,984	239	102	
Deferred tax (Note 31): - Relating to originating and recognition of temporary					
differences - Under/(Over)provision in	11,906	(3,229)	-	-	
previous financial years	1,892	(885)	_	_	
	13,798	(4,114)	_	_	
	42,387	39,870	239	102	

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



#### INCOME TAX EXPENSE (CONT'D) 8.

A reconciliation of income tax expense applicable to profit before tax at the statutory rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	GRO	OUP	COMPANY		
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	
Profit before tax	199,625	147,524	83,185	113,821	
Tax at Malaysian statutory					
rate of 24% (2015 : 25%)	47,910	36,881	19,964	28,455	
Tax effects of:					
- Effect of lower tax rate in Malaysia	604	(72)	_	-	
- Effect of differential in tax rates on fair value adjustment					
on investment properties	(1,944)	_	_	_	
- Income not subject to tax	(18,911)	(7,449)	(22,759)	(31,135)	
- Expenses not deductible	12,795	6,706	3,066	2,782	
- Tax incentive claimed	_	(554)	_	_	
- Deferred tax assets not recognised					
during the financial year	693	699	_	_	
- Utilisation of previously					
unrecognised:					
<ul> <li>deferred tax assets</li> </ul>	_	(572)	_	_	
<ul> <li>reinvestment allowances</li> </ul>	(1,554)	(276)	_	_	
- (Over)/Underprovision in					
previous financial years:					
- current tax	(3,590)	(230)	(32)	_	
- deferred tax	1,892	(885)	_	_	
<ul> <li>Withholding tax on dividend</li> </ul>					
from a subsidiary	4,492	5,622	_		
Income tax expense	42,387	39,870	239	102	

Tax saving during the financial year arising from:-

	GRO	OUP	COMPANY		
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	
Utilisation of tax losses:					
- Current year	300	452	_	_	
- Previously not recognised	251	1,561	_	-	
Utilisation of capital allowances:					
- Current year	15,841	19,381	59	76	
- Previously not recognised	105	_	-	-	
Utilisation of reinvestment allowances:					
- Current year	937	850	_	_	
- Previously not recognised	6,474	1,104	-	_	

# 8. INCOME TAX EXPENSE (CONT'D)

No deferred tax assets/(liabilities) are recognised in respect of the following items:-

	GROUP		СОМ	PANY
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unutilised tax losses	5,566	3,479	_	_
Unabsorbed capital allowances	2,657	2,264	_	_
Accelerated depreciation	825	276	_	_
Provision	27	27	_	_
Accelerated capital allowances	(425)	(443)	_	-
	8,650	5,603	_	_

Deferred tax assets have not been recognised in respect of the unutilised tax losses and unabsorbed capital allowances as they arose from the subsidiaries that have a history of losses and it is not probable that there will be future taxable profits available for offset in the foreseeable future. In addition, these brought forward losses may not be used to offset taxable profits of other subsidiaries in the Group.

As at 31 December 2016, subject to agreement with the Inland Revenue Board, apart from the unutilised tax losses and unabsorbed capital allowances, the Group has unutilised reinvestment allowances of approximately RM18,658,000 (2015: RM19,873,000) available to be carried forward to be offset against future taxable income.

## 9. OTHER COMPREHENSIVE INCOME/(EXPENSES)

	GRO	OUP	COMPANY		
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	
Items that may be reclassified subsequently to profit or loss					
Fair value changes of available- for-sale financial assets:					
<ul><li>Changes during the financial year</li><li>Reclassification adjustment</li></ul>	(1,080)	(5,251)	(583)	(3,796)	
to profit or loss on disposal  - Transfer to profit or loss for	(645)	(3,457)	(645)	(2,589)	
an impairment loss	2,310	5,357	-	461	
	585	(3,351)	(1,228)	(5,924)	
Foreign currency translation:					
- Changes during the financial year	10,445	34,254	_	_	
- Share of associate	_	(1,293)	_	_	
	10,445	32,961	_	_	
	11,030	29,610	(1,228)	(5,924)	



[cont'd]

## **EARNINGS PER SHARE**

	GROUP	
	2016 RM'000	2015 RM'000
Basic earnings per share		
Profit after tax for the financial year attributable to		
owners of the Company (RM'000)	120,741	74,264
Weighted average number of ordinary shares ('000):-	042.245	242.002
Issued ordinary shares on 1 January  Effect of new ordinary shares issued pursuant to:	243,345	243,002
- ESOS options	1,284	226
- Rights Issue with Warrants Effect of treasury shares held	121,462 (20,497)	31,339 (20,494)
Weighted average number of ordinary shares for		
the financial year	345,594	254,073
Basic earnings per share (sen)	34.94	29.23
Diluted earnings per share		
Profit after tax for the financial year attributable to		
owners of the Company (RM'000)	120,741	74,264
Weighted average number of ordinary shares for the financial year ('000)	345,594	054.072
Weighted average number of shares under options	343,394	254,073
and warrants ('000)	13,890	14,105
Weighted average number of shares that would have		
been issued at average market price ('000)	(13,625)	(12,661)
Weighted average number of ordinary shares used		
in the calculation of diluted earnings per share ('000)	345,859	255,517
Diluted earnings per share (sen)	34.91	29.06

Comparative figures for the weighted average number of ordinary shares for both the basic and fully diluted earnings per share computations have been restated to reflect the adjustment arising from the Rights Issue which was completed on 15 April 2016.

- 10.1 The basic earnings per share is calculated by dividing the Group's profit after tax attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the financial year excluding treasury shares held by the Company.
- 10.2 The diluted earnings per share is calculated by dividing the Group's profit after tax attributable to shareholders of the Company by the assumed weighted average number of ordinary shares in issue, adjusted on the assumption that all dilutive outstanding options granted pursuant to the ESOS and dilutive outstanding warrants are exercised.

## 11. DIVIDENDS

A final tax-exempt dividend of 5.0 sen per ordinary share of RM1.00 each amounting to RM19,070,150 for the financial year ended 31 December 2015 was paid on 1 July 2016.

An interim tax-exempt dividend of 2.0 sen per ordinary share of RM1.00 each amounting to RM7,628,060 for the financial year ended 31 December 2016 (2015 : interim tax-exempt dividend of 3.0 sen) was paid on 14 October 2016.

The Board proposes a final tax-exempt dividend of 3.0 sen per ordinary share of RM1.00 each for the financial year ended 31 December 2016 (2015: final tax-exempt dividend of 5.0 sen). The proposed dividend, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting, has not been included as a liability in these financial statements.

## 12. PROPERTY, PLANT AND EQUIPMENT

	◆ AT COST ──							
GROUP 2016	Beginning of year RM'000	Additions RM'000	Acquisition of a subsidiary (Note 43) RM'000	Disposals/ Write-offs RM'000	Government subsidy received RM'000	Reclassi- fications RM'000	Exchange rate fluctuation adjustments RM'000	End of year RM'000
Freehold land and buildings	120,909	3,418	_	(637)	_	401	(1,708)	122,383
Long leasehold land	6,017	_	_	_	_	_	_	6,017
Short leasehold quarry land Plant and machinery, equipment, vehicles and	34,169	1,791	-	(641)	-	-	-	35,319
construction-in-progress	560,012	36,897	-	(19,295)	-	(401)	(6,312)	570,901
Total	721,107	42,106	_	(20,573)	_	_	(8,020)	734,620

	<b>←</b>	→ ACCUMULATED DEPRECIATION → → → → → → → → → → → → → → → → → → →							
GROUP 2016	Beginning of year RM'000	Charge for the year RM'000	Disposals/ Write-offs RM'000	Reclassi- fications RM'000	Exchange rate fluctuation adjustments RM'000	End of year RM'000			
Freehold land and buildings	50,604	4,297	(136)	_	(864)	53,901			
Long leasehold land	1,172	42	_	-	-	1,214			
Short leasehold quarry land Plant and machinery, equipment, vehicles and	10,368	915	(64)	-	-	11,219			
construction-in-progress	325,239	46,965	(16,555)	-	(3,098)	352,551			
Total	387,383	52,219	(16,755)	-	(3,962)	418,885			



[cont'd]

# 12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	→ ACCUMULATED IMPAIRMENT LOSSES ➤				
GROUP 2016	Beginning of year RM'000	Impairment for the year RM'000	End of year RM'000	End of year RM'000	Beginning of year RM'000
Freehold land and buildings	_	_	_	68,482	70,305
Long leasehold land	_	_	_	4,803	4,845
Short leasehold quarry land Plant and machinery, equipment, vehicles and	224	-	224	23,876	23,577
construction-in-progress	-	-	-	218,350	234,773
Total	224	_	224	315,511	333,500

	≺ AT COST —							<b></b>
GROUP 2015	Beginning of year RM'000	Additions RM'000	Acquisition of a subsidiary (Note 43) RM'000	Disposals/ Write-offs RM'000	Government subsidy received RM'000	Reclassi- fications RM'000	Exchange rate fluctuation adjustments RM'000	End of year RM'000
Freehold land and buildings	108,109	857	_	(300)	_	1,639	10,604	120,909
Long leasehold land	4,328	137	935	(79)	_	696	_	6,017
Short leasehold quarry land Plant and machinery, equipment, vehicles and	34,865	-	-	-	-	(696)	-	34,169
construction-in-progress	494,029	45,555	-	(9,064)	(9,664)	(1,639)	40,795	560,012
Total	641,331	46,549	935	(9,443)	(9,664)	-	51,399	721,107

	◀		ACCUMULATED	<b>DEPRECIATION</b>	<b>I</b> ———	<b></b>
GROUP 2015	Beginning of year RM'000	Charge for the year RM'000	Disposals/ Write-offs RM'000	Reclassi- fications RM'000	Exchange rate fluctuation adjustments RM'000	End of year RM'000
Freehold land and buildings	40,799	4,020	(83)	_	5,868	50,604
Long leasehold land	1,082	83	(23)	30	_	1,172
Short leasehold quarry land Plant and machinery, equipment, vehicles and	9,434	964	-	(30)	-	10,368
construction-in-progress	278,252	31,535	(7,927)	-	23,379	325,239
Total	329,567	36,602	(8,033)	-	29,247	387,383

## 12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	◆ ACCUMUL Beginning	ATED IMPAIRME Impairment	← NET BOOK VALUE → Beginning		
GROUP 2015	of year RM'000	for the year RM'000	End of year RM'000	End of year RM'000	of year RM'000
Freehold land and buildings Long leasehold land Short leasehold quarry land	- - 224	- - -	- - 224	70,305 4,845 23,577	67,310 3,246 25,207
Plant and machinery, equipment, vehicles and construction-in-progress	_	_	-	234,773	215,777
Total	224	_	224	333,500	311,540

COMPANY	Beginning of year RM'000	Additions	Disposals/ Write-offs RM'000	End of year RM'000		CUMULATED Charge for the year RM'000	DEPRECIATI Disposals/ Write-offs RM'000	ON —> End of year RM'000	<b>←</b> V	T BOOK  ALUE →  Beginning  of year  RM'000
2016 Equipment and vehicles	2,704	37	(17)	2,724	2,507	126	(10)	2,623	101	197
2015 Equipment and vehicles	2,685	26	(7)	2,704	2,327	187	(7)	2,507	197	358

Plant and machinery, equipment, vehicles and construction-in-progress of the Group include power plant with total carrying values of RM96,871,000 (2015: RM122,461,000) and power plant construction-in-progress with a carrying value of RM Nil (2015: RM4,479,000).

Property, plant and equipment of certain subsidiaries with a total carrying value of RM42,945,000 (2015: RM51,911,000) have been charged as security for banking facilities granted to those subsidiaries.

Property, plant and equipment of certain subsidiaries with a total carrying value of RM1,951,000 (2015: RM2,664,000) were acquired under hire purchase arrangements.



[cont'd]

#### **SUBSIDIARIES** 13.

	COM 2016 RM'000	PANY 2015 RM'000
Unquoted ordinary shares in Malaysia, at cost		
At beginning of financial year Addition	315,740 -	315,702 38
At end of financial year	315,740	315,740
Less : Accumulated impairment losses	(207,391)	(207,391)
	108,349	108,349
Unquoted ordinary shares outside Malaysia, at cost		
At beginning of financial year Addition	12,468	1,040 11,428
At end of financial year	12,468	12,468
Unquoted preference shares in Malaysia, at cost		
At beginning of financial year Addition	186,267 118,464	77,326 108,941
At end of financial year	304,731	186,267
Less : Accumulated impairment losses	(77,326)	(77,326)
	227,405	108,941
Loan to a subsidiary Less : Allowance for impairment losses	27,475 (27,475)	27,475 (27,475)
	_	_
Net investment in unquoted shares at end of financial year	348,222	229,758

The subsidiaries are listed in Note 42 to the financial statements.

The unquoted preference shares represent non-convertible 9% cumulative redeemable preference shares of USD1 per share issued by a wholly owned subsidiary of the Company. The non-convertible 9% cumulative redeemable preference shares may be redeemed at the option of the subsidiary.

The loan to a subsidiary is non-trade in nature, unsecured and interest-free. The amount owing is to be settled in cash.

# 13. SUBSIDIARIES (CONT'D)

The non-controlling interests at the end of the reporting period comprise the following:-

	GROUP		
	2016	2015	
	RM'000	RM'000	
Don Sahong Power Company Ltd.	12,420	2,576	
Other Power related companies	89,077	104,109	
Idaman Harmoni Sdn. Bhd.	35,049	29,789	
Other individually immaterial subsidiaries	20,142	20,042	
Total	156,688	156,516	

The summarised financial information (before intra-group elimination) for subsidiaries that have non-controlling interests and are material to the Group is as follows:-

	Don Sahong Power Company Ltd. RM'000	Other Power related companies RM'000	Idaman Harmoni Sdn. Bhd. RM'000
At 31 December 2016			
Non-current assets	522,187	127,775	96,780
Current assets	14,000	113,158	31,056
Non-current liabilities	(279,754)	(1,991)	(3,518)
Current liabilities	(81,149)	(27,016)	(47,675)
Net assets	175,284	211,926	76,643
Financial year ended 31 December 2016 Revenue Profit after tax for the financial year Total comprehensive income Total comprehensive income attributable to non-controlling interests Dividends paid to non-controlling interests Net cash flows (for)/from operating activities Net cash flows for investing activities Net cash flows from/(for) financing activities	362,444 47,600 49,222 9,844 - (4,049) (136,258) 138,139	389,227 51,951 45,382 19,077 (34,063) 83,738 (4,292) (87,801)	7,256 1,646 1,646 576 - 3,191 (1,946) (1,750)
At 31 December 2015 Non-current assets Current assets Non-current liabilities Current liabilities	127,888 - (115,008)	163,454 120,965 (3,080) (31,414)	98,698 29,566 (3,518) (49,750)
Net assets	12,880	249,925	74,996



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# SUBSIDIARIES (CONT'D)

Don Sahong Other Power Power Idama Company related Harmon Ltd. companies Sdn. Bho RM'000 RM'000 RM'000	ni d.
Financial year ended	
31 December 2015	
Revenue – 435,230 6,95	i1
(Loss)/Profit after tax for the financial year (1) 76,597 1,26	51
Total comprehensive (expense)/income (1) 108,608 1,26	51
Total comprehensive income	
attributable to non-controlling interests – 43,721 44	11
Dividends paid to non-controlling interests – (39,197)	-
Net cash flows (for)/from operating activities (114,641) 118,922 4,22	25
Net cash flows for investing activities – (12,992) (13,68	38)
Net cash flows from/(for) financing activities 127,360 (116,254) 11,00	00

# INVESTMENT IN QUOTED SHARES

	GRO	OUP	COMPANY		
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	
Carrying value/Market value:					
- Quoted in Malaysia	21,745	23,394	2,665	6,800	
- Quoted outside Malaysia	18,570	18,118	_	_	
	40,315	41,512	2,665	6,800	

Investments in quoted shares of the Group and of the Company are designated as available-for-sale financial assets and are measured at fair value.

#### 15. INVESTMENT IN UNQUOTED SHARES

	GROUP		
	2016 RM'000	2015 RM'000	
Unquoted shares in Malaysia, at cost	5,866	5,866	
Less : Accumulated impairment losses	(5,531)	(5,531)	
	335	335	

Investments in unquoted shares of the Group are designated as available-for-sale financial assets but are stated at cost as their fair values cannot be reliably measured using valuation techniques due to the lack of marketability of the shares.

## 16. LAND USE RIGHTS

	GROUP	
	2016 RM'000	2015 RM'000
Rights for foreign subsidiaries to use land Rights to conduct mineral extraction, quarry	1,088	1,043
and mining operations in Perak	5,624	5,624
	6,712	6,667

## 17. INVESTMENT PROPERTIES

	GROUP	
	2016 RM'000	2015 RM'000
Leasehold land and buildings, at fair value		
At beginning of financial year	140,740	128,433
Addition	_	8,045
Reclassified from property development costs (Note 23)	_	4,262
Fair value adjustment	8,616	-
At end of financial year	149,356	140,740

The details of the Group's investment properties that are carried at fair values are analysed as follows:-

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Leasehold land and buildings				
At beginning of financial year	_	101,980	38,760	140,740
Transfer	_	38,760	(38,760)	_
Fair value adjustment	_	8,616	_	8,616
At end of financial year	_	149,356	-	149,356

The level 2 fair value of the leasehold land and buildings has been derived using the market comparison approach performed by independent valuers. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties. There has been no change to the valuation technique during the financial year.



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# **INVESTMENT PROPERTIES (CONT'D)**

In the previous financial year, the level 3 fair value of the leasehold land and buildings has been determined based on the following significant unobservable inputs:-

<u>Unol</u>	oservable Inputs		Inputs to Fair Value
(a)	Discount applied to the market value per square foot of similar properties as valued by independent valuer	Based on management's experience and knowledge of the market conditions of the specific industry.	The higher the discount applied, the lower the fair value.
(b)	Rental yield of approximately 8% per annum	Based on the projected rental income and the cost of the leasehold land.	The higher the rental yield, the higher the fair value.

Investment properties of a subsidiary with a total carrying value of approximately RM78,111,000 (2015 : RM78,111,000) have been charged as security for a revolving credit facility granted to the subsidiary.

## 18. LAND HELD FOR PROPERTY DEVELOPMENT

	GRO	GROUP	
	2016 RM'000	2015 RM'000	
At beginning of financial year:			
<ul><li>Freehold land</li><li>Leasehold land</li><li>Development expenditure</li><li>Accumulated impairment losses</li></ul>	3,093 17,372 31,250 (500)	3,093 17,372 30,322 (500)	
Development expenditure - Addition during the financial year - Recognised to profit or loss - Write-off during the financial year	51,215 296 (365) (6,708)	50,287 928 - -	
At end of financial year	44,438	51,215	
Land held for property development at the end of the financial year is represented by:			
<ul><li>Freehold land</li><li>Leasehold land</li><li>Development expenditure</li><li>Accumulated impairment losses</li></ul>	3,093 17,372 24,473 (500)	3,093 17,372 31,250 (500)	
	44,438	51,215	



### 19. PROJECT DEVELOPMENT EXPENDITURE

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At cost:-				
Don Sahong Hydropower Project Plantation Project and long-	150,519	206,447	92,712	92,699
term lease land in Cambodia	17,929	14,632	14,509	13,882
Other Projects	2,684	2,730	2,684	2,730
	171,132	223,809	109,905	109,311
Less : Accumulated				
impairment losses	(2,083)	(2,083)	(2,083)	(2,083)
	169,049	221,726	107,822	107,228

On 13 February 2008, the Company had signed the Project Development Agreement with the Government of Lao People's Democratic Republic ("Lao PDR") to develop, build, own and operate the Don Sahong Hydropower Project in the Khong District, Champassak Province, Lao PDR. The Don Sahong Hydropower Project is a run-of-river hydropower project which will have a capacity of 260MW and capable of generating 2,000 GWh of electricity per year. Construction works on the Don Sahong Hydropower Project has commenced towards the end of the previous financial year and completion is anticipated by end of the 2019.

On 31 July 2013, the Company obtained approval from the Royal Government of Cambodia for the concession of a plot of land measuring 9,477 hectares situated in the Namlear Wildlife Sanctuary Zone, Mondulkiri Province, Kingdom of Cambodia primarily for agricultural development and cultivation. On 28 July 2015, the Ministry of Environment announced in a press release that leases on plantations will be limited to 50 years. As at the end of the financial year, the hand-over of the concession land has not yet been completed.

#### 20. INTANGIBLE ASSET

During the construction phase of the Don Sahong Hydropower Project, the Group recognises revenue in respect of its construction services under a service concession arrangement with the corresponding entry in the statement of financial position under intangible asset, which arises because of its concession right in the Concession Agreement.

The intangible asset will be amortised on a straight-line basis over the period of the Concession Agreement, which is 25 years from the commercial operation date.



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#### 21. GOODWILL ON CONSOLIDATION

	GROUP	
	2016 RM'000	2015 RM'000
Goodwill	13,802	13,802
Less : Accumulated impairment losses	(2,990)	(2,990)
	10,812	10,812

The carrying amounts of goodwill allocated to each cash-generating unit ("CGU") are as follows:-

	GROUP	
	2016 RM'000	2015 RM'000
Property segment	2,455	2,455
Resources segment	4,582	4,582
Printing business	2,785	2,785
Others	990	990
	10,812	10,812

The Group has assessed the recoverable amounts of goodwill allocated and determined that no additional impairment is required.

The recoverable amounts of the cash-generating units are determined using:-

#### (a) Fair value less costs of disposal

The impairment assessment is based on fair value less costs of disposal estimated using the market approach. Property segment determines its fair value less costs of disposal by reference to market price less estimated transaction costs on disposal.

#### (b) Value-in-use approach

This is derived from the present value of the future cash flows from the operating segments computed based on the financial projections approved by management covering a period of 5 years. The key assumptions used in the determination of the recoverable amounts of goodwill arising from the following operating segments are as follows:-

	Average Growth Rate		Discount Rate	
	2016	2015	2016	2015
Resources segment Printing business	11% 26%	5% 28%	11.6% 11.6%	11.5% 11.5%

Growth rate is based on the expected projected growth rates of the resources and printing units.

Discount rate reflects specific risks relating to the relevant operating segments.

## 22. INVENTORIES

	GROUP		
	2016 RM'000	2015 RM'000	
Finished goods and work-in-progress	4,524	9,953	
Raw materials and consumables	32,761	36,531	
Completed properties for sale	23,229	21,731	
	60,514	68,215	
Less : Inventories written down	(640)	(640)	
	59,874	67,575	
Recognised in profit or loss			
Inventories recognised as cost of sales	321,132	380,657	
Inventories written off	1,328	382	
Reversal of inventories previously written off	(186)	_	

## 23. PROPERTY DEVELOPMENT

GRO	OUP
2016 RM'000	2015 RM'000
735 - 17,727	735 2,767 18,499
18,462 128	22,001 723
(1,783)	_
	(2,767) (1,495)
-	(4,262)
	2016 RM'0000 735 - 17,727 18,462 128



[cont'd]

## 23. PROPERTY DEVELOPMENT (CONT'D)

	GRO	OUP
	2016 RM'000	2015 RM'000
Cumulative costs at end of financial year:		
- Freehold land	735	735
<ul><li>Leasehold land</li><li>Development costs</li></ul>	16,072	- 17,727
	16,807	18,462
Costs recognised in profit or loss:-		
Cumulative costs recognised at beginning of financial year Costs recognised during the financial year	(12,940) (3,867)	(7,020) (5,920)
Costs recognised for completed projects	_	_
Cumulative costs recognised at end of financial year	(16,807)	(12,940)
Property development costs at end of financial year	_	5,522
Cumulative revenue recognised in statements of		
profit or loss and other comprehensive income	27,058	17,152
Less : Cumulative billings to purchasers	(27,058)	(16,304)
Progress billings recognised as revenue but not yet raised	_	848
Net balance at end of financial year	-	6,370

The Group considers that portion of property development projects on which development work has commenced and expected to be completed within the normal operating cycle of two to three years as current assets.

## 24. RECEIVABLES

	GRO	OUP	СОМ	PANY
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade receivables Accrued billings	85,991 12,937	83,068 18,300		- -
Less : Allowance for impairment losses	98,928	101,368	-	-
<ul><li>At beginning of financial year</li><li>Addition</li><li>Write-off</li></ul>	(2,161) (2,804) (97)	(2,757) (101) 697	_ _ _	_ _ _
- At end of financial year	(5,062)	(2,161)	_	_
	93,866	99,207	-	_
Other receivables Sundry receivables Less: Allowance for impairment losses	29,659	22,738	4,455	3,929
- At beginning of financial year - Addition	(8,099)	(8,099)	(702) -	(702)
- At end of financial year	(8,099)	(8,099)	(702)	(702)
	21,560	14,639	3,753	3,227
Refundable deposits Prepaid expenses Tax recoverable	3,070 2,559 5,991	3,086 4,061 2,572	178 - 115	178 229 281
	11,620	9,719	293	688
Amount owing by subsidiaries	_	_	170,287	138,870
Less : Allowance for impairment losses	_	_	(20,369)	(20,369)
	_	-	149,918	118,501
	127,046	123,565	153,964	122,416

Trade receivables of the Group represent amounts receivable for the sale of goods and services rendered less discounts and returns, sale of electricity and steam, and progress billings for property development. The credit periods granted for trade receivables range from 21 to 120 days (2015 : 21 to 120 days).

The allowance for impairment losses is made for those receivables in significant financial difficulty and have defaulted in payments.



[cont'd]

### 25. BANK BALANCES AND DEPOSITS

	GROUP		СОМ	PANY
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and bank balances Deposits with licensed	90,425	98,001	36,432	36,018
financial institutions	184,124	88,396	98,283	_
Housing Development Accounts	16,777	11,648	_	_
	291,326	198,045	134,715	36,018

Included in bank balances and deposits are the following amounts pledged as security for banking facilities granted to certain subsidiaries:-

	GROUP		COM	PANY
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Amounts pledged to				
licensed banks	28,184	24,698	26,552	23,984

The fixed deposits with licensed financial institutions of the Group and of the Company earn interest at rates ranging from 0.05% to 10.70% (2015: 0.05% to 5.10%) per annum. The fixed deposits have maturity periods ranging from 7 to 365 days (2015: 1 to 365 days).

The Housing Development Accounts are maintained by certain subsidiaries in accordance with Section 7(A) of the Housing Developers (Control and Licensing) Act 1966. These accounts consist of monies received from purchasers to be utilised for property development projects after which, the surplus monies, if any, will accrue to the said subsidiaries upon the completion of the property development projects.

Included in bank balances and deposits of the Group is an amount of RM17,722,000 (2015: RM27,606,000) held in Chinese Renminbi ("RMB") by a subsidiary in China. The RMB is not freely convertible to other foreign currencies. Under The People's Republic of China's ("PRC") Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

### 26. SHARE CAPITAL

The movements in the authorised and issued and paid-up share capital of the Company are as follows:-

		COI	MPANY	
	Number	of Shares	Amo	ount
	2016 '000	2015 '000	2016 RM'000	2015 RM'000
Authorised				
Ordinary shares of RM1.00 each	500,000	500,000	500,000	500,000
Issued and fully paid-up Ordinary shares of RM1.00 each At 1 January	243,345	243,002	243,345	243.002
New shares issued pursuant to:	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	2,22	2,2	,,,,,
<ul><li>ESOS options</li><li>Rights Issue with Warrants</li></ul>	1,507 157,048	343	1,507 157,048	343
At 31 December	401,900	243,345	401,900	243,345

During the financial year, the Company:-

(a) Issued 157,048,290 new ordinary shares of RM1 each ("Rights Shares") for cash at an issue price of RM1.59 per share or USD0.38 per share pursuant to a renounceable rights issue together with 67,306,410 free detachable warrants ("Rights Issue with Warrants").

All the abovementioned ordinary shares rank pari passu with the then ordinary shares of the Company.

- (b) Issued 200,000 new ordinary shares of RM1 each for cash at the price of RM1.52 each pursuant to the exercise of options under the Employees' Share Option Scheme.
  - All the abovementioned ordinary shares rank pari passu with the then ordinary shares of the Company.
- (c) Issued 1,307,000 new ordinary shares of RM1 each for cash at the price of RM1.50 arising from the exercise of options under the Employees' Share Option Scheme.
  - All the abovementioned ordinary shares rank pari passu with the then ordinary shares of the Company.
- (d) Adjusted the number options and their subscription prices arising from the Rights Issue with Warrants. As at 31 December 2016, a total of 13,889,723 options issued under the ESOS (2015: 14,105,000) are not exercised.

Of the total 401,900,290 (2015: 243,345,000) issued and fully paid-up ordinary shares of RM1.00 each as at 31 December 2016, 20,497,300 (2015: 20,497,200) ordinary shares were held as treasury shares by the Company. The number of outstanding ordinary shares in issue and fully paid-up as at 31 December 2016 was therefore 381,402,990 (2015: 222,847,800).



[cont'd]

## 27. TREASURY SHARES

	COMPANY			
	Number o	of Shares	Amo	ount
	2016 '000	2015 '000	2016 RM'000	2015 RM'000
At beginning of financial year Purchase of shares	20,497	20,489 8	30,046 - *	30,025 21
At end of financial year	20,497	20,497	30,046	30,046

<sup>100</sup> ordinary shares were purchased for a total consideration of RM271 during the financial year.

During the financial year, the Company purchased 100 of its issued ordinary shares of RM1.00 each from the open market at an average price (including transaction costs) of approximately RM2.71 per share for a total consideration of RM271. These shares are held as treasury shares in accordance with Section 67A of the Companies Act 1965.

None of the treasury shares were resold or cancelled during the financial year.

## 28. RESERVES

	GROUP		СОМ	MPANY	
	2016	2015	2016	2015	
	RM'000	RM'000	RM'000	RM'000	
Non-distributable reserves					
Share premium	99,856	34,179	99,856	34,179	
ESOS reserve	4,120	1,895	4,120	1,895	
Translation reserve	69,504	56,756	_	_	
Fair value reserve	5,681	5,096	(391)	837	
Capital reserve	15,550	15,483	_	_	
Warrant reserve	18,571	_	18,571	_	
	213,282	113,409	122,156	36,911	
Distributable reserves					
Retained profits	580,849	487,409	194,624	138,255	
	794,131	600,818	316,780	175,166	

## 28.1 Share premium

The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965.

## 28. RESERVES (CONT'D)

#### 28.2 ESOS reserve

The ESOS reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees, calculated using the Black-Scholes model, recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

The ESOS is governed by ESOS By-Laws as approved by shareholders on 1 August 2010 and subsequently modified upon approval by shareholders on 21 May 2014. The ESOS tenure is 10 years effective from 1 August 2010.

The main features of the ESOS are as follows:-

- (a) The employees eligible to participate in the ESOS must be employed for a continuous period of at least one (1) year by the Company and/or a subsidiary within the Group;
- (b) The non-executive directors eligible to participate in the ESOS must have been a member of the Board or its subsidiaries for at least one (1) year;
- (c) No eligible employee or director shall participate at any time in more than one (1) employees' share option scheme implemented by any company within the Group;
- (d) The entitlement under the ESOS for the Directors of the Company and persons connected to them is subject to the approval of the shareholders of the Company in a general meeting;
- (e) The ESOS shall be in force for a period of ten (10) years from its commencement on 1 August 2010 unless otherwise terminated in accordance with the By-Laws;
- (f) No employee or director shall be granted options for less than 100 ordinary shares and not more than 50% of the MFCB Shares available under the ESOS shall be allocated, in aggregate, to Directors and senior management of the MFCB Group, and not more than 10% of the MFCB Shares available under the ESOS shall be allocated to any individual eligible participant, who, either singly or collectively through persons connected with him/her, holds 20% or more of the issued and paid-up share capital of the Company (excluding treasury shares);
- (g) The new ordinary shares in the Company allotted upon any exercise of options under the scheme will upon allotment, rank pari passu in all respects with the then existing ordinary shares in the Company, except that the new ordinary shares so issued will not rank for any dividends or other distribution declared or paid to shareholders prior to the date of allotment of such new ordinary shares, and will be subject to all the provisions of the Article of Association of the Company; and
- (h) The subscription price shall be at a discount of not more than 10% on the weighted average market price of the Company's shares for the five (5) market days immediately preceding the date of offer, but shall in no event be less than the par value of the shares.



[cont'd]

## 28. RESERVES (CONT'D)

#### 28.2 ESOS reserve (Cont'd)

The movement in the number of options granted, exercised and lapsed during the financial year is as follows:-

Grant	Exercise	Numb Balance as at				
date	price RM	1.1.2016 '000	Granted '000	Exercised '000	Lapsed '000	31.12.2016 '000
24.8.2010 29.6.2012 5.5.2015	1.34 *^ 1.52 ^ 2.00 *#	1,580 200 12,325	38 * - 1,683 *	(1,307) (200) –	- - (492)	311 - 13,516
		14,105	1,721	(1,507)	(492)	13,827

Grant	Exercise	Numb Balance as at	er of Options Over Ordinary Shares of R  Movements  during the financial year			M1 Each Balance as at
date	price RM	1.1.2015 '000	Granted '000	Exercised '000	Lapsed '000	31.12.2015 '000
24.8.2010 29.6.2012 5.5.2015	1.50 ^ 1.52 ^ 2.25 #	1,580 543 -	- - 12,600	(343)	- - (275)	1,580 200 12,325
		2,123	12,600	(343)	(275)	14,105

<sup>\*</sup> Arising from the Rights Issue with Warrants and in accordance with the ESOS By-Laws, adjustments have been made to both the number of options and the subscription price of options.

In the previous financial year, the Company granted 12,600,000 share options under the ESOS. Subsequently during the current financial year, the Company granted an additional 1,721,000 share options due to the adjustment in number of options and their subscription prices consequent to the Rights Issue with Warrants.

<sup>^</sup> Options are exercisable on or after 21 May 2014. The ESOS will be expiring on 31 July 2020.

<sup>#</sup> Options are exercisable on or after 31 March 2017. The ESOS will be expiring on 31 July 2020.

## 28. RESERVES (CONT'D)

#### 28.2 ESOS reserve (Cont'd)

The fair values of the share options granted were estimated using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The fair values of the share options measured at grant date and the assumptions used are as follows:-

Grant date	24.8.2010	ROUP/COMPANY 29.6.2012	5.5.2015
2016			
Fair value of share options (RM)	1.70	2.29 ^	2.46
Weighted average share price (RM) Exercise price (RM) Expected volatility (%) Expected life (years) Risk free rate (%) Expected dividend yield (%)	1.67 1.34* 24.54 10 3.87 4.41	2.11 ^ 1.52 24.74 ^ 8 4.08 ^ 3.28 ^	2.45 2.00* 28.88 5 3.84 3.25
2015			
Fair value of share options (RM)	1.70	2.29 ^	2.46
Weighted average share price (RM) Exercise price (RM) Expected volatility (%) Expected life (years) Risk free rate (%)	1.67 1.50 24.54 10 3.87	2.11 ^ 1.52 24.74 ^ 8 4.08 ^	2.45 2.25 28.88 5 3.84
Expected dividend yield (%)	4.41	3.28 ^	3.25

<sup>\*</sup> Adjusted for the alteration in the capital structure of the Company during the option period.

#### 28.3 Translation reserve

The translation reserve arose from the translation of the financial statements of foreign subsidiaries and is not distributable by way of dividends.

#### 28.4 Fair value reserve

The fair value reserve represents the cumulative fair value changes (net of tax, where applicable) of available-for-sale financial assets until they are disposed of or impaired.

### 28.5 Capital reserve

The capital reserve comprises reserves arising from consolidation of subsidiaries and amounts transferred from profit after taxation of a subsidiary incorporated in PRC under the PRC laws and regulations.

<sup>^</sup> Modified upon approval of amendment to ESOS By-Laws by shareholders on 21 May 2014.



[cont'd]

## 28. RESERVES (CONT'D)

#### 28.6 Warrant reserve

At the Extraordinary General Meeting held on 4 February 2016, the shareholders of the Company have approved the Rights Issue with Warrants. A total of 67,306,410 Warrants were issued by the Company on 8 April 2016 with a four (4) years tenure ending on 8 April 2020. The Warrants are listed and quoted on the Main Market of Bursa Malaysia Securities Berhad with effect from 15 April 2016. The issue price, entitlement basis and exercise price of the Warrants are as follows:-

- (i) the Warrants were issued for free on the basis of three (3) Warrants for every seven (7) Rights Shares subscribed under the Rights Issue with Warrants; and
- (ii) each Warrant is exercisable into one (1) ordinary share at the exercise price of RM2.22 per share.

Warrant holders are not entitled to vote in any general meeting of the Company or to participate in any distribution and/or offer of further securities in the Company unless and until the Warrant holder becomes a shareholder of the Company by exercising the Warrants.

At the end of the financial year, there were 67,306,410 outstanding warrants of the Company.

## 29. PAYABLES (NON-CURRENT)

	GROUP	
	2016 RM'000	2015 RM'000
Hire purchase payables (non-current)	923	1,214
Provision	300	464
	1,223	1,678
The hire purchase payables are payable as follows:-		
Minimum hire purchase payments:		
- Not later than one year	634	662
- Later than one year and not later than five years	1,001	1,443
	1,635	2,105
Less : Future finance charges	(166)	(233)
Present value of hire purchase payables	1,469	1,872
Current:		
- Not later than one year (Note 32)	546	658
Non-current:		
- Later than one year and not later than five years	923	1,214
	1,469	1,872

The hire purchase payables of the Group bear effective interest at rates ranging from 5.48% to 8.37% (2015 : 5.41% to 8.37%) per annum.

## 30. LONG-TERM BORROWINGS

	GRO	DUP
	2016 RM'000	2015 RM'000
Term loans		
Current – not later than one year (Note 33): - Secured - Unsecured	11,407 –	11,382
	11,407	11,382
Non-current (secured):		
- Later than one year and not later than two years	14,318	11,230
- Later than two years and not later than five years	4,389	15,649
- Later than five years	3,935	2,412
	22,642	29,291
	34,049	40,673

The term loans of the Group bear interest at rates ranging from 4.00% to 7.75% (2015: 4.75% to 6.95%) per annum, are repayable over a period of 3 years to 15 years and are secured by:-

- (a) Legal charges over certain land and landed properties of certain subsidiaries;
- (b) A debenture covering fixed and floating charges over the present and future assets of a subsidiary;
- (c) Special debentures on certain machinery of certain subsidiaries;
- (d) A letter of undertaking from a subsidiary;
- (e) Legal charges over certain designated bank accounts of a subsidiary;
- (f) A pledge of a fixed deposit account of a subsidiary;
- (g) Corporate guarantees given by certain subsidiaries; and
- (h) A personal guarantee and joint and several guarantees given by certain directors of certain subsidiaries.

## 31. DEFERRED TAX LIABILITIES/(ASSETS)

	GROUP		
	2016 RM'000	2015 RM'000	
At beginning of financial year Recognised in profit or loss (Note 8) Effect of foreign exchange translation	16,228 13,798 338	20,587 (4,114) (245)	
At end of financial year	30,364	16,228	
Analysed into: - Deferred tax assets - Deferred tax liabilities	(2,690) 33,054	(3,068) 19,296	
	30,364	16,228	



[cont'd]

## 31. DEFERRED TAX LIABILITIES/(ASSETS) (CONT'D)

	GROUP	
	2016 RM'000	2015 RM'000
The deferred tax liabilities/(assets) represent the tax effects of:		
- Temporary differences of capital allowances and depreciation	14,222	12,825
- Fair value gain on investment properties	4,648	4,218
- Intangible asset	11,853	_
- Revaluation surplus	2,196	2,209
- Provisions	(807)	(219)
- Government subsidy received	(1,753)	(2,881)
- Others	5	76
	30,364	16,228

## 32. PAYABLES (CURRENT)

	GROUP		COM	PANY
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade payables	28,189	25,389	_	_
Other payables and accruals				
Accrued expenses	11,644	12,471	1,334	1,193
Construction payables	74,675	529	_	_
Hire purchase payables due				
within 12 months (Note 29)	546	658	_	-
Sundry payables	17,649	22,664	6,085	6,222
Amount owing to subsidiaries	_	_	51,356	60,360
Amount owing to a related party	80	1,177	80	1,177
Provision	500	255	-	-
	105,094	37,754	58,855	68,952
	133,283	63,143	58,855	68,952

Trade payables consist of amounts outstanding for trade purchases. The credit period granted to the Group for trade purchases range from 30 to 120 days (2015: 30 to 120 days).

Included in sundry payables is an amount of RM5,986,485 (2015: RM5,986,485) in respect of Feasibility Study Grant received from Malaysia External Trade Development Corporation for the Company's power project. This was approved with reimbursement of actual expenses and there are no unfulfilled conditions or contingencies relating to this grant.

Included in the amount owing to subsidiaries is a principal sum of RM11,658,000 (2015: RM22,840,000) which is non-trade in nature, unsecured, bears interest at an interest rate of 4.00% (2015: 3.70%) per annum and is repayable on demand. The total amount owing is to be settled in cash.

## 33. SHORT-TERM BORROWINGS

	GR	OUP	COM	PANY
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Bank overdrafts (Note 39) - Secured	_	517	_	_
Trust receipts - Secured	6,582	3,786	-	-
Revolving credits - Secured - Unsecured	48,000 -	80,000 15,000	_ _ _	30,000 15,000
	48,000	95,000	-	45,000
Term loans (Note 30) - Secured - Unsecured	11,407	11,382 -	- -	_ _
	11,407	11,382	_	_
	65,989	110,685	-	45,000

The interest rates of the short-term borrowings, other than term loans disclosed in Note 30 to the financial statements, are as follows:-

- (a) The bank overdrafts of the Group bear interest rates ranging from 1.00% to 1.25% per annum above the bankers' base lending rate.
- (b) The trust receipts of the Group bear interest rates ranging from 4.15% to 5.85% (2015 : 2.25% to 8.60%) per annum.
- (c) The revolving credits of the Group and of the Company bear interest rates ranging from 0.80% to 1.00% (2015: 0.80% to 1.00%) per annum above the bankers' cost of funds.

In respect of secured borrowings, other than the long-term borrowings due within 12 months, the nature of the security is as follows:-

- (a) Legal charges over certain land and landed properties of certain subsidiaries;
- (b) A legal charge over an investment property of a subsidiary;
- (c) Corporate guarantees given by certain subsidiaries;
- (d) Joint and several guarantees given by certain directors of certain subsidiaries;
- (e) A debenture covering fixed and floating charges over the present and future assets of a subsidiary;



## 33. SHORT-TERM BORROWINGS (CONT'D)

In respect of secured borrowings, other than the long-term borrowings due within 12 months, the nature of the security is as follows (Cont'd):

- (f) A letter of undertaking from a subsidiary;
- (g) Legal charges over certain designated bank accounts of the Company and a subsidiary; and
- (h) A pledge of a fixed deposit account of a subsidiary.

## 34. NET ASSETS PER ORDINARY SHARE

The net assets per ordinary share has been calculated based on the Group's shareholders' funds as of 31 December 2016 of RM1,165,985,000 (2015: RM814,117,000) on 381,402,990 (2015: 222,847,800) ordinary shares of RM1.00 each in issue (net of treasury shares).

## 35. CAPITAL COMMITMENTS

	GR	GROUP		PANY
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Property, plant and equipment Authorised but not provided for:				
- Contracted	17,975	6,613	_	_
- Not contracted	1,709	6,666	_	-
	19,684	13,279	-	-
Project development expenditure				
Authorised but not provided for: - Contracted	1,081,309	1,136,196	_	11,020
- Not contracted	240,643	257,997	_	-
	1,321,952	1,394,193	_	11,020
	1,341,636	1,407,472	_	11,020

On 15 October 2015, Don Sahong Power Company Ltd, a 80% owned subsidiary entered into an Engineering, Procurement, Construction and Commissioning Contract with Sinohydro Corporation Limited for the development, construction and commissioning of the Don Sahong Hydropower Project over a period of 50 months for the contract sum of approximately USD265 million, of which approximately USD79 million shall be payable in RMB at RMB6.205 to USD1.

Included in the table above are commitments of approximately USD295 million relating to the Don Sahong Hydropower Project.

## 36. OPERATING LEASE COMMITMENTS

#### **LEASES AS LESSOR**

Certain subsidiaries of the Group have leased out certain properties of the Group. The future minimum lease receivable by the Group under the non-cancellable operating leases are as follows:-

	GROUP		
	2016 RM'000	2015 RM'000	
Not more than one year	6,475	5,783	
Later than one year and not later than five years	6,157	9,114	
	12,632	14,897	

## 37. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	GROUP		СОМ	PANY
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cost of property, plant and equipment purchased (Note 12)	42,106	46,549	37	26
Amount financed through hire purchase	(313)	(1,887)	_	_
Cash disbursed for purchase of property, plant and equipment	41,793	44,662	37	26

### 38. CONTINGENT LIABILITIES

- (a) A sum of RM785,000 in relation to the disputed interest on assessment on the power plant of Serudong Power Sdn Bhd ("SPSB"), a 51% owned subsidiary of Mega First Power Industries Sdn Bhd, which in turn is a 51% owned subsidiary of the Company, levied by the local authority in the State of Sabah has been waived by the said authority on 20 July 2016.
- (b) A claim has been made against Paya Emas Sdn Bhd ("PESB"), a 60% owned subsidiary of Gombak Land Sdn Bhd ("GLSB"), which in turn is a wholly-owned subsidiary of the Company by a third party in the Malacca High Court for breach of contract, related to the sale and purchase of 40% of the undivided share of a piece of land. On 6 January 2005, the High Court ordered PESB to pay damages to the third party. On 19 July 2016, the Court has dismissed the third party's claim for damages with costs to be paid to PESB.



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## 38. CONTINGENT LIABILITIES (CONT'D)

- (c) On 5 October 2016, Idaman Harmoni Sdn. Bhd. ("IHSB"), a 65% owned subsidiary of GLSB, was served with the following notices of assessment showing additional taxes and penalties totalling RM22,795,912:
  - (i) Notice of Additional Assessment dated 20 September 2016 for Year of Assessment ("YA") 2010 whereby additional tax (inclusive of penalty of 50%) of RM37,763.50 has been imposed by the Inland Revenue Board of Malaysia ("IRBM") ("Form JA").
  - (ii) Notice of Reduced Assessment dated 23 September 2016 for YA 2009 whereby tax of RM35,429.00 has been reduced by IRBM ("Form JR").
  - (iii) Notice of Assessment dated 23 September 2016 for YA 2009 whereby tax (inclusive of penalty of 100%) of RM22,793,577.50 has been imposed by IRBM ("Form J").

There will be a late payment penalty imposition of up to 15.5% on the above unpaid taxes and penalties.

The abovementioned taxes and penalties imposed by IRBM are in relation to a joint venture entered into by IHSB as the landowner with a property developer for the construction of an office and residential property known as PJ8 pursuant to an agreement dated 23 April 2004.

The IRBM has taken the view that there is a deemed disposal of the PJ8 property by IHSB which is subject to income tax. This transaction was treated by IHSB as a capital transaction which was liable to Real Property Gains Tax in Year 2004. IHSB is a property investment company and has not disposed of any of its PJ8 properties since completion.

Based on advice from both its tax consultants and solicitors, IHSB is of the view that the assessment raised by IRBM are statute barred and erroneous in law. IHSB has filed its appeals against the assessments to the Special Commissioners of Income Tax on 28 October 2016 and will defend its position vigorously.

On 16 February 2017, IHSB was served with a Notification of Civil Proceedings by the IRBM (Unit Pungutan Syarikat) under Section 106 of the Income Tax Act 1967. In the Notification, the IRBM has informed IHSB that IRBM has commenced civil proceedings against IHSB for an amount of RM26,329,278.35 (inclusive of late payment penalty of RM3,533,366.35 under Section 103/103A of the Income Tax Act 1967) as an income tax debt due to the Government for YAs 2009 to 2010. The Notification further informed that the Summons and Statement of Claim will be served on IHSB in due course, and that IHSB will be liable, in addition for all costs incurred.

## 39. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	GROUP		COM	PANY
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Bank balances and deposits (Note 25) Bank overdrafts (Note 33) Less: Amounts pledged to	291,326 -	198,045 (517)	134,715 -	36,018 -
licensed banks	(28,184)	(24,698)	(26,552)	(23,984)
	263,142	172,830	108,163	12,034

## **40. FINANCIAL INSTRUMENTS**

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### 40.1 Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

#### (a) Market Risk

### (i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily Chinese Renminbi ("RMB"), United States Dollar ("USD"), Singapore Dollar ("SGD") and Hong Kong Dollar ("HKD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.



[cont'd]

## 40. FINANCIAL INSTRUMENTS (CONT'D)

## 40.1 Financial Risk Management Policies (Cont'd)

### (a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency is as follows:-

GROUP 2016	RINGGIT MALAYSIA RM'000	CHINESE RENMINBI RM'000	UNITED STATES DOLLAR RM'000	SINGAPORE DOLLAR RM'000	HONG KONG DOLLAR RM'000	OTHERS RM'000	TOTAL RM'000
Financial assets Investment in quoted							
shares Investment in	21,746	-	-	18,372	197	-	40,315
unquoted shares	335	_	_	_	_	_	335
Receivables Bank balances and	61,295	45,227	9,761	2,034	-	179	118,496
deposits	63,394	101,201	101,741	12,154	12,768	68	291,326
	146,770	146,428	111,502	32,560	12,965	247	450,472
Financial liabilities							
Payables (non-current)	1,223	-	-	_	-	-	1,223
Long-term borrowings	22,642	-	-	-	-	-	22,642
Payables (current)	49,484	6,378	76,898	36	10	477	133,283
Short-term borrowings	65,989	_	-	_	-	-	65,989
	139,338	6,378	76,898	36	10	477	223,137
Net financial assets Less: Net financial assets/(liabilities) denominated in	7,432	140,050	34,604	32,524	12,955	(230)	227,335
the respective entities' functional currencies	(7,242)	(56,571)	62,348	_	10	_	(1,455)
Currency exposure	190	83,479	96,952	32,524	12,965	(230)	225,880

## 40. FINANCIAL INSTRUMENTS (CONT'D)

## 40.1 Financial Risk Management Policies (Cont'd)

### (a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency is as follows:-

GROUP 2015	RINGGIT MALAYSIA RM'000	CHINESE RENMINBI RM'000	UNITED STATES DOLLAR RM'000	SINGAPORE DOLLAR RM'000	HONG KONG DOLLAR RM'000	OTHERS RM'000	TOTAL RM'000
Financial assets Investment in quoted							
shares	23,394	_	_	16,541	1,577	_	41,512
Investment in							
unquoted shares	335	_	_	_	-	_	335
Receivables Bank balances and	61,527	43,126	9,565	2,552	-	162	116,932
deposits	63,135	87,040	23,699	11,921	12,228	22	198,045
	148,391	130,166	33,264	31,014	13,805	184	356,824
Financial liabilities							
Payables (non-current)	1,678	-	-	-	-	-	1,678
Long-term borrowings	29,291	_		_	_	-	29,291
Payables (current)	48,874	11,684	2,536	36	13	-	63,143
Short-term borrowings	110,685	_	_	-	_	_	110,685
	190,528	11,684	2,536	36	13	-	204,797
Net financial assets Less: Net financial assets/(liabilities) denominated in	(42,137)	118,482	30,728	30,978	13,792	184	152,027
the respective entities'	10.10=	(50.0.17)	(40.040)				(00.045)
functional currencies	42,137	(59,047)	(12,048)	_	13	_	(28,945)
Currency exposure	_	59,435	18,680	30,978	13,805	184	123,082



[cont'd]

## 40. FINANCIAL INSTRUMENTS (CONT'D)

## 40.1 Financial Risk Management Policies (Cont'd)

### Market Risk (Cont'd)

Foreign Currency Risk (Cont'd)

COMPANY 2016	RINGGIT MALAYSIA RM'000	UNITED STATES DOLLAR RM'000	SINGAPORE DOLLAR RM'000	HONG KONG DOLLAR RM'000	CHINESE RENMINBI RM'000	TOTAL RM'000
Financial assets						
Investment in quoted shares	2,665	-	-	-	-	2,665
Receivables	122,621	31,167	-	61	_	153,849
Bank balances and deposits	3,328	66,651	11,992	12,768	39,976	134,715
	128,614	97,818	11,992	12,829	39,976	291,229
Financial liabilities						
Payables (current)	58,855	-	-	-	-	58,855
	58,855	-	-	-	-	58,855
Net financial assets Less: Net financial assets	69,759	97,818	11,992	12,829	39,976	232,374
denominated in the entity's functional currency	(69,759)	-	-	-	-	(69,759)
Currency exposure	-	97,818	11,992	12,829	39,976	162,615

## 40. FINANCIAL INSTRUMENTS (CONT'D)

## 40.1 Financial Risk Management Policies (Cont'd)

### (a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

COMPANY 2015	RINGGIT MALAYSIA RM'000	UNITED STATES DOLLAR RM'000	SINGAPORE DOLLAR RM'000	HONG KONG DOLLAR RM'000	OTHERS RM'000	TOTAL RM'000
Financial assets						
Investment in quoted shares	6,800	-	_	-	_	6,800
Receivables	120,288	1,569	-	49	_	121,906
Bank balances and deposits	11,389	645	11,756	12,228	-	36,018
	138,477	2,214	11,756	12,277	-	164,724
Financial liabilities						
Payables (current)	67,758	1,194	_	_	_	68,952
Short-term borrowings	45,000	_	-	-	-	45,000
	112,758	1,194	_	_	-	113,952
Net financial assets Less: Net financial assets	25,719	1,020	11,756	12,277	-	50,772
denominated in the entity's functional currency	(25,719)	-	-	-	-	(25,719)
Currency exposure	-	1,020	11,756	12,277	-	25,053



[cont'd]

## 40. FINANCIAL INSTRUMENTS (CONT'D)

### 40.1 Financial Risk Management Policies (Cont'd)

#### (a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	GF	ROUP	COMPANY		
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	
Effects on profit after taxation and equity					
RMB/RM: - strengthened by 5% - weakened by 5%	3,172 (3,172)	2,229 (2,229)	1,519 (1,519)	- -	
USD/RM: - strengthened by 5% - weakened by 5%	3,684 (3,684)	701 (701)	3,717 (3,717)	38 (38)	
SGD/RM: - strengthened by 5% - weakened by 5%	1,236 (1,236)	1,162 (1,162)	456 (456)	441 (441)	
HKD/RM: - strengthened by 5% - weakened by 5%	493 (493)	518 (518)	488 (488)	460 (460)	

### (ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Notes 29, 30, 32 and 33 to the financial statements.

## 40. FINANCIAL INSTRUMENTS (CONT'D)

### 40.1 Financial Risk Management Policies (Cont'd)

#### (a) Market Risk (Cont'd)

(ii) Interest Rate Risk (Cont'd)

#### Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:-

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Effects on profit after taxation and equity				
Increase of 25 basis points (bp)	(156)	(255)	_	(84)
Decrease of 25 bp	156	255	_	84

## (iii) Equity Price Risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The Group manages its exposure to equity price risks by maintaining a portfolio of equities with different risk profiles.

### Equity price risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the prices of the quoted investments as at the end of the reporting period, with all other variables held constant:-

	GI	ROUP	COI	MPANY
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Effects on equity				
Increase of 5%	2,016	2,076	133	340
Decrease of 5%	(2,016)	(2,076)	(133)	(340)



## 40. FINANCIAL INSTRUMENTS (CONT'D)

#### 40.1 Financial Risk Management Policies (Cont'd)

#### (b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

#### Credit risk concentration profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

#### Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

The exposure of credit risk for trade receivables by geographical region is as follows:-

	GRO	OUP	COM	PANY
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysia	35,170	45,200	_	_
China	45,438	42,760	_	_
Others	13,258	11,247	_	_
	93,866	99,207	_	_

## 40. FINANCIAL INSTRUMENTS (CONT'D)

### 40.1 Financial Risk Management Policies (Cont'd)

#### (b) Credit Risk (Cont'd)

Ageing analysis

The ageing analysis of the Group's trade receivables at the end of the reporting period is as follows:-

GROUP	GROSS AMOUNT RM'000	INDIVIDUAL IMPAIRMENT RM'000	COLLECTIVE IMPAIRMENT RM'000	CARRYING VALUE RM'000
2016				
Not past due	58,902	_	-	58,902
Past due: - Less than 3 months	22,026	_		22,026
- 3 to 6 months	5,802			5,802
- Over 6 months	12,198	(5,062)	-	7,136
	98,928	(5,062)	-	93,866
GROUP 2015				
Not past due	65,686	_	_	65,686
Past due:				
- Less than 3 months	20,190	_	_	20,190
- 3 to 6 months	6,974	_	_	6,974
- Over 6 months	8,518	(2,161)	_	6,357
	101,368	(2,161)	_	99,207

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 180 days, which are deemed to have higher credit risk, are monitored individually.



[cont'd]

## 40. FINANCIAL INSTRUMENTS (CONT'D)

### 40.1 Financial Risk Management Policies (Cont'd)

#### (c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

	EFFECTIVE RATE	CARRYING AMOUNT RM'000	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM'000	WITHIN 1 YEAR RM'000	1 – 5 YEARS RM'000	OVER 5 YEARS RM'000
GROUP 2016					11111 000	
Payables:						
- Non-current	-	300	300	_	300	_
- Current	-	132,737	132,737	132,737	_	_
Hire purchase	5.48%-8.37%	1,469	1,635	634	1,001	
payables Term loans	4.00%-7.75%	34,049	40,860	13,495	21,199	6,166
Trust receipts	4.15%-5.85%	6,582	6,582	6,582	21,133	0,100
Revolving credits	4.35%-4.94%	48,000	48,215	48,215	_	_
		,	,	.0,2.0		
		223,137	230,329	201,663	22,500	6,166
			CONTRACTUAL			OVER
	EFFECTIVE RATE	CARRYING AMOUNT RM'000	UNDISCOUNTED  CASH FLOWS  RM'000	WITHIN 1 YEAR RM'000	1 – 5 YEARS RM'000	5 YEARS RM'000
GROUP 2015						
Payables:						
- Non-current	-	464	464	-	464	_
- Current	-	62,485	62,485	62,485	-	_
Hire purchase						
payables	5.41%- 8.37%	1,872	2,105	662	1,443	-
Term loans	4.75%-6.95%	40,673	48,778	14,458	30,100	4,220
Trust receipts	2.25%-8.60%	3,786	3,858	3,858	_	_
Bank overdrafts Revolving credits	5.85%-8.23% 4.60%-4.94%	517 95,000	555 95,382	555 95,382	_	_
	4.0070-4.3470	90,000	95,362	30,002		
		204,797	213,627	177,400	32,007	4,220

## 40. FINANCIAL INSTRUMENTS (CONT'D)

### 40.1 Financial Risk Management Policies (Cont'd)

#### (c) Liquidity Risk (Cont'd)

COMPANY 2016	EFFECTIVE RATE	CARRYING AMOUNT RM'000	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM'000	WITHIN 1 YEAR RM'000	1 – 5 YEARS RM'000	OVER 5 YEARS RM'000
Payables: - Current	_	58,855	58,855	58,855	_	_
		58,855	58,855	58,855	-	-
COMPANY 2015						
Payables:						
- Current	_	68,952	68,952	68,952	_	_
Revolving credits	4.60%-4.81%	45,000	45,186	45,186	_	
		113,952	114,138	114,138	_	_

## 40.2 Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interest.

There was no change in the Group's approach to capital management during the financial year.

The debt-to-equity ratio of the Group as at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total debts.



[cont'd]

## 40. FINANCIAL INSTRUMENTS (CONT'D)

## 40.3 Classification Of Financial Instruments

	GRO	OUP	COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Financial assets				
Available-for-sale				
financial assets				
Investment in quoted shares,				
at fair value	40,315	41,512	2,665	6,800
Investment in	40,515	41,512	2,003	0,000
unquoted shares,				
at cost	335	335	_	_
	40,650	41,847	2,665	6,800
Loans and receivables				
financial assets				
Receivables	118,496	116,932	3,931	3,405
Bank balances				
and deposits	291,326	198,045	134,715	36,018
Amount owing by				
subsidiaries	_	_	149,918	118,501
	409,822	314,977	288,564	157,924
Financial liabilities				
Other financial liabilities				
Payables:				
- Non-current	300	464	_	_
- Current	132,682	61,308	7,419	7,415
Hire purchase payables	1,469	1,872	_	_
Term loans	34,049	40,673	_	_
Bank overdrafts	_	517	_	_
Trust receipts	6,582	3,786	_	45.000
Revolving credits	48,000	95,000	_	45,000
Amount owing to subsidiaries			51,356	60.260
Amount owing to	_	_	51,550	60,360
a related party	55	1,177	80	1,177
	223,137	204,797	58,855	113,952

## 40. FINANCIAL INSTRUMENTS (CONT'D)

#### 40.4 Fair Value Information

Other than those disclosed below, the fair values of the financial assets and financial liabilities maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments. These fair values are determined by discounting the relevant cash flows at rates ranging from 4.00% to 8.37% (2015: 4.75% to 8.37%) per annum. The discounting rates equal to the current market interest rate plus appropriate credit rating, where necessary. These fair values are included in level 2 of the fair value hierarchy.

		Value of Finuments Cari Fair Value	ried At		Value of Fina ents Not Ca Fair Value		Total Fair	Carrying
GROUP 2016	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Value RM'000	Amount RM'000
Financial Assets Other investments:  - Quoted shares - Unquoted shares #	40,315 -	- -	- -	- -	- -	<u>-</u> -	40,315 #	40,315 335
Financial Liabilities Hire purchase payables Term loans	- -	-	- -	- -	1,469 34,049	- -	1,469 34,049	1,469 34,049
GROUP 2015								
Financial Assets Other investments:  - Quoted shares  - Unquoted shares #	41,512 -	-	- -	- -	- -	- -	41,512 #	41,512 335
Financial Liabilities Hire purchase payables Term loans	- -	-	- -	- -	1,872 40,673	- -	1,872 40,673	1,872 40,673

<sup>#</sup> The fair value cannot be reliably measured using valuation techniques due to lack of marketability of the unquoted shares.



[cont'd]

## 40. FINANCIAL INSTRUMENTS (CONT'D)

#### 40.4 Fair Value Information (Cont'd)

The fair values above are for disclosure purposes and have been determined using the following basis:-

- (a) The fair values of quoted investments are measured at their quoted closing bid prices at the end of the reporting period.
- (b) The fair values of hire purchase payables and term loans are determined by discounting the relevant cash flows using interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	GF	ROUP	COMPA	ANY	
	2016	2016 2015		2015 2016	2015
	%	%	%	%	
Hire purchase payables	5.48 - 8.37	5.41 - 8.37	_	_	
Term loans	4.00 - 7.75	4.75 - 6.95	_	_	

In regard to financial instruments carried at fair value, there were no transfer between level 1 and level 2 during the financial year.

## 41. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Executive Committee as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into 3 main business segments as follows:-

Business segments	Description
Power	Build, own and operate power plants.
Resources	Quarrying of limestone, manufacturing and trading of lime products, calcium carbonate powder and bricks.
Property	Property development and property investment.

The Group Executive Committee assesses the performance of the operating segments based on operating profit or loss which is measured differently from those disclosed in the consolidated financial statements.

Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly investments and related income, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses.

Transfer prices between operating segments are at arm's length basis in a manner similar to transactions with third parties.

## OPERATING SEGMENTS (CONT'D)

GROUP 2016 BUSINESS SEGMENTS	Power RM'000	Resources RM'000	Property RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue External revenue Inter-segment revenue	751,671 -	98,538 -	18,685 -	46,563 98,470	- (98,470)	915,457 –
Consolidated revenue	751,671	98,538	18,685	145,033	(98,470)	915,457
Results Profit from operations	184,736	16,436	12,384	89,114	(96,876)	205,794
Finance costs Income tax expense						(6,169) (42,387)
Profit for the financial year						157,238

Included in the profit for the financial year are the following items:-

GROUP 2016	Power RM'000	Resources RM'000	Property RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
Income						
Dividend income	-	_	578	79,915	(79,913)	580
Fair value adjustment on						
investment properties	-	_	8,615	_	1	8,616
Gain on foreign exchange, net:						
- Realised	2,849	(106)	-	274	(2,306)	711
- Unrealised	(3,295)	2,061	_	12,592	2,342	13,700
Interest income	2,888	420	494	17,973	(16,999)	4,776
Rental income	_	311	9,487	32	(480)	9,350
Expense						
Allowance for impairment losses:						
- Investment in guoted shares	_	_	401	1,909	_	2,310
- Receivables, net	2,804	_	_	_	_	2,804
Depreciation of property,	•					,
plant and equipment	40,513	8,182	215	3,309	_	52,219
Interest expense	91	1,410	61	5,403	(796)	6,169
Write-off of land held for		•		·	,	·
property development	_	_	6,708	_	_	6,708



[cont'd]

## 41. OPERATING SEGMENTS (CONT'D)

GROUP 2016	Power RM'000	Resources RM'000	Property RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
Asseta	740 400	050 470	0.47.400	000 100		4 570 474
Segment assets Inter-segment assets	713,466 28,911	258,478 946	247,100 48,617	360,130 431,367	(509,841)	1,579,174 –
	742,377	259,424	295,717	791,497	(509,841)	1,579,174
Deferred tax assets Tax recoverable						2,690 5,991
Consolidated total assets						1,587,855
Liabilities						
Segment liabilities	92,450	35,550	52,328	42,809	_	223,137
Inter-segment liabilities	274,099	25,085	65,330	175,829	(540,343)	_
	366,549	60,635	117,658	218,638	(540,343)	223,137
Deferred tax liabilities						33,054
Provision for taxation						8,991
Consolidated total liabilities						265,182
Other segment items						
Addition to non-current assets other than financial instruments:						
- Property, plant and						
equipment	10,774	21,598	7	9,727	_	42,106
- Land held for property						
development	-	_	296	-	_	296
- Project development	005.040			0.4=+		000.400
expenditure	205,949	_	_	3,174	_	209,123
- Intangible asset	362,444	_	_	_	_	362,444

## 41. OPERATING SEGMENTS (CONT'D)

GROUP 2015 BUSINESS SEGMENTS	Power RM'000	Resources RM'000	Property RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue External revenue Inter-segment revenue	435,231 -	94,692	26,356 -	32,407 124,488	- (124,488)	588,686 -
Consolidated revenue	435,231	94,692	26,356	156,895	(124,488)	588,686
Results Profit from operations	136,908	16,894	3,388	119,305	(123,546)	152,949
Finance costs Income tax expense						(5,425) (39,870)
Profit for the financial year						107,654

Included in the profit for the financial year are the following items:-

GROUP 2015	Power RM'000	Resources RM'000	Property RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
Income Dividend income Gain on foreign exchange, net:	-	-	-	122,120	(121,800)	320
- Realised	13,163	745	2,581	5,708	_	22,197
- Unrealised	6,586	3,755	_	42	(36)	10,347
Interest income	5,667	552	678	721	(1,710)	5,908
Rental income	-	302	9,095	72	(480)	8,989
Expense Allowance for impairment losses:						
<ul><li>Investment in quoted shares</li><li>Project development</li></ul>	-	_	-	5,357	_	5,357
expenditure	_	_	_	2,083	_	2,083
- Receivables, net Depreciation of property,	-	-	-	101	-	101
plant and equipment	26,453	6,712	255	3,182	_	36,602
Interest expense Loss on derecognition of	37	1,224	117	5,165	(1,118)	5,425
an associate  Loss on disposal of quoted	-	-	-	(2,859)	5,115	2,256
shares Write-off of goodwill on incorporation of a	-	-	317	64	-	381
subsidiary	-	-	-	1,279	-	1,279



[cont'd]

## 41. OPERATING SEGMENTS (CONT'D)

GROUP 2015	Power RM'000	Resources RM'000	Property RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
Assets Segment assets Inter-segment assets	336,232 12,049	242,305 8,687	249,202 49,862	375,065 249,232	(2,774) (319,830)	1,200,030
	348,281	250,992	299,064	624,297	(322,604)	1,200,030
Deferred tax assets Tax recoverable						3,068 2,572
Consolidated total assets						1,205,670
Liabilities Segment liabilities Inter-segment liabilities	22,493 150	41,321 22,920	57,110 73,045	83,702 273,747	171 (369,862)	204,797
	22,643	64,241	130,155	357,449	(369,691)	204,797
Deferred tax liabilities Provision for taxation						19,296 10,944
Consolidated total liabilities						235,037
Other segment items Addition to non-current assets other than financial instruments:						
- Property, plant and equipment	13,298	28,576	178	4,497	_	46,549
<ul><li>Investment properties</li><li>Land held for property development</li></ul>	-	-	8,045 928	-	-	8,045 928
- Project development expenditure	-	-	-	151,350	-	151,350

## 41. OPERATING SEGMENTS (CONT'D)

## **Geographical information**

Analysis by geographical information:-

	Revenue		Non-current assets	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Malaysia	177,464	190,201	454,213	444,907
China	314,719	346,145	112,612	142,755
Laos	362,444	_	536,102	220,976
Other ASEAN countries	18,036	17,864	6,682	1,477
India	15,189	14,175	_	_
Australia	13,605	8,934	_	_
New Zealand	3,571	3,558	_	_
Bangladesh	3,949	2,788	_	_
Other countries	6,480	5,021	-	-
	915,457	588,686	1,109,609	810,115

## **Major customers**

The following are major customers with revenue equal to or more than 10% of Group revenue:-

	Revenue		Division
	2016 RM'000	2015 RM'000	
Customer A	113,313	132,930	Power
Customer B	74,508	89,108	Power
Customer C (Construction revenue from Don Sahong			
Hydropower Project)	362,444	_	Power
	550,265	222,038	



[cont'd]

## 42. SUBSIDIARIES

The principal activities of the subsidiaries, their place of incorporation and the effective interest of the Group are shown below:-

Company	Principal Activities	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent		
			<b>2016</b> %	<b>2015</b> %	
Subsidiaries of the Company					
Authentic Excellence Sdn. Bhd. ("AESB")	Investment holding	Malaysia	100	100	
Bayangan Sutera Sdn. Bhd.	Dormant	Malaysia	100	100	
Bloxwich International Sdn. Bhd. ("BISB")	Investment holding and provision of management services	Malaysia	100	100	
Cheng Sun Industries Sdn. Bhd. ("CSI")	Investment holding	Malaysia	99.6	99.6	
Don Sahong Holdings Limited @ ("DSH")	Investment holding	Malaysia^	100	100	
Geo-Mobile Asia Sdn. Bhd.	Investment holding	Malaysia	100	100	
Goleman Limited @	Dormant	Malaysia^	100	100	
Gombak Land Sdn. Bhd. ("GLSB")	Property development	Malaysia	100	100	
Hexachase Corporation Sdn. Bhd. ("HXC")	Investment holding	Malaysia	52.4	52.4	
Mamut Copper Mining Sdn. Bhd. ("MCM")	Dormant	Malaysia	100	100	
Mega First Housing Development Sdn. Bhd.	Property development	Malaysia	100	100	
Mega First Industries Sdn. Bhd. ("MFI")	Investment holding	Malaysia	100	100	

# NOTES TO THE FINANCIAL STATEMENTS [cont'd]

Company	Principal Activities	Principal Place of Business/ Country of Incorporation	Issued Capita	ntage of d Share al Held arent 2015
Subsidiaries of the Company (C	ont'd)			
Mega First Investments (L) Limited &	General investment	Malaysia#	100	100
Mega First Mining Sdn. Bhd.	Investment holding	Malaysia	100	100
Mega First Plantation (Cambodia) Ltd @	Plantation	Royal Kingdom of Cambodia	100	100
Mega First Power Industries Sdn. Bhd. ("MFPI")	Investment holding and provision of management services to its subsidiaries	Malaysia	100	100
Mega First Resources Sdn. Bhd. ("MFR")	Investment holding	Malaysia	100	100
Propera Sdn. Bhd.	Dormant	Malaysia	100	100
Subsidiary of AESB				
Rock Chemical Industries (Malaysia) Sdn. Berhad ("RCI")	Investment holding and provision of management consultancy services	Malaysia	100	100
Subsidiary of BISB				
Bloxwich (Malaysia) Sdn. Bhd.	Engineering, designing and manufacturing of automotive components	Malaysia	95	95
Subsidiary of CSI				
Syarikat Cheng Sun Quarry Sdn. Bhd.	Quarrying of limestone and production of fine calcium carbonate powder	Malaysia	99.6	99.6



## NOTES TO THE FINANCIAL STATEMENTS

[cont'd]

Company	Principal Activities	Principal Place of Business/ Country of Incorporation	Issued Capit	ntage of d Share al Held arent
			<b>2016</b> %	<b>2015</b> %
Subsidiaries of DSH				
Ground Roses Limited @ ("GRL")	Investment holding	Malaysia^	100	100
Silver Acreage Limited @	Investment holding	Malaysia^	100	100
Subsidiary of GRL				
Don Sahong Power Company Ltd *	Develop and operate hydroelectric power plant	Lao People's Democratic Republic	80	80
Subsidiaries of GLSB				
Community Consortium Sdn. Bhd.	Property development	Malaysia	100	100
Idaman Harmoni Sdn. Bhd.	Property investment	Malaysia	65	65
Kinta Ceria Sdn. Bhd.	Property investment	Malaysia	100	100
Megah Harmonik Property Management Sdn. Bhd.	Property management	Malaysia	100	100
Paya Emas Sdn. Bhd.	Property development	Malaysia	60	60
Public Ventures Management Sdn. Bhd.	Dormant	Malaysia	100	100
Subsidiaries of HXC				
Hexachase Flexipack Sdn. Bhd.	Manufacturing of flexible packaging products	Malaysia	46.2	34.1
Hexachase Labels Sdn. Bhd. ("HLSB")	Manufacturing of labels and printed products	Malaysia	47.1	47.1
Hexachase Packaging Sdn. Bhd.	Manufacturing of packaging products	Malaysia	41.9	41.9
Subsidiary of HLSB				
Hexachase Marketing & Trading Sdn. Bhd.	Marketing and trading of labels and printed products	Malaysia	47.1	47.1

# NOTES TO THE FINANCIAL STATEMENTS [cont'd]

Company	Principal Activities	Principal Place of Business/ Country of Incorporation	Issued Capita	ntage of d Share al Held arent 2015 %
Subsidiary of MCM				
Geo-Mobile Asia (HK) Limited *	Dormant	Hong Kong	100	100
Subsidiary of MFI				
Greentown Parking Sdn. Bhd.	Car park operator	Malaysia	100	100
Subsidiaries of MFPI				
Mega First Power (HK) Limited * ("MFPL")	Investment holding	Hong Kong	100	100
Mega First Power Services Sdn. Bhd.	Contractor for operation and maintenance of a power plant	Malaysia	100	100
Serudong Power Sdn. Bhd.	Build, own and operate a power generation plant	Malaysia	51	51
Subsidiary of MFPL				
Shaoxing Mega Heat And Power Co. Limited *	Own and operate a power plant	The People's Republic of China	60	60
Subsidiaries of MFR				
Anting Sendirian Berhad	Quarry operator	Malaysia	100	100
Sri Anting Sdn. Bhd.	Operating quarries	Malaysia	100	100
Subsidiaries of RCI				
Batamas Sdn. Berhad ("BSB")	Manufacturing and selling of bricks	Malaysia	100	100
Identiti Jitu Sdn. Bhd.	Sand mining	Malaysia	55	55
Melewar Jutamas Sdn. Bhd.	Property investment	Malaysia	51.2	51.2
RCI Lime Sdn. Bhd.	Manufacture and sale of lime products and limestone quarry operator	Malaysia	100	100



### NOTES TO THE FINANCIAL STATEMENTS

[cont'd]

Company	Principal Activities	Principal Place of Business/ Country of Incorporation	Capita	Share
Subsidiaries of RCI (Cont'd)				
RCI Marketing Sdn. Bhd.	Trading in building materials and chemical products	Malaysia	100	100
RCI Minerals Sdn. Bhd. ("RCIM")	Investment holding	Malaysia	100	100
RCI Ventures Sdn. Bhd.	Investment in quoted securities	Malaysia	100	100
Runding Kualiti Sdn. Bhd. ("RKSB")	Pre-operating	Malaysia	60	60
Teratai Kembara Sdn. Bhd. ("TKSB")	Investment holding	Malaysia	77.8	77.8
Subsidiary of BSB				
Usaha Takzim Sdn. Bhd.	Property investment	Malaysia	100	100
Subsidiary of RCIM				
Mesrasasi Sdn. Bhd.	Quarry operator	Malaysia	100	100
Subsidiary of RKSB				
Runding ANR Sdn. Bhd.	Pre-operating	Malaysia	60	60
Subsidiary of TKSB				
Teratai ANR Sdn. Bhd.	Mining and exploration	Malaysia	70	70

- \* Subsidiary companies audited by other firms of chartered accountants.
- & Subsidiary company audited by a member firm of Crowe Horwath International.
- @ Not required to be audited under the laws of the country of incorporation.
- ^ These subsidiary companies are incorporated in British Virgin Islands.
- # The subsidiary company is incorporated in Labuan, Malaysia.

## NOTES TO THE FINANCIAL STATEMENTS [cont'd]

#### 43. ACQUISITION OF A SUBSIDIARY

#### 2015

On 19 June 2015, Rock Chemical Industries (Malaysia) Sdn. Berhad ("RCI"), and Authentic Excellence Sdn. Bhd., which are the wholly owned subsidiaries of the Company subscribed for a total of 210,000 new ordinary shares of RM1.00 each representing 51.22% equity interest in the enlarged issued and paid-up share capital of Melewar Jutamas Sdn. Bhd. ("MJSB") for the cash consideration of RM12,690,000.00.

The fair values of the identifiable assets and liabilities as at the date of acquisition were as follows:-

	AT DATE OF CARRYING AMOUNT RM'000	FACQUISITION FAIR VALUE RECOGNISED RM'000
Property, plant and equipment Other payables Bank balances	935 (753) 12,713	935 (753) 12,713
Net identifiable assets acquired	12,895	12,895
Less : Non-controlling interests		(205)
Total purchase consideration Less: Cash and cash equivalents of the subsidiary acquired		12,690 (12,713)
Net cash inflow from acquisition of subsidiary		(23)

The non-controlling interests are measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition.

The acquired subsidiary has contributed the following results to the Group:-

	2015 RM'000
Revenue Loss after taxation	(24)

If the acquisition had taken place at the beginning of the financial year, the Group's revenue and loss after taxation from continuing operations would have been the same.



### NOTES TO THE FINANCIAL STATEMENTS

[cont'd]

#### 44. DECONSOLIDATION OF A SUBSIDIARY

#### 2015

On 28 December 2015, Bloxwich International Sdn Bhd which is a wholly-owned subsidiary of the Company, disposed of 10,000 fully paid ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of Bloxwich Lighting Sdn Bhd ("Bloxwich Lighting") for a total cash consideration of RM1,500.00. The disposal is in line with the Group's internal rationalisation initiative.

The deconsolidation has the following effects on the financial position of the Group as at the end of the reporting period:-

	GROUP 2015 RM'000
Tax recoverable Other payables	8 (14)
Fair value of net liabilities deconsolidated Gain on deconsolidation	(6) 8
Effect of deconsolidation of subsidiary Cash and cash equivalents of subsidiary deconsolidated	2 -
Net cash inflow from deconsolidation of subsidiary	2

#### 45. DIRECTORS' REMUNERATION

The aggregate amount of remuneration received and receivable by the Directors of the Group and of the Company during the financial year are as follows:-

	GROUP		COM	PANY
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Executive Directors				
- Salary, bonus and other				
remuneration	843	800	843	800
- Share options	1,302	701	1,302	701
Non-Executive Directors				
- Fees	286	312	286	312
- Other emoluments	30	29	30	29
- Share options	355	195	355	195
	2,816	2,037	2,816	2,037

## NOTES TO THE FINANCIAL STATEMENTS [cont'd]

#### 45. DIRECTORS' REMUNERATION (CONT'D)

The details of Directors' remuneration received and receivable (excluding share options to Directors) for the financial year in bands of RM50,000 are as follows:-

	GROUP	
	2016 RM'000 Number of	2015 RM'000
	Number of	Directors
Executive Directors		
Below RM50,000	1	1
RM50,001 - RM100,000	_	_
RM100,001 – RM150,000	_	_
RM150,001 – RM200,000	_	_
RM200,001 – RM250,000	_	_
RM250,001 – RM300,000	_	
RM300,001 – RM350,000		1
RM350,001 – RM400,000	1	_
RM400,001 – RM450,000	_	_
RM450,001 – RM500,000	1	1
Non-Executive Directors		
Below RM50,000	3	2
RM50,001 – RM100,000	4	4

#### 46. RELATED PARTY DISCLOSURES

For the purpose of the financial statements, the Group and the Company have related party relationships with its subsidiaries as disclosed in Note 42 to the financial statements and key management personnel.

In addition to the information disclosed elsewhere in the financial statements, the Group and the Company carried out the following transactions with its related parties during the financial year:-

(a) The details of the transactions with subsidiaries are as follows:-

	GROUP		COM	PANY
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Dividend income received				
and receivable	_	_	79,913	121,800
Management fee received				
and receivable	_	_	1,852	2,208
Interest income received				
and receivable	_	_	22	_
Interest expense paid				
and payable	_	_	(774)	(1,118)
Rental received and			( /	( ) - /
receivable	_	_	310	310
Rental paid and payable	_	-	(480)	(480)



## NOTES TO THE FINANCIAL STATEMENTS

[cont'd]

#### 46. RELATED PARTY DISCLOSURES (CONT'D)

(b) The remuneration of key management personnel is as follows:-

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Directors' fees Salary, bonus and other remuneration, including	286	312	286	312
benefits-in-kind (gross)	5,983	6,050	2,831	2,748
Share options	2,353	1,280	2,353	1,280

(c) The movement in share options of key management personnel is as follows:-

	GROUP/COMPANY	
	2016	2015
	'000	'000
At 1 January	12,180	2,123
Granted	1,480	10,480
Exercised	(1,507)	(343)
Lapsed	(193)	(80)
At 31 December	11,960	12,180

(d) The details of significant transactions with related parties are as follows:-

	GRO	OUP
	2016 RM'000	2015 RM'000
Sale of LED lightings	8	513

#### 47. MATERIAL LITIGATION

On 15 November 2013, SPSB commenced arbitration proceedings against Sabah Electricity Sdn Bhd ("SESB") at the Kuala Lumpur Regional Centre for Arbitration. SPSB's claim in the arbitration is in relation to the recovery of the inflationary adjustments to the capacity and energy payments pursuant to the Power Purchase Agreement dated 13 April 1995 entered into between SPSB and SESB.

On 5 June 2015, SPSB submitted the statement of claim for the outstanding capacity and energy payments ranging from RM24.1 million to RM25.8 million due to the adjustment of the Fixed Operating Rate ("FOR") and Variable Operating Rate ("VOR") for the period from December 2000 to March 2015, as well as interest at 1.5% above the base lending rate as provided for in the Power Purchase Agreement.

On 21 April 2016, SPSB received the Partial Award from the Arbitral Tribunal declaring that SESB shall pay SPSB the sum of RM7.7 million in relation to shortfall in energy payments and capacity payments for the period between 15 November 2007 and 31 December 2015, without prejudice to SPSB's claims in the Arbitration. The remaining claim remains in dispute in the arbitration. The oral hearing is scheduled on 21 April 2017.

## NOTES TO THE FINANCIAL STATEMENTS [cont'd]

#### 48. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) At the extraordinary general meeting held on 4 February 2016, shareholders of the Company had approved the corporate exercise involving:-
  - (i) proposed renounceable rights issue of new ordinary shares of RM1.00 each in the Company ("MFCB Shares") together with free detachable warrants ("Warrants") to raise gross proceeds of up to RM250.0 million ("Proposed Rights Issue with Warrants"); and
  - (ii) proposed exemptions to Goh Nan Kioh ("GNK") and persons acting in concert with him ("PACs") from the obligation to undertake a mandatory take-over offer for all MFCB Shares and Warrants not held by GNK and his PACs under Paragraphs 16.1(b) and 16.1(c) of the Practice Note 9 of the Malaysian Code on Take-Overs and Mergers, 2010 ("Proposed Exemptions"),

(collectively, the "Proposals").

- (b) On 5 February 2016, the Company had obtained the approval of the Securities Commission Malaysia on the Proposed Exemptions.
- (c) On 17 February 2016, the Company had fixed the issue price, entitlement basis and exercise price of the Warrants as follows:-
  - the Issue Price was fixed at RM1.59 or USD0.38 per Rights Share at an entitlement basis of seven (7) Rights Shares for every ten (10) MFCB Shares held by the Entitled Shareholders on the Entitlement Date;
  - (ii) the entitlement basis for the Warrants was fixed at three (3) Warrants for every seven (7) Rights Shares subscribed for: and
  - (iii) the exercise price of the Warrants was fixed at RM2.22 for each Warrant.
- (d) On 11 March 2016, the Company had issued the Abridged Prospectus in relation to the renounceable rights issue of 157,048,290 new ordinary shares of RM1.00 each in the Company at an issue price of RM1.59 per share, which can be subscribed for at USD0.38 pursuant to the Subscription Option, together with 67,306,410 free detachable warrants on the basis of seven (7) Rights Shares for every ten (10) MFCB shares held by entitled shareholders as at 5.00 p.m. on 11 March 2016 and three (3) Warrants for every seven (7) Rights Shares subscribed for. The Rights Issue with Warrants was closed on 30 March 2016 with an over-subscription of 28,251,961 Rights Shares or 17.99% over the total number of Rights Shares available for subscription.
- (e) On 15 April 2016, the Company's Rights Issue with Warrants was completed following the listing of and quotation for the 157,048,290 Rights Shares and the admission of, listing of and quotation for 67,306,410 Warrants on the Main Market of Bursa Malaysia Securities Berhad.
- (f) On 5 October 2016, IHSB was served with notices of assessment by the IRBM showing additional taxes and penalties totalling RM22,795,912, details of which are disclosed in Note 38 (c) to the financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

[cont'd]

#### 49. SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

(a) The Companies Act 2016 came into effect on 31 January 2017 (except for Section 241 and Division 8 of Part III of the said Act) and replaces the existing Companies Act 1965.

Amongst the key changes introduced under the Companies Act 2016 that will affect the financial statements of the Group and of the Company upon its initial adoption are:-

- (i) Removal of the authorised share capital;
- (ii) Ordinary shares will cease to have par value; and
- (iii) Share premium account will become part of the share capital.

The adoption of the Companies Act 2016 is to be applied prospectively. Therefore, the changes in the accounting policies and the possible impacts on the financial statements upon its initial adoption will be disclosed in the financial statements of the Group and of the Company for the financial year ending 31 December 2017.

(b) Except as disclosed above and in Note 38 (c) to the financial statements, there was no other significant event occurring after the end of the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS [cont'd]

#### 50. SUPPLEMENTARY INFORMATION - DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained profits of the Group and of the Company as at the end of the reporting period into realised and unrealised profits are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	GROUP		COM	PANY
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Total retained profits:				
- Realised	373,149	299,626	181,997	137,538
- Unrealised	77,612	74,506	12,627	717
	450,761	374,132	194,624	138,255
Consolidation adjustments	130,088	113,277	_	_
Total Group retained profits	580,849	487,409	194,624	138,255



### STATEMENT BY DIRECTORS

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

We, GOH NAN YANG and KHOO TENG KEAT, being two of the Directors of MEGA FIRST CORPORATION BERHAD state that, in the opinion of the directors, the accompanying financial statements are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out in Note 50, which is not part of the financial statements, is prepared in all

material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements as issued by Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.
Signed in accordance with a resolution of the Directors,
Goh Nan Yang
Khoo Teng Keat
Petaling Jaya
10 April 2017

### STATUTORY **DECLARATION** PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, NEO HONG CHEE, the officer primarily responsible for the financial management of MEGA FIRST CORPORATION BERHAD, do solemnly and sincerely declare that the accompanying financial statements, are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed <b>NEO HONG CHEE</b> at
on 10 April 2017
Before me,

Commissioner For Oaths

# LIST OF **PROPERTIES HELD** AS AT 31 DECEMBER 2016

No.	Description	Location	Approximate Age (years)	Total Area (sq. metre)	Tenure	Year of Acquisition	Year of Last Valuation	Carrying Amount RM'000
1	Factory land and building	Qi Yang Gong Lu Qi Xian Town Shaoxing County Zhejiang Province 312065 China	19	70,143	Leasehold 22 years (Expire in 2019)	1997	n/a	27,114
2	Quarry and limestone hill	HS (D) KA 46712 PT 3997 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	n/a	193,300	Leasehold 30 years (Expire in 2025)	1996	1996	1,698
3	Building, office, guardhouse and warehouse	Lot 45158 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	14	22,600	Freehold	1997	1997	3,187
4	Warehouse	Lot 45155 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	6	2,970	Freehold	2011	n/a	1,138
5	Warehouse	Lot 45158 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	8	864	Freehold	2009	n/a	439
6	Integrated lime kiln and hydration plant	Lot 45155 Geran 58731 Mukim of Kampar 31600 Gopeng Perak Darul Ridzuan	n/a	22,384	Freehold	2009	n/a	584
7	Integrated lime kiln and hydration plant	Lot 45157 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	n/a	18,700	Freehold	1996	1996	163
8	Stockyard	Lot 9479 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	4	64,547	Freehold	2013	2012	1,408
9	Stockyard	Lot 21487 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	n/a	10,600	Freehold	1996	1996	40
10	Stockyard	Lot 312555, 312556, 312557 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	7 3	62,290	Freehold	2014	2013	2,376
11	Stockyard	Lot 45137, 45138, 45139 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	4	87,817	Freehold	2013	2013	4,045
12	Stockyard	Lot 45156 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	n/a	16,415	Freehold	2006	2006	386



# LIST OF **PROPERTIES HELD**AS AT 31 DECEMBER 2016

[cont'd]

No.	Description	Location	Approximate Age (years)	Total Area (sq. metre)	Tenure	Year of Acquisition	Year of Last Valuation	Carrying Amount RM'000
13	Stockyard	Lot 45160 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	5	25,040	Freehold	2012	2012	1,279
14	Road access	Lot 6252, 6671, 6251, 6738, 13693 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	5	64,041	Freehold	2012	2012	3,564
15	Road access	Lot 23358 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	2	5,893	Freehold	2015	n/a	186
16	Crushing plant and guardhouse	Lot 45152 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	10	16,010	Freehold	2007	n/a	478
17	Quarry and limestone hill	PT 1491 Mukim Kampar 31600 Gopeng Perak Darul Ridzuan	n/a	58,474	Leasehold (Expire in 2037)	2007	n/a	348
18	Quarry and limestone hill	PT 3962 Mukim Kampar 31600 Gopeng Perak Darul Ridzuan	n/a	28,328	Leasehold (Expire in 2022)	2007	n/a	12
19	Agricultural land	Lot 0320491 Mukim Kampar Perak Darul Ridzuan	2	344,100	Leasehold (Expire in 2073)	2015	n/a	878
20	Office and warehouse	Lot 28 Jalan Pengacara U1/4 Temasya Industrial Park Selangor Darul Ehsan	8 17	892	Freehold	2000	2000	720
21	Vacant land	PT 4728, Jalan Raja Musa Mukim Batang Berjuntai 45600 Batang Berjuntai Selangor Darul Ehsan	n/a	77,118	Freehold	1997	n/a	1,595
22	Factory building	Lot 15588 Mukim Sungai Rai 31300 Simpang Pulai Kinta District Perak Darul Ridzuan	a 3	n/a	Leasehold	2013	n/a	430
23	Factory land and buildings	Lot 138321 Jalan Changkat Larang P.O. Box 15 31007 Batu Gajah Perak Darul Ridzuan	34	42,576	Leasehold (Expire in 2045)	1982	1985	1,487
24	Double storey terrace house	HS (D) 353154 PT 355802 Mukim Hulu Kinta Daerah Kinta Perak Darul Ridzuan	8	121	Leasehold (Expire in 2103)	2009	n/a	113



# LIST OF **PROPERTIES HELD** AS AT 31 DECEMBER 2016

[cont'd]

No.	Description	Location	Approximate Age (years)	Total Area (sq. metre)	Tenure	Year of Acquisition	Last	Carrying Amount RM'000
25	Industrial land	HS (D) 198575 PT 37292 Mukim Sungai Terap Kinta District Perak Darul Ridzuan	n/a	7,174	Leasehold 60 years (Expire in 2071)	2012	n/a	676
26	Agricultural land	HS (D) 198576 PT 37293 Mukim Sungai Terap Kinta District Perak Darul Ridzuan	n/a	14,636	Leasehold 60 years (Expire in 2071)	2012	n/a	1,379
27	Factory land and buildings	Lot PT 839 Mukim of Sg. Raia Kinta District Perak Darul Ridzuan	29	28,850	Leasehold 60 years (Expire in 2047)	1987	n/a	3,254
28	Quarrying limestone hill	Lot PT23156 Mukim of Sg. Ra Kinta District Perak Darul Ridzuan	ia n/a	36,422	Leasehold 30 years (Expire in 2042)	1981	n/a	554
29	Vacant land	Lot PT 1109 Mukim of Sg. Rai Kinta District Perak Darul Ridzuan	a n/a	8,099	Leasehold 30 years (Expire in 2022)	1992	n/a	1
30	Agricultural land	Lot 22974 GRN 46180 Mukim of Sg. Raya Kinta District Perak Darul Ridzuan	n/a	33,336	Freehold	2012	2011	2,160
31	Quarry land	HS (D) 3238 PT 1008 Mukim of Sg. Raya Kinta District Perak Darul Ridzuan	n/a	40,467	Leasehold (Expire in 2020)	2012	2011	5,053
32	Quarry land	PN 283888 Lot 303752 Mukim of Sg. Raya Kinta District Perak Darul Ridzuan	n/a	60,710	Leasehold (Expire in 2033)	2012	2011	8,621
33	Agricultural land and buildings	Lot 15588 GRN 11527 Mukim of Sg. Raya Kinta District Perak Darul Ridzuan	n/a	68,796	Freehold	2012	2011	3,437
34	Agricultural land	Lot 22993 GRN 49450 Mukim of Sg. Raya Kinta District Perak Darul Ridzuan	n/a	7,664	Freehold	2012	2011	355



# LIST OF **PROPERTIES HELD**AS AT 31 DECEMBER 2016

[cont'd]

No.	Description	Location	Approximate Age (years)	Total Area (sq. metre)	Tenure	Year of Acquisition	Last	Carrying Amount RM'000
35	Industrial land	PN 70403 Lot 158432 Mukim of Sg. Raya Kinta District Perak Darul Ridzuan	n/a	7,522	Leasehold 60 years (Expire in 2050)	2012	2011	651
36	Industrial land	PN 71751 Lot 187404 Mukim of Sg. Raya Kinta District Perak Darul Ridzuan	n/a	16,180	Leasehold 60 years (Expire in 2051)	2012	2011	1,054
37	Industrial land	PN 71752 Lot 197220 Mukim of Sg. Raya Kinta District Perak Darul Ridzuan	n/a	12,132	Leasehold 60 years (Expire in 2052)	2012	2011	1,402
38	Corporate office tower and office suite	PJ8, Seksyen 8 46050 Petaling Jaya Selangor Darul Ehsan	8	19,104	Leasehold 99 years (Expire in 2106)	2006	2014 2016	121,109
39	Car park	PT 147622 Greentown, Ipoh Perak Darul Ridzuan	6	11,621	Leasehold 99 years (Expire in 2094)	2010	2016	12,500
40	Vacant land held for development	PN 147624, 295228 Greentown, Ipoh Perak Darul Ridzuan	n/a	16,188	Leasehold 99 years (Expire in 2094)	2005	n/a	18,202
41	Vacant land held for development	Lot 3887-4068, 4070 PT 1135-1166, 1184-1199 Mukim Dengkil Daerah Sepang Selangor Darul Ehsan	n/a	214,645	Leasehold 99 years (Expire in 2097)	1996	n/a	33,814
42	Vacant land held for development	PT 2388, 2397, 2401 Mukim Setapak Wilayah Persekutuan Kuala Lumpur	n/a	2,787	Leasehold 99 years (Expire in 2086)	1987	n/a	40
43	Vacant land held for development	PT 134914 Greentown, Ipoh Perak Darul Ridzuan	n/a	2,982	Leasehold 99 years (Expire in 2094)	1995	n/a	533
44	Vacant land held for development	Lot 277 to 279 Mukim of Paya Rumput Daerah Melaka Tengah Melaka	n/a	201,616	Freehold	1993	n/a	5,461

# LIST OF **PROPERTIES HELD** AS AT 31 DECEMBER 2016

[cont'd]

No.	Description	Location	Approximate Age (years)	Total Area (sq. metre)	Tenure	Year of Acquisition	Last	Carrying Amount RM'000
45	Factory land and building	PT 2620 & PT 2621 Lot 31 Seri Iskandar Technology Park Mukim Bota Daerah Perak Tengah 32600 Bota Perak Darul Ridzuan	20	12,565	Leasehold 99 years (Expire in 2095)	1996	n/a	2,447
46	Factory	Lot 77 Jalan IKS MJ 6 Kawasan Perindustrian Malim Jaya 75250 Melaka	20	711	Leasehold 99 years (Expire in 2096)	2000	2012	377
47	Factory and office	6 & 8, Jalan Berkat 12 Taman Malim Jaya 75250 Melaka	12	596	Leasehold 99 years (Expire in 2077)	2000	2012	397
48	Factory and office	PN 20204 Lot 4915 18, Jalan TTC 26 Taman Teknologi Cheng 75250 Melaka	1	4,940	Leasehold 99 years (Expire in 2096)	2016	2016	3,920
49	Factory and office	PN 20205 Lot 4916 18, Jalan TTC 26 Taman Teknologi Cheng 75250 Melaka	4	4,961	Leasehold 99 years (Expire in 2096)	2013	2014	4,481
50	Factory and office	Lot 4788-4789, Jalan TTC 29 Taman Perindustrian Cheng Taman Teknologi Cheng 75250 Melaka	7	3,916	Leasehold 99 years (Expire in 2096)	2009	2016	2,606
51	Factory	Lot 2233-2234, Jalan Berkat Taman Malim Jaya 75250 Melaka	12 7	603	Leasehold 99 years (Expire in 2077)	2007	2008	401

n/a Not applicable



## STATISTICS OF SHAREHOLDINGS

**AS AT 24 MARCH 2017** 

Total Number of Issued Shares : 401,901,732 ordinary shares

Class of Shares : Ordinary shares

Voting Rights : One vote per ordinary share on a poll

One vote per shareholder on a show of hands

#### **ANALYSIS OF SHAREHOLDINGS**

Size of Holdings	No. of Holders	No. of Shares Held	% of Shareholdings^
Less than 100	595	30,385	0.01
100 to 1,000	3,071	2,776,786	0.73
1,001 to 10,000	5,432	20,982,809	5.50
10,001 to 100,000	1,172	36,213,526	9.49
100,001 to less than 5% of issued shares	257	175,703,795	46.07
5% and above of issued shares	3	145,697,131	38.20
Total	10,530	381,404,432	100.00

<sup>(^) -</sup> Excludes 20,497,300 treasury shares retained by the Company as reflected in the Record of Depositors.

#### **TOP 30 SECURITIES ACCOUNT HOLDERS**

No.	Name of Securities Account Holder	No. of Shares held	% of Total Issued Shares
1)	Rubber Thread Industries (M) Sdn Berhad	81,438,500	20.26
2)	Cartaban Nominees (Asing) Sdn Bhd - BBH And Co. Boston for Fidelity Low-Priced Stock Fund (PRIN ALLSEC SUB)	32,700,045	8.14
3)	Citigroup Nominees (Asing) Sdn Bhd - UBS AG Singapore for Keen Capital Investments Limited	31,558,586	7.85
4)	Mega First Corporation Berhad - Share Buy-Back Account	20,497,300	5.10
5)	Perbadanan Pembangunan Ekonomi Sabah (SEDCO)	14,787,480	3.68
6)	Kah Hin Loong Sdn Bhd	11,008,900	2.74
7)	PRT Capital Pte Ltd	9,864,760	2.45
8)	Shoptra Jaya (M) Sdn Bhd	6,137,000	1.53
9)	Grand Terrace Sdn Bhd	5,234,020	1.30
10)	Zulkifli bin Hussain	4,913,000	1.22
11)	Andrew Lim Cheong Seng	4,200,000	1.05

# STATISTICS OF **SHAREHOLDINGS** AS AT 24 MARCH 2017

[cont'd]

### **TOP 30 SECURITIES ACCOUNT HOLDERS**

No.	Name of Securities Account Holder	No. of Shares held	% of Total Issued Shares
12)	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (AFFIN-HWG)	3,659,450	0.91
13)	Lanai Etika Sdn Bhd	3,276,240	0.82
14)	Lim Gaik Bway @ Lim Chiew Ah	3,081,900	0.77
15)	Cartaban Nominees (Tempatan) Sdn Bhd - RHB Trustees Berhad for Manulife Investment Shariah Progressfund	2,298,150	0.57
16)	Wan Poh Mining Company Sdn Bhd	2,251,300	0.56
17)	Goh Nan Kioh	2,063,120	0.51
18)	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Exempt AN for Kumpulan Sentiasa Cemerlang Sdn Bhd (TSTAC/CLNT)	1,899,000	0.47
19)	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Affin Hwang Select Asia (Ex Japan) Quantum Fund (4579)	1,887,700	0.47
20)	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ong Kok Yon	1,881,300	0.47
21)	Hoe Seng Company Pte Limited	1,860,000	0.46
22)	Juwitawan Sdn Bhd	1,855,800	0.46
23)	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Affin Hwang Asset Management Berhad for Affin Hwang Absolutereturn Fund II	1,741,000	0.43
24)	Goh Nan Yang	1,717,000	0.43
25)	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Exempt AN for Affin Hwang Asset Management Berhad (TSTAC/CLNT-T)	1,659,270	0.41
26)	RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Wong Yee Hui	1,605,800	0.40
27)	Chow Chong	1,590,000	0.40
28)	Lee Sei Fah	1,571,800	0.39
29)	Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund F9EX for Fidelity Northstar Fund	1,556,400	0.39
30)	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad for Affin Hwang Select Asia Pacific (Ex Japan) Dividend Fund	1,556,000	0.39
	Total	261,350,821	65.03



### STATISTICS OF SHAREHOLDINGS

AS AT 24 MARCH 2017 [cont'd]

#### SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

		← Direct Ir	nterest →	← Deeme	ed In	terest →
No.	Name of Substantial Shareholder	Shares	% ^	Shares		% ^
1)	Goh Nan Kioh	2,063,120	0.54	126,138,086	(a)	33.07
2)	Rubber Thread Industries (M) Sdn Berhad	81,438,500	21.35	3,276,240	(b)	0.86
3)	Keen Capital Investments Limited	31,558,586	8.27	_		_
4)	Cambrew Asia Limited	_	_	84,714,740	(c)	22.21
5)	Laju Riang Sdn Bhd	_	_	84,714,740	(c)	22.21
6)	Kema Development Sdn Bhd	_	_	84,714,740	(c)	22.21
7)	Cambrew (Malaysia) Sdn Bhd	_	_	84,714,740	(c)	22.21
8)	Dr. Lim Thian Soo	10,000	*	84,714,740	(c)	22.21
9)	Lim Thiam Cheok	10,000	*	84,714,740	(c)	22.21
10)	Lim Yam Poh	_	_	84,714,740	(c)	22.21
11)	FMR LLC	_	_	34.256.445	(d)	8.98

#### DIRECTORS' DIRECT AND DEEMED INTERESTS IN SHARES IN THE COMPANY

Direc	tor	Direct Int	erest ->	Deemed Intellement	erest ->	<- ES	OS Exercise	Price ->
		Shares	% ^	Shares	% ^	RM1.34	RM2.00	RM2.41
1)	Goh Nan Kioh	2,063,120	0.54	126,138,086 <sup>(a)</sup>	33.07	_	3,188,328	1,800,000
2)	Goh Nan Yang	1,717,000	0.45	_	-	_	2,277,377	2,000,000
3)	Khoo Teng Keat	340,000	0.09	_	-	_	1,138,688	800,000
4)	Yeow See Yuen	1,292,000	0.34	44,200 <sup>(e)</sup>	0.01	_	1,366,426	1,400,000
5)	Dato' Tan Ang Meng	438,000	0.11	_	-	_	113,869	100,000
6)	Dato' Koh Hong Sun	390,000	0.10	_	-	_	113,869	100,000
7)	Tay Kheng Chiong	45,900	0.01	_	-	310,862	113,869	100,000
8)	Pengiran Saifuddin bin							
	Pengiran Tahir	_	_	_	-	_	_	_
9)	Jesper Bjorn Madsen	_	_	_	-	_	_	_
10)	Professor Dato' Dr. Tan							
	Hui Meng	-	-	-	-	-	-	_
	Total	6,286,020	1.64	126,182,286	33.08	310,862	8,312,426	6,300,000

#### **Notes:**

- \* Less than 0.01%.
- ^ Based on the 401,901,732 issued shares minus 20,497,300 treasury shares retained by the Company as reflected in the Record of Depositors.
- (a) Deemed interest by virtue of his interest in Rubber Thread Industries (M) Sdn Berhad, Lanai Etika Sdn Bhd, Keen Capital Investments Limited and PRT Capital Pte Ltd pursuant to Section 8 of the Companies Act, 2016 ("the Act").
- (b) Deemed interest by virtue of its interest in Lanai Etika Sdn Bhd pursuant to Section 8 of the Act.
- Deemed interest by virtue of his/her/its interest in Rubber Thread Industries (M) Sdn Berhad and Lanai Etika Sdn Bhd pursuant to Section 8 of the Act.
- (d) In respect of Fidelity Low-Priced Stock Fund and Fidelity Northstar Fund.
- (e) Deemed interest by virtue of his mother's shareholdings in the Company.

### STATISTICS OF WARRANT HOLDINGS

AS AT 24 MARCH 2017

Number of Outstanding Warrants : 67,304,968

Exercise Price of Warrants : RM2.22 for each Warrant

Exercise Period of Warrants : 8 April 2016 to 8 April 2020

Exercise Rights : Each Warrant entitles the registered holder to subscribe

for one new ordinary share

Voting Rights at Meeting of Warrant : One vote per Warrant on a poll

Holders One vote per Warrant holder on a show of hands

#### **ANALYSIS OF WARRANT HOLDINGS**

Size of Holdings	No. of Holders	No. of Warrants Held	% of Warrant Holdings
Less than 100	142	6,896	0.01
100 to 1,000	1,090	561,328	0.83
1,001 to 10,000	897	3,248,165	4.83
10,001 to 100,000	294	10,263,840	15.25
100,001 to less than 5% of issued Warrants	65	27,981,094	41.57
5% and above of issued Warrants	3	25,243,645	37.51
Total	2,491	67,304,968	100.00

#### **DIRECTORS' WARRANT HOLDINGS**

		<b>←</b>	Number of	Warrants Held ——	<b></b>
Direc	etor	Direct	%	Deemed	%
1)	Goh Nan Kioh	364,080	0.54	23,247,255 (*)	34.54
2)	Goh Nan Yang	303,000	0.45	_	_
3)	Khoo Teng Keat	60,000	0.09	_	_
4)	Yeow See Yuen	236,571	0.35	7,800 (**)	0.01
5)	Dato' Tan Ang Meng	_	_	_	_
6)	Dato' Koh Hong Sun	90,000	0.13	_	_
7)	Tay Kheng Chiong	8,100	0.01	_	_
8)	Pengiran Saifuddin bin Pengiran Tahir	_	_	_	_
9)	Jesper Bjorn Madsen	_	_	_	_
10)	Professor Dato' Dr. Tan Hui Meng	_	_	-	_
	Total	1,061,751	1.57	23,255,055	34.55

Deemed interest by virtue of his interest in Rubber Thread Industries (M) Sdn Berhad, Lanai Etika Sdn Bhd, Keen Capital Investments Limited and PRT Capital Pte Ltd pursuant to Section 8 of the Act.

<sup>-</sup> Deemed interest by virtue of his mother's warrant holdings in the Company.



# STATISTICS OF WARRANT HOLDINGS AS AT 24 MARCH 2017

AS AT 24 MARCH 2017 [cont'd]

### **TOP 30 WARRANT HOLDERS**

No.	Name of Securities Account Holder	No. of Warrants held	% of Total Warrants
1)	Rubber Thread Industries (M) Sdn Berhad	14,371,500	21.35
2)	Citigroup Nominees (Asing) Sdn Bhd - UBS AG Singapore for Keen Capital Investments Limited	6,556,755	9.74
3)	Cartaban Nominees (Asing) Sdn Bhd - BBH And Co. Boston for Fidelity Low-Priced Stock Fund (PRIN ALLSEC SUB)	4,315,390	6.41
4)	Kah Hin Loong Sdn Bhd	1,928,777	2.87
5)	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Wong Yee Hui (KLC/KEN)	1,802,000	2.68
6)	RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Wong Yee Hui	1,777,900	2.64
7)	PRT Capital Pte Ltd	1,740,840	2.59
8)	CIMB Group Nominees (Asing) Sdn Bhd - Exempt AN for DBS Bank Ltd (SFS)	1,532,200	2.28
9)	CIMSEC Group Nominees (Asing) Sdn Bhd - CIMB Bank for Chai Lee Lee (MY2254)	1,300,000	1.93
10)	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB Bank for Looi Boon Han (MY0992)	1,280,000	1.90
11)	Shoptra Jaya (M) Sdn Bhd	1,083,000	1.61
12)	Alliancegroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Christina Loh Yoke Lin (8111756)	900,000	1.34
13)	Zulkifli bin Hussain	867,000	1.29
14)	Lim Gaik Bway @ Lim Chiew Ah	825,600	1.23
15)	DB (Malaysia) Nominee (Asing) Sdn Bhd - Deutsche Bank AG Singapore for IAM Traditional Asian Growth Fund	803,500	1.19
16)	Lanai Etika Sdn Bhd	578,160	0.86
17)	CIMSEC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lee Peck Chuan (B Tinggi-CL)	571,000	0.85
18)	TA Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yap Tuan Tay	540,000	0.80
19)	RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Oh Kim Sun (CEB)	526,500	0.78
20)	Alliancegroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chew Han Ngin (8108397)	510,300	0.76
21)	Teh Chak Seong	500,000	0.74
22)	Balaskanda A/L Thamotharam	475,000	0.71
23)	Po Kong Yee	400,057	0.59
24)	Wan Poh Mining Company Sdn Bhd	366,671	0.54
25)	Goh Nan Kioh	364,080	0.54
26)	Tan Saw Gnoh	328,800	0.49
27)	Yew Weng Wah	320,000	0.48
28)	Goh Nan Yang	303,000	0.45
29)	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB Bank for Ng Kok Weng (MY2166)	300,000	0.45
30)	Toh Yew Keong	282,600	0.42
	Total	47,450,630	70.50

### NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the 51st Annual General Meeting ("AGM") of Mega First Corporation Berhad ("MFCB" or "the Company") will be held at Dewan Berjaya, Bukit Kiara Equestrian and Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Monday, 22 May 2017 at 10:00 a.m. for the following purposes:-

#### AGFNDA

	A G E N D A	
1)	To receive and consider the Directors' Report and Audited Financial Statements for the year ended 31 December 2016.	(Please refer to Note B below)
2)	To declare a tax-exempt final dividend of 3.0 sen per share in respect of the year ended 31 December 2016.	(Resolution 1)
3)	To approve the payment of Directors' remuneration (including Directors' fees) to the Non-Executive Directors up to an amount of RM650,000 with effect from 1 January 2017 until the next Annual General Meeting of the Company.	(Resolution 2)
4)	To re-elect the following Directors who retire by rotation pursuant to Article 99 of the Company's Articles of Association and who being eligible, offer themselves for re-election:-	
	<ul> <li>4.1 Mr Goh Nan Yang</li> <li>4.2 Mr Tay Kheng Chiong</li> <li>4.3 Encik Pengiran Saifuddin bin Pengiran Tahir</li> </ul>	(Resolution 3) (Resolution 4) (Resolution 5)
5)	To re-elect the following Directors who are retiring pursuant to Article 104 of the Company's Articles of Association and who being eligible, offer themselves for re-election.	
	<ul><li>5.1 Mr Jesper Bjorn Madsen</li><li>5.2 Professor Dato' Dr. Tan Hui Meng</li></ul>	(Resolution 6) (Resolution 7)
6)	To re-appoint Messrs Crowe Horwath as auditors of the Company and to authorise the Board of Directors to fix their remuneration.	(Resolution 8)
	Special Business	
	To consider and if thought fit, to pass the following Ordinary Resolutions with or without modifications:	
7)	Ordinary Resolution Retention of Mr Yeow See Yuen as Independent Director	

"THAT, approval be and is hereby given to Mr Yeow See Yuen who has served as an Independent Director of the Company for a cumulative term of more than 9 years, to continue to act as an Independent Director of the Company."

(Resolution 9)



#### 8) Ordinary Resolution Authority to issue shares pursuant to Section 75 of the Companies Act, 2016

"THAT, subject always to the Companies Act, 2016 ("the Act") and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered and authorised, pursuant to Section 75 of the Act, to issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person/persons or party/parties whomsoever the Directors may deem fit provided that the aggregate nominal value of shares to be issued during the preceding 12 months does not exceed ten percent of the total number of shares in issue (excluding treasury shares) at the date of issuance of shares and that such authority shall continue in force until the conclusion of the next annual general meeting."

(Resolution 10)

#### 9) Ordinary Resolution Renewal of Share Buy-Back Authority

"THAT, subject always to the Companies Act, 2016 ("the Act"), rules, regulations and orders made pursuant to the Act, and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("BMSB") and any applicable laws, rules, regulations and guidelines for the time being in force, the Directors of the Company be and are hereby authorised to:-

(Resolution 11)

- i) purchase shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, provided that the aggregate number of shares bought pursuant to this resolution does not exceed ten percent of the total number of shares as quoted on BMSB at the point of purchase and the total funds allocated shall not exceed the total retained earnings of the Company which would otherwise be available for dividends;
- ii) retain the shares so purchased as treasury shares or cancel them or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or to distribute the shares as dividend, and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the MMLR of BMSB and any other relevant authority for the time being in force: and
- iii) take all such steps as are necessary or expedient to implement or to effect the purchase of the shares,

AND THAT the authority conferred by this resolution shall commence immediately and continue to be in force until the conclusion of the next annual general meeting of the Company, unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting or upon the expiration of the period within which the next annual general meeting is required by law to be held, whichever occurs first."

### 10) Ordinary Resolution Allocation of Options to Encik Pengiran Saifuddin bin Pengiran Tahir

"THAT, approval be and is hereby given for the Company to offer and to grant to Encik Pengiran Saifuddin bin Pengiran Tahir, being the Independent and Non-Executive Director of MFCB, options to subscribe for such number of new MFCB Shares under the Company's Employees' Share Option Scheme ("the ESOS") PROVIDED THAT:

(Resolution 12)

- not more than 50% of the MFCB Shares available under the ESOS shall be allocated, in aggregate, to Directors and senior management of the MFCB Group; and
- not more than 10% of the MFCB Shares available under the ESOS shall be allocated to any individual eligible participant, who, either singly or collectively through persons connected with him/her, holds 20% or more of the issued and paid-up share capital of the Company (excluding treasury shares);

AND subject always to such terms and conditions of the ESOS as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the By-Laws governing and constituting the ESOS."

### 11) Ordinary Resolution Allocation of Options to Mr Jesper Bjorn Madsen

"THAT, approval be and is hereby given for the Company to offer and to grant to Mr Jesper Bjorn Madsen, being the Independent and Non-Executive Director of MFCB, options to subscribe for such number of new MFCB Shares under the Company's Employees' Share Option Scheme ("the ESOS") PROVIDED THAT:

(Resolution 13)

- not more than 50% of the MFCB Shares available under the ESOS shall be allocated, in aggregate, to Directors and senior management of the MFCB Group; and
- not more than 10% of the MFCB Shares available under the ESOS shall be allocated to any individual eligible participant, who, either singly or collectively through persons connected with him/her, holds 20% or more of the issued and paid-up share capital of the Company (excluding treasury shares);

AND subject always to such terms and conditions of the ESOS as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the By-Laws governing and constituting the ESOS."



#### 12) Ordinary Resolution Allocation of Options to Professor Dato' Dr. Tan Hui Meng

"THAT, approval be and is hereby given for the Company to offer and to grant to Professor Dato' Dr. Tan Hui Meng, being the Independent and Non-Executive Director of MFCB, options to subscribe for such number of new MFCB Shares under the Company's Employees' Share Option Scheme ("the ESOS") PROVIDED THAT:

(Resolution 14)

- a) not more than 50% of the MFCB Shares available under the ESOS shall be allocated, in aggregate, to Directors and senior management of the MFCB Group; and
- not more than 10% of the MFCB Shares available under the ESOS shall be allocated to any individual eligible participant, who, either singly or collectively through persons connected with him/her, holds 20% or more of the issued and paid-up share capital of the Company (excluding treasury shares);

AND subject always to such terms and conditions of the ESOS as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the By-Laws governing and constituting the ESOS."

#### NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

**NOTICE IS HEREBY GIVEN THAT**, subject to the approval of the shareholders for the payment of the tax-exempt final dividend of 3.0 sen per share in respect of the financial year ended 31 December 2016 under Resolution 1 at the 51st AGM, the dividend will be paid to the shareholders on 7 July 2017. The entitlement for the dividend shall be 23 June 2017.

Shareholders of the Company will only be entitled to the dividend in respect of:-

- a) Securities transferred into their securities account before 4:00 p.m. on 23 June 2017; and
- b) Securities bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board Yong Lai Sim Secretary

Petaling Jaya 25 April 2017

#### **NOTES:**

#### A) Entitlement of Attendance and Appointment of Proxy

- (i) In respect of deposited securities, only members whose names appear in the Record of Depositors as at 15 May 2017 shall be entitled to attend the 51st Annual General Meeting or to appoint proxies to attend on their behalf.
- (ii) A member of the Company entitled to attend and vote at the meeting, is entitled to appoint one or more proxy to attend, participate, speak and vote in his stead. A proxy need not be a member of the Company.
- (iii) In the case of a corporate member, the instrument appointing a proxy or proxies shall be (a) under its Common Seal or (b) under the hand of its attorney and in the case of (b), be supported by a certified true copy of the resolution appointing such officer or certified true copy of the power of attorney.
- (iv) Where a member appoints more than one proxy, the appointments shall not be valid unless the member specifies the proportion of his shareholding to be represented by each proxy.
- (v) The original instrument appointing a proxy must be deposited at the Registered Office of the Company situated at A-12-01, Level 12, Block A, PJ8, No. 23 Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time appointed for holding the meeting.

#### B) Audited Financial Statements

The agenda is meant for discussion as the provisions of the Companies Act, 2016 do not require a formal approval of the shareholders on the audited financial statements. Hence, the matter will not be put for voting.

#### **EXPLANATORY NOTES TO SPECIAL BUSINESS**

#### 1) Resolution 9 - Retention of Mr Yeow See Yuen as Independent Director

Mr Yeow See Yuen has served the Company as Independent Director for more than 9 years. The Board of Directors, vide the Nominating Committee has assessed the independence of Mr Yeow See Yuen.

The Nominating Committee and the Board are satisfied that Mr Yeow See Yuen remains unbiased, objective and independent in expressing his opinions and in participating in the decision making of the Board. He possesses tremendous insights and in-depth knowledge of the Company's business and affairs. The length of his services on the Board has not in any way interfered with his objective and independent judgment in carrying out his role as a member of the Board and relevant Committees. With his skills and vast experience in business, accounting, finance and management, Mr Yeow See Yuen would be able to contribute during deliberations or discussions of the Board and Board Committees. He has also devoted sufficient attention to his responsibilities as an Independent Director and in carrying out his duty in the best interest of the Company and its shareholders. The Board believes that Mr Yeow See Yuen should be retained as Independent Director. The Board therefore recommends for shareholders' approval to retain Mr Yeow See Yuen as Independent Director



#### 2) Resolution 10 - Authority to issue shares pursuant to Section 75 of the Companies Act, 2016

Resolution 10, if passed, will empower the Directors to issue new shares up to 10% of the issued share capital (excluding treasury shares) of the Company at the point of issuance, for purposes of funding future investment projects, working capital, acquisitions and so forth. The approval is a renewed general mandate and is sought to provide flexibility and avoid any delay and cost in convening a general meeting for such issuance of shares for fund raising activities, including placement of shares. The authorisation, unless revoked or varied by the Company at a general meeting, will expire at the next AGM. The Company has not issued any new shares under the general authority given at the last AGM.

#### Resolution 11 - Renewal of Share Buy-Back Authority

Resolution 11, if passed, will give the Company the authority to purchase its own ordinary shares of up to 10% of the total number of shares as quoted on Bursa Malaysia Securities Berhad at the point of purchase ("Share Buy-Back"). This authority, unless renewed or revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM after that date is required by law to be held, whichever occurs first.

For further information, please refer to the Share Buy-back Statement dated 25 April 2017 which is circulated together with the Company's Annual Report 2016.

#### Resolution 12 - Allocation of Options to Encik Pengiran Saifuddin bin Pengiran Tahir

Resolution 12, if passed, will allow Encik Pengiran Saifuddin bin Pengiran Tahir, an Independent and Non-Executive Director of the Company, to participate in the Employees' Share Option Scheme of the Company. Encik Pengiran Saifuddin bin Pengiran Tahir will abstain from voting on this resolution in respect of his direct and indirect shareholdings in the Company, if any.

#### 5) Resolution 13 - Allocation of Options to Mr Jesper Bjorn Madsen

Resolution 13, if passed, will allow Mr Jesper Bjorn Madsen, an Independent and Non-Executive Director of the Company, to participate in the Employees' Share Option Scheme of the Company. Mr Jesper Bjorn Madsen will abstain from voting on this resolution in respect of his direct and indirect shareholdings in the Company, if any.

#### Resolution 14 - Allocation of Options to Professor Dato' Dr. Tan Hui Meng

Resolution 14, if passed, will allow Professor Dato' Dr. Tan Hui Meng, an Independent and Non-Executive Director of the Company, to participate in the Employees' Share Option Scheme of the Company. Professor Dato' Dr. Tan Hui Meng will abstain from voting on this resolution in respect of his direct and indirect shareholdings in the Company, if any.

### STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES

The profiles of the Directors who are standing for re-election under Agenda 3 and 4 of the Notice of 51st AGM are found on the Profile of Directors section of this Annual Report 2016.

## GROUP OF **COMPANIES DIRECTORY**

No.	Company Name & Email Address	Address	Telephone No.	Facsimile No.	Person-to-Contact
1.	Mega First Power Industries Sdn. Bhd. mfcb@mega-first.com	A-12-01, Level 12, Block A, PJ8, No. 23 Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan.	03-79608818	03-79607818	Mr. Khoo Teng Keat
2.	Shaoxing Mega Heat And Power Co. Limited Itliew@smhp.sxmail.net	Qi Yang Gong Lu, Qi Xian Town, Shaoxing County, Zhejiang Province, 312065 China.	+86-575-85181025	+86-575-85182287	Mr. Liew Leong Ting
3.	Serudong Power Sdn. Bhd. Mega First Power Services Sdn. Bhd. serudongpower@yahoo.com	KM6, Jalan Kuhara-Muhibbah Raya, 91000 Tawau, Sabah.	089-711568 089-711569	089-711576	Mr. Jeff Fernandez
4.	Rock Chemical Industries (Malaysia) Sdn. Berhad info@rci.com.my	Lot 45157 & 45158, Gunung Panjang, 31600 Gopeng, Perak Darul Ridzuan.	05-3593188	05-3593228	Mr. John Chu
5.	Syarikat Cheng Sun Quarry Sdn. Bhd. csquarry@yahoo.com.my	Lot 67887, Mukim Sg. Raia, 31300 Keramat Pulai, Perak Darul Ridzuan.	05-3571502 05-3571503 05-3571505	05-3571504	Mr. John Chu
6.	Batamas Sdn. Berhad batamasmy@yahoo.com	Lot 138321, Jalan Changkat Larang, P.O. Box 15, 31007 Batu Gajah, Perak Darul Ridzuan.	05-3661654 05-3663500	05-3663555	Mr. John Chu
7.	Anting Sendirian Berhad antingsb@hotmail.com	Lot 15588, Mukim Sungai Raya, 31300 Simpang Pulai, Ipoh, Perak Darul Ridzuan.	05-3574105	05-3576472	Mr. John Chu
8.	Gombak Land Sdn. Bhd. Mega First Housing Development Sdn. Bhd. Paya Emas Sdn. Bhd. Idaman Harmoni Sdn. Bhd. mfcb.property@mega-first.com	A-12-01, Level 12, Block A, PJ8, No. 23 Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan.	03-79608818	03-79607818	Mr. Steven Chu
9.	Greentown Parking Sdn. Bhd. mfcb.property@mega-first.com	GA-D-15 Ground Floor, No. 15 Persiaran Greentown 4A, Greentown Avenue, 30450 Ipoh, Perak Darul Ridzuan.	05-2433033	05-2433033	Mr. Steven Chu
10.	Bloxwich (Malaysia) Sdn. Bhd. admin@bloxwich.com.my	Lot 31, Seri Iskandar Technology Park, Mukim Bota, Daerah Perak Tengah, 32600 Bota, Perak Darul Ridzuan.	05-3711516 05-3712859	05-3711520	Mr. Ong Hock Kheng
11.	Hexachase Labels Sdn. Bhd. info@hexachase.com	No. 6 & 8, Jalan Berkat 12, Taman Malim Jaya, 75250 Melaka.	06-3357461 06-3357472	06-3357429	Mr. Danny Yeo
12.	Hexachase Packaging Sdn. Bhd. pkgcs@hexachase.com	Lot 4788 & 4789, Jalan TTC 29, Kawasan Perindustrian Cheng, Taman Teknologi Cheng, 75250 Melaka.	06-3371201 06-3371202	06-3371200	Mr. Deric Sim
13.	Hexachase Flexipack Sdn. Bhd. cs.hfp@hexachase.com	No. 18, Jalan TTC 26, Taman Teknologi Cheng, 75250 Melaka.	06-3358299	06-3350009	Mr. Danny Yeo



(Company No. 6682-V) (Incorporated in Malaysia)

No. of MFCB shares held:	
CDS Account Number:	

#### **FORM OF PROXY**

(To be completed in block letters)

	pany No. / NRIC No					
of		(Full address)				
being	g a member of MEGA FIRST CORPORATION E	BERHAD ("the Company") hereby	appoint:-			
Full	Name (in Block Letters)	NRIC/Passport No.	Pr	oportion	of Shareh	oldings
			No. o	of MFCB S	Shares	%
Add	ress:					
And	/ Or					
Full	Name (in Block Letters)	NRIC/Passport No.	Pr	oportion	of Shareho	oldings
			No. o	of MFCB S	Shares	%
Add	ress:					
to be	//our proxy/proxies to attend and, on a poll, to vote held at Dewan Berjaya, Bukit Kiara Equestrian ar May 2017 at 10:00 a.m. and at any adjournment	nd Country Resort, Jalan Bukit Kiar	a, Off Jalan [			
to be	held at Dewan Berjaya, Bukit Kiara Equestrian ar May 2017 at 10:00 a.m. and at any adjournment	nd Country Resort, Jalan Bukit Kiar	a, Off Jalan [	Damansara	a, 60000 K	uala Lumpi
to be	held at Dewan Berjaya, Bukit Kiara Equestrian ar	nd Country Resort, Jalan Bukit Kiar	a, Off Jalan [			uala Lumpi
to be on 22 RES	held at Dewan Berjaya, Bukit Kiara Equestrian ar May 2017 at 10:00 a.m. and at any adjournment OLUTIONS	nd Country Resort, Jalan Bukit Kiar	a, Off Jalan [	Damansara	a, 60000 K	uala Lumpi
RES 1. 2.	held at Dewan Berjaya, Bukit Kiara Equestrian ar May 2017 at 10:00 a.m. and at any adjournment OLUTIONS  Tax-exempt final dividend of 3.0 sen per share.  Payment of Directors' remuneration.  Re-elect Mr Goh Nan Yang as Director.	nd Country Resort, Jalan Bukit Kiar	a, Off Jalan [	Damansara	a, 60000 K	uala Lumpi
RES 1. 2. 3.	held at Dewan Berjaya, Bukit Kiara Equestrian ar May 2017 at 10:00 a.m. and at any adjournment  OLUTIONS  Tax-exempt final dividend of 3.0 sen per share.  Payment of Directors' remuneration.  Re-elect Mr Goh Nan Yang as Director.  Re-elect Mr Tay Kheng Chiong as Director.	nd Country Resort, Jalan Bukit Kiar thereof, in the manner indicated be	a, Off Jalan [	Damansara	a, 60000 K	uala Lumpi
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RES 1. 2. 3. 4. 5. 6.	held at Dewan Berjaya, Bukit Kiara Equestrian ar May 2017 at 10:00 a.m. and at any adjournment  OLUTIONS  Tax-exempt final dividend of 3.0 sen per share.  Payment of Directors' remuneration.  Re-elect Mr Goh Nan Yang as Director.  Re-elect Mr Tay Kheng Chiong as Director.  Re-elect Encik Pengiran Saifuddin bin Pengiran Tal  Re-elect Mr Jesper Bjorn Madsen as Director.  Re-elect Professor Dato' Dr. Tan Hui Meng as Director.	nd Country Resort, Jalan Bukit Kiar thereof, in the manner indicated be the manner indicated by the ma	ra, Off Jalan [	Damansara	a, 60000 K	uala Lumpi
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- (i) In respect of deposited securities, only members whose names appear in the Record of Depositors as at 15 May 2017 shall be entitled to attend the 51st Annual General Meeting or to appoint proxies to attend on their behalf.
- (ii) A member of the Company entitled to attend and vote at the meeting, is entitled to appoint one or more proxy to attend, participate, speak and vote in his stead. A proxy need not be a member of the Company.
- (iii) In the case of a corporate member, the instrument appointing a proxy or proxies shall be (a) under its Common Seal or (b) under the hand of its attorney and in the case of (b), be supported by a certified true copy of the resolution appointing such officer or certified true copy of the power of attorney.
- (iv) Where a member appoints more than one proxy, the appointments shall not be valid unless the member specifies the proportion of his shareholding to be represented by each proxy.
- (v) The original instrument appointing a proxy must be deposited at the Registered Office of the Company situated at A-12-01, Level 12, Block A, PJ8, No. 23 Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time appointed for holding the meeting.

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70 sen Postage Stamp

The Company Secretaries

MEGA FIRST CORPORATION BERHAD

A-12-01, Level 12

Block A, PJ8

23 Jalan Barat

Seksyen 8

46050 Petaling Jaya, Selangor

MALAYSIA

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