AZRB
AHMAD ZAKI RESOURCES BERHAD
(432768-X)

ANNUAL REPORT

2016

Menara Kerja Raya, Kuala Lumpur

Officiated by

Yang Amat Berhormat Dato' Sri Mohd Najib bin Tun Haji Abdul Razak

Prime Minister of Malaysia

on 7 December 2016

Winner of the following Awards and Accolades:

- First high-rise office building with Green Building Index (GBI) platinum rating
- ASEAN Energy Awards 2016
    - 1st Runner-Up for Green Building Awards (Large Green Building Category)
    - 2nd Runner-Up for Renewable Energy Off-Grid Category (Power Category)
- FIABCI Malaysia Property Award 2016: Public Sector Category Winner
- Business Insider, United Kingdom: The 10th Best Skyscrapers in the World

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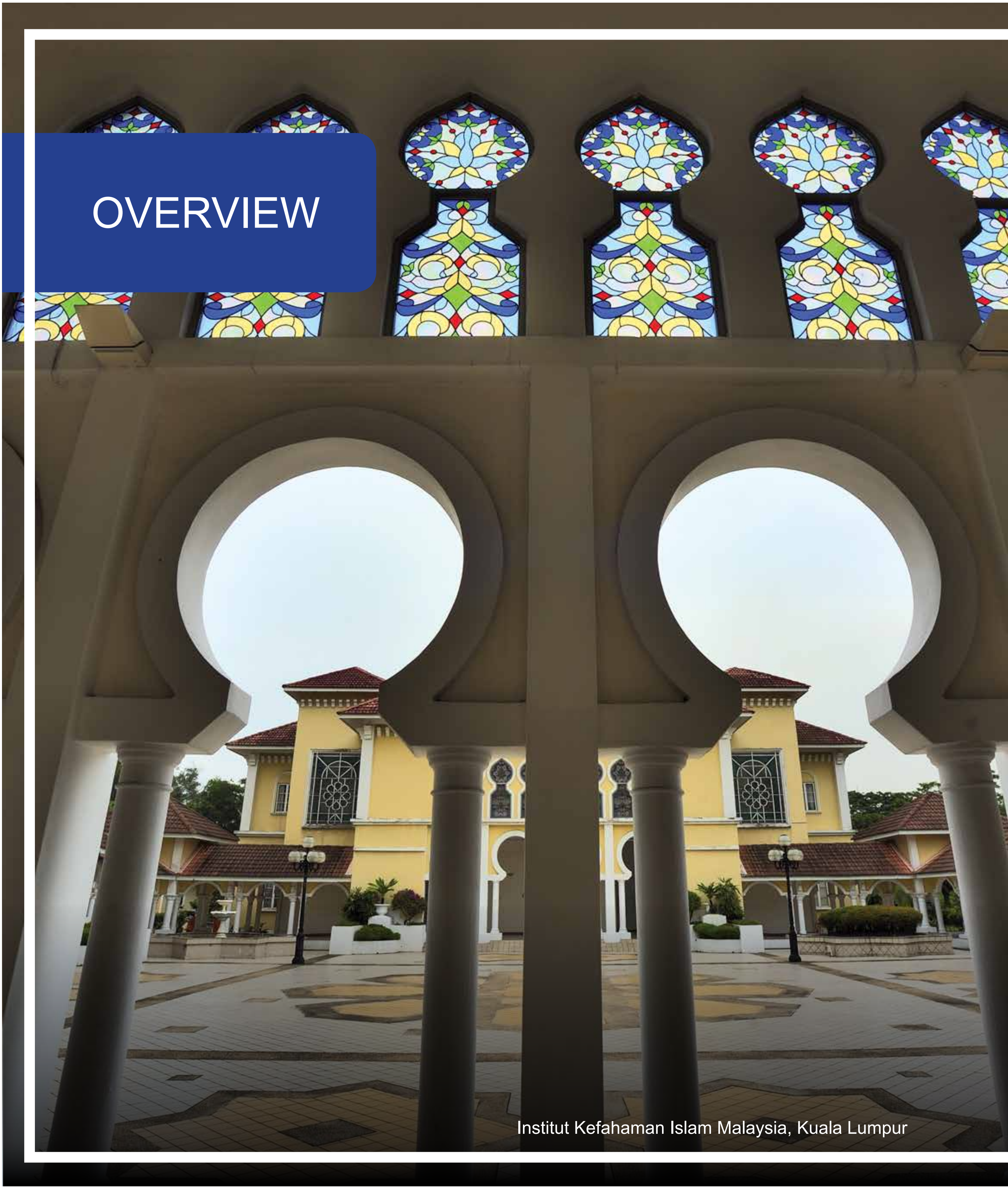
OVERVIEW



Institut Kefahaman Islam Malaysia, Kuala Lumpur

CORPORATE INFORMATION

BOARD OF DIRECTORS

1. **Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad**
(Independent Non-Executive Chairman)

2. **Dato' Sri Haji Wan Zaki bin Haji Wan Muda**
(Executive Vice Chairman)

3. **Dato' Sri Wan Zakariah bin Haji Wan Muda**
(Group Managing Director)

4. **Dato' Haji Mustaffa bin Mohamad**
(Executive Director)

5. **Dato' W Zulkifli bin Haji W Muda**
(Executive Director)

6. **Dato' Haji Roslan bin Tan Sri Jaffar**
(Executive Director / Group Chief Operating Officer)

7. **Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng**
(Independent Non-Executive Director)

8. **Datuk (Prof.) A. Rahman @ Omar bin Abdullah**
(Independent Non-Executive Director)

9. **Dato' Sr. Abdull Manaf bin Hj Hashim**
(Independent Non-Executive Director)
(Appointed w.e.f. 1 July 2016)

AUDIT AND RISK COMMITTEE

1. **Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad**
(Chairman)

2. **Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng**
(Member)

3. **Datuk (Prof.) A. Rahman @ Omar bin Abdullah**
(Member)

COMPANY SECRETARIES

1. **Dato' Haji Bahari bin Johari**
(LS 0008773)

2. **Seuhailey binti Shamsudin @ Azraain**
(MAICSA 7046575)

3. **Wong Maw Chuan**
(MIA 7413)

REGISTERED OFFICE

Menara AZRB
No. 71, Persiaran Gurney
54000 Kuala Lumpur
Tel: 03 2698 7171
Fax: 03 2694 8181

REGISTRAR

Mega Corporate Services Sdn Bhd
Level 15-2,
Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: 03-2692 4271
Fax: 03-2732 5388

PRINCIPAL BANKERS

- AmBank (M) Berhad
- Bank Pembangunan Malaysia Berhad
- CIMB Bank Berhad
- Malayan Banking Berhad
- UOB Bank Berhad

AUDITORS

Deloitte PLT
Level 16, Menara LGB
1 Jalan Wan Kadir
Taman Tun Dr Ismail
60000 Kuala Lumpur

STOCK EXCHANGE

Main Market of Bursa Malaysia Securities Berhad
Stock Name: AZRB
Stock Code: 7078

WEBSITE

www.azrb.com

CORPORATE PROFILE

Ahmad Zaki Resources Berhad ("AZRB"), headquartered in Kuala Lumpur was incorporated on 26 May 1997, and was listed on the Main Board of Bursa Malaysia since 10 September 2003. From its modest beginnings, established as Ahmad Zaki Sdn Bhd ("AZSB") in 1982, AZRB has earned its reputation as the **Builder of Award-winning Landmarks and Infrastructure Projects in Malaysia**.

AZRB's consolidated annual revenue exceeded the Billion Ringgit mark for the first time in 2016 (Engineering and Construction ("E&C") contributed 93% of this success), proving our capabilities to undertake major-scale projects.

With over a quarter of century of E&C project excellence spanning across various Landmark projects (such as the iconic Menara Kerja Raya and Masjid Wilayah Persekutuan Kuala Lumpur) and the ongoing mega-scale Infrastructure projects (such as the MRT Sg. Buloh-Serdang-Putrajaya Line Viaduct Package V202, and East Klang Valley Expressway), AZRB has since grown from a purely E&C player to a multi-disciplined company.

AZRB today is involved in other business activities such as in:

- **Oil and Gas** - as the operator of Tok Bali Supply Base
- **Property** - development and facilities management (currently the concession holder for IIUM Medical Centre in Kuantan for 21 ½ years period)
- **Oil Palm Plantation** - spanning across a sizable 8,200 hectares in West Kalimantan
- **Expressway** - as the concession holder for the East Klang Valley Expressway

AZRB is proud to have built a solid foundation and sound expertise in the business that we do, each time **scaling to greater heights** as we move forward.

VISION AND MISSION

VISION

Trusted **INDUSTRY LEADER** in Delivering **COMMITMENT** with **EXCELLENCE** and **VALUE**

Mission

- Smart Partnership with Customers, Employees and Stakeholder
- Institutionalise the Virtues of Honesty and Trust
- Setting and Maintaining High Standards; Striving for Superior Performance in All Undertakings
- Pro-Active through Continuous Research and Development in Meeting Challenges

CORPORATE STRUCTURE

1.	AZ LAND & PROPERTIES SDN BHD (“AZLP”)	100%
2.	PENINSULAR MEDICAL SDN BHD (“PMSB”)	100%
3.	RESIDENCE INN & MOTELS SDN BHD (“RIC”)	100%
4.	TREND VISTA DEVELOPMENT SDN BHD (“TVD”)	100%
5.	TEMALA DEVELOPMENT SDN BHD (“TMSB”)	70%
6.	KEMAMAN TECHNOLOGY & INDUSTRIAL PARK SDN BHD (“KTIP”)	60%
7.	BETANAZ PROPERTIES SDN BHD (“BPSB”)	51%
8.	PENINSULAR IFM SDN BHD (“PIFM”)	34%

PROPERTY

ENGINEERING AND CONSTRUCTION

1.	AHMAD ZAKI SDN BHD (“AZSB”)	100%
2.	PENINSULAR PRECAST SDN BHD (“PPSB”)	100%
3.	AZSB MACHINERIES SDN BHD (“AMSB”)	100%
4.	PENINSULAR PROKONSULT SDN BHD (“PKSB”)	100%
5.	AHMAD ZAKI SAUDI ARABIA CO LTD (“AZSA”)	100%
6.	TADOK GRANITE MANUFACTURING SDN BHD (“TGM”)	100%
7.	UNGGUL ENERGY & CONSTRUCTION SDN BHD (“UESB”)	100%
8.	AZRB INTERNATIONAL VENTURES SDN BHD (“AIV”)	100%
9.	FASATIMUR SDN BHD	50%
10.	SALCON MMCB AZSB JV SDN BHD	30%

1.	INTER-CENTURY SDN BHD ("ICSB")	100%
2.	TB SUPPLY BASE SDN BHD ("TBSB")	51%
3.	MATRIX RESERVOIR SDN BHD ("MRSB")	51%
4.	ASTRAL FAR EAST SDN BHD ("AFE")	51%
5.	TB TERMINALS SDN BHD ("TBT")	51%
6.	TB REALTY SDN BHD ("TBR")	51%

OIL & GAS

EXPRESSWAY

1.	EKVE SDN BHD ("EKVE")	100%

PLANTATION

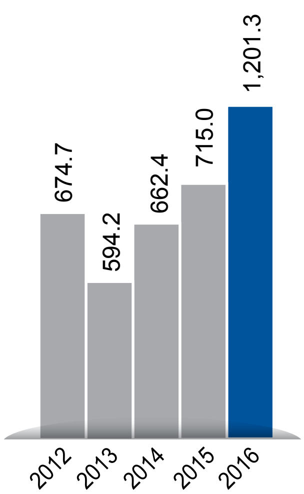
1.	PT ICHTIAR GUSTI "PUDI ("PTIGP")	95%
2.	BETANAZ MILLS SDN BHD	67%
3.	PEAK CROPS SDN BHD ("PCSB")	40%

5-YEAR FINANCIAL HIGHLIGHTS

Group Five-Year Summary	2012	2013	2014	2015	2016
Revenue (RM '000)	674,650	594,233	662,359	714,972	1,201,273
Profit before taxation (RM '000)	37,775	24,464	25,668	32,082	50,462
Profit attributable to owners of the Company (RM '000)	18,679	5,526	13,508	22,877	27,209
Paid-up Capital (RM '000)	138,471	138,471	120,885	120,885	120,885
Shareholders' Funds (RM '000)	207,704	214,088	328,748	338,785	364,916
Net tangible assets per share (sen)	72	75	64	69	64

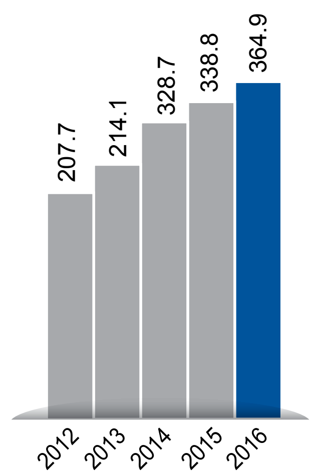
Revenue
(RM million)

RM **1,201.3**
million



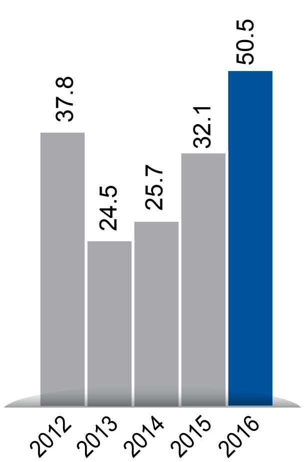
Shareholders' Funds
(RM million)

RM **364.9**
million



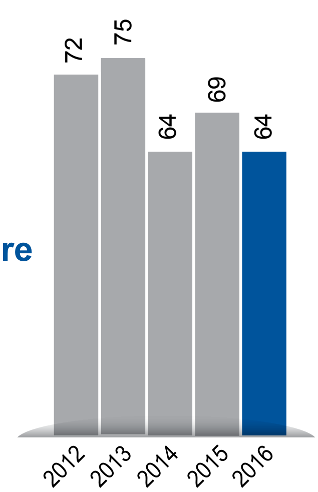
Profit Before Taxation
(RM million)

RM **50.5**
million



Net Tangible Assets Per Share
(sen)

64
sen



CALENDAR OF EVENTS

January 2016


9 January
Town Hall Session


12 January
Site Visit to the Student Accommodation Complex at Universiti Teknologi Malaysia, Kuala Lumpur by YBhg. Dato' Sri Zohari bin Haji Akob, Secretary General of Ministry of Works


16 January
AZRB Fun Drive Hunt

February 2016

<u>22 February</u>
Signing Ceremony for the Development Rights Agreement with Kwasa Land Sdn Bhd for Plot R3-4 Kwasa Damansara

March 2016

<u>17 March</u>
EKVE project site visit by YBhg. Dato' Ir. Ismail bin Md. Salleh, Director General of Malaysian Highway Authority

June 2016

<u>1 June</u>
19th Annual General Meeting

Calendar of Events (Cont'd)

June 2016

21 June
Buka Puasa Event for staff at Dewan Perdana Felda, Kuala Lumpur

July 2016

20 July
Opening Ceremony of IIUM Medical Centre by KDYMM Sultan Pahang, Sultan Haji Ahmad Shah Al-Musta'in Billah Ibni Al-Marhum Sultan Abu Bakar Ri'ayatuddin Al-Mu'adzam Shah

22 July
Hari Raya Open House at Saloma Restaurant, Kuala Lumpur

Calendar of Events (Cont'd)

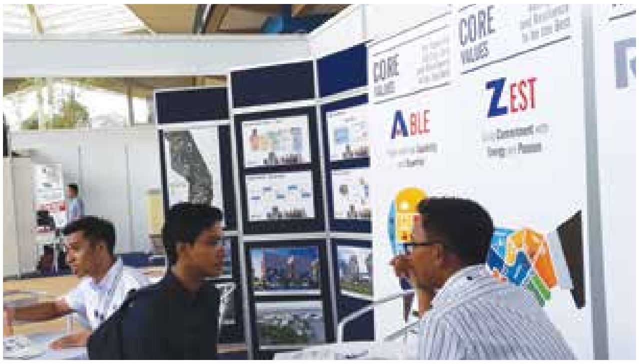
July 2016

31 July
EKVE Hari Raya Celebration

August 2016

20 August
Teambuilding at Lembah Pangsun

October 2016



8 October
Best Student Award Ceremony

19 – 20 October
Participation in Corporate Career Exposure, Universiti Teknologi Petronas, Perak

November 2016

1 November
Ground Breaking Ceremony of Tanjung Lumpur Bridge by The Regent of Pahang, KDYTM Tengku Abdullah Al-Haj Ibni Sultan Haji Ahmad Shah Al-Musta'in Billah

28 – 30 November
Directors' Retreat at Tok Aman Bali Beach Resort, Kelantan

AWARDS AND ACCOLADES

- **The Malaysian Construction Industry Excellence Awards (MCIEA) 2016:** The Prominent Player Award (for Datuk (Prof.) Sr Abdul Rahman Abdullah of Ahmad Zaki Sdn Bhd)
- **Green Building Index Platinum Rating Certification** for Menara Kerja Raya
- **PAM Awards 2015**: Commercial High-Rise Category (Menara Kerja Raya)
- **The Malaysian Construction Industry Excellence Awards 2013:** The Best Project Award – Building Project Medium (Menara AZRB)
- **PAM Awards 2013**: Gold Winner - Commercial High-Rise Office Category (Menara AZRB)
- **The Malaysian Construction Industry Excellence Awards 2011**: CEO of The Year
- **The Malaysian Construction Industry Excellence Awards 2011**: Special Mention Award (Environment) - Environmental Best Practices Award
- **Bumiputera Entrepreneur Award 2010**: Construction Cluster Award (Infrastructure)
- **Frost & Sullivan South East Asia Industrial Technologies Awards 2009**: Excellence in Competitive Strategy for Malaysia Construction Industry
- **The Malaysian Construction Industry Excellence Award 2008**: Contractor Award Grade G7
- **Environmental Management System ISO 14001:2004 Certification** to Ahmad Zaki Resources Berhad / Ahmad Zaki Sdn Bhd
- **National Occupational Safety and Health Excellence 2007**: Silver Award
- **The Malaysian Construction Industry Excellence Awards 2007**: Contractor Award G7 (Project value exceeding RM 100 million)
- **The Malaysian Construction Industry Excellence Awards 2006**: Builder of the Year Award
- **PAM 2006 Awards**: Public and Civil Building Project Category (Universiti Teknologi Petronas)
- **National Occupational Safety and Health Excellence Awards 2006**: Gold Winner - Construction Sector
- **The Brand Laureate Grammy Awards 2006**: Best Brands in Construction
- **PAM Architectural Steel Award 2005** (Auditorium Kompleks, Perbadanan Putrajaya)
- **The Malaysian Construction Industry Excellence Awards 2004**: Major Scale Project - Building Category (University Technology Petronas)
- **NIOSH Certification OHSAS 18001:1999** to Ahmad Zaki Resources Berhad / Ahmad Zaki Sdn Bhd
- **The Malaysian Construction Industry Awards 2001**: Special Project Award (Formula One Racing Circuit in Sepang)
- **The Malaysian Construction Industry Awards 2001**: Large Scale Project Category (Federal Territory Mosque, Kuala Lumpur)
- **The Malaysian Construction Industry Awards 2000:** Builder of The Year Award
- **Quality Management System Registration for MS ISO 9001:2000 Certification** to Ahmad Zaki Resources Berhad / Ahmad Zaki Sdn Bhd
- **Quality Management System MS ISO 9002:1994 Certification**

GOVERNANCE

Menara AZRB, Kuala Lumpur

BOARD OF DIRECTORS

Seated (Left To Right):
Dato' Haji Mustaffa Bin Mohamad | Dato' Sri Haji Wan Zaki Bin Haji Wan Muda | Raja Tan Sri Dato' Seri Aman Bin Raja Haji Ahmad | Dato' Sri Wan Zakariah Bin Haji Wan Muda

Standing (Left To Right):
Dato' W Zulkifli Bin Haji W Muda | Dato' Sr. Abdull Manaf bin Hj Hashim Datuk (Prof.) A. Rahman @ Omar Bin Abdullah | Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng | Dato' Haji Roslan Bin Tan Sri Jaffar

DIRECTORS' PROFILE

RAJA TAN SRI DATO' SERI AMAN BIN RAJA HAJI AHMAD

PSM, SPMP, DPMP

Chairman
Independent Non-Executive Director
Aged 71, Male, Malaysian

Raja Tan Sri Dato' Seri Aman was appointed Chairman and Independent Non-Executive Director and member of Audit and Risk Committee on 26 February 2004. Subsequently, he assumed the Chairmanship of the Audit and Risk Committee on 8 April 2004. He also sits on the Remuneration Committee and Nomination Committee as an ordinary member.

Raja Tan Sri Dato' Seri Aman is a Fellow of the Institute of Chartered Accountants in England and Wales and also a member of Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. He held various positions in Maybank Group from 1974 to 1985 prior to joining Affin Bank Berhad (formerly known as Perwira Habib Bank Malaysia Berhad) in 1985 as Executive Director/CEO. He left Affin Bank Berhad in 1992 to join Perbadanan Usahawan Nasional Berhad as Chief Executive Officer. He was re-appointed as Chief Executive Officer of Affin Bank Berhad in 1995 and retired in 2003.

Raja Tan Sri Dato' Seri Aman is also an Independent Non-Executive Director of Affin Holdings Berhad, Tomei Consolidated Berhad and Affin Hwang Investment Bank Berhad, and sits on the Government Consultative Committee 'Pemudah'.

During the financial year ended 31 December 2016, he attended 5 out of 5 Board meetings held.

DATO’ SRI HAJI WAN ZAKI BIN HAJI WAN MUDA

SSAP, SIMP, DPMT, PPN, PJK

Executive Vice Chairman
Non-Independent Executive Director
Aged 68, Male, Malaysian

Dato’ Sri Haji Wan Zaki was appointed the Executive Vice Chairman of the Company on 24 March 1999. Subsequently, he held the post of Executive Chairman from 1 March 2000 and was redesignated as Executive Vice Chairman of the Company on 26 February 2004. He is presently the Chairman of Remuneration Committee.

Dato’ Sri Haji Wan Zaki is the founder of Ahmad Zaki Sdn Bhd (“AZSB”). Prior to venturing into business, he served in various positions in state-owned companies of which his last position was the Managing Director of Pesama Timber Corporation Sdn Bhd (“Pesama”), a Terengganu state-owned company. He left Pesama in 1984 to focus on expanding the engineering and construction business of AZSB.

Dato’ Sri Haji Wan Zaki had served as the Chairman of Chuan Huat Resources Bhd from 2002 until 2013. He sits on the board of directors of several private limited companies and has no directorship in other public companies and listed issuers.

During the financial year ended 31 December 2016, he attended 4 out of 5 Board meetings held.

DATO' SRI WAN ZAKARIAH BIN HAJI WAN MUDA

SSAP, DSAP, DSSA

Group Managing Director
Non-Independent Executive Director
Aged 57, Male, Malaysian

Dato' Sri Wan Zakariah joined the Board of the Company as an Executive Director on 24 March 1999 and subsequently was appointed to the post of Group Managing Director on 1 January 2003. He is presently the Chairman of the Establishment Committee and Employees' Share Scheme Committee and a member of the Remuneration Committee.

Dato' Sri Wan Zakariah obtained a Bachelor of Science degree in Quantity Surveying from the Thames Polytechnic, United Kingdom (now known as University of Greenwich) in 1986. He started his career in the same year as Quantity Surveyor with the construction subsidiary, AZSB moving through various posts in the Company until he was promoted to be the Managing Director of AZSB in 1996.

Dato' Sri Wan Zakariah also sits on the board of directors of several private limited companies and has no directorship in other public companies and listed issuers.

During the financial year ended 31 December 2016, he attended 4 out of 5 Board meetings held.

Directors' Profile (Cont'd)

DATO' HAJI MUSTAFFA BIN MOHAMAD

DPMT, PJK

Non-Independent Executive Director
Aged 66, Male, Malaysian

Dato' Haji Mustaffa was appointed an Executive Director of the Company on 24 March 1999 and is an ordinary member of the Establishment Committee and Employees' Share Scheme Committee.

Dato' Haji Mustaffa graduated with a Bachelor of Laws (Hon) degree from the University of London in 1976. He was called to the English Bar at Lincoln's Inn, UK in 1981, and was admitted as an Advocate & Solicitor in the High Courts of Malaya in 1994. He also holds a Post Graduate Diploma in Port and Shipping Administration from University of Wales, Institute of Science and Technology, Cardiff 1985, and has been a member of the Chartered Institute of Logistic and Transport, UK since 1986. In 1985 he was awarded a Diploma in Syariah Law and Practice by the International Islamic University, Malaysia.

Currently, Dato' Haji Mustaffa sits on the board of directors of several private limited companies and has no directorship in other public companies and listed issuers.

During the financial year ended 31 December 2016, he attended 5 out of 5 Board meetings held.

DATO' W ZULKIFLI BIN HAJI W MUDA

DSAP, DIMP

Non-Independent Executive Director
Aged 55, Male, Malaysian

Dato' W Zulkifli was appointed a Non-Executive Director on 2 January 1999 and subsequently redesignated as the Executive Director with effect from 1 March 2003. He sits on the Establishment Committee and Employees' Share Scheme Committee as an ordinary member.

Dato' W Zulkifli holds a Bachelor of Science (Civil Engineering) degree, which he obtained in 1985 from the University of Southern Illinois, United States of America. He began his career with AZSB as a Project Engineer in 1985. He was promoted to the position of Project Manager and later as the Executive Director (Operations) of AZSB in 1996 and subsequently became the Managing Director of AZSB effective from 7 February 2003.

Dato' W Zulkifli does not hold directorship in any other public companies and listed issuers but sits on the board of directors of several private limited companies.

During the financial year ended 31 December 2016, he attended 3 out of 5 Board meetings held.

Directors' Profile (Cont'd)

DATO' HAJI ROSLAN BIN TAN SRI JAFFAR

DIMP, AMP

Group Chief Operating Officer
Non-Independent Executive Director
Aged 41, Male, Malaysian

Dato' Haji Roslan was appointed an Executive Director of the Company on 8 January 2015. He sits on the Establishment Committee and Employees' Share Scheme Committee as an ordinary member.

Dato' Haji Roslan holds a Bachelor in Mechanical Engineering degree from Imperial College London, United Kingdom and is a Fellow of the Association of Chartered Certified Accountants ("ACCA").

He started his career at PricewaterhouseCoopers in 1999 and was promoted to Associate Director in 2008 specialising in Infrastructure, Government and Utilities sector. Dato' Haji Roslan joined the Company in 2010 as Chief Operating Officer and was appointed as an Executive Director of AZSB in the same year.

Dato' Haji Roslan does not hold directorship in any other public companies and listed issuers but sits on the board of directors of several private limited companies.

During the financial year ended 31 December 2016, he attended 5 out of 5 Board meetings held.

TAN SRI DATO' LAU YIN PIN @ LAU YEN BENG

PSM, DPMT, ASM, JP

Independent Non-Executive Director
Aged 68, Male, Malaysian

Tan Sri Dato' Lau was appointed as an Independent Non-Executive Director of the Company on 15 November 2010. He was appointed as a member of the Audit and Risk Committee and Nomination Committee on 1 March 2011 and 24 March 2016 respectively.

Tan Sri Dato' Lau obtained his Diploma in Commerce with distinction from Tunku Abdul Rahman College, Malaysia in 1974. He has been a member of the Malaysian Institute of Accountants since 1979. He was made a fellow of the Association of Chartered Certified Accountants, United Kingdom in 1981 and became a graduate member of the Institute of Chartered Secretaries and Administrators, United Kingdom in 1987. He was formerly a Senator of Dewan Negara, appointed by Seri Paduka Baginda Yang diPertuan Agong, Malaysia.

Tan Sri Dato' Lau had served as a Non-Independent Non-Executive Director and Chairman of the Board of Directors of Nanyang Press Holdings Berhad and Star Publications (Malaysia) Berhad, Senior Independent Non-Executive Director of MCT Berhad and as an Independent Non-Executive Director of Media Chinese International Limited, a company listed in Malaysia and Hong Kong. He also served on the Board of Directors of Tenaga Nasional Berhad in various capacities, as Chairman of Audit Committee, Member of Board Disciplinary Committee, Board Tender Committee and Board Member of several subsidiary companies.

Tan Sri Dato' Lau is currently an Independent Non-Executive Director of YTL Power International Berhad.

During the financial year ended 31 December 2016, he attended 5 out of 5 Board meetings held.

DATUK (PROF.) A. RAHMAN @ OMAR BIN ABDULLAH

PJN, DPMT, JSM, SMT, AMN

Independent Non-Executive Director
Aged 71, Male, Malaysian

Datuk (Prof.) A. Rahman was appointed an Independent Non-Executive Director on 1 January 2003. He was redesignated and appointed as Chairman of the Nomination Committee on 24 March 2016. He also sits on the Audit and Risk Committee and Remuneration Committee as an ordinary member.

Datuk (Prof.) A. Rahman holds a Diploma in Quantity Surveying from Thames Polytechnic, London, United Kingdom, and an MSc in Construction Management from the Herriot-Watt University, Scotland. He also holds fellowships with The Royal Institute of Chartered Surveyors (UK) and the Royal Institution of Surveyors Malaysia, as well as Professional Membership with The Chartered Institute of Building of United Kingdom.

Datuk (Prof.) A. Rahman was the founding Chief Executive Officer of the Construction Industry Development Board ("CIDB") Malaysia, a post which he held from 1995 to 2002, after which he held the post of Chairman of CIDB until December 2006. Prior to CIDB, Datuk A. Rahman started his career in the Public Works Department ("PWD") where he served for 25 years. His last post in PWD was the Deputy Director General of PWD. In 1992, he was accorded as an Honorary Professor by University Teknologi Malaysia. Among other appointments, he is the past President of the Royal Institution of Surveyors Malaysia, the past President of the Board of Quantity Surveyors Malaysia and currently he is a Fellow of the Academy of Sciences Malaysia.

Datuk (Prof.) A. Rahman does not hold directorship in any other public companies and listed issuers but sits on the board of directors of several private limited companies.

During the financial year ended 31 December 2016, he attended 5 out of 5 Board meetings held.

DATO' SR. ABDULL MANAF BIN HJ HASHIM

DIMP, KMN, AMN

Independent Non-Executive Director
Aged 61, Male, Malaysian

Dato' Sr. Abdull Manaf was appointed as an Independent Non-Executive Director of the Company on 1 July 2016.

Dato' Sr. Abdull Manaf holds a Bachelor in Quantity Surveying from Universiti Teknologi Malaysia.

He started his career as a Quantity Surveyor in the Education Unit of the Quantity Surveying Branch at Jabatan Kerja Raya ("JKR") Headquarters Malaysia and has served in JKR for 38 years, rising through the ranks until his last post as the Deputy Director General of JKR, Malaysia.

He was also the Deputy President of the Royal Institution of Surveyors Malaysia ("RISM") for the session 2011/2012 and the President of RISM for the session 2012/2013.

Dato' Sr. Abdull Manaf has served as the President of the Board of Quantity Surveyors since 2007 and four (4) terms subsequently including the current term for the session 2015/2017. Currently, Dato' Sr. Abdull Manaf is a Director (Special Interest) of Lembaga Lebuhraya Malaysia for a 2-year period from 3 October 2016 to 2 October 2018.

Dato' Sr. Abdull Manaf does not hold directorship in any other public companies and listed issuers.

During the financial year ended 31 December 2016, he attended 1 out of 2 Board meetings held since his appointment.

Masjid Tuanku Mizan Zainal Abidin, Putrajaya

NOTES:

FAMILY RELATIONSHIP

Except for Dato' Sri Haji Wan Zaki Bin Haji Wan Muda, Dato' Sri Wan Zakariah Bin Haji Wan Muda and Dato' W Zulkifli Bin Haji W Muda who are siblings, and Dato' Haji Roslan Bin Tan Sri Jaffar who is the son-in-law of Dato' Sri Haji Wan Zaki, none of the other Directors are related to one another, nor with any major shareholder.

CONFLICT OF INTEREST

Save as dislosed in the related party transactions on page No.181 to 182 (Note No. 41) of this Annual Report, none of the other Directors have any conflict of interest with the Company during the financial year.

CONVICTIONS OF OFFENCES

None of the Directors have been convicted of any offences within the past five (5) years and no public sanction or penalty has been imposed by the relevant regulatory bodies during the financial year of 2016.

KEY SENIOR MANAGEMENT

Seated (from left to right):
- **DATO' HAJI MUSTAFFA BIN MOHAMAD**
  Managing Director, Oil & Gas
- **DATO' W ZULKIFLI BIN HAJI W MUDA**
  Managing Director, Engineering & Construction
- **DATO' SRI WAN ZAKARIAH BIN HAJI WAN MUDA**
  Group Managing Director
- **DATO' HAJI ROSLAN BIN TAN SRI JAFFAR**
  Group Chief Operating Officer
- **ABDUL HALIM BIN ASHARI**
  Executive Commissioner, Plantation

Standing (from left to right):
- **WAN FAKHRUL ANWAR BIN WAN ZAKARIA**
  Senior General Manager, Group Strategy
- **SEUHAILEY BINTI SHAMSUDIN**
  Company Secretary
- **WAN SHARIMAN BIN WAN MOHAMED**
  Director, Corporate Services
- **MOHAMAD RAZI BIN ZAKARIA**
  Executive Director, Group Legal & Contracts
- **HAZMI BIN HUSSAIN**
  President Director, Plantation
- **AZMAN BIN MARZUKI**
  Executive Director, Operations
- **JULIAN FRANCIS CLARKE**
  General Manager, Engineering & Technical Services
- **MOHD RAZIN BIN GHAZALI**
  Executive Director, Operations
- **KHAIRUDIN BIN HAJI MOHD ALI**
  Chief Financial Officer
- **MOHAMMAD FAUZI BIN HAJI AHMAD**
  Head, Special Projects & Facilities Management
- **MOHAMMAD ASHRAF BIN MD RADZI**
  General Manager, Corporate Finance
- **RADZILLAH BINTI MAHMOOD**
  Executive Director, Contract & Commercial
- **HAJI MOHD KHALID BIN MOHAMED**
  Senior General Manager, Expressway

Not in the picture:
- **ZAWAWI BIN WAHAB**
  General Manager, Property

KEY SENIOR MANAGEMENT PROFILE

1. ABDUL HALIM BIN ASHARI *Executive Commissioner, Plantation*
Aged 62, Malaysian, Male

Date Appointed : 1 October 2015

Academic/Professional Qualification(s):
- Senior Management Training Program, Harvard Business School, USA
- Shun Tzu Art of Management & TQM, National University of Singapore
- Diploma in Rubber Technology and Plantation Management, Rubber Research Institute of Malaysia

Working Experience(s):
- PT Eagle High Plantations Tbk (2013 to 2015)
- PT BW Plantation Tbk (2002 to 2013)
- PT Boustead Management Services (subsidiary of Boustead Holding Berhad) (1996 to 2001)
- Boustead Estates Agency Sdn Bhd (1981 to 1995)
- Kulim (M) Bhd (1978 to 1980)

2. KHAIRUDIN BIN HAJI MOHD ALI *Chief Financial Officer*
Aged 42, Malaysian, Male

Date Appointed : 13 November 2013

Academic/Professional Qualification(s):
- Member of Malaysian Institute of Accountants (MIA)
- Member of Malaysian Institute of Certified Public Accountants (MICPA)
- BA (Hons) Accounting and Finance, De Montfort University, Leicester, UK

Working Experience(s):
- Prokhas Sdn Bhd (2009 to 2013)
- CIMB Investment Bank Berhad (2006 to 2009)
- KPMG Singapore (2005 to 2006)
- KPMG Kuala Lumpur (2004 to 2005)
- Jamal, Amin and Partners (2002 to 2004)
- PricewaterhouseCoopers (1997 to 2002)

3. AZMAN BIN MARZUKI *Executive Director, Operation*
Aged 52, Malaysian, Male

Date Appointed : 1 September 2013

Academic/Professional Qualification(s):
- Master of Business Administration from University of Lausanne (IMD), Switzerland
- Bachelor of Engineering (Civil), University of Wollongong, Australia

Working Experience(s):
- PJSI Sdn Bhd (2011 to 2012)
- Kumpulan Hartanah Selangor Berhad (2009 to 2011)
- Tidalmarine Engineering Sdn Bhd (2007 to 2009)
- PECD Berhad (1995 to 2007)
- Pengurusan Lebuhraya Berhad (1989 to 1995)
- Minconsult Sdn Bhd (1988 to 1989)

Key Senior Management Profile (Cont'd)

4. MOHD RAZIN BIN GHAZALI *Executive Director, Operation*
Aged 52, Malaysian, Male

Date Appointed : 1 August 2016

Academic/Professional Qualification(s):
- Executive MBA, Institute of Professional Development-Open University Malaysia (IPD-OUM)
- Bachelor of Science (Civil Engineering), Old Dominion University, Norfolk, USA

Working Experience(s):
- UEM Builders Berhad (2010 to 2016)
- MMC Saudi Arabia (2008 to 2010)
- IJM Construction (Pakistan) PVT LTD (2005 to 2008)
- Ranhill Engineers & Constructors Sdn Bhd (2004 to 2005)
- IJM Construction Sdn Bhd (1989 to 2004)

5. MOHAMAD RAZI BIN ZAKARIA *Executive Director, Group Legal & Contract*
Aged 56, Malaysian, Male

Date Appointed : 1 March 2010

Academic/Professional Qualification(s):
- Bachelor Science Civil Engineering, Glasgow University, UK
- Diploma in Management, Malaysian Institute of Management (MIM)

Working Experience(s):
- Emaar International Jordan (2009)
- KLCC Projeks Sdn Bhd (1992 to 2009)
- Pengurusan Lebuhraya Berhad (1989 to 1992)
- A.Y. Engineering (M) Sdn Bhd (1987 to 1989)
- Great Union Civil Engineering (1985 to 1987)

6. RADZILLAH BINTI MAHMOOD *Executive Director, Contract & Commercial*
Aged 52, Malaysian, Female

Date Appointed : 15 September 2016

Academic/Professional Qualification(s):
- Master in Business Administration, Universiti Putra Malaysia
- Degree in Civil Engineering, University College of Swansea, UK

Working Experience(s):
- UEM Builders Berhad (2011 to 2016)
- Ahmad Zaki Sdn Bhd (2007 to 2011)
- PECD Berhad (1995 to 2007)
- Structural Concrete (1993 to 1995)
- IJM Corporation Sdn Bhd (1990 to 1993)
- MMC-GTM Binasama Sdn Bhd (1989 to 1990)

7. WAN SHARIMAN BIN WAN MOHAMED *Director, Corporate Services*
Aged 50, Malaysian, Male

Date Appointed : 17 October 2016

Academic/Professional Qualification(s):
- Master in Business Administration (with Distinction), Nottingham Trent University, UK
- Association of Chartered Certified Accountants (ACCA) Stage 1 & 2, South Bank Polytechnic / Emille Woolf College, UK

Working Experience(s):
- Idealcap Holdings Sdn Bhd (2013 to 2016)
- Maju Holdings Group (2010 to 2012)
- Malaysian Resources Corporation Berhad (2003 to 2010)
- APL-NOL Malaysia (1995 to 2003)
- Amanah Capital Berhad (1995)
- Oriental Bank Berhad (1992 to 1994)

Key Senior Management Profile (Cont'd)

8. WAN FAKHRUL ANWAR BIN WAN ZAKARIA *Senior General Manager, Group Strategy*

Aged 40, Malaysian, Male

Date Appointed : 1 March 2016

Academic/Professional Qualification(s):
- Member of Malaysian Institute of Accountants (MIA)
- Member of New Zealand Institute of Chartered Accountants (NZICA)
- Bachelor of Business Studies in Accountancy, Massey University, New Zealand

Working Experience(s):
- Jasa Merin (Malaysia) Sdn Bhd (2007 to 2010)
- Right Balance Sdn Bhd (2005 to 2007)
- PricewaterhouseCoopers (2003 to 2005)
- Ernst & Young Tax Consultants Sdn Bhd (2000 to 2002)

9. HAZMI BIN HUSSAIN *President Director, Plantation*

Aged 55, Malaysian, Male

Date Appointed : 1 September 2012

Academic/Professional Qualification(s):
- Member of Malaysian Institute of Accountants (MIA)
- Advance Diploma in Accountancy, Universiti Teknologi MARA (UiTM)

Working Experience(s):
- PT SCAN Nusantara (2006 to 2012)
- PT MAA Indonesia (1999 to 2005)
- MAA Bhd (1996 to 1999)
- Bank Negara Malaysia (1986 -1995)

10. HAJI MOHD KHALID BIN MOHAMED *Senior General Manager, Expressway*

Aged 62, Malaysian, Male

Date Appointed : 13 November 2013

Academic/Professional Qualification(s):
- Bachelor of Science, Loughborough University of Technology, UK

Working Experience(s):
- Lebuharaya Kajang Seremban Sdn Bhd (LEKAS) (2007 to 2010)
- Kaseh Lebuhraya Sdn Bhd (2002 to 2006)
- Konsortium Lebuhraya Wangsa Keramat Sdn Bhd (1998 to 2001)
- Kesas Sdn Bhd (1994 to 1997)
- Projek Penyelenggaraan Lebuhraya Berhad (PROPEL) (1993 to 1994)
- Pengurusan Lebuhraya Berhad (PLB) (1989 to 1993)
- Kijang Kuari, Kelantan (1986 to 1989)
- JKR Kota Bahru (1983 to 1986)
- JKR Kuala Lumpur (1982 to 1983)
- JKR Pasir Putih (1981 to 1982)
- JKR Kota Bahru (1980 to 1981)
- JKR Kratong, Negeri Sembilan (1979 to 1980)

Key Senior Management Profile (Cont'd)

11. MOHAMMAD FAUZI BIN HAJI AHMAD *Head, Special Projects & Facilities Management*
Aged 51, Malaysian, Male

Date Appointed : 1 June 2016

Academic/Professional Qualification(s):
- Bachelor in Civil Engineering, University of Pittsburgh, USA

Working Experience(s):
- Reliance Engineering, USA (2005 to 2010)
- Radicare (M) Sdn Bhd (2001 to 2005)
- Abrar-Manfield Consortium (1996 to 2001)
- Kuala Lumpur City Centre (KLCC) (1993 to 1996)
- Projek Penyelenggaraan Lebuhraya (PROPEL) (1990 to 1993)
- Pengurusan Lebuhraya Berhad (PLB) (1989 to 1990)

12. ZAWAWI BIN WAHAB *General Manager, Property*
Aged 46, Malaysian, Male

Date Appointed : 12 May 2014

Academic/Professional Qualification(s):
- Masters Science of Town Planning, Universiti Sains Malaysia
- Bachelor of Science Housing, Building & Planning, Universiti Sains Malaysia

Working Experience(s):
- Plenitude Heights Sdn Bhd (2003 to 2014)
- Ideal Appraisal Sdn Bhd & Ambangan Heights Sdn Bhd (1996 to 2003)
- Pensaga Sdn Bhd (1995 to 1996)

13. MOHAMMAD ASHRAF BIN MD RADZI *General Manager/Head, Corporate Finance*
Aged 39, Malaysian, Male

Date Appointed : 1 September 2016

Academic/Professional Qualification(s):
- Member of Malaysian Institute of Accountants (MIA)
- Member of Association of Chartered Certified Accountants (ACCA), UK
- Capital Markets Services Representative License (CMRSL) Modules 12 & 19, Securities Commission Malaysia
- Bachelor Accounting (Hons), University Tenaga Nasional

Working Experience(s):
- MIDF Amanah Investment Bank (2015 to 2016)
- Johawaki Holdings Sdn Bhd (2013 to 2015)
- Prokhas Sdn Bhd (2009 to 2013)
- UBS Investment Bank, London (2007 to 2009)
- CUNA Mutual Life Assurance (Europe) Ltd, Dublin (2005 to 2007)
- Ernst & Young, Dublin (2002 to 2005)

14. JULIAN FRANCIS CLARKE *General Manager, Engineering & Technical Services*

Aged 54, British, Male

Date Appointed : 1 July 2016

Academic/Professional Qualification(s):

- BSc Civil Engineering, Imperial College London, UK

Working Experience(s):

- UEM Builders Berhad (2011 to 2016)
- Freyssinet International & CIE, Saudi Arabia (2010 to 2011)
- AbiGroup, Australia (2007 to 2009)
- Archirodon Construction (Overseas) Co. S.A, UAE (2005 to 2006)
- AbiGroup-Leighton JV, Australia (2003 to 2005)
- Ballast Nedam Groep N.V. (Malaysia) Sdn Bhd (2000 to 2003)
- Taylor Woodrow Construction Ltd, UK (1998 to 2000)
- Taylor Woodrow Projects (Malaysia) Sdn Bhd (1994 to 1998)
- Birse Construction Ltd., UK (1991 to 1993)
- Marples Construction Ltd., UK (1985 to 1991)

15. SEUHAILEY BINTI SHAMSUDIN *Company Secretary*

Aged 41, Malaysian, Female

Date Appointed (as Company Secretary) :
1 August 2006

Academic/Professional Qualification(s):

- Associate of The Malaysian Institute of Chartered Secretaries and Administrators (ICSA)

Working Experience(s):

- Ranhill Berhad (2003 to 2005)
- Mekar Korperat Sdn Bhd (2000 to 2003)

NOTES:

Save as disclosed, the above Key Senior Management members have no directorship in public companies and listed issuers, have no family relationship with any Director and/or major shareholder of AZRB, have no conflict of interest with AZRB, have not been convicted of any offences within the past five (5) years and no public sanction or penalty has been imposed by the relevant regulatory bodies during the financial year 2016.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL


Auditorium Complex, Putrajaya

In compliance with the Main Market Listing Requirements Paragraph 15.26(b), which requires inclusion of a statement about the state of internal control of the listed issuer as a group and fulfilling the revised guideline requirement, the Board is pleased to provide the Statement on Risk Management and Internal Control for the financial year under review.

RESPONSIBILITY

The Board is fully committed to its responsibility in establishing a sound risk management and internal control system for the Group with few main objectives such as to promote good governance practices, enhancing transparency, proper management of Group's assets and ultimately to safeguard shareholders' interest.

Nevertheless, due to the inherent limitations of any risk management approach and internal control system, the actions taken in managing the risks and implementing internal control system throughout the business activities could only provide reasonable and not absolute assurance against any material losses, frauds, misstatements or violations of laws or regulations in achieving the Group's objectives.

KEY INTERNAL CONTROL FEATURES

The Group has a structure which outlines accountability, authority and responsibility to the Board, its Committees and operating units. Key processes have been established in reviewing the adequacy and effectiveness of the risk management and internal control including the following:

Board of Directors

- The Board maintains the overall responsibility for risk oversight, mirroring its overall responsibility for strategy.
- The Board meets quarterly at a minimum, and more frequently when required, to review and evaluate the Group's operations and performance to address key issues.
- The pre-requisite to decisions made in the meeting is the deliberation and discussion by the Board, together with recommendations and feedbacks from Management. In addition to quarterly financial results, project tender status and progress reports on business operations are also tabled at the Board's quarterly meetings.

Independence of the Audit and Risk Committee

- The Audit and Risk Committee comprises three (3) Independent Non-Executive Directors. The Audit and Risk Committee has full access to both Internal Auditors and External Auditors and has the right to convene meetings with auditors without the presence of Executive Directors and Senior Management.
- The Audit and Risk Committee reviews the reports of the Internal Auditors, their findings and recommendations to ensure that it obtains the necessary level of assurance in respect to the adequacy of the internal controls.
- The Audit and Risk Committee is responsible in ensuring the effectiveness of an integrated risk management function within the organisation as well as overseeing and monitoring the overall risk impacting the Group and to review and approve risk management policies and risk tolerance limits.

Risk Management Committee-Subsidiary

- The Risk Management Committee-Subsidiary reviews the risk management procedures and reports to the Board of Directors-Subsidiary on the risk management activities and bring to the attention of the Board of Directors-Subsidiary on critical risks as well as recommendations to manage the risks.

Risk Management

The Group has continued to implement its Risk Management Policy (RMP) in areas of Enterprise Risk Management (ERM) and Project Risk Management (PRM) in its major subsidiaries.

The key objectives of the RMP are as follows:

- To ensure risks which may have a significant impact are identified in a manner which would result in its expeditious treatment;
- To provide reasonable assurance to stakeholders that the probability of attaining its objectives would be enhanced by the establishment of RMP;
- To establish an environment whereby risk management activities may be effectively undertaken;
- To manage risks by adopting the best practice methodologies for the identification, analysis, evaluation, reporting, treatment and monitoring of risks; and
- To provide an assurance regarding the extent of its compliance with regulatory requirements and the policies and procedures contained within this document.

The Group has on-going processes for identifying, evaluating and managing significant risks. Functionally, the Executive Directors and Senior Management regularly identify and manage the risks faced by the Group. This function is embedded and carried out as part of the Group's operating and business management processes.

In carrying out the risk assessment process, each Department Head has conducted several discussions to identify, analyse, evaluate and prioritise risks. All identified risks are documented in a risk register. The risk register is reported and deliberated at the Board meeting of key subsidiaries. This is to ensure that adequate actions are being taken to address the risks.

Internal Audit Function

- The Internal Audit function of the Group is performed in-house by its Internal Audit Department. The Internal Audit Department reports directly to the Audit and Risk Committee. The Internal Audit adopts risk-based audit approach when executing each audit assignment which is carried out in accordance with the annual audit plan. The annual audit plan covers the major subsidiaries of the Group.
- The principal role of the Internal Audit is to provide independent and objective reports on the effectiveness of the system of internal controls within the major subsidiaries of the Group. The audit findings were discussed with Management of respective entities for their corrective actions and presented to the Audit and Risk Committee.
- The total cost incurred for the internal audit function for the financial year ended 31 December 2016 was RM 931,614.55.
- A summary of the Internal Audit activities during the financial year under review is as follows:
    i. Performed 22 audit reviews on major subsidiaries of the Group to ascertain the adequacy and compliance with the system of internal controls and made recommendations for improvement where weaknesses were found.
    ii. Conducted 6 follow-up audits to determine the adequacy, effectiveness and timeliness of action taken by the Management on audit recommendations and provided updates on their status to the Audit and Risk Committee.

Business Plan and Budget

- Annual business plan and budget are prepared by the Group's major subsidiaries, and are reviewed and approved by the Board. The performance of each major subsidiary is assessed against budget by the Chief Financial Officer with explanation on significant variances presented to the Board on a quarterly basis.

Documented Policies and Procedures

- Policies and procedures of business processes are documented and set out in a series of Standard Operating Procedures ("SOP") or Integrated Management System ("IMS") and implemented throughout the Group. These policies and procedures are subject to reviews, updates and improvements to reflect the changing business risks and operational needs.

Human Resource Policy

- The Group has in place, a Human Resource Policy which is approved by the Establishment Committee. The Human Resource Policy sets the tone of compliance with the Group's rules and regulations and employee conduct as set out in the Employee Handbook.

Performance Management

- Performance appraisals are carried out annually in a Performance Management System to gauge the employee's performance for any promotion, bonus payment and annual increment exercise.
- In order to nurture the quality and competencies of employees, training and development programmes are established.

Business Ethics

- The Standing Instruction on Business Ethics ("the Code") is communicated to all employees and compliance to the Code is mandatory. The Code provides guidance and serves as the main source of reference to assist employees to live up to ethical business standards and explains how business and duties should be conducted.

REVIEW BY EXTERNAL AUDITORS

The external auditors, Deloitte PLT, have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 December 2016, in compliance with Paragraph 15.23 of the Listing Requirements, and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

CONCLUSION

The Board believes that the development of the internal control system is an on-going process. The Board has received assurances from the Group Managing Director and Chief Financial Officer that the Group's risk management and internal control system are operating adequately and effectively.

The Board is satisfied with the risk management and internal control system implemented throughout the Group. Nonetheless, the Board shall continue to review and monitor the effectiveness of the Group's risk management and internal control system in ensuring continuous and acceptable level of assurance in conducting daily business activities.

Based on the assessment of the Group's risk management and internal control system for the financial year under review and up to the approval date of this statement, there were no significant control failures or weaknesses that would result in material losses, contingencies or uncertainties requiring separate disclosure in the Group's Annual Report.

This statement, prepared for inclusion in the Annual Report of the Company for the year ended 31 December 2016 has been reviewed by the Audit and Risk Committee prior to their recommendation to the Board for approval.

This statement is made on the recommendation of the Audit and Risk Committee to the Board of Directors and as per the Board's resolution dated 30 March 2017.

CORPORATE GOVERNANCE STATEMENT

Masjid Tuanku Mizan Zainal Abidin, Putrajaya

The Board of Directors of Ahmad Zaki Resources Berhad ("AZRB") is committed towards the adoption of principles and best practices as enshrined in the Malaysian Code of Corporate Governance 2012 ("MCCG") throughout the Group. It is recognised that the adoption of the highest standards of governance is imperative for the enhancement of stakeholders' value. The Group has adopted and complied with the principles and Best Practices set out in MCCG throughout the financial year ended 31 December 2016.

The Board is pleased to present the following report on the application of principles and compliance with best practices as set out in the MCCG.

BOARD OF DIRECTORS

Board Composition

The Board is currently led by an Independent Non-Executive Chairman and has nine (9) members comprising five (5) Executive Directors and four (4) Independent Non-Executive

Directors. The Board is composed of members with experience in business, construction, legal and finance, required for effective and independent decision-making at the Board level. The Board considers its current size adequate given the present scope and nature of the Group's business operations. A brief description on the background of each Director is presented on pages 20 to 28 of the Annual Report.

The four (4) Independent Non-Executive Directors do not participate in the day-to-day management or in the daily business of the Company or Group. They shall provide unbiased, independent views and judgment in the decision-making process at the Board level and ensure that the interests of minority shareholders are safeguarded.

The MCCG has recommended that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Based on the independent assessment made, the independence of Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad and Datuk (Prof.) A. Rahman @ Omar bin Abdullah who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years each, remain objective and independent-minded in their participation in deliberations and decision-making of the Board and Audit and Risk Committee. The length of their service does not in any way interfere with their exercise of independent judgment. Hence, the Board has recommended to retain those independent directors whose tenure has exceeded nine (9) years and shall seek shareholders' approval at the forthcoming Annual General Meeting ("AGM").

The positions of the Chairman and the Group Managing Director are held by two (2) different individuals. There is a clear division of responsibilities between the Chairman and the Group Managing Director, which will ensure a balance of power and authority. Generally, the Chairman is responsible for the orderly conduct and working of the Board while the Group Managing Director is responsible for the day-to-day management of the Group as well as to implement policies and strategies adopted by the Board. The Board exercises its responsibilities collectively.

All Directors have given their undertaking to comply with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

Roles and Responsibilities

The Board recognises its roles and responsibilities in discharging its fiduciary and leadership functions. The Board is also firmly committed to ensuring the highest standards of corporate governance and corporate conduct are adhered to. The Board delegates the day-to-day management of the Company to the Executive Directors but reserves for its consideration pertaining to significant matters, amongst others as follows:-

(a) Reviewing and adopting a strategic plan for the Company and for the Group;

(b) Overseeing the conduct of the Company and the Group's businesses and to evaluate whether the businesses are being properly managed;

(c) Identifying principal risks affecting the Company and the Group and ensuring the implementation of appropriate internal controls and mitigation measures;

(d) To approve succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management;

(e) Overseeing the development and implementation of a shareholder and stakeholder communications policy for the Company and the Group;

(f) Reviewing the adequacy and the integrity of the management information and internal control systems of the Company including systems for compliance with applicable laws, regulations, rules, directives and guidelines;

(g) Preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the income statement for the year then ended. Ensuring that the Company has used appropriate accounting policies, consistently applied and supported with reasonable and prudent judgments and estimates, and all accounting standards which are applicable to the Company.

(h) Keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2016;

(i) Disclosing in the Annual Report the following statements:-

 (i) Statement of Corporate Governance in compliance with the Malaysian Code on Corporate Governance and in accordance with the provisions of the Listing Requirements;

 (ii) Statement of Board's responsibility for preparing the financial statements; and

 (iii) Statement on Risk Management and Internal Control with regards to the state of risk management and internal control of the Company as a group.

(j) Reviewing monthly/quarterly budget reports/other reports presented by Management, including quarterly results prior to submission to Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The Board has laid down a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the Group is firmly in its hands. The Board delegates and confers some of the Board's authorities and discretion on the Executive Vice Chairman as well as Group Managing Director. The Group Managing Director is also responsible to ensure that the Management adheres to the guidelines and policies set by the Board.

The Directors have full access to information pertaining to all matters requiring the Board's decision. Prior to any Board meeting, all Directors shall be furnished with proper board papers which contain the necessary information for each of the meeting agenda in advance to enable each Director to obtain further explanations, where necessary, in order to be briefed properly before the meeting. Matters to be discussed are not limited to financial performance of the Group but also to address major investment decisions as well as operational issues and problems encountered by the Group.

The Board has set out agreed procedures for the Directors to take independent professional advice at the Company's expense, if necessary.

All Directors have access to the advice and services of the Company Secretary who ensures compliance on procedural and regulatory requirements such as statutory obligations, Listing Requirements or other regulatory requirements. The Company Secretary plays an important role in supporting the Board by ensuring adherence to Board policies and procedures. The removal of the Company Secretary shall be a matter for the Board as a whole.

Besides the Audit and Risk Committee, which was set up on 24 March 1999, several Board committees were established subsequently to assist the Board in discharging its duties and responsibilities. All committees have written terms of reference and procedures duly endorsed by the Board to examine a particular issue and report back to the Board with a recommendation. Chairman of the committee concerned will report to the Board on matters dealt by the said committee which will be incorporated as part of the Board minutes.

Board Appointment Process

In previous years, the process of assessing existing Directors and identifying, recruiting, nominating, appointing and orientating new directors are performed by the Board. In compliance with the best practices recommended under the MCCG, these functions have been delegated to the Nomination Committee with effect from 16 January 2002.

Directors' Re-election

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors, including Group Managing Director, shall retire from office by rotation each year and all Directors are subject to retire at least once in every three (3) years. Retiring Directors may offer themselves for re-election at the AGM. Any Director who is appointed by the Board during the year is also required to retire and seek re-election by shareholders at the following AGM held following his appointment. Any Director of or over seventy (70) years of age is required to submit himself for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

Board Meetings

During the financial year ended 31 December 2016, five (5) Board meetings were held. The Directors' attendance of each Board meeting held are as follows:-

Executive Directors	Total Meetings Attended	% of Attendance
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	4/5	80%
Dato' Sri Wan Zakariah bin Haji Wan Muda	4/5	80%
Dato' Haji Mustaffa bin Mohamad	5/5	100%
Dato' W Zulkifli bin Haji W Muda	3/5	60%
Dato' Haji Roslan bin Tan Sri Jaffar	5/5	100%

Non-Executive Directors		
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	5/5	100%
Datuk (Prof) A. Rahman @ Omar bin Abdullah	5/5	100%
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	5/5	100%
Dato' Sr. Abdull Manaf bin Hj Hashim (Appointed w.e.f. 1 July 2016)	1/2	50%

Directors' Remuneration

The Board believes that the level of remuneration offered by the Company is sufficient to attract and retain Directors needed to run the Company. The component part of remuneration has been structured to link rewards to corporate and individual performance for Executive Directors, whilst Non-Executive Directors' remuneration reflects their experience and level of responsibilities.

The details of the remuneration of the Directors of the Company received from the Company and the Group are as follows: -

	Salaries* RM	Allowances RM	Fees RM	Bonuses RM	Benefits-in-kind RM	Total RM
Received from the Company						
Executive Directors	3,432,223	326,000	-	1,128,377	226,424	5,113,024
Non-Executive Directors	-	42,600	540,000	-	60,328	642,928
Received from the Group						
Executive Directors	5,408,303	695,600	574,000	1,649,411	403,047	8,730,861
Non-Executive Directors	-	50,000	540,000	-	60,328	650,328

* The salaries are inclusive of statutory employer contributions to the Employees' Provident Fund and SOCSO.

The number of Directors whose remuneration falls into the following bands:-

Received from the Company		
Range of Remuneration (RM)	**Executive Directors**	**Non-Executive Directors**
Below 50,000	2	-
50,001 – 100,000	-	2
100,001 – 200,000	-	-
200,001 – 250,000	-	1
250,001 – 300,000	-	1
300,001 – 1,100,000	-	-
1,100,001 – 1,150,000	1	-
1,150,001 – 1,700,000	-	-
1,700,001 – 1,750,000	1	-
1,750,001 – 2,200,000	-	-
2,200,001 – 2,250,000	1	-

Received from the Group		
Range of Remuneration (RM)	**Executive Directors**	**Non-Executive Directors**
Below 50,000	-	-
50,001 – 100,000	-	2
100,001 – 200,000	-	-
200,001 – 250,000	-	1
250,001 – 300,000	-	1
300,001 – 1,250,000	-	-
1,250,001 – 1,300,000	1	-
1,300,001 – 1,350,000	-	-
1,350,001 – 1,400,000	1	-
1,400,001 – 1,700,000	-	-
1,700,001 – 1,750,000	1	-
1,750,001 – 1,850,000	-	-
1,850,001 – 1,900,000	1	-
1,900,001 – 2,500,000	-	-
2,500,001 – 2,550,000	1	-

Directors' Training

Every Director of the Company undergoes continuous training as an on-going process to equip himself to effectively discharge his duties as a Director. For that purpose, he ensures that he attends such training programs to continually develop and update himself from time to time. The Company also provides briefings for new members of the Board, to ensure that they have a comprehensive understanding on the operations of the Group and the Company.

Conferences, seminars and training programmes attended by Directors in 2016 included the following areas:

Board Leadership	• YTL Leadership Conference 2016 BTRT in the Digital Revolution • Power Talk: What Will Distinguish The Great Boards of Tomorrow • Hot Topics for Boardroom • Case Study Workshop for Independent Directors by SIDC • How Effective Boards Engage on Succession Planning for the CEO and Top Management
Risk Management	• Special Invitation to Industry Briefing on Directors Register Implementation • Shariah Non-Compliance Risk and its Impact to Islamic Bank • 1st Distinguished Board Leadership Series – "Cyber-Risk Oversight"
Corporate Governance	• Corporate Governance Breakfast Series with Directors-The cybersecurity threat & how Board should mitigate the risks by MINDA
Finance and Taxation	• Economic Strategic Conference • Investment Analysis on Plantation Industry by MIA • Training on Anti-Money Laundering and Counter Financing of Terrorism • Managing Business Sustainability in Turbulent Times • SERC Global Economic Conference 2016 by ACCCIM • Malaysia Financial Reporting Standard (MFRS) 9 – Financial Instruments and Key Audit Matters • Internal Capital Adequacy Assessment Process (ICAAP)
Others	• YTL In House Training-Harnessing the Power of Disruption, Disrupting Beliefs for Strategic Advantages • The Direction of Global Competition in Malaysia • Bursa Malaysia's Sustainability Engagement series for Directors/CEO • Capital Market Directors Programme (CMDP) • Module 1: Directors as Gatekeepers of Market Participants • Module 2: Business Challenges and Regulatory Expectations – What directors need to know (Equities & Future Broking) • Module 4: Current and Emerging Regulatory Issues in the Capital Market

Board Charter

The Board Charter was established in year 2002 to set out the strategic intent and outlines the Board's structure and procedures, roles and responsibilities and relationship of the Board to Management. The Board has assessed the current Board Charter and its conformity in accordance with MCCG. The Board is of the opinion that the Board Charter conforms in all material aspects to the MCCG. Nevertheless, the Board recognises the importance of the Board Charter thus, will take steps to enhance the Board Charter to bridge any gaps that may arise out of the MCCG so as to ensure its continuous relevance in the corporate governance of the Group.

BOARD COMMITTEES

1. NOMINATION COMMITTEE

Primary function

The Nomination Committee was established on 16 January 2002 and operates within clearly defined terms of reference. The Nomination Committee is primarily responsible for constantly assessing the overall effectiveness of the Board and Board committees and make recommendations to the Board for any new candidate as Board member or Board committee member, including assessing the eligibility of Independent Non-Executive Directors who have served more than 9 years. Due consideration is given to the required mix of skills, expertise and experience of the new candidate to meet the needs and complement the Board, having due regard for the benefits of diversity on the Board, including gender, ethnicity and age, and recommends for appointment to the Board. In addition, the Nomination Committee also performs introduction briefing for the new Board members with regards to the overall operations and corporate objectives of the Group and continues to ensure that new Board member undergoes the necessary Mandatory Accreditation Programme ("MAP") prescribed by Bursa Malaysia.

The decision as to who shall be appointed as Board member will be the responsibility of the full Board after considering the recommendations of the Nomination Committee. The Nomination Committee has developed criteria used for evaluating the suitability of the Board members inter alia the competency, contribution, commitment, experience and integrity.

The Board aspires to increase the aspect of diversity, including gender, ethnicity and age of Directors in order to bring a diversity of skills, experience and perspective of the Group. The Board recognises that the evolution of the mix of skills, experience and diversity is a long-term process and weighs the various factors relevant to Board balance when vacancies arise.

During the financial year, three (3) meetings were held where the Nomination Committee has approved the appointment of Dato' Sr. Abdull Manaf bin Hj Hashim as a new Non-Independent Non-Executive Director of the Company and recommended the same to the Board for approval, assessed the performance of the retiring Directors and to consider their eligibility for election at the next Annual General Meeting as well as to review the term of office and performance of the Audit and Risk Committee and each of its members.

Member

The present members of the Nomination Committee who are the Independent Non-Executive Directors of the Company are as follows:

- Datuk (Prof.) A. Rahman @ Omar bin Abdullah (Chairman)
- Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad
- Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng

The Company Secretary is the secretary of the Nomination Committee.

2. REMUNERATION COMMITTEE

Primary function

The Remuneration Committee was established on 20 August 2001. Its primary function is to set the policy framework and recommend to the Board on remuneration packages and benefits extended to the Directors, drawing from outside advice as necessary to ensure that the remuneration is sufficient to attract and retain the Directors needed to run the Company successfully.

The determination of the remuneration package for Non-Executive Directors shall be a matter for the Board as a whole. The Director concerned shall abstain from deliberations and voting on decisions in respect of his individual remuneration package.

Member

The present members of the Remuneration Committee of the Company are as follows:

- Dato' Sri Haji Wan Zaki bin Haji Wan Muda (Chairman)
- Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad
- Dato' Sri Wan Zakariah bin Haji Wan Muda
- Datuk (Prof.) A. Rahman @ Omar bin Abdullah

The Company Secretary is the secretary of the Remuneration Committee.

3. ESTABLISHMENT COMMITTEE

Primary function

The Establishment Committee was established on 16 January 2002. The main purpose for setting up this committee is to assist the Board in formulating the Group's policy and procedures with regard to employees' benefits and the execution of the whole spectrum of Human Resource Management for the Group as well as to administer Employees' Shares Scheme ("ESS") launched by the Company within the jurisdiction of the ESS By-Laws.

Member

The present members of the Establishment Committee of the Company are as follows:

- Dato' Sri Wan Zakariah bin Haji Wan Muda (Chairman)
- Dato' Haji Mustaffa bin Mohamad
- Dato' W Zulkifli bin Haji W Muda
- Dato' Haji Roslan bin Tan Sri Jaffar

The Director of Human Capital and Corporate Services is the secretary of the Establishment Committee.

4. EMPLOYEES' SHARE SCHEME COMMITTEE

Primary Function

The Employees' Share Scheme Committee ("ESSC") was established on 18 August 2014 with the primary responsibility of formulating, implementing and administering the Employees' Share Scheme ("ESS") in accordance with the By-Laws as approved by the Board and shareholders of AZRB.

Member

The present members of the ESSC are as follows:

- Dato' Sri Wan Zakariah bin Haji Wan Muda (Chairman)
- Dato' Haji Mustaffa bin Mohamad
- Dato' W Zulkifli bin Haji W Muda
- Dato' Haji Roslan bin Tan Sri Jaffar
- Wan Shariman bin Wan Mohamed

The Director of Human Capital and Corporate Services is the secretary of the ESSC.

EFFECTIVE COMMUNICATION WITH SHAREHOLDERS

The Board maintains effective communications that enable both the Board and the Management to communicate effectively with its shareholders, stakeholders and the public. The policy effectively interprets the operations of the Group to the shareholders and accommodates feedback from shareholders, which are factored into the Group's business decision.

The Board values its dialogue with shareholders, public, media, authorities and private investors and recognises that equal and timely dissemination of relevant information be provided to them.

The AGM serves as an important means for shareholders communication. Notice of the AGM and Annual Reports are sent to shareholders at least twenty one (21) days prior to the meeting. At each AGM, the Board provides shareholders with the opportunity to raise questions pertaining to the Group. The AGM is also an avenue for the Chairman and the Board to respond personally to all queries and undertake to provide clarification on issues and concerns raised by the shareholders.

The Board has ensured each item of special business included in the Notice of AGM will be accompanied by an explanatory statement on the effects of the proposed resolution.

Other mediums of communication used by the Group to communicate information on the operations, activities and performance of the Group to the shareholders, stakeholders and the public are as follows:-

(a) the Annual Report, which contains the financial and operational review of the Group's business, corporate information, financial statements, and information on Audit and Risk Committee and Board of Directors;

(b) various announcements made to Bursa Malaysia, which includes announcements on quarterly results; and

(c) the Company's website at http://www.azrb.com.

The Board is fully committed in providing and presenting a true and fair view of the financial performances and future prospects in the industry. This is provided through the quarterly, half yearly and annual financial statements as well as the Annual Report.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board, which is assisted by the Audit and Risk Committee aims to present a balanced and understandable assessment of the Group's position and prospect through the annual financial statements and quarterly announcements of results to Bursa Malaysia.

The Directors are responsible to ensure the annual financial statements are prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

A statement by the Directors of their responsibilities in preparing the financial statements is set out separately on page 50 of this Annual Report.

Internal Control and Risk Management

The Statement on Risk Management and Internal Control furnished on pages 37 to 40 of this Annual Report provides an overview on the state of internal controls and risk management within the Group.

Relationship with the External Auditors

Through the Audit and Risk Committee, the Board has established formal and transparent arrangements for maintaining an appropriate relationship with the Group's external auditors. The role of the Audit and Risk Committee in relation to the external auditors is stated in the Audit and Risk Committee Report.

This Corporate Governance Statement is made in accordance with the resolution of the Board dated 30 March 2017.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities as required by the Companies Act, 1965 to prepare the financial statements for each financial year which have been made out in accordance with applicable Financial Reporting Standards (FRSs), the requirements of the Companies Act, 1965, and the Main Market Listing Requirements.

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

In preparing the financial statements, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that applicable approved accounting standards have been complied with; and
- prepared the financial statement on the going concern basis unless it is no longer appropriate to presume that the Company will continue in business due to unavailable resources.

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

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

REPORT OF THE AUDIT AND RISK COMMITTEE

Masjid Sultan Abdul Samad, KLIA

MEMBERSHIP

The present members of the Audit and Risk Committee of the Company all of whom are independent, are as follows:-

1. Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad (Chairman)
2. Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng (Member)
3. Datuk (Prof) A. Rahman @ Omar bin Abdullah (Member)

TERMS OF REFERENCE

Membership

1. The Committee shall be appointed by the Board of Directors amongst its members and consist of at least three (3) members, all of whom must be Non-Executive Directors, with a majority of them being Independent Directors.

2. At least one (1) member of the Committee must be:
   - a member of the Malaysian Institute of Accountants ("MIA"); or
   - if he is not a member of the MIA, he must have at least three (3) years' working experience; and
     i. he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
     ii. he must be a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967.

3. In the event of any vacancy in the Committee resulting in the non-compliance with Paragraph 15.10 of the Listing Requirements of Bursa Malaysia, the Board shall appoint a new member within three (3) months.

4. The Board of Directors must review the term of office and performance of the Committee and each of its members at least once in every three (3) years.

5. No alternate Director shall be appointed as a member of the Committee.

Meetings

1. Meetings shall be held at least four (4) times a year.

2. The Audit and Risk Committee may require the attendance of any management staff from the Finance/Accounts Department or other departments deemed necessary.

3. The Committee shall meet with the external auditors at least once a year without Executive Board members present. Upon the request of the external auditors, the Chairman of the Audit and Risk Committee shall convene a meeting of the committee to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders.

Quorum

The quorum shall be at least two (2) persons, both of whom are to be Independent Directors.

Secretary

The Company Secretary shall act as secretary of the Audit and Risk Committee.

Reporting Procedure

The Audit and Risk Committee regulates its own procedures:-

1. the notice to be given of such meetings;
2. the voting and proceedings of such meetings;
3. the keeping of minutes; and
4. the custody, protection and inspection of such minutes.

Minutes of the meetings were tabled for confirmation at the following Audit and Risk Committee meeting. In 2016, the Chairman presented the recommendations of the Committee to the Board for approval of the annual and quarterly financial statements. The Chairman also conveyed to the Board matters of significant concern as and when raised by the external or internal auditors.

Duties and Responsibilities

The duties and responsibilities of the Audit and Risk Committee shall include the following:-

1. to consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;
2. to discuss with the external auditors before the audit commences, the nature and scope of the audit;
3. to discuss with the external auditors on the evolution of the system of internal controls

and the assistance given by the employees to the external auditors;

4. to review and report to the Board if there is reason (supported by grounds) to believe that the external auditors is not suitable for reappointment;
5. to review the quarterly and year-end financial statements of the Board, focusing particularly on:
   - any changes in the accounting policies and practices;
   - significant adjustments arising from the audit;
   - the going concern assumption; and
   - compliance with accounting standards and other legal requirements.
6. to discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of the Management where necessary);
7. to review the external auditor's Management letter and the Management's response;
8. to do the following where there is an internal audit function:
   - review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
   - review the internal audit program and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
   - review any appraisal or assessment of the performance of members of the internal audit function;
   - approve any appointment or termination of senior staff members of the internal audit function; and
   - inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
9. to consider any related party transactions that may arise within the Company or the Group;
10. to consider the major findings of internal investigations and the Management's response;
11. to ensure of an effective functioning of an integrated risk management function within the organisation;
12. to oversee and monitor the overall risks impacting the Group as well as to review and approve risk management policies and risk tolerance limits; and
13. to consider other topics as defined by the Board.

Authority

In carrying out their duties and responsibilities, the Audit and Risk Committee shall:-

1. have authority to investigate any matter within its terms of reference;
2. have the resources which are required to perform its duties;
3. have full and unrestricted access to any information pertaining to the Company;
4. have direct communication channels with the external and internal auditors;
5. be able to obtain independent, professional or other advice; and
6. be able to convene meetings with the external auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

Review

The Nomination Committee ensures that the term of office and performance of the Audit and Risk Committee and each of its members are being reviewed annually to determine whether the Audit and Risk Committee and its members have carried out their duties in accordance with their terms of reference.

ATTENDANCE OF AUDIT AND RISK COMMITTEE MEETINGS

The details of attendance of each member at the Committee meetings held during the financial year ended 31 December 2016 are as follows:-

Name of Members	Meetings							Total Attendance
	23.2	14.3	31.3	26.5	26.8	20.10	29.11	
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	√	√	√	√	√	√	√	7/7 (100%)
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	√	√	√	√	√	√	√	7/7 (100%)
Datuk (Prof) A. Rahman @ Omar bin Abdullah	√	√	√	√	√	√	√	7/7 (100%)

SUMMARY OF ACTIVITIES

During the financial year, the Audit and Risk Committee met seven (7) times. Activities carried out by the Committee included the deliberation and review of:-

1. the Group's year end audited financial results presented by the external auditors prior to submission to the Board for approval;
2. the Group's quarterly financial results presented by the Management prior to submission to the Board for approval;
3. the Audit Planning Memorandum of the external auditors in a meeting to discuss their audit strategy, audit focus and resources prior to commencement of their annual audit;
4. matters arising from the audit of the Group in a meeting with the external auditors without the presence of any Executive Directors or members of the Group's Management;
5. related party transactions and recurrent related party transactions within the Group pursuant to Bursa Malaysia Listing Requirements prior to submission for the Board's consideration and, where appropriate, shareholders' approval;
6. the internal audit plan, consider the major findings of internal audit reports and recommendations in relation to weaknesses in the internal control and discussed with Management on corrective actions to be taken;
7. the Risk Management Policy and Procedures of Ahmad Zaki Sdn Bhd;
8. the Corporate Governance Statement prior to submission to the Board for approval;
9. the Directors' Responsibility Statement for the Audited Financial Statements prior to submission to the Board for approval;
10. the Statement on Risk Management and Internal Control prior to submission to the Board for approval;
11. the risk management activities undertaken by Ahmad Zaki Sdn Bhd; and
12. the Terms of Reference of the Audit and Risk Committee prior to submission to the Board for approval.

ADDITIONAL COMPLIANCE INFORMATION

Masjid Wilayah Persekutuan, Kuala Lumpur

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

The Company did not undertake any corporate proposal to raise proceeds during the financial year ended 31 December 2016.

AUDIT AND NON-AUDIT FEES

A breakdown of fees for audit and non-audit services incurred by the listed issuer and on group basis for the financial year ended 31 December 2016 is set out under note 8 page 129 of the Financial Statements of this Annual Report.

MATERIALS CONTRACTS OR LOANS WITH RELATED PARTIES

Save as those disclosed in the following recurrent related parties transactions of a revenue in nature, there were no material contracts or loans entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests either subsisting at the end of the financial year ended 31 December 2016 or entered into since the end of the previous financial year.

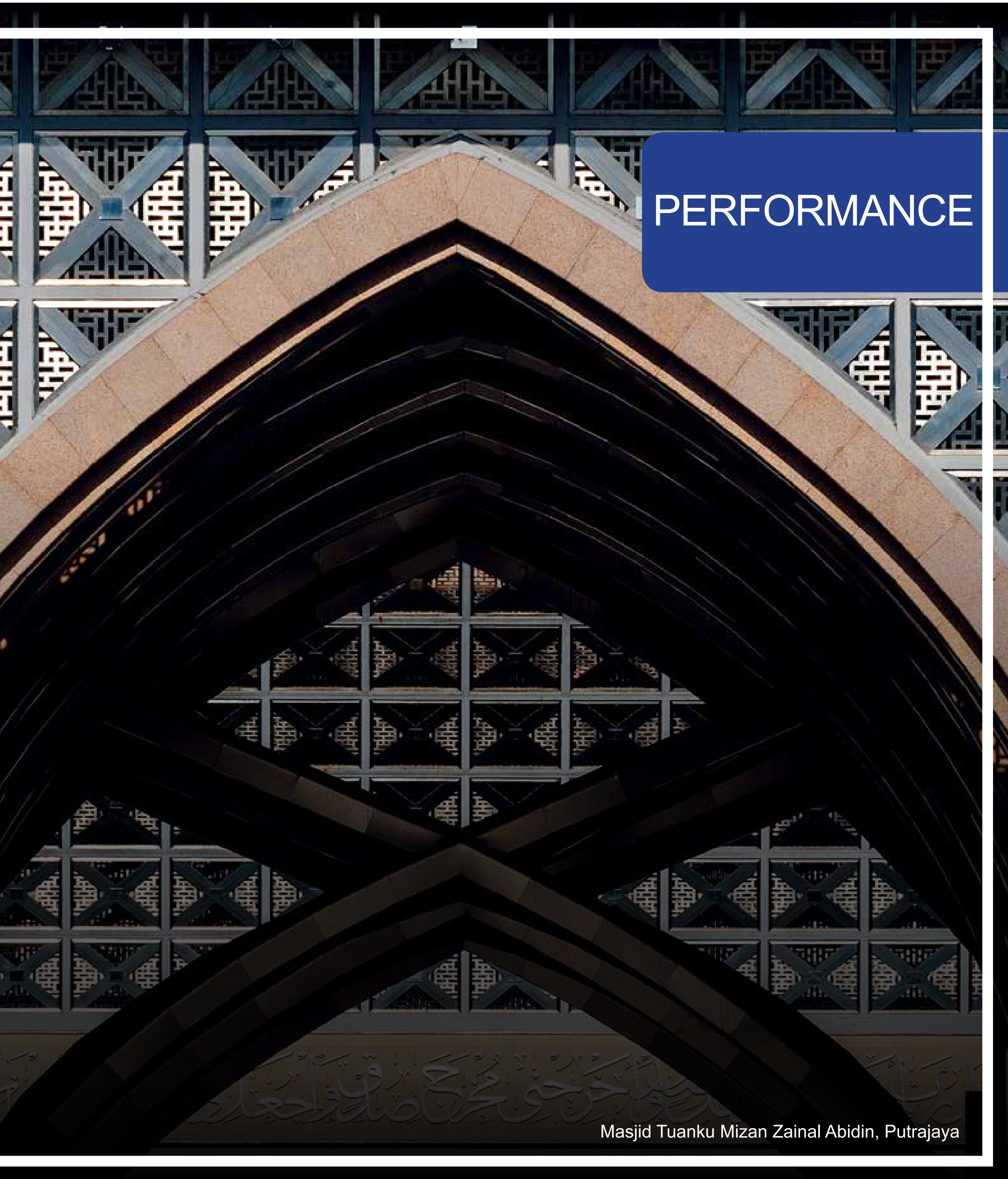
RECURRENT RELATED PARTY TRANSACTIONS

The value of related party transactions entered into by the Company and its subsidiaries during the financial year which have obtained shareholder's mandate in the previous AGM are qualified as follows:-

	Nature of the transactions with related party	Entered by	Period covered from 1 January to 30 June of Year 2016 RM'000	Period covered from 1 July to 31 December of Year 2016 RM'000
a)	**Purchase of building materials from subsidiaries of CHRB**			
i.	Chuan Huat Industrial Marketing Sdn Bhd	AZSB	3,027	5,787
ii.	Chuan Huat Hardware Sdn Bhd	AZSB	236	15
b)	**Purchase of building materials from subsidiaries of ZHSB**			
i.	Kemaman Quarry Sdn Bhd	AZSB	50	1
ii.	QMC Sdn Bhd	AZSB	5,679	177
c)	**Insurance premium**			
	Paid/payable to ZHSB	AZRB AZSB ICSB AMSB PPSB	523	552
d)	**Administrative charges**			
	Paid/payable to ZHSB	AZSB ICSB TMSB KTIP	120	118
e)	**Rental of premise**			
	Paid to Dato' Sri Haji Wan Zaki bin Haji Wan Muda	PPSB AZSB	925	823

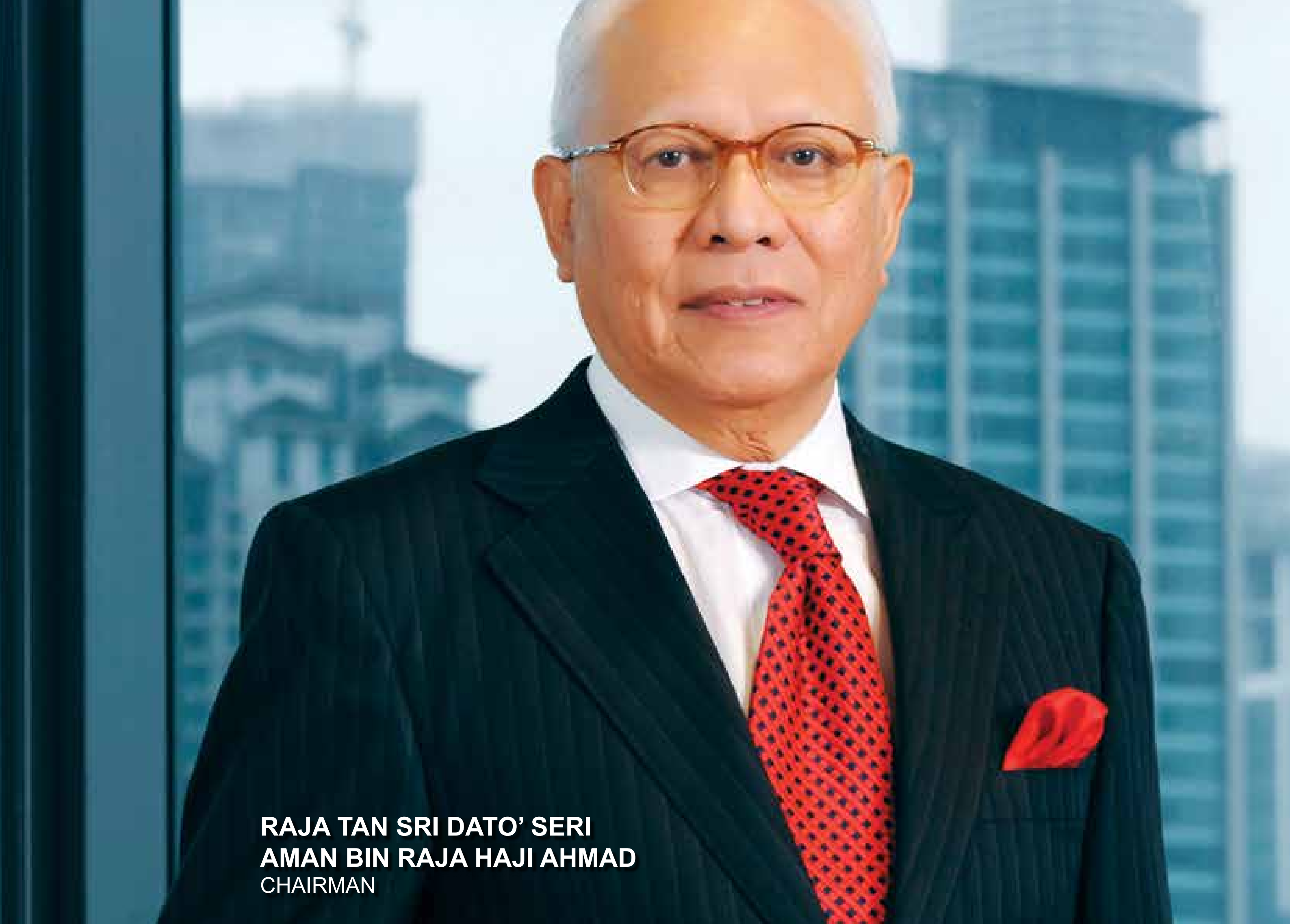
	Relationship of the related parties:	
i.	Chuan Huat Resources Berhad ("CHRB")	Chuan Huat Resources Berhad, a company in which Dato' Sri Haji Wan Zaki bin Haji Wan Muda has substantial financial interest.
ii.	Zaki Holdings (M) Sdn Bhd ("ZHSB")	Holding company of Ahmad Zaki Resources Berhad.

PERFORMANCE



Masjid Tuanku Mizan Zainal Abidin, Putrajaya

CHAIRMAN'S STATEMENT



RAJA TAN SRI DATO' SERI
AMAN BIN RAJA HAJI AHMAD
CHAIRMAN

DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors ("the Board"), it is my pleasure and privilege to present the Annual Report and Financial Statements of Ahmad Zaki Resources Berhad ("AZRB" or "the Group") for the year ended 31 December 2016.

Overview

The year under review has been a year of tremendous growth for the Group. It was a year where the Construction Division helped propel the Group to reach a significant mark and milestone in the Group's financial history. For once, both the Group and the Construction Division passed the billion ringgit mark in terms of revenue with a recorded revenue of RM1,201.3 million (2015: RM714.97 million). Meanwhile, the Construction Division also reached another significant milestone when the construction order book balance crossed RM4 billion during the year. With a year-end balance construction order book of RM3.9 billion the future bodes well for the Group.

2016 Revenue :
RM1.2 Billion

Year-End Order Book Balance :
RM3.9 Billion

Construction Division's year of achievement started off with the award by the International Islamic University of Malaysia ("IIUM") for the supply of additional medical equipment under Group 2 and 3 for the IIUM Medical Centre in Kuantan, Pahang. In the meantime, the Construction Division, successfully completed the construction of the IIUM Medical Centre, for which the Group received formal acceptance from IIUM on 9 May 2016. This marked the successful completion of the first stage of our first Private Finance Initiative ("PFI") concession and the Group will now stand to benefit from the continuous income and cash flow of this concession for the next 21 ½ years.

The Construction Division had better news to report on 4 April 2016, when it received the letter of acceptance from Mass Rapid Transit Corporation Sdn Bhd ("MRT Corp") for a project known as 'Package V202: Construction and Completion of Viaduct Guideway and Other Associated Works from Persiaran Dagang to Jinjang' for a total value of RM1.44 billion. This was the first main package to have been awarded by MRT Corp for the Mass Rapid Transit ("MRT") Sungai Buloh – Serdang – Putrajaya ("SSP") Line. The award was made following a rigorous competitive pre-qualified tender process conducted by MRT Corp. We are heartened to note that not only were we successful due to having the lowest tendered price, but also that we had emerged best in the technical evaluation process. Our participation in the tender was helped by the fact that we already had experience in the construction of Package V6 for the MRT Sungai Buloh – Kajang ("SBK") Line. It is always good to note whenever due recognition is given for our proven capability and delivery.


Opening Ceremony of IIUM Medical Centre by KDYMM Sultan Pahang, Sultan Haji Ahmad Shah Al-Musta'in Billah Ibni Al-Marhum Sultan Abu Bakar Ri'ayatuddin Al-Mu'adzam Shah


Sri Raya MRT Station

The award of RM1.44 billion by MRT Corp is our second largest construction contract to date. During the year, the Group commenced construction of Packages 1 and 2 of our East Klang Valley Expressway ("EKVE") Project, having commenced construction of Package 3 in September 2015. The EKVE Project, worth RM1.55 billion is currently our single largest construction and investment and I am happy to report that we have cleared all legal and regulatory hurdles impacting the EKVE Project and that the construction work is going ahead as planned and on schedule. The Board and Management continues to keep a close eye on matters so as to ensure that we meet our 2019 opening deadline.

Rounding off the year for the Construction Division was the award by the Malaysian Public Works Department on 27 June 2016 for the construction of a new bridge over Sungai Kuantan linking Kuantan City and Bandar Putra, Tanjung Lumpur for a total value of RM152.3 million. In total, the Construction Division won over RM1.6 billion worth of new work in 2016, a record achievement for the division and the Group. This is a testimony for the Group's capability and branding.

New Horizons

Construction Division was not the only business segment that made great strides for the Group. All business divisions positioned themselves well during the year for future growth and achievement. The Property Division in particular made significant steps in its aim of being a major contributing business segment of the Group.

On 22 February 2016, the Property Division entered into a definitive Development Rights Agreement ("DRA") for a 3.91 acre plot in Kwasa Damansara with a subsidiary of Kwasa Land Sdn Bhd ("KLSB"), the master developer of Kwasa Damansara. As described in the previous annual report, the Group had won the tender to be the development partner of KLSB for the development of a high rise residential project in Kwasa Damansara. Kwasa Damansara is a planned 2,330 acre township strategically located in Klang Valley, and is poised to be an address of choice in the future. With the DRA, the roadmap is set for our maiden property development project in Klang Valley, which we plan to launch in early 2018 after taking into account the current market conditions.

Aerial view of the ongoing EKVE construction project

Artist impression, Rimbun Damansara

Designed as a resort-themed condominium that is strategically located on the main park of the Kwasa Damansara development, we are confident that our 188 unit Rimbun Damansara will be the preferred choice amongst discerning buyers.

We are also happy to report that during the year, our development at Puncak Temala, Terengganu had entered into an agreement with Perumahan Penjawat Awam 1 Malaysia ("PPA1M") for the offer of 349 units of double storey link houses for eligible government servants under the PPA1M scheme. Under this scheme, interested government servants will be invited to purchase our double storey link house at a discounted price, with the discount borne by PPA1M. As at the date of this report, we are pleased to report that 62 applicants have been approved by PPA1M and are now in the process of obtaining their loan approvals prior to the formal signing of the sales and purchase agreements.

Finally for the Property Division, following the acceptance of the IIUM Medical Centre by the client as described above, the division has started providing facilities management services to the medical centre. This marks the next stage of our concession agreement whereby we will be managing and maintaining the facilities of the medical centre for the next 21 ½ years.

During the year, the Plantation Division embarked to build its first Palm Oil Mill ("the Mill"). Construction of the Mill, which has a production capacity of 60MT/Hr, began in February 2016 and was completed in January 2017 and commissioned into use in February 2017. We are pleased to report that as at the date of this report, all fruits produced by our estate in Kalimantan Barat is now wholly processed by our own mill. In addition, due to the

Aerial view of the Palm Oil Mill which was commissioned into use in February 2017 strategic location of the Mill, we are able to attract many external fruits into the Mill thereby giving us the necessary scale and efficiency very early on in its production life. Based on the performance so far, we are confident that the Mill will be able to deliver the desired results that our Plantation Division has been looking for and is capable of achieving.

Finally, on 31 December 2016, our Oil and Gas Division completed its acquisition of Matrix Reservoir Sdn Bhd, the owner and operator of Tok Bali Supply Base ("TBSB") in Kelantan. As described in the previous Annual Report, TBSB is strategically located and enjoys a significant captive market. It's poised to offer significant savings to the oil and gas companies operating in the North Malay Basin, in particular those under the Malaysia-Thailand Joint Development Area. Following a year of building up the necessary facilities including amongst others; Liquid Mud Plant, Warehouses, Fuel Bunkering and Potable Water facilities and Customs, Immigration and Quarantine facilities, TBSB is now operational and ready to receive customers. In March 2017, TBSB welcomed Hess Corporation as its maiden Production Sharing Contract ("PSC") customer. A service agreement has also been inked with Carigali Hess Operating Company ("CHOC") to mainly cater to the crew boat activities. We are confident of many other PSC customers opting for TBSB as their main base of operations over the next few months and years. We look forward to the contribution of TBSB to the Group results from 2017 onwards.

Looking Ahead

The Group is excited by the many groundbreaking events that took place over the year. Of particular interest is the agreement by Malaysia and Singapore to develop a High Speed Rail ("HSR") Line linking Kuala Lumpur and Singapore. Another exciting development is the proposed East Coast Rail Line ("ECRL") linking Kuala Lumpur with Kelantan via Terengganu and Pahang. Both HSR and ECRL are anticipated to create many opportunities particularly for our Construction Division. We believe we have the right credentials based on our impeccable track record and look forward to participate in the tenders as they are rolled out.

The proposed ECRL has also given us reason to be excited where it has been announced that a passenger and cargo terminal will be built in Tok

Customs, Immigration and Quarantine (CIQ)
Centre at Tok Bali Supply Base

Bali. Not only will this help the development of the Tok Bali area in general but will further spur interest and connectivity to TBSB which is poised to be the primary port for Kelantan and Northern Terengganu. We are very excited at the prospects such a rail link will give to the Tok Bali area.

Early 2017 saw oil and gas prices react positively to oil production cuts announced by the Organisation of Petroleum Exporting Countries ("OPEC") as well as a recovery in crude palm oil ("CPO") prices. The timing of both increases has coincided nicely with the start of operations of the TBSB and commissioning of the Mill. Despite a fall in oil prices recently, we expect both CPO and oil prices to remain within range and therefore allow both our Plantation and Oil and Gas Divisions to be on a better footing this year.

Acknowledgement

I would like to welcome on board, Y.Bhg Dato' Sr. Abdull Manaf Bin Hj Hashim, who joined the Board of Directors of AZRB on 1 July 2016 as an Independent and Non-Executive Director. Prior to joining AZRB, Dato' Sr. Abdull Manaf was the Deputy Director General of the Public Works Department / Jabatan Kerja Raya ("JKR"). Dato' Sr. Abdull Manaf retired from JKR after 38 years of dedicated service. Dato' Sr. Abdull Manaf graduated as a Bachelor of Quantity Surveying from Universiti Teknologi Malaysia and started his career in JKR as a Quantity Surveyor. Amongst his achievements include five terms as President of the Board of Quantity Surveyors Malaysia and President of the Royal Institution of Surveyors Malaysia for one session.

Y.Bhg Dato' Sr. Abdull Manaf carries with him a vast wealth of knowledge and experience accumulated over his many years of service and the Group looks forward to his counsel, advice and sharing for the years to come.

Appreciation

On behalf of the Board, I wish to express my sincerest gratitude and appreciation to the shareholders, various government agencies, clients, consultants, suppliers and business partners who have contributed significantly to our success and for the continuous support and confidence in the AZRB Group.

I would also like to register my deepest gratitude to all the people at AZRB and its Group of Companies for their dedication and commitment to the Group's cause.

Finally, I wish to place on record my deepest appreciation to my fellow member of the Board, both at Group level as well as the various subsidiaries. For their wise counsel, guidance and invaluable contributions.

RAJA TAN SRI DATO' SERI AMAN BIN RAJA HAJI AHMAD
CHAIRMAN

DATO' SRI WAN ZAKARIAH BIN HAJI WAN MUDA
GROUP MANAGING DIRECTOR

DEAR SHAREHOLDERS,

On behalf of the Senior Management of Ahmad Zaki Resources Berhad ("AZRB" of "the Group") I am delighted to present an outstanding report card for the financial year ended 31 December 2016 ("FY2016"), as we build upon our solid foundation and sound expertise to emerge stronger across all our business divisions. It is important to note that this performance was attained against a very challenging year in the domestic economy, where the remarkable finish in FY2016 testifies to our tenacity and focus on delivery.

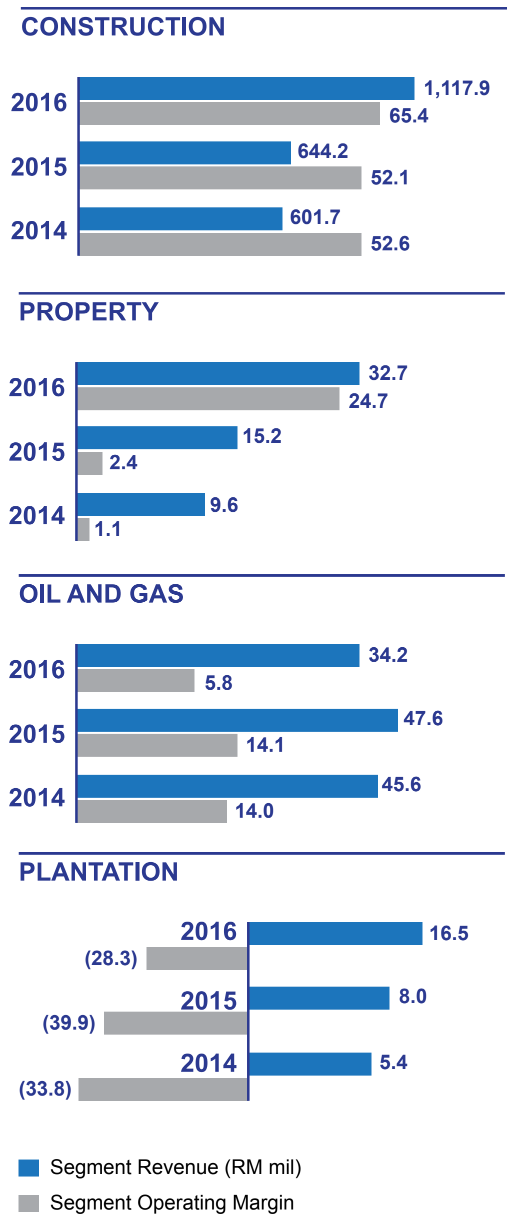
Financial Review

We are pleased to announce that group revenue in 2016 exceeded the billion Ringgit mark to achieve record-high topline of RM1.2 billion (2015: RM715.0 million). We also enhanced our overall bottomline, with pre-tax profit of RM50.5 million (2015: RM32.1 million) and net profit attributable to shareholders of RM27.2 million (2015: RM22.9 million). The strong double-digit growth figures clearly demonstrate the effectiveness of the Group's expansion strategies, with revenue jumping 68% year-on-year, and pre-tax and net profits increasing 57% and 19% respectively. Correspondingly, earnings per share increased to 5.6 sen (2015: 4.7 sen).

The Construction Division was AZRB's star performer in 2016, where the new contract wins for high-impact infrastructure developments as well as steady construction progress in ongoing projects propelled its revenue to RM1.1 billion, constituting 93% of total revenue (2015: RM644.2 million, 90% revenue contribution). Pre-tax profit of the division increased to RM65.4 million (2015: RM52.1 million). We believe that the positive momentum generated by the Construction Division in light of our ongoing projects places us in good stead to continue growing from strength to strength.

The Property Division, consisting of property development and facilities management, emerged as the next largest pre-tax profit contributor to the Group. The revenue of RM32.7 million representing 3% of consolidated group revenue (2015: RM15.2 million, 2% revenue contribution). The tremendous uptake in revenue was on stronger billings from ongoing property developments as well as maiden contributions from the commencement of facilities management services for the International Islamic University Malaysia ("IIUM") Medical Centre. The latter was the main boost behind the tremendous jump in pre-tax profit by ten times to RM24.7 million (2015: RM2.4 million), and is set to mark steady contributions for the 21½ year concession period.

SEGMENTAL REVENUE AND OPERATING MARGIN



The Oil and Gas Division recorded revenue of RM34.2 million in 2016 (2015: RM47.6 million) and pre-tax profit of RM5.8 million (2015: RM14.1 million), reflecting the still-challenging market in the oil and gas sector. Still, we made a significant breakthrough on 31 December 2016, with the addition of Tok Bali Supply Base to our existing Kemaman Supply Base bunkering operations. This addition is poised to uplift the segment's capabilities to capture the immense opportunities from the captive market.

Finally, the Plantation Division charted a momentous year, with 2016 revenue doubling to RM16.5 million (2015: RM8.0 million), on the back of a favourable tree profile, higher yields and steady prices for fresh fruit bunches (FFB) sales. The higher revenue, together with operational efficiency measures implemented by the new and highly-experienced management team, effectively narrowed the division's pre-tax loss to RM28.3 million in 2016 (2015: RM39.9 million). Buoyed by this steady upswing and in view of the new mill now in operation, we are confident of reaping the fruit of our labour in terms of profits in the near future.

Capital Management

The larger base of retained earnings resulted in a corresponding increase in group shareholders' equity to RM364.9 million (2015: RM338.8 million). At the same time, the Group's enlarged scope of operations across all divisions necessitated higher working capital, as demonstrated by higher total borrowings of RM2.2 billion (2015: RM849.8 million). Taking into account the substantial increase in total cash and cash equivalents to RM115.3 million (2015: RM89.9 million) and other investments of RM823.9 milion (2015: Nil), the Group's net gearing increased to 3.4 time as at end-2016 (2015: 2.1 time).

However, it is noteworthy that approximately 71% of the Group's borrowings are to finance the construction of the EKVE and IIUM Medical Centre, both of which are concessions that would eventually generate recurring income for the Group over the long term. Therefore, we believe that the rewards in the future and stable earnings adequately compensate the near term impact.

Dividends

On 15 August 2016, AZRB paid to shareholders an interim single-tier dividend of 2.0 sen per share in respect of FY2016.

We are not adopting any dividend policy at the moment, as we are focusing on construction division in which the earnings are cyclical.

At this juncture, we would like to express our heartfelt appreciation to our shareholders for their unwavering support and belief in the Group.

Segment Review and Prospects

- **Construction Division**

  The Construction Division retained its position as the Group's primary generator of revenue and profit, as is befitting for our core business since inception. The division accomplished a new milestone in 2016 with a record RM1.6 billion in new contract wins, attesting to our competitiveness in tenders, and customers' recognition of our strong expertise encompassing the full range of design to development of iconic buildings and infrastructure.

  During the year, we clinched a RM1.4 billion contract from Mass Rapid Transit Corporation Sdn Bhd ("MRT Corp") to undertake the construction and completion of viaduct guideway and other associated works under Package V202 (between Persiaran Dagang and Jinjang) of the Klang Valley Mass Rapid Transit 2 ("KVMRT") for the Mass Rapid Transit ("MRT") Sungai Buloh – Serdang – Putrajaya ("SSP") Line. This latest contract follows the prior experience gained in KVMRT1 for the Sungai Buloh – Kajang ("SBK") Line, indicating the vote of confidence by MRT Corp in the quality of our works and our strong brand equity. The duration of construction works is expected to be for a 5 year period till 2021. We are pleased to note that in this competitive tender, not only did we come in lowest but we also scored the highest technical assessment points for the tender.


Bandar Tun Hussein Onn MRT Station

Another notable feather in the division's cap was the RM152.3 million contract to build the Tanjung Lumpur Bridge in Kuantan, Pahang, which is to be built over a 3-year period. The new bridge, connecting the upcoming Bandar Putra, Tanjung Lumpur to the thriving Kuantan City, would be a crucial conduit to the rapid developments of Kuantan, facilitating the flow of resources including manpower and goods to enable the state to reach its full economic potential.

The new contract wins in the year under review propelled AZRB's balance order book to RM3.9 billion as at 31 December 2016, to be recognised over the next five years.

Securing these new wins did not distract us from delivering on and making sturdy progress in our ongoing projects in the year. These included handing over the IIUM Medical Centre in May 2016, fulfilling the supply of additional medical equipment under Group 2 and 3 for the IIUM Medical Centre in December 2016. We also made great strides with our jobs in hand, including the construction of the 4-block Student Accommodation Complex in the heart of the capital city, building the office and residential high-rise towers under the mixed development project in Kampung Baru, Kuala Lumpur, and going full speed ahead into the construction of the PNB Hotel and Office Towers (formerly the Malaysia Airlines building) in Jalan Sultan Ismail, Kuala Lumpur.


Ground Breaking Ceremony of Tanjung Lumpur Bridge by The Regent of Pahang, KDYTM Tengku Abdullah Al-Haj Ibni Sultan Haji Ahmad Shah Al-Musta'in Billah

Aerial view of the completed Student Accommodation Complex for Universiti Teknologi Malaysia, Kuala Lumpur.

It is imperative to note that most of our ongoing projects are situated in the highly-congested city centre, which added to the potential complications and sensitivities particularly in traffic management during the construction period. It is part of our credo to place great emphasis in this aspect, and always endeavoured to develop optimal solutions to uphold the safety and smooth journey of existing users. As such, we are pleased that our track record of timely delivery remains untainted despite these potential complications; marking our strength as a people-conscious construction player.

Even so, we are not resting on our laurels, and fully intend to seek further growth by aggressively tendering for more infrastructure projects. These include iconic and nation-building undertakings such as the East Coast Rail Link ("ECRL"), the KVMRT Line 3 and the Kuala Lumpur-Singapore High Speed Rail, amongst other projects.

Besides this, we plan to leverage on our core expertise gained from previous successful projections to bid for building jobs such as hospitals, universities, mosques, sports facilities and others. We believe that our suite of integrated services from innovative design to construction, coupled with our competitive pricing, stands us in good stead in securing such building projects.

We want to ensure a good product mix of infrastructure and commercial projects, in order to mitigate cyclical sector risks and continue strengthening our track record.

- **Oil and Gas ('O&G Division')**

  The Group's O&G Division held up relatively well amidst a challenging year, what with the incessant global concerns on oversupply and waning demand for fossil fuels. Still, it is noteworthy that the management made the best of the situation and kept its focus trained on the future prospects. This stance led to the Group's ownership of a majority stake in the operator of Tok Bali Supply Base: one of the three supply base license holders in Malaysia, and the only one situated in Kelantan, and therefore in prime position to be the sole Malaysia-based service provider for Product Sharing Contractors ("PSCs") operating in the North Malay Basin, Malaysia-Thailand Joint Development Area and Commercial Arrangement Area between Malaysia and Vietnam.

Cognisant of these positive prospects, the Group wasted no time in ensuring that its facilities were prepared and ready to serve the varying needs of the PSCs. Efforts to this end included constructing an office block, the liquid mud plant and marine tower, warehouses with amenities, customs and immigration complex, weighbridge, and bonded holding area in 2016. We are heartened that our initiatives to fully equip Tok Bali Supply Base to better serve potential clientele have borne fruit, as aptly demonstrated by our increasing customer base, including notable oil and gas player Carigali Hess Operating Company ("CHOC") who has signed a service agreement for its crew boat activities for a period of two years. In addition to Carigali Hess being a new client, HESS Exploration & Production Malaysia B.V. ("HESS") has been a client at Tok Bali Supply Base since September 2015.


Aerial view of the Tok Bali Supply Base, Kelantan

In addition to our strong proposition of being a full service provider with 24-hour operations, our strategic location generates great time- and cost-savings of up to 60% for PSCs due to shorter steaming time between the supply base and oil platforms; hence providing added incentive for PSCs to utilise Tok Bali Supply Base as their preferred service provider. Also, the proposed ECRL has earmarked Tok Bali as one of its destinations to build a passenger and cargo terminal, thus bringing another channel of connectivity to Tok Bali and potentially elevating its economic development to the next level. All things considered, we are confident of attracting even more PSCs to our Tok Bali Supply Base in 2017 onwards.

In 2017, we intend to continue upgrading our capabilities and expanding our capacity to support future anticipated demand, allocating RM26.8 million in capital expenditure ("CAPEX") in the financial year ending 31 December 2017 ("FY2017") for machinery, additional warehouses, and the acquisition of land for shipyard.

This strong recurring income-based business model for our O&G division is premised on the 32-year concession period, undergirding our prospects for the long term.

- **Property**

The Property Division charted solid performance in the year under review, generating income from two main components: property development, as well as the maiden contributions from its facilities management segment.

In its property development segment, AZRB undertook two ongoing projects in 2016, namely Paka Industrial Park and Tiara Paka, both located north of Kerteh, Terengganu, rendering it ready to meet current demand from the Oil and Gas and surrounding industries, as well as capture potential demand from other developments like the Kerteh Polymer Park. Paka Industrial Park ("PIP"), an industrial and commercial development with an ongoing GDV of RM110.6 million, reported healthy take-up rate of approximately 70% as at 31 December 2016. Tiara Paka, which forms the residential component of PIP, saw its first phase of RM18.8 million soft-launched in end 2016, and noted take-up rate of approximately 10% at year-end. We believe that the steady development of PIP and increasing economic activity in Kerteh would spur further take-up of subsequent launches. Both PIP and Tiara Paka are slated for completion in 2021.


Tiara Paka Development, Terengganu

AZRB intends to continue growing our property development division well into the future, with RM1.1 billion new launches in the pipeline. Of this, we plan to launch the 67-acre RM217.7 million mixed development of Puncak Temala in Marang, Terengganu in early 2017, features 349 units of double-storey link houses offered at a discount to eligible civil servants under the Perumahan Penjawat Awam 1 Malaysia ("PPA1M") scheme. With close to 20% approval rate under PPA1M to date, we are optimistic that Puncak Temala would be well-received; putting our first step into developing a critical mass population.

Of particular note in the Group's pipeline launches is the RM257.4 million residential project of Rimbun Damansara in Kwasa Damansara, Sungai Buloh, Kuala Lumpur, slated for launch in early 2018. In early 2016, we secured the competitive tender to be the development partner for Kwasa Land Sdn Bhd, the subsidiary of master developer Kwasa Damansara, paving the way for our first property development project in the Klang Valley.

In all this, AZRB intends to maintain an asset-light balance sheet for its Property Division by entering into joint ventures with land owners to unlock the value of lands and bring about important multiplier effects to the said locations. We will continue to be on the lookout for such opportunities to extend our growth potential further.

IIUM Medical Centre, Kuantan

Our facilities management segment made a good start in 2016 with the completion of the IIUM Medical Centre. Our subsidiary Peninsular Medical Sdn Bhd is tasked to provide facility and equipment maintenance as well as building management services for the hospital for the remaining 21½ year concession period, which would further boost the Group's recurring income stream.

- **Plantation**

We are delighted to announce that as at 31 December 2016, the Plantation Division spanned a sizable 8,200 hectare oil palm plantation in West Kalimantan, Indonesia, with a balanced tree profile of 52% new trees under 4 years, and 48% matured trees of between 4 to 10 years.

We believe that FY2017 will be the turning point for our Plantation Division. We want to maintain our growth momentum in the planting of new trees to increase total planted area to 10,000 hectares by end-2017, and have set aside RM10.5 million in capital expenditure for planting and upkeep of the trees. With this, the Plantation Division would have a healthy tree profile where approximately 60% of the plantation would comprise of young to prime aged trees by the year 2021, with a target to produce 200,000 metric tonne ("MT") of our own FFB.

The other important milestone for the Plantation Division is the successful construction of our palm oil mill within our plantation, which started operations from February 2017 onwards. Equipped with the continuous sterilizer system that has a production capacity of 60 metric tonnes per hour, the mill is the largest within the 80km radius in Kabupaten Landak district, and is therefore strategically positioned to process not only our own FFB, but also third-party FFB in a timely manner. The mill is capable of producing both crude palm oil ("CPO") and crushed palm kernel, and has recorded encouraging response from third-party plantations within the vicinity in the first quarter of 2017. Currently, all fruits produced in our plantation are processed in-house in our own mill, lending itself to greater yields, and improved operations efficiency in our plantations operations.

Within our first year of operations of the mill, we target to process 180,000 MT of FFB, with 60,000 MT from our own plantation and the balance 120,000 MT from external parties. We foresee increasing the number of production shifts from one to two within this year, and intend to embark on continuous improvements to run the mill at high efficiency to be the benchmark against industry standards.

With enhanced cost savings for our own plantation, together with revenue contributions from third party processing, the mill would be instrumental in inducing a turnaround for the Plantation Division in FY2017. Coupled with gradually increasing prices of CPO and our ongoing strategies to extract better yields, the Division is targeted to contribute positively to the Group hereon.

Oil Palm Plantation in West Kalimantan, Indonesia

- **Expressway**

We are pleased to report that construction on the first phase of the East Klang Valley Expressway ("EKVE") commenced in 2015, with approximately 20% of the 36.1km expressway completed as at 31 December 2016. Upon its targeted completion in September 2019, the Group would manage the EKVE as part of its concession agreement for 50 years until February 2065.

Built at a project cost of RM2.0 billion (including non-construction costs), the EKVE would play a pivotal role in traffic dispersal for the heavily-congested Middle Ring Road 2 and Eastern Kuala Lumpur, in addition to being an enabler for the Greater Klang Valley Plan. Forming part of the Kuala Lumpur Outer Ring Road network, the EKVE would enable vehicles to bypass the KL city centre for north-south bound traffic, thereby effectively connecting the west to the east of KL. The EKVE would be an impetus for economic growth in the east of Selangor.

Ongoing EKVE construction project

Market Outlook

According to the International Monetary Fund (IMF), the global growth is expected to rise to 3.4% in 2017 in comparison to 3.1% in 2016 mainly due to expected pick-up in growth of emerging markets. Nonetheless, economists remain wary of potential socio-political developments, not only affected by anticipated policy changes from the new administration in the US, but also trade-impacting developments such as Brexit.

That being said, Malaysia is slated to chart better growth, with GDP expected to increase by 4.5% according to the World Bank. However, Malaysia is expected to better withstand the challenges faced in the upcoming year, backed by stabilising private consumption and public spending.

To this end, major government spending in key infrastructure is expected to help propel the economy as well as induce future economic growth. Some of the projects in the pipeline include subsequent phases of the KVMRT, the East Coast Rail Line, the Kuala Lumpur-Singapore High Speed Rail, as well as highways and expressways in both Peninsular and East Malaysia.

In addition, both the public and private sector are aggressively addressing the issue of low home ownership in Malaysia, in light of the ever-expanding population and the accelerating rate of urbanisation.

On top of that, the Government remains keen to position Malaysia as an oil and gas hub to fulfil demand from the ASEAN region. This is demonstrated in the ongoing development of Refinery and Petrochemical Integrated Development (RAPID) in Pengerang, Johor, as well as the building of ports in the East Coast of Peninsular Malaysia.

All these developments point to a bright outlook going forward. Therefore, we intend to place ourselves in the most optimum position to ensure that the Group would effectively capture the opportunities presented.

Looking ahead

All said, AZRB stands at the cusp of a new beginning, with all our business divisions equipped and ready to launch into the next phase of growth. The latter point is reflected in our expected CAPEX of about RM400 million earmarked to carry out the various initiatives planned across our diverse divisions and depicts the determination of Ahmad Zaki Resources Berhad in scaling greater heights going forward.

We have every confidence that each division is helmed by visionary leaders supported by their strong-calibre management team and staff force, who are not only equipped with the capabilities to deliver strong growth, but also aspiring to achieve greater things in the constant pursuit of excellence. A solid foundation we have built to launch ourselves well into the future, and we look forward to celebrating many more milestones together.

Appreciation

As we have illustrated, 2017 will be a busy year for each and every business division of the Group. It also entails significant capital expenditure for the whole group, with close to RM400 million scheduled to be spent in 2017. As the Group grows, the importance of Group oversight over its businesses is paramount. The people of AZRB are fully committed to grow and develop the Group for the benefit of all stakeholders. Therefore, the people of the Group will be the true determinant of the Group's success. Without the right expertise at all levels of the Group, the Group will not be able to function well as a business. We are very much dependent on the efforts of our people to deliver on all our promises and dreams. In this regard, we would like to celebrate and express our deepest gratitude to all the people in the Group for their continued efforts, dedication, commitment and sacrifice on behalf of the Group.

Finally, we wish to express our sincerest gratitude and appreciation to the shareholders, various government agencies, clients, consultants, suppliers and business partners who have contributed significantly to our success and for their continuous support and confidence in the AZRB Group.

Thank you.

DATO' SRI WAN ZAKARIAH BIN HAJI WAN MUDA
GROUP MANAGING DIRECTOR

FINANCIAL REPORT

Menara Kerja Raya, Kuala Lumpur

DIRECTORS' REPORT
For the Year Ended 31 December 2016

DIRECTORS' REPORT

The Directors 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 Company is principally engaged in investment holding, providing management services and as contractor of civil and structural works, whilst the principal activities of the subsidiaries are as stated in Note 19 of the Financial Statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	27,209	26,686
Non-controlling interests	(2,592)	-
	24,617	26,686

DIVIDENDS

Since the end of the previous financial year, the Company paid a single tier interim dividend of 2.0 sen per ordinary share of RM0.25 each, totalling RM9,641,243 in respect of the financial year ended 31 December 2016 on 15 August 2016.

The Directors do not recommend any final dividend to be paid for the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

ISSUE OF SHARES, DEBENTURES AND WARRANTS

There were no changes in the authorised, issued and paid-up share capital of the Company during the financial year.

There were no debentures and warrants issued during the financial the year.

WARRANTS

The warrants are constituted by a Deed Poll dated 18 March 2014. Each warrant entitles the registered holder to subscribe for 1 new ordinary share in the Company at any time on or after 14 May 2014 until 13 May 2024 at an exercise price of RM0.70 per ordinary share for every warrant held in accordance with the provisions in the Deed Poll. Any warrants not exercised at the date of maturity will lapse and cease to be valid for any purpose.

The movements on warrants are as follows:

	Number of warrants
At 1 January 2016 / 31 December 2016	103,299,033

EMPLOYEES' SHARE SCHEME

At an extraordinary general meeting ("EGM") held on 17 March 2014, the Company's shareholders approved the establishment of an Employees' Share Scheme ("ESS") of up to 15% of the issued and paid-up share capital of the Company (excluding treasury shares) for the eligible employees and Directors of the Company and its subsidiaries which are not dormant at any point in time. The ESS was implemented on 18 August 2014 ("Effective Date") and shall be in force for a period of 5 years and expires on 17 August 2019. The ESS may be extended by the Board of Directors at its absolute discretion for up to another 5 years immediately from the expiry of the ESS.

The salient features of the ESS are, inter alia, as follows:

(i) Eligible employees are those full time employees whose employment with the Group have been confirmed while eligible Directors are those Directors including non-executive and/or independent Directors of the Group. The maximum allocation of ESS Shares Award and ESS Options ("Awards") to the Directors has been approved by the shareholders of the Company at the EGM.

(ii) The aggregate maximum new number of shares to be issued under the ESS shall not exceed 15% of the issued and paid-up share capital of the Company (excluding treasury shares) at any time throughout the duration of the ESS.

The ESS shall be valid for a period of 5 years and may be further extended for a maximum period of 5 years and such extension shall not in aggregate exceed the duration of 10 years from the Effective Date.

(iii) The exercise price of each share comprised in the ESS Options shall be the higher of the following:-

(a) At a discount (as determined by the ESS Committee) of not more than 10% to the 5 market days volume weighted average market price of the underlying shares preceding the award date of the ESS Options; or

(b) The par value of the Company's shares.

(iv) The allocation of ESS Options to any individual eligible employee or Director who either singly or collectively through persons connected with them, holds twenty percent (20%) or more of the issued and paid-up share capital of the Company (excluding treasury shares), shall not exceed ten percent (10%) of the new shares of the Company to be issued pursuant to the ESS.

(v) The actual number of shares which may be awarded under the ESS Shares Award shall be at the discretion of the ESS Committee. The ESS Committee may stipulate any terms and conditions it deems appropriate in an ESS Shares Award and the terms and conditions may differ.

(vi) If the ESS Shares Award is not accepted in the manner as set out in the By-law, the ESS Shares Award shall automatically lapse upon the expiry and be null and void.

(vii) The ESS Committee shall, as and when it deems practicable and necessary, reviews and determines at its own discretion the vesting conditions in respect of an ESS Shares Award which includes, amongst others, the following:-

(a) the grantee must remain an employee as at the vesting date;
(b) the performance conditions are fully and duly satisfied; and/or
(c) any other conditions which are determined by the ESS Committee.

(viii) The new shares to be allotted and issued under the ESS shall rank pari passu in all respects with the then existing shares of the Company except that the new shares shall not be entitled to any dividends, rights, allotments and/or distributions that may be declared, made or paid to the shareholders, the entitlement date of which is prior to the date of the allotment of the new shares.

During the financial year, no Awards have been awarded yet.

TREASURY SHARES

There was no repurchase of the Company's shares during the financial year under review.

As at 31 December 2016, the Company held a total of 1,478,100 ordinary shares as treasury shares out of its issued and paid-up share capital of 483,540,255 ordinary shares. Such treasury shares are held at carrying amount of RM1,025,787 and further relevant details are disclosed in Note 30 to the Financial Statements.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

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

(ii) any current assets which were unlikely to be realised in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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

(i) that would render the amount written-off for bad debts, or the amount of the allowance for doubtful debts in the Group and in the Company inadequate to any substantial extent; or

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(iii) 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

(iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

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

(ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, other than as disclosed in the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

DIRECTORS

Directors who served on the Board of the Company since the date of the last report are:

Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad
Dato' Sri Haji Wan Zaki bin Haji Wan Muda
Dato' Sri Wan Zakariah bin Haji Wan Muda
Dato' Haji Mustaffa bin Mohamad
Dato' W Zulkifli bin Haji W Muda
Dato' Haji Roslan bin Tan Sri Jaffar
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng
Datuk (Prof.) A. Rahman @ Omar bin Abdullah
Dato' Sr. Abdull Manaf bin Hj Hashim (appointed on 1 July 2016)

DIRECTORS' INTERESTS

The interests and deemed interests in the ordinary shares and warrants of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year-end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Ordinary Shares of RM0.25 each			
	At 01.01.2016	Bought	Sold	At 31.12.2016
Direct interest in the Company				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	3,821,975	-	-	3,821,975
Dato' Sri Wan Zakariah bin Haji Wan Muda	4,114,418	-	-	4,114,418
Dato' Haji Mustaffa bin Mohamad	3,300,009	-	-	3,300,009
Dato' W Zulkifli bin Haji W Muda	6,670,968	320,300	-	6,991,268
Dato' Haji Roslan bin Tan Sri Jaffar	592,500	-	-	592,500
Datuk (Prof.) A Rahman bin Abdullah	2,100,000	-	-	2,100,000
Indirect interest in the Company				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda*	287,958,188	-	-	287,958,188
Dato' Haji Mustaffa bin Mohamad*	1,482,900	-	-	1,482,900
Dato' Haji Roslan bin Tan Sri Jaffar*	437,500	-	-	437,500

	Warrants 2014/2024			
	At 01.01.2016	Bought	Sold	At 31.12.2016
Direct interest in the Company				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	876,157	-	-	876,157
Dato' Sri Wan Zakariah bin Haji Wan Muda	881,661	-	-	881,661
Dato' Haji Mustaffa bin Mohamad	681,430	-	-	681,430
Dato' W Zulkifli bin Haji W Muda	1,543,336	148,200	-	1,691,536
Dato' Haji Roslan bin Tan Sri Jaffar	123,750	-	-	123,750
Datuk (Prof.) A Rahman bin Abdullah	450,000	-	-	450,000
Indirect interest in the Company				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda*	61,552,926	-	-	61,552,926
Dato' Haji Mustaffa bin Mohamad*	50	-	-	50
Dato' Haji Roslan bin Tan Sri Jaffar*	93,750	-	-	93,750

	Ordinary Shares of RM1.00 each			
	At 01.01.2016	Bought	Sold	At 31.12.2016
Direct interest in the ultimate holding company				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	1,500,001	-	-	1,500,001
Dato' Sri Wan Zakariah bin Haji Wan Muda	375,000	-	-	375,000
Dato' W Zulkifli bin Haji W Muda	375,000	-	-	375,000

* Deemed interest in securities held through persons connected with the Director.

By virtue of the Directors' interests in the shares of the ultimate holding company, the above mentioned Directors are also deemed interested in the shares of the Company and of its subsidiaries during the financial year to the extent that the Company has an interest.

None of the other Directors holding office at 31 December 2016 had any interest in the ordinary shares and warrants of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in Note 9 to the Financial Statements of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 41 to the Financial Statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SIGNIFICANT EVENTS DURING THE YEAR

Significant events during the year are disclosed in Note 42 to the Financial Statements.

SUBSEQUENT EVENTS AFTER THE YEAR END

Subsequent events after the year-end are disclosed in Note 43 to the Financial Statements.

HOLDING COMPANY

The Directors regard Zaki Holdings (M) Sdn. Bhd., a company incorporated and domiciled in Malaysia, as the ultimate holding company of the Company.

AUDITORS

The auditors, Messrs Deloitte PLT have indicated their willingness to accept re-appointment.

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

RAJA TAN SRI DATO' SERI AMAN BIN RAJA HAJI AHMAD

DATO' SRI WAN ZAKARIAH BIN HAJI WAN MUDA

Kuala Lumpur,
30 March 2017

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AHMAD ZAKI RESOURCES BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of **AHMAD ZAKI RESOURCES BERHAD**, which comprise the statements of financial position of the Group and of the Company as at 31 December 2016, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 89 to 184.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and cash flows for the 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 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 judgment, were of most significance in our audit of the financial statements of the Group and of the Company of the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters

1) Revenue Recognition on Construction Contract

Revenue on construction contract contributed to 93% of the Group’s total revenue.

The Group recognises contract revenue and costs in profit or loss by using the percentage of completion method. The percentage of completion is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

The revenue recognition on construction contract is considered to be a matter of significance as significant judgement is exercised in determining the percentage of completion, the extent of the costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the contract projects.

The construction contract revenue and construction contract cost recognised in the profit or loss are disclosed in Notes 4 and 5 to the financial statements respectively.

Our audit performed and responses thereon

We have performed the following procedures:

- Tested the relevant key internal controls over revenue and cost and budgeting process for projects.
- Selected a sample of management-prepared budgets for construction projects. We tested whether the budgets were updated based on the latest reports from engineers and architects. We also checked that the budgets are regularly reviewed and sighted the latest evidence of signoff by the management.
- Selected a sample of actual costs incurred to test the appropriateness of actual costs incurred and that they are recorded in the correct accounting period.
- Recomputed the revenue and cost recognised based on the percentage of completion.
- Obtained a sample of the cost to complete as prepared by management. Tested the subsequent realisation of expenses by checking to architect certificates and progress payments.
- Conducted site visits at dates close to 31 December 2016 to sight and assess the physical completion status of the projects.

Key Audit Matters

2) Recoverability of Other Receivables

Included in the financial statements of the Group and of the Company are other receivables amounting to RM92,758,000 and RM47,592,000, respectively.

This amount arose from an arbitration award which the Group is currently in the process of recovery as detailed in Note 24(b) to the financial statements.

Significant management judgement is required in assessing the recoverability of the other receivables and its expected timing of recovery.

Our audit performed and responses thereon

We have performed the following procedures:

- Discussed and evaluated management's assessment of the recovery of the said outstanding amount and its eventual expected timing of recovery.
- Obtained written confirmation from the external legal counsel on the status of the enforcement of the arbitration award.
- Assessed the competency, independence and objectivity of the external legal counsel that represents the Group in the legal recovery of the said amount.
- Recomputed the carrying amount of the said other receivables to ensure it is being computed in accordance with the amortised cost basis.
- Considered the appropriateness of the classification of the said other receivables as a non-current asset.

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 on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 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 intends to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism 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 of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

(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 accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 19 to the financial statements, being accounts that have been included in the financial statements of the Group;

(c) we are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group, and we have received satisfactory information and explanations as required by us for those purposes; and

(d) the auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under sub-section (3) of Section 174 of the Act.

Other Reporting Responsibilities

The supplementary information set out on page 185 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits and Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

KAMARUL BAHARIN BIN TENGKU ZAINAL ABIDIN
Partner - 2903/11/17 (J)
Chartered Accountant

30 March 2017

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Revenue	4	1,201,273	714,972	23,941	20,415
Cost of sales	5	(1,072,870)	(588,319)	(3,099)	(494)
Gross profit		128,403	126,653	20,842	19,921
Other operating income		9,602	18,224	28,558	17,767
Administrative expenses		(82,826)	(63,589)	(20,538)	(17,548)
Other operating expenses		(3,449)	(8,466)	(293)	(98)
Profit from operating activities		51,730	72,822	28,569	20,042
Finance income	6	47,697	3,170	2,826	830
Finance costs	7	(52,566)	(46,566)	(4,859)	(8,173)
Net finance costs		(4,869)	(43,396)	(2,033)	(7,343)
Share of profit of joint ventures, net of tax	21	3,601	2,656	-	-
Profit before tax	8	50,462	32,082	26,536	12,699
Income tax (expense)/credit	10	(25,845)	(10,502)	150	(493)
Profit for the year		24,617	21,580	26,686	12,206

Statements of Profit or Loss and Other Comprehensive Income for the Financial Year Ended 31 December 2016 (Cont'd)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Other comprehensive income/(loss), net of tax					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		8,586	(3,571)	(105)	(1,259)
Item that will not be reclassified subsequently to profit or loss					
Actuarial loss from employee benefits		(24)	-	-	-
Total other comprehensive income/(loss) for the year		8,562	(3,571)	(105)	(1,259)
Total comprehensive income for the year		33,179	18,009	26,581	10,947
Profit/(Loss) attributable to:					
Owners of the Company		27,209	22,877	26,686	12,206
Non-controlling interests		(2,592)	(1,297)	-	-
Profit for the year		24,617	21,580	26,686	12,206
Total comprehensive income/(loss) attributable to:					
Owners of the Company		35,772	19,678	26,581	10,947
Non-controlling interests		(2,593)	(1,669)	-	-
Total comprehensive income for the year		33,179	18,009	26,581	10,947
Basic earnings per ordinary share (sen)	11	5.62	4.73		
Diluted earnings per ordinary share (sen)	11	-	-		

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
ASSETS					
Property, plant and equipment	12	285,064	114,671	2,301	2,102
Prepaid lease payments	13	20,860	7,800	-	-
Land held for development	14	38,630	24,228	-	-
Biological assets	15	173,055	140,457	-	-
Intangible assets	16	41,060	-	-	-
Concession service assets	17	398,071	39,920	-	-
Goodwill	18	36,490	6,158	-	-
Investments in subsidiaries	19	-	-	263,808	89,003
Investments in associates	20	165	165	-	-
Interests in joint ventures	21	34	3,104	34	34
Available-for-sale investments	22	116	116	68	68
Deferred tax assets	23	22,712	31,517	-	-
Trade and other receivables	24	704,236	108,306	47,592	43,106
Total non-current assets		1,720,493	476,442	313,803	134,313
Inventories	25	12,222	13,450	-	-
Property development costs	26	19,366	23,473	-	-
Current tax assets		11,782	8,858	4,533	2,487
Trade and other receivables	24	786,517	1,036,818	244,721	219,405
Other investments	27	823,856	-	-	-
Cash and deposits	28	190,052	153,096	5,232	12,513
Total current assets		1,843,795	1,235,695	254,486	234,405
Total assets		3,564,288	1,712,137	568,289	368,718

Statements of Financial Position as at 31 December 2016 (Cont'd)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
EQUITY					
Share capital	29	120,885	120,885	120,885	120,885
Reserves	30	244,031	217,900	33,582	16,642
Equity attributable to owners of the Company		364,916	338,785	154,467	137,527
Non-controlling interests		23,431	2,324	-	-
Total equity		388,347	341,109	154,467	137,527
LIABILITIES					
Loans and borrowings	31	2,000,353	690,662	64,701	1,225
Employee benefits	32	2,836	2,324	-	-
Deferred tax liabilities	23	75,097	56,291	26	1,503
Trade and other payables	33	57,800	-	-	-
Total non-current liabilities		2,136,086	749,277	64,727	2,728
Loans and borrowings	31	187,424	159,149	25,571	467
Trade and other payables	33	852,127	457,442	323,524	227,996
Current tax liabilities		304	5,160	-	-
Total current liabilities		1,039,855	621,751	349,095	228,463
Total liabilities		3,175,941	1,371,028	413,822	231,191
Total equity and liabilities		3,564,288	1,712,137	568,289	368,718

The accompanying Notes form an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company									
	Non-distributable					Distributable				
Group	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Warrant reserve RM'000	Foreign exchange translation reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2016	120,885	21,889	7,667	27,891	167	(1,026)	161,312	338,785	2,324	341,109
Foreign currency translation differences for foreign operations	-	-	-	-	8,586	-	-	8,586	-	8,586
Actuarial gain from employee benefits	-	-	-	-	-	-	(23)	(23)	(1)	(24)
Total other comprehensive income for the year	-	-	-	-	8,586	-	(23)	8,563	(1)	8,562
Profit/(Loss) for the year	-	-	-	-	-	-	27,209	27,209	(2,592)	24,617
Total comprehensive (loss)/income for the year	-	-	-	-	8,586	-	27,186	35,772	(2,593)	33,179
Changes in ownership interests in subsidiary	-	-	-	-	-	-	-	-	23,700	23,700
Total transactions with non-controlling interests	-	-	-	-	-	-	-	-	23,700	23,700
Dividends to owners of the Company (Note 34)	-	-	-	-	-	-	(9,641)	(9,641)	-	(9,641)
Total distribution to owners of the Company	-	-	-	-	-	-	(9,641)	(9,641)	-	(9,641)
At 31 December 2016	120,885	21,889	7,667	27,891	8,753	(1,026)	178,857	364,916	23,431	388,347

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2016 (Cont'd)

	Attributable to owners of the Company									
	Non-distributable					Distributable				
Group	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Warrant reserve RM'000	Foreign exchange translation reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2015	120,885	21,889	7,667	27,891	3,366	(1,026)	148,076	328,748	3,994	332,742
Foreign currency translation differences for foreign operations	-	-	-	-	(3,199)	-	-	(3,199)	(372)	(3,571)
Total other comprehensive income for the year	-	-	-	-	(3,199)	-	-	(3,199)	(372)	(3,571)
Profit/(Loss) for the year	-	-	-	-	-	-	22,877	22,877	(1,297)	21,580
Total comprehensive (loss)/income for the year	-	-	-	-	(3,199)	-	22,877	19,678	(1,669)	18,009
Changes in ownership interests in subsidiary	-	-	-	-	-	-	-	-	(1)	(1)
Total transactions with non-controlling interests	-	-	-	-	-	-	-	-	(1)	(1)
Dividends to owners of the Company (Note 34)	-	-	-	-	-	-	(9,641)	(9,641)	-	(9,641)
Total distribution to owners of the Company	-	-	-	-	-	-	(9,641)	(9,641)	-	(9,641)
At 31 December 2015	120,885	21,889	7,667	27,891	167	(1,026)	161,312	338,785	2,324	341,109

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2016 (Cont'd)

	← Attributable to owners of the Company →							
		← Non-distributable →						
Company	**Share capital RM'000**	**Share premium RM'000**	**Capital reserve RM'000**	**Warrant reserve RM'000**	**Foreign exchange translation reserve RM'000**	**Treasury shares RM'000**	**Accumulated losses RM'000**	**Total RM'000**
At 1 January 2016	120,885	21,889	7,667	27,891	(1,027)	(1,026)	(38,752)	137,527
Foreign currency translation differences for foreign operations	-	-	-	-	(105)	-	-	(105)
Total other comprehensive loss for year	-	-	-	-	(105)	-	-	(105)
Profit for the year	-	-	-	-	-	-	26,686	26,686
Total comprehensive income/(loss) for the year	-	-	-	-	(105)	-	26,686	26,581
Dividends to owners of the Company (Note 34)	-	-	-	-	-	-	(9,641)	(9,641)
Total distribution from owners of the Company	-	-	-	-	-	-	(9,641)	(9,641)
At 31 December 2016	120,885	21,889	7,667	27,891	(1,132)	(1,026)	(21,707)	154,467

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2016 (Cont'd)

Company	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Warrant reserve RM'000	Foreign exchange translation reserve RM'000	Treasury shares RM'000	Accumulated losses RM'000	Total RM'000
	← Attributable to owners of the Company							→
		← Non-distributable			→			
At 1 January 2015	120,885	21,889	7,667	27,891	232	(1,026)	(41,317)	136,221
Foreign currency translation differences for foreign operations	-	-	-	-	(1,259)	-	-	(1,259)
Total other comprehensive loss for year	-	-	-	-	(1,259)	-	-	(1,259)
Profit for the year	-	-	-	-	-	-	12,206	12,206
Total comprehensive income/(loss) for the year	-	-	-	-	(1,259)	-	12,206	10,947
Dividends to owners of the Company (Note 34)	-	-	-	-	-	-	(9,641)	(9,641)
Total distribution from owners of the Company	-	-	-	-	-	-	(9,641)	(9,641)
At 31 December 2015	120,885	21,889	7,667	27,891	(1,027)	(1,026)	(38,752)	137,527

The accompanying notes form an integral part of the Financial Statements.

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

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES					
Profit before tax		50,462	32,082	26,536	12,699
Adjustments for:-					
Amortisation of prepaid lease payments	13	681	442	-	-
Depreciation of property, plant and equipment	12	11,140	8,803	690	671
Amortisation of land application costs		-	65	-	-
Amortisation of biological assets	15	6,154	5,300	-	-
Accretion of fair value and amortised cost adjustment on non-current receivables-net		(45,635)	6,190	(2,693)	2,586
Bad debts written-off		-	19	-	19
Property, plant and equipment written-off		16	82	-	-
Interest expense	7	45,248	38,068	4,827	3,141
Gain on foreign exchange-unrealised		(3,369)	(3,439)	(1,792)	(8,562)
Biological assets written-off		-	550	-	-
Employee retirement benefits provision	32	316	385	-	-
Gain on disposal of property, plant and equipment-net		(368)	(12,184)	(299)	(86)
Amortisation of transaction costs		1,455	1,084	-	-
Interest income		(2,062)	(3,170)	(133)	(830)
Gain on disposal of investment in joint venture		(3,330)	-	-	-
Gain on disposal of subsidiary		-	-	(20,500)	-
Share of profit of joint ventures, net of tax		(3,601)	(2,656)	-	-
Operating profit before working capital changes		57,107	71,621	6,636	9,638

Statements of Cash Flows for the Financial Year Ended 31 December 2016 (Cont'd)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Operating profit before working capital changes (cont'd)		57,107	71,621	6,636	9,638
Changes in working capital:					
Decrease/(Increase) in inventories		1,228	(273)	-	-
Increase in amount due from contract customers		(208,348)	(346,681)	-	-
Decrease/(Increase) in property development costs		4,107	(11,531)	-	-
Increase in concession service assets	17	(358,151)	(23,510)	-	-
(Increase)/Decrease in amount due to contract customers		(13,030)	11,069	-	-
Increase in trade and other receivables		(186,841)	(47,753)	(39,777)	(27,821)
Increase in trade and other payables		392,570	118,186	108,636	5,439
Cash (Used In)/Generated From Operations		(311,358)	(228,872)	75,495	(12,744)
Interest paid		(45,248)	(35,435)	(4,038)	(3,141)
Interest received		2,062	3,170	133	827
Income tax paid - net		(15,915)	(7,088)	(3,343)	-
Net Cash (Used In)/From Operating Activities		**(370,459)**	**(268,225)**	**68,247**	**(15,058)**
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Effect of acquisition of subsidiaries, net of cash paid	19	1,913	-	-	-
New biological assets incurred	15	(38,407)	(26,062)	-	-
Addition of land held for development	14	(2,500)	(15,270)	-	-
Purchase of leasehold land	13	(12,286)	-	-	-
Increase in investments in subsidiaries	19	-	-	(154,305)	(2,001)
Proceeds from disposal of investment in joint venture		10,000	-	-	-
Placement in other investment		(823,856)	-	-	-
Proceeds from disposal of property, plant and equipment		527	14,911	303	108
Acquisition of property, plant and equipment	(i)	(91,404)	(26,838)	-	(386)
Net Cash Used In Investing Activities		**(956,013)**	**(53,259)**	**(154,002)**	**(2,279)**

Statements of Cash Flows for the Financial Year Ended 31 December 2016 (Cont'd)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES					
Increase in pledged fixed deposits		(11,698)	(9)	(88)	(81)
Dividend paid	34	(9,641)	(9,641)	(9,641)	(9,641)
Repayments of finance lease liabilities		(6,281)	(4,898)	(180)	(591)
Proceeds from drawdown of loans and borrowings		511,062	384,355	88,400	-
Repayments of loans and borrowings		(137,507)	(34,744)	-	-
Proceeds from issuance of Sukuk		1,000,000	-	-	-
Net Cash From/(Used In) Financing Activities		**1,345,935**	**335,063**	**78,491**	**(10,313)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		19,463	13,579	(7,264)	(27,650)
Effects of exchange rate fluctuations on cash held		5,926	3,625	(105)	(1,576)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		89,900	72,696	9,462	38,688
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	(ii)	115,289	89,900	2,093	9,462

(i) Acquisition of property, plant and equipment

During the financial year, the Group and the Company acquired property, plant and equipment with aggregate costs of RM107,818,427 (2015: RM29,509,266) and RM872,167 (2015: RM1,535,843) respectively, which were satisfied as follows:

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Finance lease liabilities	16,414	2,671	872	1,150
Cash payments	91,404	26,838	-	386
	107,818	29,509	872	1,536

(ii) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

Cash and cash equivalents

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Deposits placed with licensed banks		50,795	44,973	3,139	3,056
Cash and bank balances		139,257	108,123	2,093	9,457
	28	190,052	153,096	5,232	12,513
Less: Bank overdrafts	31	(24,828)	(24,959)	-	-
Pledged deposits	28	(49,935)	(38,237)	(3,139)	(3,051)
		115,289	89,900	2,093	9,462

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2016 comprise financial statements of the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associates and joint ventures. The financial statements of the Company as at and for the financial year ended 31 December 2016 do not include other entities.

The Company is principally engaged in investment holding, providing management services and as contractor of civil and structural works, whilst the principal activities of the subsidiaries are as stated in Note 19. There has been no significant change in the nature of these activities during the financial year.

The Company's registered office and principal place of business is located at Menara AZRB, No. 71, Persiaran Gurney, 54000 Kuala Lumpur.

These financial statements were authorised for issue by the Board of Directors on 30 March 2017.

2. BASIS OF PREPARATION

(a) Basis of Preparation of the Financial Statements

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

Malaysian Financial Reporting Standards

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework ("MFRS Framework"), a fully-IFRS compliant framework. Entities other than private entities should apply the MFRS Framework for annual periods beginning on or after 1 January 2012, with the exception of Transitioning Entities.

Transitioning Entities, being entities within the scope of MFRS 141 Agriculture and/or IC Interpretation 15: Agreements for the Construction of Real Estate, including its parents, significant investors and ventures were allowed to defer the adoption of the MFRS Framework until such time as mandated by the MASB. On 2 September 2014, with the issuance of MFRS 15 Revenue from Contracts with Customers and Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants, the MASB announced that Transitioning Entities which have chosen to continue with the FRS Framework shall adopt the MFRS Framework latest by 1 January 2017. On 8 September 2015, MASB confirmed that the effective date of MFRS will be deferred to annual periods beginning on or after 1 January 2018 and the effective date for Transitioning Entities to apply the MFRS Framework will be deferred to the same date.

2. BASIS OF PREPARATION (cont'd)

(a) Basis of Preparation of the Financial Statements (cont'd)

The Group falls within the scope definition of Transitioning Entities and has availed itself of this transitional arrangement and will continue to apply FRSs in the preparation of its financial statements. Accordingly, the Group will be required to apply MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards in its financial statements for the financial year ending 31 December 2018, being the first set of financial statements prepared in accordance with the new MFRS Framework.

The Group is currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. At the date of authorisation for issue of these financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adopting the new MFRS Framework on the Group's first set of financial statements prepared in accordance with the MFRS Framework cannot be determined and estimated reliably until the process is complete.

Changes in Accounting Policies

Adoption of new and revised Financial Reporting Standards

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

FRS 14	Regulatory Deferral Accounts
Amendments to FRSs	Annual Improvement to FRSs 2012-2014 Cycle
Amendments to FRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to FRS 101	Disclosure Initiatives
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
Amendments to FRS 10, FRS 12 and FRS 128	Investment Entities: Applying the Consolidation Exception

The application of the above new standard and amendments had no material impact on the disclosures or on the amount recognised in the financial statements of the Group and the Company.

Standards issued but not yet effective

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

2. BASIS OF PREPARATION (cont'd)

(a) Basis of Preparation of the Financial Statements (cont'd)

Amendments to FRSs effective for annual periods beginning on or after 1 January 2017

Amendments to FRSs	Annual Improvements to FRS Standards 2014-2016 Cycle
Amendments to FRS 107	Statement of Cash Flows (Disclosure Initiative)
Amendments to FRS 112	Income Taxes (Recognition of Deferred Tax Assets for Unrealised Losses)

FRS effective for annual periods beginning on or after 1 January 2018

FRS 9	Financial Instruments (International Financial Reporting Standard 9 - Financial Instruments as issued by International Accounting Standards Board in July 2014)

The Directors anticipate that the abovementioned Standards will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these Standards will have no material impact on the financial statements of the Group and of the Company in the period of initial application except as disclosed below:

FRS 9 Financial Instruments

FRS 9 (IFRS 9 issued by IASB in November 2009) introduced new requirements for the classification and measurement of financial assets. FRS 9 (IFRS 9 issued by IASB in October 2010) includes requirements for the classification and measurement of financial liabilities and for de-recognition, and in February 2015, the new requirements for general hedge accounting was issued by MASB. Another revised version of FRS 9 was issued by MASB -FRS 9 (IFRS 9 issued by IASB in July 2015) mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of FRS 9:

(a) All recognised financial assets that are within the scope of FRS 139 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under FRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. BASIS OF PREPARATION (cont'd)

(a) Basis of Preparation of the Financial Statements (cont'd)

(b) With regard to the measurement of financial liabilities designated as at fair value through profit or loss, FRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under FRS 139, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

(c) In relation to the impairment of financial assets, FRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

(d) The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 139. Under FRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required.

Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors do not anticipate that the application of FRS 9 in the future to have a material impact on amounts reported in respect of the Group's and the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of FRS 9 until the Group completes a detailed review.

The new and amended standards (which are applicable upon adoption of MFRS Framework) that are issued but not yet effective up to the date of issuance of the Group's and of the Company's financial statements are disclosed below :

Effective upon the adoption of the MFRS Framework

MFRS 141 Agriculture

MFRS 141 prescribes the accounting treatment, financial statement presentation and disclosures related to agricultural activity. It requires measurement of fair value less costs to sell, from initial recognition of biological assets up to the point of harvest.

2. BASIS OF PREPARATION (cont'd)

(a) Basis of Preparation of the Financial Statements (cont'd)

On 2 September 2014, the amendments to MFRS 116 Property, Plant and MFRS 141 Agriculture: Bearer Plants introduce a new category of biological assets i.e. bearer plants. A bearer plant is a living plant that is used in the production and supply of agricultural produce, is expected to bear produce for more than one period, and has remote likelihood of being sold as agriculture produce. Bearer plants are accounted for under MFRS 116 as an item of property, plant and equipment. Agricultural produce growing on bearer plants continue to be measured at fair value less costs to sell under MFRS 141, with fair value changes recognised in profit or loss as the produce grows.

Effective for annual periods beginning on or after 1 January 2018

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

(a) Step 1: Identify the contract(s) with a customer.
(b) Step 2: Identify the performance obligations in the contract.
(c) Step 3: Determine the transaction price.
(d) Step 4: Allocate the transaction price to the performance obligations in the contract.
(e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

Effective for annual periods beginning on or after 1 January 2019

MFRS 16 Leases

MFRS 16 Leases supersedes MFRS 117 Leases and the related interpretations. Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

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

2. BASIS OF PREPARATION (cont’d)

(a) Basis of Preparation of the Financial Statements (cont’d)

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

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective transition approach. MFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early application permitted, but not before an entity applies MFRS 15.

The Group is in the process of assessing the impact on the financial statements arising from the above standards and the transition from FRSs to MFRSs.

(b) Basis of measurement

The financial statements of the Group have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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 another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 2, leasing transactions that are within the scope of FRS 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 102 or value in use in FRS 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities 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.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia, which is the Company’s functional currency. All financial information is presented in RM unless otherwise stated.

2. BASIS OF PREPARATION (cont'd)

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 3 (h)(ii) - valuation of investment property
- Note 3 (i)(i) - concession assets
- Note 3 (i)(iii) - goodwill
- Note 3 (n) - impairment of financial and other assets
- Note 3 (p)(iii) - defined benefit plans
- Note 3 (r)(ii) - construction contracts revenue
- Note 3 (t) - recognition of deferred tax assets

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities.

(a) Basis of consolidation

(i) Subsidiaries

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

Control is defined as follows:

- Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

- Potential voting rights are considered when assessing control only when such rights are substantive.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(i) Subsidiaries (cont'd)

- The Company considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) Business combinations

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

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

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

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

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

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

(iii) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(iii) Associates (cont'd)

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses unless the investment is classified as held for sale or distribution. The cost of the investments includes transaction costs.

(iv) Joint arrangements

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

Joint arrangements are classified and accounted for as follows:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value that are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised in other comprehensive income.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia ("RM")

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Foreign currency (cont'd)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia ("RM") (cont'd)

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign exchange translation reserve ("FETR") in equity. When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the FETR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FETR in equity.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Loans and receivables

Loans and receivables category comprises debt instruments with fixed and determinable payment that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Financial instruments (cont'd)

(b) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets are subject to review for impairment (see note 3 (n)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs. Ordinary shares and warrants are equity instruments.

(a) Ordinary Shares

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

(b) Warrants

Warrants are classified as equity instruments. The issuance of ordinary shares upon exercise of the warrants is treated as new subscription of ordinary shares for a consideration equivalent to the exercise price of the warrants.

(iii) Derecognition

A financial asset or a 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Financial instruments (cont'd)

(iii) Derecognition (cont'd)

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.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

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

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

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" and "other operating expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are at the following annual rates:

• Building	2%
• Renovation	20%
• Machinery and equipment	10% - 33.3%
• Motor vehicles	20% - 33.3%
• Furniture, fittings and equipment	6.7% - 20%

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

As lessee

Leases in terms of which the Group assume substantially all the risks and rewards of ownership are classified as finance leases. 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.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

As lessor

The Group shall recognise assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Leased assets (cont'd)

(i) Finance lease (cont'd)

As lessor (cont'd)

Under a finance lease substantially all the risks and rewards incidental to legal ownership are transferred by the Group, and thus the lease payment receivable is treated by the Group as repayment of principal and finance income to reimburse and reward the Group for its investment and services.

Initial direct costs are often incurred by the Group and include amounts such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease. These costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised in the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred. Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(f) Land held for development

Land held for development consists of land or such portions thereof on which no development activity has been carried out or where development activities are not expected to be completed within the Company's operating cycle of 2 to 3 years. Such land is classified as non-current asset and is stated at cost less any accumulated impairment losses.

Land held for development is classified as 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 Group's operating cycle of 2 to 3 years.

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

(g) Biological assets

New planting expenditure incurred on land clearing and upkeep of trees to maturity is capitalised at cost as biological assets and is not amortised. Replanting expenditure is charged to profit or loss in the financial year in which the expenditure is incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Biological assets (cont'd)

However, the capitalised costs will be amortised to profit or loss if the land on which the trees are planted is on a lease term. The amortisation is on a straight-line basis over the economic useful lives of the trees, or the remaining period of the lease, whichever is shorter.

(h) Investment property

(i) Investment property carried at fair value

Investment property is property which is owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business or, use in the production or supply of goods or services or for administrative purposes.

Investment property is measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(ii) Determination of fair value

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every year.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

(i) Intangible assets

(i) Concession asset

Concession asset comprising highway concession is stated at cost less any accumulated amortisation and any impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Intangible assets (cont'd)

(i) Concession asset (cont'd)

Highway concession cost includes expenditure that is directly incurred in the design and construction of the East Klang Valley Expressway. Subsequent costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repair and maintenance are charged to profit or loss during the financial year in which they are incurred.

The highway concession cost will be amortised when the highway is ready for its intended use or when toll collection starts whichever is earlier.

At each reporting date, the Group assesses whether there is any indication of impairment. If such indications exist, the carrying amount of the highway concession is assessed and written down immediately to its recoverable amount. Accounting policy on the impairment of other assets is as stated in Note 3 (n)(ii).

In accordance with IC Int 12 Service Concession Arrangements, revenue associated with construction works under the Concession Agreement shall be recognised and measured in accordance with FRS 111 Construction Contracts using the percentage of completion method. Revenue generated by construction work rendered by the Group is measured at fair value of the consideration received or receivable.

In order to determine the construction revenue to be recognised, the directors have estimated and recognised a construction margin in the construction of the infrastructure asset. The estimated margin is based on relative comparison with general industry trend although actual margins may differ.

(ii) Other Intangible Assets

Other intangible asset comprises of contractual customer relationship. The contractual customer relationship will be amortised based on the contract period with customer.

At each reporting date, the Group assesses whether there is any indication of impairment. If such indications exist, the carrying amount of the contractual customer relationship is assessed and written down immediately to its recoverable amount. Accounting policy on the impairment of other assets is as stated in Note 3 (n)(ii).

(iii) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Intangible assets (cont'd)

(iii) Goodwill (cont'd)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in the subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(j) Inventories

(i) Marine fuels and lubricants

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

The cost of inventories is measured based on the weighted average cost formula, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

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

(ii) Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost consists of costs associated with the acquisition of land, direct costs and appropriate proportion of common costs attributable to developing the properties to completion.

(k) Construction work-in-progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to-date. It is measured at cost plus profit recognised to-date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work-in-progress is presented as part of trade and other receivables as amount due from contract customers in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as amount due to contract customers which is part of the deferred income in the statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities. Costs consist of land and construction costs and other development costs including related overheads and capitalised borrowing costs.

When the financial outcome of a development activity can be reliably estimated, development revenue and costs are recognised in the profit or loss by reference to the stage of development activity at the reporting date.

When the financial outcome of a development activity cannot be reliably estimated, development revenue is recognised only to the extent of development costs incurred that is probable will be recoverable, and 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 is recognised as an expense immediately.

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

Accrued billings as current assets represent the excess of revenue recognised in the profit or loss over billings to purchasers. Progress billings as current liabilities represent the excess of billings to purchasers over revenue recognised in the profit or loss.

(m) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits placed with licensed banks. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(n) Impairment

(i) Financial assets

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

For the determination of impairment on receivables, the Group assesses individually each receivables whether objective evidence of impairment exists at the end of each reporting period. An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Impairment (cont'd)

(i) Financial assets (cont'd)

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

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

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the 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.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories, amount due from contract customers, deferred tax assets and investment property measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment and at least annually, and whenever there is an indication that the asset may be impaired.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to the group of cash-generating units that are expected to benefit from the synergies of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Impairment (cont'd)

(ii) Other assets (cont'd)

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. 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 unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(o) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Equity instruments (cont'd)

(iii) Repurchase, disposal and reissue of share capital (treasury shares) (cont'd)

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(p) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Defined benefit plans

The Group's net obligation in respect of defined benefit plan of an overseas subsidiary's is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments, if any.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Employee benefits (cont'd)

(iii) Defined benefit plans (cont'd)

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(q) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) Performance guarantees and bonds

Provisions for performance guarantees and bonds are recognised when crytallisation is probable. When crytallisation is possible, the performance guarantees and bonds are disclosed as contingent liabilities.

(ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(r) Revenue and other income recognition

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Revenue and other income recognition (cont'd)

(ii) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity. The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to-date bear to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss. Significant judgement is exercised in determining the percentage of completion, the extent of the costs incurred, the estimated total contract value and costs, as well as the recoverability of the contract projects.

(iii) Property development

Revenue from property development activities is recognised for property development projects sold based on the stage of completion measured by reference to 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 property 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 the developed units sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised immediately in profit or loss.

(iv) Sales of completed properties

Revenue from sale of completed properties is recognised upon the finalisation of sale and purchase agreements and when the risks and rewards of ownership have been passed to the customers.

(v) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(vi) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Revenue and other income recognition (cont'd)

(vii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(viii) Management fees

Management fees are recognised when services are rendered.

(s) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(t) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) Income tax (cont'd)

When investment properties are carried at their fair value in accordance with the accounting policy set out in note 3(h), 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 embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and when they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

(u) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

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

Diluted EPS, if any, is determined by adjusting the profit or loss attributable to ordinary shareholders 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 of warrants.

(v) 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. All operating segments' operating results are reviewed regularly by the chief operating decision-maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(w) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. REVENUE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Dividend income	-	-	10,000	12,000
Attributable contract revenue	1,135,695	644,021	3,262	-
Sale of goods	35,618	47,608	-	-
Property development revenue	7,550	10,513	-	-
Sale of completed properties	590	860	-	-
Sale of fresh fruit bunches	16,492	7,981	-	-
Income from hotel operation, and food and beverages	4,768	3,793	-	-
Management fees	560	196	10,679	8,415
	1,201,273	714,972	23,941	20,415

5. COST OF SALES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Attributable contract costs	1,025,800	526,458	3,099	494
Cost of goods sold	18,806	27,411	-	-
Costs of developed properties	5,289	7,654	-	-
Direct operating costs-plantation	22,087	25,183	-	-
Cost of operating hotel, and food and beverages	888	1,613	-	-
	1,072,870	588,319	3,099	494

6. FINANCE INCOME

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Accretion of fair value on non-current receivables	45,635	-	2,693	-
Interest income	2,062	3,170	133	830
	47,697	3,170	2,826	830

7. FINANCE COSTS

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Interest expense of financial liabilities other than at fair value through profit or loss:				
- term loans	38,048	27,844	2,344	-
- overdrafts	1,581	1,824	-	-
- other borrowings	5,619	8,400	2,483	3,141
	45,248	38,068	4,827	3,141
Other finance costs	7,318	8,498	32	5,032
	52,566	46,566	4,859	8,173

8. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Auditors' remuneration:					
Audit fees:					
- Auditors of the Company		536	434	155	150
- Other auditors		55	73	-	-
Non-audit fees		218	153	-	-
Amortisation of prepaid lease payments	13	681	442	-	-
Amortisation of biological assets	15	6,154	5,300	-	-
Accretion of fair value and amortised cost adjustments on non-current receivables		(45,635)	6,190	(2,693)	2,586
Amortisation of transaction cost		1,455	1,084	-	-
Bad debts written-off		-	19	-	19
Depreciation of property, plant and equipment	12	11,140	8,803	690	671
Interest expense	7	45,248	38,068	4,827	3,141
Unrealised gain on foreign exchange		(3,369)	(3,439)	(1,792)	(8,562)
Property, plant and equipment written-off		16	82	-	-
Rental of motor vehicles		17	17	1	-
Rental of land and premises		4,510	6,560	1,854	1,785
Rental of machinery and equipment		78	223	8	2
Employee benefits expense		82,191	67,699	12,418	10,865
Gain on disposal of property, plant and equipment - net		(368)	(12,184)	(299)	(86)
Gain on disposal of joint venture		(3,300)	-	-	-
Gain on disposal of subsidiary		-	-	(20,500)	-
Interest income		(2,062)	(3,170)	(133)	(830)
Biological assets written-off		-	550	-	-
Amortisation of land application costs		-	65	-	-

8. PROFIT BEFORE TAX (cont'd)

Included in employee benefits expense is:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Contributions to defined contribution plan	8,949	6,458	1,653	1,383
Retirement benefits	316	357	-	-
	9,265	6,815	1,653	1,383

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration amounting to RM8,327,000 (2015: RM6,005,700) and RM4,887,000 (2015: RM3,515,882) respectively as further disclosed in Note 9.

9. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Executive Directors				
- fees	574	314	-	-
- emoluments	7,753	5,692	4,887	3,516
Total remuneration (excluding benefit-in-kind)	8,327	6,006	4,887	3,516
Estimated monetary value of benefit-in-kind	403	408	226	203
	8,730	6,414	5,113	3,719
Non-Executive Directors				
- fees	540	644	540	644
- emoluments	50	83	43	77
Total remuneration (excluding benefit-in-kind)	590	727	583	721
Estimated monetary value of benefit-in-kind	60	57	60	26
	650	784	643	747
Total remuneration (executive and non-executive)	9,380	7,198	5,756	4,466

10. INCOME TAX EXPENSE/(CREDIT)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Estimated tax payable:					
- current year		5,161	4,701	506	207
- under/(over) provision in prior years		1,021	(138)	821	-
		6,182	4,563	1,327	207
Deferred tax:					
- origination and reversal of temporary differences	23	20,278	6,555	(1,547)	286
- (over)/underprovision in prior years	23	(615)	(616)	70	-
		19,663	5,939	(1,477)	286
Total income tax expense/(credit)		25,845	10,502	(150)	493
Reconciliation of tax expense:					
Profit for the year		24,617	21,580	26,686	12,206
Total income tax expense/(credit)		25,845	10,502	(150)	493
Profit before tax		50,462	32,082	26,536	12,699

10. INCOME TAX EXPENSE/(CREDIT) (cont'd)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income tax calculated using Malaysian tax rate of 24% (2015: 25%)	12,111	8,020	6,369	3,175
Non-taxable income	(92,670)	(8,155)	(7,822)	(3,740)
Non-deductible expenses	95,632	10,388	1,963	1,162
Under/(Overprovision) of current tax in prior year	1,021	(138)	821	-
Reversal of deferred tax assets	(1,551)	-	(1,551)	-
Recognition of deferred tax assets not previously recognised	2,882	-	-	-
(Over)/Underprovision of deferred tax in prior year	(615)	(616)	70	-
Fiscal loss on tax amnesty of a foreign subsidiary	22,090	-	-	-
Deferred tax assets on interest capitalised in concession service assets	(13,137)	-	-	-
Deferred tax assets not recognised	82	2,902	-	-
Change in tax rate	-	(1,899)	-	(104)
Total income tax expense/(credit)	25,845	10,502	(150)	493

11. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2016 was based on the profit attributable to ordinary shareholders of RM27,209,000 (2015: RM22,877,000) and weighted average number of ordinary shares outstanding during the year of 483,540,255 (2015: 483,540,255).

Weighted average number of ordinary shares

	Group	
	2016 '000	2015 '000
Weighted average number of ordinary shares at 1 January / 31 December	483,540	483,540

11. EARNINGS PER ORDINARY SHARE (cont'd)

Diluted earnings per ordinary share

	Group	
	2016	2015
	'000	'000
Weighted average number of ordinary shares (basic) at 31 December	483,540	483,540
Effect of warrants issue	-*	-*
Weighted average number of ordinary shares (diluted) at 31 December	483,540	483,540
Basic earnings per ordinary share (sen)	5.62	4.73
Diluted earnings per ordinary share (sen)	-	-

There was no dilutive potential ordinary share as at 31 December 2016 and 31 December 2015.

* The effects of potential ordinary shares arising from the exercise of warrant is anti-dilutive and accordingly is excluded from the diluted earnings per share computation above.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Buildings and renovation RM'000	Machinery and equipment RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Building under construction RM'000	Total RM'000
Cost							
At 1 January 2015	12,788	75,806	43,894	30,389	10,053	-	172,930
Reclassifications	-	(781)	687	-	94	-	-
Additions	-	434	3,409	3,882	843	20,941	29,509
Disposals	(730)	(5,395)	(3,670)	(1,409)	(3,084)	-	(14,288)
Written-offs	-	(66)	-	(627)	-	-	(693)
Effect of movements in exchange rates	-	481	1,679	209	224	86	2,679
At 31 December 2015/ 1 January 2016	12,058	70,479	45,999	32,444	8,130	21,027	190,137
Reclassifications	-	19,990	-	-	-	(19,990)	-
Additions	11,886	7,707	8,318	14,281	1,063	64,563	107,818
Acquisition of subsidiary	2,000	30,968	285	1,143	410	36,089	70,895
Disposals	-	-	-	(4,729)	(159)	-	(4,888)
Written-offs	-	-	-	-	-	(16)	(16)
Effect of movements in exchange rates	-	4,994	214	(39)	71	-	5,240
At 31 December 2016	25,944	134,138	54,816	43,100	9,515	101,673	369,186

12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Freehold land RM'000	Buildings and renovation RM'000	Machinery and equipment RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Building under construction RM'000	Total RM'000
Accumulated Deprecation							
At 1 January 2015	-	7,735	39,698	22,095	7,127	-	76,655
Reclassifications	-	(81)	-	-	81	-	-
Depreciation for the year	-	2,012	2,205	3,902	684	-	8,803
Disposals	-	(3,420)	(3,671)	(1,387)	(3,083)	-	(11,561)
Written-offs	-	(15)	-	(596)	-	-	(611)
Effect of movements in exchange rates	-	231	1,662	134	153	-	2,180
At 31 December 2015 1 January 2016	-	6,462	39,894	24,148	4,962	-	75,466
Depreciation for the year	-	3,114	2,732	4,571	723	-	11,140
Acquisition of subsidiary	-	17	19	422	286	-	744
Disposals	-	-	-	(4,729)	-	-	(4,729)
Effect of movements in exchange rates	-	209	208	1,032	52	-	1,501
At 31 December 2016	-	9,802	42,853	25,444	6,023	-	84,122
Carrying Amounts							
At 31 December 2015	12,058	64,017	6,105	8,296	3,168	21,027	114,671
At 31 December 2016	25,944	124,336	11,963	17,656	3,492	101,673	285,064

12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Machinery and equipment RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Total RM'000
Cost				
At 1 January 2015	45	4,468	361	4,874
Additions	-	1,536	-	1,536
Disposals	-	(398)	-	(398)
Effect of movements in exchange rates	8	-	6	14
At 31 December 2015/1 January 2016	53	5,606	367	6,026
Additions	-	872	-	872
Disposals	-	(1,617)	-	(1,617)
Effect of movements in exchange rates	-	42	-	42
At 31 December 2016	53	4,903	367	5,323
Accumulated Depreciation				
At 1 January 2015	44	3,209	361	3,614
Depreciation for the year	-	671	-	671
Disposals	-	(375)	-	(375)
Effect of movements in exchange rates	8	-	6	14
At 31 December 2015 / 1 January 2016	52	3,505	367	3,924
Depreciation for the year	-	690	-	690
Disposals	-	(1,613)	-	(1,613)
Effect of movements in exchange rates	-	21	-	21
At 31 December 2016	52	2,603	367	3,022
Carrying Amounts				
At 31 December 2015	1	2,101	-	2,102
At 31 December 2016	1	2,300	-	2,301

12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Included in property, plant and equipment are:

(i) the cost and the net carrying amount of property, plant and equipment under finance lease arrangements as follows:

Group	Machinery and equipment RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Total RM'000
2016				
Cost	3,102	35,152	-	38,254
Carrying amounts	1,921	16,383	-	18,304
2015				
Cost	4,151	19,798	-	23,949
Carrying amounts	1,204	7,314	-	8,518
Company				
2016				
Cost	-	4,861	-	4,861
Carrying amounts	-	2,300	-	2,300
2015				
Cost	-	5,606	-	5,606
Carrying amounts	-	2,101	-	2,101

(ii) freehold land and buildings of the Group with total net carrying amounts of RM54,399,363 (2015: RM62,263,783) are charged to financial institutions as securities for banking facilities granted to its subsidiaries as disclosed in Note 31(a)(vii) and Note 31(d).

13. PREPAID LEASE PAYMENTS

	Group 2016 RM'000	Group 2015 RM'000
Cost		
At 1 January	11,968	11,721
Additions	12,286	-
Effect of movements in exchange rates	1,554	247
At 31 December	25,808	11,968
Accumulated Amortisation		
At 1 January	4,168	3,675
Amortisation during the year (Note 8)	681	442
Effect of movements in exchange rates	99	51
At 31 December	4,948	4,168
Carrying Amount		
At 31 December	20,860	7,800

The leasehold land of the Group has an unexpired lease period of less than fifty (50) years.

14. LAND HELD FOR DEVELOPMENT

The land held for development represents land that are earmarked for future commercial development. Freehold land with carrying amount of RM8,958,539 (2015: RM8,958,539) is pledged to a bank for the term loan facility granted to the Group as disclosed in Note 31(a)(v).

	Group 2016 RM'000	Group 2015 RM'000
Cost		
At 1 January	24,228	8,958
Additions	2,500	15,270
Transfer from property development costs (Note 26)	11,902	-
At 31 December	38,630	24,228
Freehold land	28,630	16,728
Leasehold land	10,000	7,500
	38,630	24,228

15. BIOLOGICAL ASSETS

Biological assets are in respect of expenditure incurred by a subsidiary on new planting of oil palm in a plantation located in the Republic of Indonesia.

	Group	
	2016 RM'000	2015 RM'000
Cost		
At 1 January	167,300	144,407
Additions	38,407	26,062
Reversal to Mitra recoverable account (Note a)	-	(3,245)
Written-off during the year (Note a)	-	(550)
Effect of movements in exchange rates	3,030	626
At 31 December	208,737	167,300
Accumulated Amortisation		
At 1 January	26,843	19,439
Amortisation during the year	6,154	5,300
Effect of movements in exchange rates	2,685	2,104
At 31 December	35,682	26,843
Carrying Amount		
At 31 December	173,055	140,457

Included in the additions of biological assets (before amortisation) for the year are:

	Group	
	2016 RM'000	2015 RM'000
Interest capitalised	5,916	2,280
Staff costs	1,764	1,291

<u>Note a</u>

In accordance with the Plantation Law of Republic of Indonesia, oil palm companies that develop plantations are required to have certain portion of their plantation areas to be developed and thereafter to be transferred to small land owners for their management under the supervision of the subsidiary company. Such assistance to local owners is known as "Mitra" program. Excess costs incurred on the Mitra development was written-off in 2015.

16. INTANGIBLE ASSETS

	Group 2016 RM'000	Group 2015 RM'000
At 1 January	-	-
Addition arising from acquisition of new subsidiary during the year	41,060	-
At 31 December	41,060	-

This represents the contractual right to provide usage of facilities and supply base services to a major customer for a number of years as well as right over the usage of the land.

17. CONCESSION SERVICE ASSETS

	Group Highway concession 2016 RM'000	Group Highway concession 2015 RM'000
At 1 January	39,920	16,410
Additions	358,151	23,510
At 31 December	398,071	39,920

This represents the project costs incurred on the construction of a highway undertaken by the Group pursuant to a concession agreement with the Government of Malaysia signed on 13 February 2013. The concession agreement gives right to the Group for collection of toll over a concession period of fifty (50) years from the Government of Malaysia in exchange for services to be rendered in connection with the design, construction, completion, operation, management and maintenance of the East Klang Valley Expressway.

Net interest cost capitalised in concession service assets is RM5,870,748 (2015: Nil)

18. GOODWILL

	Note	Group 2016 RM'000	Group 2015 RM'000
At 1 January		6,158	6,158
Addition arising from acquisition of new subsidiary during the year	19	30,332	-
At 31 December		36,490	6,158

18. GOODWILL (cont'd)

For the purpose of impairment testing, goodwill is allocated to the subsidiaries which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each subsidiary are as follows:

	Group	
	2016 RM'000	2015 RM'000
Malaysian quarry business unit	2,894	2,894
Malaysian hotel operator unit	2,410	2,410
Multiple business units without significant goodwill	854	854
Malaysian supply base operation	30,332	-
	36,490	6,158

The recoverable amount of the Malaysian quarry business unit is calculated at fair value less costs of disposal using the quarry land(s) held as basis. The fair value less costs of disposal is estimated based on the bid price of other quarry land within the vicinity of where the Group's quarry land is located.

The recoverable amount of the Malaysian hotel operator unit and Malaysian supply base operation are determined based on value-in-use calculation which uses cash flow projections based on financial budgets approved by the Directors covering a five (5) year period with a pre-tax discount rate of 6% per annum.

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016 RM'000	2015 RM'000
Unquoted shares, at cost		
At 1 January	101,038	99,037
Addition of equity in subsidiary/new subsidiaries	176,805	2,001
Disposal of subsidiary	(2,000)	-
At 31 December, at cost	275,843	101,038
Less: Allowance for impairment loss	(12,035)	(12,035)
Net	263,808	89,003

During the financial year, the Company subscribed additional ordinary shares in EKVE Sdn. Bhd. amounted to RM58,405,075 and preference shares amounted to RM63,400,000.

19. INVESTMENTS IN SUBSIDIARIES (cont'd)

The details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Proportion of ownership interest and voting power held by the Group 2016 %	2015 %
Ahmad Zaki Sdn. Bhd.	Contractors of civil and structural construction works	Malaysia	100	100
Inter-Century Sdn. Bhd.	Dealer of marine fuels	Malaysia	100	100
Tadok Granite Manufacturing Sdn. Bhd.	Dormant	Malaysia	100	100
AZRB International Ventures Sdn. Bhd.	Investment holding	Malaysia	100	100
Trend Vista Development Sdn. Bhd.	Property Development	Malaysia	100	100
P.T. Ichtiar Gusti Pudi*	Oil palm cultivation	Republic of Indonesia	95	95
Ahmad Zaki Saudi Arabia Co. Ltd.*@	Contractors of civil and structural works	Kingdom of Saudi Arabia	95	95
Peninsular Medical Sdn. Bhd.	Undertake design, development and the construction of a teaching hospital as well as to carry out the related maintenance services subsequent to the completion of teaching hospital	Malaysia	100	100
AZ Land & Properties Sdn. Bhd.	Property development	Malaysia	100	100
EKVE Sdn. Bhd.	Engaged in the business of construction, establishment, operation, maintenance and management of highway	Malaysia	100	100
Unggul Energy & Construction Sdn. Bhd.	Dormant	Malaysia	100	100
Temala Development Sdn. Bhd.	Property development	Malaysia	70	70
Betanaz Properties Sdn. Bhd.	Property development	Malaysia	51	51
Peninsular Prokonsult Sdn. Bhd.	Project management services	Malaysia	100	100

19. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of subsidiary	Principal activities	Country of incorporation	Proportion of ownership interest and voting power held by the Group 2016 %	2015 %
Residence Inn & Motels Sdn. Bhd.	Hotel operators and hotel project consultants	Malaysia	100	100
Astral Far East Sdn. Bhd.	Dealer of lubricants, petroleum-based products and marine fuels	Malaysia	-	100
Betanaz Mills Sdn. Bhd.	Operation of palm oil mill	Malaysia	67	67
Matrix Reservoir Sdn. Bhd.	Investment holding	Malaysia	51	-
Held through Ahmad Zaki Sdn. Bhd.				
Kemaman Technology & Industrial Park Sdn. Bhd.	Property development	Malaysia	60	60
AZSB Machineries Sdn. Bhd.	Rental of machineries	Malaysia	100	100
Peninsular Precast Sdn. Bhd.	Fabricating and marketing of Industrial Building Products and System ("IBS")	Malaysia	100	80
Held through AZRB International Ventures Sdn. Bhd.				
Ahmad Zaki Saudi Arabia Co. Ltd.*@	Contractors of civil and structural works	Kingdom of Saudi Arabia	5	5
Held through Matrix Reservoir Sdn. Bhd.				
TB Realty Sdn. Bhd.	Leasing of land and building	Malaysia	51	-
TB Supply Base Sdn. Bhd.	Logistic management services and vessel related services	Malaysia	51	-
TB Terminals Sdn. Bhd.	Dormant	Malaysia	51	-
Astral Far East Sdn. Bhd.	Dealer of lubricants, petroleum-based products and marine fuels	Malaysia	51	-
Held through Betanaz Mills Sdn. Bhd.				
Peak Crops Sdn. Bhd.	Dormant	Malaysia	60	-

* Not audited by Deloitte Malaysia.
@ Wholly-owned subsidiary of the Group

19. INVESTMENTS IN SUBSIDIARIES (cont'd)

During the financial year, the Company acquired 51% equity interest in Matrix Reservoir Sdn. Bhd. ("MRSB Group") comprising a total of 500,000 ordinary shares of RM1.00 each for a total consideration of RM55,000,000.

The cost of acquisition consisted of the following:

	Group 2016 RM'000
Purchase consideration satisfied by cash to owner	10,000
Subscription of new shares in MRSB Group satisfied by cash*	22,500
Subscription of new shares satisfied by transfer of shares of Astral Far East Sdn. Bhd. to MRSB Group	22,500
	55,000

* An amount of RM10 million was paid subsequent to the end of the financial year.

The cash inflow on acquisition of subsidiaries is as follows:

	Group 2016 RM'000
Cash and cash equivalent balances acquired	14,413
Less: Consideration paid in cash as at 31 December 2016	(12,500)
	1,913

The goodwill on acquisition of subsidiaries is as follows:

	Note	Group 2016 RM'000
Purchase consideration on 51% of equity investment		55,000
Less: Subscription of new shares in MRSB Group satisfied by cash		(22,500)
Less: Intangible assets (net of tax)		(31,160)
Add : Fair value of net liabilities acquired	19(i)	5,292
Add : Non-controlling interest		23,700
Goodwill	18	30,332

19. INVESTMENTS IN SUBSIDIARIES (cont'd)

(i) The asset and liabilities arising from the acquisition were as follows:

	Group 2016 RM'000
Cash and bank balances	14,413
Property, plant and equipment	70,151
Trade and other receivables	7,026
Trade and other payables	(68,729)
Loan and borrowings	(28,153)
Fair value of acquired net liabilities	(5,292)
Group's share of net liabilities	(2,699)

Goodwill arose in the acquisition of MRSB Group because of revenue growth and the future market development of MRSB Group. These benefits were not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition was expected to be deductible for tax purposes.

Material non-controlling interests

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests are set out below. The summarised financial information below represents amounts before intragroup eliminations.

	Group 2016 RM'000
Non-current assets	70,151
Current assets	21,439
Total assets	91,590
Non-current liabilities	28,153
Current liabilities	68,729
Total liabilities	96,882
Capital deficiency	(5,292)

20. INVESTMENTS IN ASSOCIATES

	Group 2016 RM'000	Group 2015 RM'000
Unquoted shares, at cost:		
At 1 January/31 December	110	110
Share of post-acquisition reserves	55	55
	165	165

Goodwill included within the Group's carrying amount of investments in associates is as follows:

	Group 2016 RM'000	Group 2015 RM'000
Goodwill on acquisition:		
At 1 January/31 December	8	8

The details of the associates, all incorporated in Malaysia, are as follows:

Name of associate	Principal activities	Proportion of ownership interest and voting power held by the Group 2016 %	2015 %
Held through Ahmad Zaki Sdn. Bhd.			
Fasatimur Sdn. Bhd.	Dormant	50	50
Maxi Heritage Sdn. Bhd. (struck off pursuant to Section 308 of the Companies Act, 1965 on 16 March 2016)	Dormant	-	20

Summarised financial information of associates, not adjusted for the percentage ownership held by the Group:

	Effective ownership interest	Revenue (100%) RM'000	Profit/ (Loss) (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
2016					
Fasatimur Sdn. Bhd.	50%	-	-	589	(296)
2015					
Fasatimur Sdn. Bhd.	50%	-	-	596	(296)
Maxi Heritage Sdn. Bhd.	20%	-	-	119	(84)

21. INTERESTS IN JOINT VENTURES

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Investment cost:				
At 1 January	364	364	34	34
Disposal	(300)	-	-	-
At 31 December	64	364	34	34
Share of post-acquisition results in joint ventures:				
At 1 January	2,740	84	-	-
Share of profit of joint ventures during the year	3,601	2,656	-	-
Disposal during the year	(6,371)	-	-	-
At 31 December	(30)	2,740	-	-
	34	3,104	34	34

The details of the joint ventures, all incorporated in Malaysia, are as follows:

	Name	Project or Principal activities	Proportion of ownership interest and voting power held by the Group 2016 %	2015 %
i)	BumiHiway - Ahmad Zaki Joint Venture	Realignment of the route from Putrajaya to Cyberjaya, Selangor	50	50
ii)	Ahmad Zaki - Jasa Bakti Joint Venture	Design and building of "Sekolah Menengah Sains Hulu Terengganu" in Terengganu	70	70
iii)	Peninsular IFM Sdn. Bhd.	Integrated facilities management services	34	34
iv)	Salcon MMCB AZSB JV Sdn. Bhd.*	Langat 2 water treatment plant and water reticulation system in Selangor Darul Ehsan/Wilayah Persekutuan Kuala Lumpur	-	30
v)	Salcon MMCES AZSB JV Sdn. Bhd.	Langat 2 water treatment plant and water reticulation system in Selangor Darul Ehsan/Wilayah Persekutuan Kuala Lumpur	-	30

* The investment in Salcon MMCB AZSB JV Sdn. Bhd. had been reclassified as available-for-sale investments.

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Unquoted shares in Malaysia				
At 1 January	8,548	8,548	8,500	8,500
Less: Allowance for impairment losses	(8,500)	(8,500)	(8,500)	(8,500)
At 31 December	48	48	-	-
Club membership	68	68	68	68
	116	116	68	68

The club membership is in respect of a transferable golf club corporate membership.

Included in the available-for-sale investments is the investment in Salcon MMCB AZSB JV Sdn. Bhd. with equity interest of 30%.

23. DEFERRED TAX LIABILITIES/(ASSETS)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Deferred tax liabilities		75,097	56,291	26	1,503
Deferred tax assets		(22,712)	(31,517)	-	-
		52,385	24,774	26	1,503
Movement on the deferred tax is as follows:					
At 1 January		24,774	21,159	1,503	1,217
Recognised in profit or loss:					
- Origination and reversal of temporary differences	10	20,278	6,555	(1,547)	286
- (Over)/Underprovision in prior years	10	(615)	(616)	70	-
Temporary differences arising from intangible assets		9,900	-	-	-
Effect of movements in exchange rates		(1,952)	(2,324)	-	-
At 31 December		52,385	24,774	26	1,503

23. DEFERRED TAX LIABILITIES/(ASSETS) (cont'd)

Recognised deferred tax liabilities/(assets)

	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Tax loss carry-forward	(21,918)	(44,441)	-	-	(21,918)	(44,441)
Taxable temporary differences	-	-	75,084	61,769	75,084	61,769
Property, plant and equipment	(14,890)	(802)	5,257	2,141	(9,633)	1,339
Employee benefits	(709)	(498)	-	-	(709)	(498)
Fair value adjustment in respect of acquisition of subsidiary	-	-	2,611	2,611	2,611	2,611
Derecognition of results of joint venture in MCHJV*	-	-	-	4,406	-	4,406
Intangible assets	-	-	9,900	-	9,900	-
Other items	(2,950)	-	-	-	(2,950)	-
Provision	-	(412)	-	-	-	(412)
Deferred tax (assets)/liabilities	(40,467)	(46,153)	92,852	70,927	52,385	24,774
Set off of deferred tax	17,755	14,636	(17,755)	(14,636)	-	-
Net deferred tax (assets)/liabilities	(22,712)	(31,517)	75,097	56,291	52,385	24,774

23. DEFERRED TAX LIABILITIES/(ASSETS) (cont'd)

	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	-	(49)	26	-	26	(49)
Tax loss carry-forward	-	(2,855)	-	-	-	(2,855)
Derecognition of results of joint venture in MCHJV*	-	-	-	4,407	-	4,407
Deferred tax (assets)/liabilities	-	(2,904)	26	4,407	26	1,503
Set off of deferred tax	-	2,904	-	(2,904)	-	-
Net deferred tax liabilities	-	-	26	1,503	26	1,503

*Malaysia China Hydro Joint Venture

23. DEFERRED TAX LIABILITIES/(ASSETS) (cont'd)

Unrecognised deferred tax assets

Deferred tax assets were not recognised in respect of the following items (stated at gross):

	Group	
	2016 RM'000	2015 RM'000
Tax losses carry-forward	82	12,092

Deferred tax assets were not recognised in respect of those items because it was not probable that sufficient future taxable profit would be available against which the Group could utilise the benefits therefrom. The tax losses carry-forward do not expire under current tax legislation.

24. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current					
Trade receivables	(a)	-	14,561	-	-
Other receivables	(b)	92,758	93,745	47,592	43,106
Concession service receivable	(c)	611,478	-	-	-
		704,236	108,306	47,592	43,106

(a) Trade receivable of the Group in 2015 consisted of capital expenditure incurred on behalf of a customer for the construction of a teaching hospital under the Private Financing Initiative ("PFI") that is only due for payment upon completion of the teaching hospital. The teaching hospital was completed in 2016 and the receivable is due in 2017.

(b) Other receivables of the Group and of the Company consist of the award issued by the sole arbitrator of the International Court of Arbitration under the International Chamber of Commerce in 2013 pertaining to the arbitration initiated by the Group in year 2011 against a particular contract customer in respect of the development of a university campus in Saudi Arabia. The Group, through its external legal counsels in Saudi Arabia, had filed the arbitrator award with the local Saudi court on 2 February 2014 in order to obtain an enforcement order. Based on the advice from its external legal counsels, the whole process of obtaining an enforcement order and recovering the award will approximately be completed on or before 31 December 2018.

(c) Concession service receivable of the Group represents fair value of long term receivable from the Government of Malaysia over a concession period of 21½ years upon completion of the International Islamic University Malaysia Medical Centre in 2016 under the PFI which granted the Group to undertake the design, build, lease and maintenance of the teaching hospital.

24. TRADE AND OTHER RECEIVABLES (cont'd)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Current Trade					
External parties	a	153,067	51,148	3,458	-
Amount due from contract customers	b	544,907	948,038	1,924	1,918
Amount due from a joint venture	c	65	1,524	13	-
		698,039	1,000,710	5,395	1,918
Non-trade					
Amount due from:					
Ultimate holding company	d	792	843	3	171
Subsidiaries	d	-	-	210,804	191,848
Associate	e	20	20	-	-
Affiliates	f	620	3,184	369	4
		1,432	4,047	211,176	192,023
Other receivables		69,450	11,261	28,102	14,227
Deposits		7,573	18,476	48	10,048
Prepayments		10,023	2,324	-	1,189
		88,478	36,108	239,326	217,487
		786,517	1,036,818	244,721	219,405

Note a

The Group's and the Company's normal credit term granted to customers ranges from 60 to 90 days (2015: 60 to 90 days).

Included in trade receivables from external parties at 31 December 2016 are retention sums of the Group of RM38,965,317 (2015: RM26,516,184) relating to construction work-in-progress.

Retention sums are unsecured, interest-free and are expected to be collected within the normal operating cycle of the Group as analysed below:

	Group 2016 RM'000	Group 2015 RM'000
Within 1 year	110	1,500
1 - 2 years	6,337	-
2 - 3 years	25,531	-
3 - 4 years	4,044	111
More than 5 years	2,943	24,905
	38,965	26,516

24. TRADE AND OTHER RECEIVABLES (cont'd)

Note b

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Aggregate costs incurred to-date		7,013,872	5,675,312	355,248	352,149
Add: Attributable profits		693,559	795,333	28,806	28,643
		7,707,431	6,470,645	384,054	380,792
Less: Progress billings		(7,162,524)	(5,535,638)	(382,130)	(378,874)
		544,907	935,007	1,924	1,918
Represented by:					
Amount due from contract customers		544,907	948,038	1,924	1,918
Amount due to contract customers	33	-	(13,031)	-	-
		544,907	935,007	1,924	1,918

Included in additions to aggregate costs incurred to-date are the following amounts charged during the year:

	Group	
	2016 RM'000	2015 RM'000
Interest/finance costs capitalised	1,289	4,793
Staff costs	39,867	24,329
Rental of premises and land	690	301
Running cost of machinery	4,329	9,843
Rental of motor vehicles	2	-

Note c
The amount is unsecured, interest-free and repayable on demand.

Note d
These amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

Note e
The amount, which is unsecured, interest-free and repayable on demand.

Note f
Affiliates are companies which have common Directors and shareholders as that of the Company. The amount is unsecured, interest-free and repayable on demand.

25. INVENTORIES

	Group 2016 RM'000	Group 2015 RM'000
At cost:		
Completed properties	5,963	8,076
Marine fuels and lubricants	3,510	5,000
Consumable goods	2,749	374
	12,222	13,450
Recognised in profit or loss:		
Inventories recognised as cost of sales	32,765	39,083

26. PROPERTY DEVELOPMENT COSTS

	Group 2016 RM'000	Group 2015 RM'000
At 1 January	23,473	11,942
Additions during the year	12,544	16,526
Transfer to land held for development (Note 14)	(11,902)	-
Cost recognised in profit or loss	(4,749)	(4,341)
Transfer to inventories of completed units	-	(654)
At 31 December	19,366	23,473

27. OTHER INVESTMENTS

	Group 2016 RM'000	Group 2015 RM'000
Current		
Financial assets at fair value through profit or loss		
- Unit trusts in Malaysia	823,856	-

Unit trusts are funds invested mainly in money market and fixed income instruments and are managed by investment management companies.

28. CASH AND DEPOSITS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits placed with licensed banks	50,795	44,973	3,141	3,056
Cash and bank balances	139,257	108,123	2,091	9,457
	190,052	153,096	5,232	12,513

Included in deposits placed with licensed banks of the Group are deposits of RM49,935,186 (2015: RM38,236,831) which have been pledged to financial institutions as security for bank guarantee and credit facilities granted to the Group as disclosed in Note 31. Also included in deposits placed with licensed banks of the Company are deposits of RM3,139,205 (2015: RM3,050,854) which have been pledged to financial institutions as securities for the overdraft facility granted to its subsidiary as disclosed in Note 31(d).

The deposits placed with licensed banks of the Group and of the Company bear interest at effective interest rates ranging from 2.50% to 4.10% (2015: 2.55% to 4.00%) and 2.61% to 3.20% (2015: 2.55% to 3.30%) per annum, respectively.

29. SHARE CAPITAL

	Group and Company			
	Amount 2016 RM'000	Number of shares 2016 '000	Amount 2015 RM'000	Number of shares 2015 '000
Authorised:				
Ordinary shares of RM0.25 each				
At 1 January/31 December	250,000	1,000,000	250,000	1,000,000
Issued and fully paid up:				
Ordinary shares of RM0.25 each				
At 1 January/31 December	120,885	483,540	120,885	483,540

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

30. RESERVES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-distributable:				
Share premium	21,889	21,889	21,889	21,889
Capital reserve	7,667	7,667	7,667	7,667
Warrant reserve	27,891	27,891	27,891	27,891
Foreign exchange translation reserve	8,753	167	(1,132)	(1,027)
	66,200	57,614	56,315	56,420
Treasury shares	(1,026)	(1,026)	(1,026)	(1,026)
Distributable:				
Retained earnings/(Accumulated losses)	178,857	161,312	(21,707)	(38,752)
	244,031	217,900	33,582	16,642

The movements in each category of the reserves are disclosed in the Statements of Changes in Equity.

Capital reserve

Capital reserve represents the credit surplus arising from the cancellation of par value of RM0.25 each amounting to RM69,235,547 after setting off the Company's accumulated losses of RM61,568,514 as at 31 December 2012.

Foreign exchange translation reserve

The foreign exchange translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Warrant reserve

Warrant reserve relates to the fair value of warrants in relation to the right shares issued in 2014. In financial year 2014, the Company issued 103,299,033 new detachable warrants ("Warrant(s)") pursuant to the rights shares issued in 2014. The fair value of the warrant has been determined based on its quoted price at the issuance date.

Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

There was no repurchase of the Company's shares during the financial year.

Any repurchase transactions will be financed by internally generated funds and shall be held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

30. RESERVES (cont'd)

Of the total 483,540,255 (2015: 483,540,255) issued and fully paid-up ordinary shares as at 31 December 2016, 1,478,100 (2015: 1,478,100) shares are held as treasury shares by the Company. As at 31 December 2016, the number of outstanding ordinary shares in issue after the set-off is therefore 482,062,155 (2015: 482,062,155) ordinary shares of RM0.25 (2015: RM0.25) each.

31. LOANS AND BORROWINGS

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current					
Term loans	a	972,642	685,907	63,400	-
Finance lease liabilities	b	12,046	4,755	1,301	1,225
Sukuk	c	1,015,665	-	-	-
		2,000,353	690,662	64,701	1,225
Current					
Term loans	a	43,505	14,655	-	-
Finance lease liabilities	b	5,742	2,900	571	467
Bank overdrafts	d	24,828	24,959	-	-
Trust receipts	e	15,771	13,058	-	-
Revolving credits and Murabahah facilities	f	97,578	103,577	25,000	-
		187,424	159,149	25,571	467
		2,187,777	849,811	90,272	1,692

Note a

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Term loan - I	(i)	280,876	151,016	-	-
Term loan - II	(ii)	37,594	52,774	-	-
Term loan – III	(iii)	428,493	416,686	-	-
Term loan – IV	(iv)	12,322	11,546	-	-
Term loan – V	(v)	4,573	5,684	-	-
Term loan – VI	(vi)	281	681	-	-
Term loan – VII	(vii)	44,642	18,860	-	-
Term loan – VIII	(viii)	90,949	43,315	-	-
Term loan – IX	(ix)	63,400	-	63,400	-
Term loan – X	(x)	16,669	-	-	-
Term loan – XI	(xi)	28,153	-	-	-
Term loan – XII	(xii)	8,195	-	-	-
		1,016,147	700,562	63,400	-

31. LOANS AND BORROWINGS (cont'd)

The term loans of the Group comprise the followings:

(i) **Term loan I** is denominated in IDR and USD and bears interest at 10.25% and 7.14% (2015: 11.25% and 4.64%) per annum respectively. The term loan is repayable within a period of 108 months upon full disbursement and is secured by corporate guarantee from the Company.

(ii) **Term loan II** bears interest at 5.39% (2015: 5.35%) per annum. The term loan is repayable in equal quarterly installments over 9 years which commenced from September 2011 and is secured and supported by:
(a) corporate guarantee from the Company; and
(b) memorandum of charge on the shares of a subsidiary.

(iii) **Term loan III** bears interest at rates ranging from 6.15% to 6.26% (2015: 5.77% to 6.10%) per annum and is repayable on quarterly basis by 44 installments commencing on the 51st month from the first date of loan disbursement in July 2012.

(iv) **Term loan IV** bears interest at rates ranging from 5.77% to 6.06% (2015: 5.77% to 6.06%) is repayable on lump-sum basis either on the 60th month from the first date of loan disbursement in July 2012 or upon receipt of reimbursable cost from a contract customer, whichever is earlier. The tenure for term loan Tranche 2 is 5 years.

Both **Terms loan III and IV** are secured and supported by:
(a) fixed and floating charges over all present and future assets of a subsidiary;
(b) legal assignment over designated bank accounts and rights, titles, interests and benefits under applicable insurance policies; and
(c) corporate guarantee from the Company until the expiry of the defect liability period of the project.

(v) **Term loan V** bears interest at 5.36% (2015: 5.08%) per annum. The term loan is repayable on semi-annual basis by sixteen (16) installments commencing from May 2015.

The above term loan is secured by way of:
(a) a first party legal charge over the land held for development as disclosed in Note 14;
(b) legal assignment of rights in rental proceeds to be derived from the future commercial development on the land; and
(c) corporate guarantee from the Company.

(vi) **Term loan VI** is interest-free and repayable by sixty (60) monthly installments commencing from July 2015.

The above term loan is secured by way of:
(a) a debenture on a subsidiary's current and future fixed and floating assets,
(b) deposit placed with a financial institution of a subsidiary; and
(c) personal guarantee from the Directors of a subsidiary.

(vii) **Term loan VII** bears interest at 5.14% per annum. The term loan is secured and supported over land and building as disclosed in Note 12 and corporate guarantee by the Company.

(viii) **Term loan VIII** is a Government Support Loan which bears fixed interest at 4% (2015: 4%) per annum. The term loan is secured and supported by corporate guarantee by the Company, and is repayable over 29 years commencing year 2020. It is secured by the economic benefits arising from the Concession Agreement with the Government of Malaysia.

31. LOANS AND BORROWINGS (cont'd)

(ix) **Term loan IX** bears interest at 6.41% per annum. The term loan is repayable in six (6) years commencing April 2020.

(x) **Term loan X** bears interest at 5.39% per annum. The term loan is repayable over 7 years commencing January 2020 secured and supported by corporate guarantee by the Company.

(xi) **Term loan XI** bears interest at rates ranging from 6.85% to 6.90% per annum. The term loan is repayable in installments over 3 years commencing from June 2015, and is secured by:
(a) corporate guarantee by Matrix Reservoir Sdn Bhd ("MRSB");
(b) debenture incorporating fixed and floating charge over all present and future assets of TB Supply Base Sdn Bhd ("TBSB"), MRSB and Forlenza Land Sdn Bhd ("FLSB") with exclusion of certain assets of TBSB; and
(c) legal assignment of the lease agreement between FLSB as lessor and TB Realty Sdn Bhd as lessee.

(xii) **Term loan XII** bears interest at 5.14% per annum. The term loan is secured and supported by corporate guarantee by the Company. The term loan is repayable in 8 years commencing January 2018. It is secured over building as disclosed in Note 12.

Note b

Finance lease liabilities are payable as follows:

Group	Future minimum lease payments 2016 RM'000	Interest 2016 RM'000	Present value of minimum lease payments 2016 RM'000	Future minimum lease payments 2015 RM'000	Interest 2015 RM'000	Present value of minimum lease payments 2015 RM'000
Less than one year	6,951	(1,209)	5,742	3,191	(291)	2,900
Between one and five years	12,364	(318)	12,046	5,018	(263)	4,755
	19,315	(1,527)	17,788	8,209	(554)	7,655
Company						
Less than one year	647	(76)	571	512	(45)	467
Between one and five years	1,399	(98)	1,301	1,293	(68)	1,225
	2,046	(174)	1,872	1,805	(113)	1,692

Note c

The effective profit rate for sukuk is 5.60% per annum. The facility is guaranteed by financial guarantors and supported by corporate guarantee by the Company and is repayable over 20 years commencing year 2025. It is secured by proceeds of toll collection, income and other revenue arising from the Concession Agreement with the Government of Malaysia.

31. LOANS AND BORROWINGS (cont'd)

Note d

The bank overdraft facilities are repayable on demand and bear interest at rates ranging from 2.42% to 8.50% (2015: 7.85% to 8.10%) per annum. Bank overdraft facilities are secured by deposits placed with licensed banks of the Company and a subsidiary; freehold land and building as disclosed in Note 12; and a corporate guarantee from the Company.

Note e

The trust receipts of the Group are repayable within 120 to 180 days (2015: 120 to 180 days) and bear interest at 7.60% (2015: 7.60%) per annum. These facilities are secured and supported by:

(i) deposits placed with licensed banks of a subsidiary; and
(ii) corporate guarantee from the Company.

Note f

The revolving credits and murabahah facilities are repayable on demand and bear profit at rates ranging from 5.61% to 6.19% (2015: 5.61% to 6.19%) per annum. These facilities are secured by corporate guarantee from the Company and assignment of projects proceeds of a subsidiary.

32. EMPLOYEE BENEFITS

Retirement benefits

	Group	
	2016 RM'000	2015 RM'000
Net defined benefit liability	2,836	2,324

The Group's subsidiary in Indonesia makes provision for non-contributory defined benefit plan that provides pension benefits for employees upon retirement, death, disability and voluntary resignation as required under Labour Law No. 13/2003 of the Republic of Indonesia. The plan entitles an employee to receive payment according to the years of service.

The defined benefit plan exposes the Group to actuarial risks, such as longevity risk, currency risk and interest-rate risk.

32. EMPLOYEE BENEFITS (cont'd)

Movement in net defined benefit obligations

	Group	
	2016 RM'000	2015 RM'000
At 1 January	2,324	1,721
Included in profit and loss		
Current service cost	316	385
	316	385
Included in other comprehensive income		
Remeasurement loss:		
- Actuarial loss arising from experience adjustments	24	-
Effect of movements in exchange rate	172	218
	196	218
Less: benefit paid	-	-
At 31 December	2,836	2,324

Post-employee benefits obligations as per 31 December 2016 and 2015 are calculated by Padma Radya Aktuaria, an independent actuary based on report dated 20 March 2017, using the Project Unit Credit method.

The key assumptions used are as follows:

	2016	2015
Discount rate (per annum)	8.25%	9.00%
Future salary/wage increment (% p.a)	5.00%	5.00%
Mortality rate	100% of TMI3	100% of TMI3
Morbidity rate	5% of TMI3	5% of TMI3
Resignation rate		
Executive	5% per year until age 34 then decrease linearly and become 0% at age 55	5% per year until age 34 then decrease linearly and become 0% at age 55
Non-Executive	10% per year until age 34 then decrease linearly and become 0% at age 55	10% per year until age 34 then decrease linearly and become 0% at age 55
Proportion of early retirement take-up	N/A	N/A
Proportion of normal retirement take-up	100%	100%
Normal retirement age	55 years	55 years

33. TRADE AND OTHER PAYABLES

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Non-current					
Deferred income	a	57,800	-	-	-
Current					
Trade					
External parties	b	725,133	408,893	-	-
Amount due to contract customers	24	-	13,031	-	-
Advance payments received	c	69,616	19,263	10,000	-
		794,749	441,187	10,000	-
Non-trade					
Amount due to:					
Subsidiaries	d	-	-	303,898	224,216
Associate	d	53	53	-	-
		53	53	303,898	224,216
Accruals and other payables	e	57,325	16,202	9,626	3,780
		57,378	16,255	313,524	227,996
		852,127	457,442	323,524	227,996

Note a

The Group received a loan from the Malaysian Government as per Note 31(a)(viii) at an interest rate lower than the prevailing market rate. Using the prevailing market rate, the loan amount is adjusted to its fair value and the difference is treated as deferred income.

Note b

The normal credit term granted by suppliers of the Group and of the Company ranges from 30 to 90 days (2015: 30 to 90 days).

Included in trade payables of the Group are:

(i) retention sums of RM90,699,896 (2015: RM84,845,883)

33. TRADE AND OTHER PAYABLES (cont'd)

Note b (cont'd)

(ii) amount due to affiliates as follows:

	Group 2016 RM'000	Group 2015 RM'000
Amount due to subsidiaries of Chuan Huat Resources Berhad, a company in which Dato' Sri Haji Wan Zaki bin Haji Wan Muda has a substantial financial interest and is also a Director:		
- Chuan Huat Industrial Marketing Sdn. Bhd.	3,660	738
- Chuan Huat Hardware Sdn. Bhd	-	17

Affiliates are companies which have common Directors and shareholders as that of the subsidiaries. The amount is unsecured, interest-free and repayable on demand. The amount due to affiliates is subject to normal credit terms

Note c

Advance payments received are in respect of Group's construction contracts. These advances are to be set-off against the progress billings on the related contracts.

Note d

This amount is unsecured, interest-free and repayable on demand.

Note e

Included in accruals and other payables of the Group is interest on borrowings amounting to RM9.6 million (2015: RM 6.5 million).

34. DIVIDENDS

Dividends recognised and paid by the Company during the financial year was:

	Sen per share (net of tax)	Amount RM'000	Date of payment
2016			
Interim dividend	2.00	9,641	15 August 2016
2015			
Interim dividend	2.00	9,641	14 August 2015

35. OPERATING SEGMENTS

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different business strategies. For each of the strategic business units, the Managing Director (the chief operating decision-maker) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

(i) Construction - civil and structural works.
(ii) Oil and Gas - dealing in marine fuels, lubricants and petroleum-based products.
(iii) Plantation - oil palm.
(iv) Property - property development, hotel operation and facilities management.

Other non-reportable segments comprise investment holding and provision of management services.

Inter-segment transactions, if any, are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation as included in the internal management reports that are reviewed by the Managing Director (the chief operating decision-maker). Segment profit before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment assets is measured based on all assets (including goodwill and intangible assets) of a segment, as included in the internal management reports that are reviewed by the Managing Director. Segment total asset is used to measure the return on assets of each segment.

Segment liabilities

The total of segment liabilities is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the Managing Director. Segment total liability is used to measure the gearing ratio of each segment.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment and intangible assets other than goodwill.

Geographical segments

The Group operates in four principal geographical areas of the world:

(i) Malaysia - civil and structural works, dealing in marine fuels, lubricants and petroleum-based products, property development, investment holding and provision of management services.
(ii) Republic of Indonesia - oil palm cultivation.
(iii) India - civil and structural works.
(iv) Kingdom of Saudi Arabia - civil and structural works.

35. OPERATING SEGMENTS (cont'd)

	Note	Construction RM'000	Oil & Gas RM'000	Plantation RM'000	Property RM'000	Other Operations RM'000	Eliminations RM'000	Consolidated RM'000
2016								
Revenue								
External revenue		1,117,913	34,151	16,492	32,717	-	-	1,201,273
Inter-segment revenue		-	-	-	-	20,679	(20,679)	-
Total revenue		1,117,913	34,151	16,492	32,717	20,679	(20,679)	1,201,273
Results								
Segment results		65,411	5,848	(28,328)	24,726	3,484	(20,679)	50,462
Interest income		1,841	37	-	53	131	-	2,062
Interest expense		(10,736)	(773)	(6,759)	(26,978)	(2,400)	2,398	(45,248)
Share of results in joint ventures		3,601	-	-	-	-	-	3,601
Other non-cash expenses	(i)	(16)	-	(8,290)	40,232	5,403	-	37,329
Depreciation		(6,693)	(1,870)	(869)	(1,025)	(683)	-	(11,140)
Other Information								
Segment assets		2,277,236	316,577	163,760	797,379	9,336	-	3,564,288
Net additions to non-current assets		32,366	6,062	99,469	7,333	3,495	-	148,725
Investment in joint ventures		34	-	-	-	-	-	34
Investments in associates		165	-	-	-	-	-	165
Segment liabilities		2,020,755	162,569	303,641	559,709	129,267	-	3,175,941
Loans and borrowings		1,278,816	84,102	280,951	449,063	94,845	-	2,187,777

35. OPERATING SEGMENTS (cont'd)

	Note	Construction RM'000	Oil & Gas RM'000	Plantation RM'000	Property RM'000	Other Operations RM'000	Eliminations RM'000	Consolidated RM'000
2015								
Revenue								
External revenue		644,217	47,608	7,981	15,166	-	-	714,972
Inter-segment revenue		-	2,320	-	-	20,415	(22,735)	-
Total revenue		644,217	49,928	7,981	15,166	20,415	(22,735)	714,972
Results								
Segment results		52,126	14,083	(39,910)	2,438	12,689	(9,344)	32,082
Interest income		1,336	65	890	49	830	-	3,170
Interest expense		(29,025)	(150)	(5,413)	(9)	(3,471)	-	(38,068)
Share of results in joint ventures		2,656	-	-	-	-	-	2,656
Other non-cash expenses	(i)	(2,552)	(31)	(16,313)	-	29,753	2,260	13,117
Depreciation		(5,809)	(1,325)	(727)	(271)	(671)	-	(8,803)
Other Information								
Segment assets		1,308,434	145,118	48,918	23,908	185,759	-	1,712,137
Net additions to non-current assets		7,369	18,275	28,236	15,425	1,536	-	70,841
Investment in joint ventures		3,104	-	-	-	-	-	3,104
Investments in associates		165	-	-	-	-	-	165
Segment liabilities		1,066,285	72,858	160,642	16,511	13,029	41,703	1,371,028
Loans and borrowings		631,041	58,697	151,272	8,009	792	-	849,811

35. OPERATING SEGMENTS (cont'd)

Major segment by geographical area

		Malaysia RM'000	Republic of Indonesia RM'000	India RM'000	Kingdom of Saudi Arabia RM'000	Eliminations RM'000	Consolidated RM'000
2016							
Total revenue from external customers		1,184,781	16,492	-	-	-	1,201,273
Segment assets		3,359,165	163,760	(6,942)	48,305	-	3,564,288
Additions to non-current	(ii)	49,256	99,469	-	-	-	148,725
Investment in joint ventures		34	-	-	-	-	34
Investments in associates		165	-	-	-	-	165
Segment liabilities		2,860,765	303,641	581	10,954	-	3,175,941
Loans and borrowing		1,906,826	280,951	-	-	-	2,187,777
2015							
Total revenue from external customers		729,726	7,981	-	-	(22,735)	714,972
Segment assets		1,635,579	48,918	(6,806)	43,790	(9,344)	1,712,137
Additions to non-current	(ii)	42,605	28,236	-	-	-	70,841
Investment in joint ventures		3,104	-	-	-	-	3,104
Investments in associates		165	-	-	-	-	165
Segment liabilities		1,151,102	160,642	573	17,008	41,703	1,371,028
Loans and borrowing		698,540	151,271	-	-	-	849,811

35. OPERATING SEGMENTS (cont'd)

(i) Other non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	Group	
	2016 RM'000	2015 RM'000
Bad debts written-off	-	19
Amortisation of planting expenditures biological assets	6,154	5,300
Amortisation of prepaid lease payments	681	442
Amortisation of transaction costs	1,455	1,084
Amortised cost adjustment on non-current receivables	(45,635)	6,190
Property, plant and equipment written-off	16	82
	(37,329)	13,117

(ii) Additions to non-current assets consist of the following items:

	Group	
	2016 RM'000	2015 RM'000
Property, plant and equipment	107,818	29,509
Planting expenditure incurred	38,407	26,062
Land held for development	2,500	15,270
	148,725	70,841

36. FINANCIAL INSTRUMENTS

36.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");
(b) Available-for-sale financial assets ("AFS"); and
(c) Other financial liabilities measured at amortised cost ("OFL").

36. FINANCIAL INSTRUMENTS (cont'd)

36.1 Categories of financial instruments (cont'd)

	Group			Company		
	Carrying amount RM'000	L&R/(OFL) RM'000	AFS RM'000	Carrying amount RM'000	L&R/(OFL) RM'000	AFS RM'000
2016						
Financial assets						
Club membership and unquoted shares	116	-	116	68	-	68
Trade and other receivables, excluding prepayments	935,823	935,823	-	290,389	290,389	-
Cash, bank balances and deposits placed with licensed banks	190,052	190,052	-	5,232	5,232	-
	1,125,991	1,125,875	116	295,689	295,621	68
2015						
Financial assets						
Club membership and unquoted shares	116	-	116	68	-	68
Trade and other receivables, excluding prepayments	207,739	207,739	-	259,404	259,404	-
Cash, bank balances and deposits placed with licensed banks	153,096	153,096	-	12,513	12,513	-
	360,951	360,835	116	271,985	271,917	68

36. FINANCIAL INSTRUMENTS (cont'd)

36.1 Categories of financial instruments (cont'd)

	Group		Company	
	Carrying amount RM'000	L&R/(OFL) RM'000	Carrying amount RM'000	L&R/(OFL) RM'000
2016				
Financial liabilities				
Trade and other payables	(852,127)	(852,127)	(323,524)	(323,524)
Loans and borrowings	(2,187,777)	(2,187,777)	(90,272)	(90,272)
	(3,039,904)	(3,039,904)	(413,796)	(413,796)
2015				
Financial liabilities				
Trade and other payables	(457,442)	(457,442)	(227,996)	(227,996)
Loans and borrowings	(849,811)	(849,811)	(1,692)	(1,692)
	(1,307,253)	(1,307,253)	(229,688)	(229,688)

36.2 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

36.3 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instruments fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its trade and other receivables, bank balances and deposits placed with licensed banks, amount due from joint venture and advances to ultimate holding company, associate and affiliates. The Company's exposure to credit risk arises principally from trade and other receivables, bank balances and deposits placed with licensed banks and advances to ultimate holding company, subsidiaries and affiliates.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

36. FINANCIAL INSTRUMENTS (cont'd)

36.3 Credit risk (cont'd)

Receivables (cont'd)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these trade receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables.

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables (current and non-current) as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
The Group			
2016			
Not past due	142,929	-	142,929
Past due 0 - 30 days	-	-	-
Past due 31 - 120 days	3,353	-	3,353
Past due more than 120 days	6,785	-	6,785
	153,067	-	153,067
2015			
Not past due	35,596	-	35,596
Past due 0 - 30 days	5,787	-	5,787
Past due 31 - 120 days	239	-	239
Past due more than 120 days	24,087	-	24,087
	65,709	-	65,709

There is no allowance made for impairment losses of trade receivables for the Group during the financial year.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

36. FINANCIAL INSTRUMENTS (cont'd)

36.3 Credit risk (cont'd)

Financial guarantees (cont'd)

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM2,648,535,090 (2015: RM 1,493,393,173) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

Inter-company balances

Risk management objectives, policies and processes for managing the risk

The Company makes payment on behalf of and/or provides advances to its ultimate holding company, subsidiaries, associate, joint ventures and affiliates. The Company monitors the results of the subsidiaries regularly except for the amounts due from ultimate holding company, associate, joint ventures and affiliates which are not material.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position as shown in Note 24.

Impairment losses

As at the end of the reporting period, there was no indication that the amounts due from ultimate holding company, subsidiaries, associate, joint venture and affiliates are not recoverable, except for an amount due from a subsidiary of RM3.9 million which has been fully impaired.

36.4 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

36. FINANCIAL INSTRUMENTS (cont'd)

36.4 Liquidity risk (cont'd)

	Carrying amount RM'000	Contractual interest rate/ coupon	Contractual cash flows RM'000	Under 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000
Group							
2016							
Financial liabilities							
Trade and other payables	852,127	-	852,127	852,127	-	-	-
Bank overdrafts	24,828	6.65% - 8.60%	24,828	24,828	-	-	-
Trust receipts	15,771	7.60%	15,771	15,771	-	-	-
Finance lease liabilities	17,788	1.88% - 7.62%	19,076	7,249	4,387	7,440	-
Revolving credit/Murabahah facilities	97,578	5.61% - 6.19%	97,578	97,578	-	-	-
Term loans/Sukuk	2,031,812	0% - 11.50%	5,401,428	203,100	232,114	1,102,543	3,863,671
	3,039,904		6,410,808	1,200,653	236,501	1,109,983	3,863,671
2015							
Financial liabilities							
Trade and other payables	457,442	-	457,442	457,442	-	-	-
Bank overdrafts	24,959	6.65% - 8.60%	24,959	24,959	-	-	-
Trust receipts	13,058	7.60%	13,058	13,058	-	-	-
Finance lease liabilities	7,655	1.88% - 7.62%	8,210	3,191	1,751	3,268	-
Revolving credit/Murabahah facilities	103,577	5.61% - 6.19%	103,577	103,577	-	-	-
Term loans	700,562	0% - 11.50%	1,000,804	70,056	80,064	380,305	470,379
	1,307,253		1,608,050	672,283	81,815	383,573	470,379

36. FINANCIAL INSTRUMENTS (cont'd)

36.4 Liquidity risk (cont'd)

	Carrying amount RM'000	Contractual interest rate/ coupon	Contractual cash flows RM'000	Under 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000
Company							
2016							
Financial liabilities							
Trade and other payables	323,524	-	323,524	323,524	-	-	-
Finance lease liabilities	1,872	2.29% - 2.65%	2,046	647	490	909	-
Term loan	63,400	6.41%	79,656	4,064	4,064	4,064	67,464
Revolving credit	25,000	6.00%	25,000	25,000	-	-	-
	413,796		430,226	353,235	4,554	4,973	67,464
2015							
Financial liabilities							
Trade and other payables	227,996	-	227,996	227,996	-	-	-
Finance lease liabilities	1,692	2.29% - 2.70%	1,858	537	491	830	-
	229,688		229,854	228,533	491	830	-

36. FINANCIAL INSTRUMENTS (cont'd)

36.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

36.5.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily the US Dollar ("USD").

Risk management objectives, policies and processes for managing the risk

The Group presently does not hedge its foreign currency exposures. Nevertheless, the management regularly monitors its exposure and keeps this policy under review.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency other than the functional currency of Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Group	
	2016 RM'000	2015 RM'000
Saudi Riyal ("SAR") - other receivables	47,592	43,106
USD - loans and borrowings	(255,591)	(127,193)
Indonesian Rupiah ("IDR")	(25,284)	(23,823)
Exposure in the statement of financial position	(233,283)	(107,910)

Currency risk sensitivity analysis

A 10% (2015: 10%) strengthening of RM against the following currency at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

36. FINANCIAL INSTRUMENTS (cont'd)

36.5.1 Currency risk (cont'd)

	Group			
	2016		2015	
	Equity RM'000	Profit or loss RM'000	Equity RM'000	Profit or loss RM'000
SAR	(5,288)	(5,288)	(4,790)	(4,790)
USD	28,399	25,559	14,133	14,133
IDR	2,809	2,528	2,647	2,647

A 10% (2015: 10%) weakening of RM against the above currency at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remained constant.

36.5.2 Interest rate risk

The Group's fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not significantly exposed to interest-rate risk.

The Group's excess cash is invested in fixed deposits and other investments with tenure of less than twelve (12) months, hence exposure to risk of change in their fair values due to changes in interest rates is not significant.

Risk management objectives, policies and processes for managing the risk

The Company does not have a formal policy for managing interest-rate risk. The exposure to interest-rate risk is monitored closely by the management.

Exposure to interest-rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed rate instruments				
Financial assets	50,795	44,973	3,141	3,056
Financial liabilities	(1,124,402)	(50,970)	(1,872)	(1,692)
	(1,073,607)	(5,997)	1,269	1,364

36. FINANCIAL INSTRUMENTS (cont'd)

36.5.2 Interest rate risk (cont'd)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Floating rate instruments				
Financial liabilities	(1,063,375)	(798,841)	(88,400)	-

Interest rate risk sensitivity analysis

(a) *Fair value sensitivity analysis for fixed rate instruments*

The Group only has fixed rate deposits placed with licensed banks with tenure of less than twelve (12) months for financial assets. The Group does not account for fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) *Cash flow sensitivity analysis for variable rate instruments*

A change of one (1) percent in interest rates at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Group			
	Equity		Profit or loss	
	1% increase RM'000	1% decrease RM'000	1% increase RM'000	1% decrease RM'000
2016				
Floating rate instruments				
Term loans	(10,161)	10,161	(10,161)	10,161
Bank overdrafts	(248)	248	(248)	248
Revolving credits/Murabahah facilities	(976)	976	(976)	976
Cash flow sensitivity (net)	(11,385)	11,385	(11,385)	11,385

36. FINANCIAL INSTRUMENTS (cont'd)

36.5.2 Interest rate risk (cont'd)

	Group			
	Equity		Profit or loss	
	1% increase RM'000	1% decrease RM'000	1% increase RM'000	1% decrease RM'000
2015				
Floating rate instruments				
Term loans	(6,999)	6,999	(6,999)	6,999
Bank overdrafts	(249)	249	(249)	249
Revolving credits/Murabahah facilities	(1,036)	1,036	(1,036)	1,036
Cash flow sensitivity (net)	(8,284)	8,284	(8,284)	8,284

36.6 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings approximate fair values due to the relatively short-term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

Policy on transfer between levels

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

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

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

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

36. FINANCIAL INSTRUMENTS (cont'd)

36.6 Fair value information (cont'd)

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year. (2015: no transfer in either directions)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial liabilities. The fair value of finance lease liabilities and term loans are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Finance lease liabilities	17,788	7,311	1,872	1,737
Term loans/Sukuk	2,031,812	693,557	63,400	-

The fair value of finance lease liabilities and term loans are estimated using discounted cash flows at the following interest rates:

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Finance lease liabilities	3.00	3.00	3.20	3.20
Term loans	4.95 - 6.85	4.95 - 6.85	-	-

The carrying amounts of the term loans and finance lease liabilities as per Note 31(a) and 31(b).

37. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes in the Group's approach to capital management during the year.

The Group monitors capital using a gearing ratio, which is computed by using total borrowings net of cash and cash equivalents and other investments over shareholder's equity. The gearing ratio as at 31 December 2016 is 3.42 times (31 December 2015: 2.23 times).

38. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2016	2015
	RM'000	RM'000
Less than one year	143	84
Between one and five years	378	171
	521	255

This is in respect of lease rental payable for leasing of office equipment with lease tenure of five (5) years.

39. CAPITAL COMMITMENTS

	Group	
	2016	2015
	RM'000	RM'000
Capital expenditure commitments		
Property, plant and equipment		
Contracted but not provided for	100	157
Authorised but not contracted for	141,350	-

40. CONTINGENT LIABILITIES

Group

The Directors are of the opinion that provisions are not required as at year-end in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	Company	
	2016	2015
	RM'000	RM'000
Unsecured		
Corporate guarantees given to financial institutions and suppliers in respect of credit facilities granted to subsidiaries	211,368	24,958
Secured		
Corporate guarantee given to financial institutions in respect of credit facilities granted to subsidiaries	2,437,167	1,468,435
	2,648,535	1,493,393

41. RELATED PARTIES

Identity of related parties

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group.

The Group has related party relationship with its holding companies, significant investors, subsidiaries, associates, joint ventures, affiliates, Directors and key management personnel.

Significant related party transactions

The significant related party transactions of the Group and of the Company, other than key management personnel compensation (see Note 9), are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Subsidiaries				
Dividend income receivable	-	-	(10,000)	(12,000)
Management fees receivable	-	-	(10,679)	(8,415)
Corporate guarantee fees receivable	-	-	(5,967)	(4,649)
Rental of office payable	-	-	1,766	1,748
Administrative service payable	238	120	-	-
Insurance premium paid or payable	1,075	776	72	68

41. RELATED PARTIES (cont'd)

Significant related party transactions (cont'd)

The transactions with the Directors, parties connected to the Directors and companies in which the Directors have substantial financial interests are as follows:

	Group	
	2016 RM'000	2015 RM'000
Purchases from subsidiaries of Chuan Huat Resources Berhad, a company in which Dato' Sri Haji Wan Zaki bin Haji Wan Muda has substantial financial interests and is also a Director		
- Chuan Huat Industrial Marketing Sdn. Bhd.	8,814	8,656
- Chuan Huat Hardware Sdn. Bhd.	251	321
Rental of land paid to a Director, Dato' Sri Haji Wan Zaki bin Haji Wan Muda	1,748	1,812
Purchase/(Sales) of materials from/(to) subsidiaries of ultimate holding company	5,907	14,227
Security services charges paid to MIM Protection Sdn. Bhd.	270	-

The outstanding balances arising from the above transactions have been disclosed in Notes 24 and 33.

42. SIGNIFICANT EVENTS DURING THE YEAR

The significant events during the year are as follows:

(a) On 7 January 2016, AZRB's wholly-owned subsidiary, EKVE Sdn. Bhd. ("EKVE"), made a lodgment to the SC under the SC's new Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework (issued by the SC on 9 March 2015 and effective from 15 June 2015) to establish the proposed guaranteed Islamic Medium Term Notes ("Sukuk Murabahah") pursuant to an Islamic Medium Term Notes facility of up to RM1,000 million in nominal value based on the Shariah principle of Murabahah via Tawarruq arrangement ("Proposed Guaranteed Sukuk Murabahah Facility").

This was due to the fact that the implementation timeframe for the Proposed Guaranteed Sukuk Murabahah Facility authorised by the Securities Commission (the "SC") on 18 December 2013 under the Guidelines on Sukuk (revised and effective on 28 August 2014), had expired and lapsed.

The Proposed Guaranteed Sukuk Murabahah Facility will have a tenure of up to twenty two (22) years from the date of issuance of the Sukuk Murabahah. The proceeds from the Proposed Guaranteed Sukuk Murabahah Facility will be utilised amongst others, to part-finance all costs associated with the development, design, construction and operations of the East Klang Valley Expressway.

42. SIGNIFICANT EVENTS DURING THE YEAR (cont'd)

The Proposed Guaranteed Sukuk Murabahah Facility will be jointly guaranteed by Bank Pembangunan Malaysia Berhad ("BPMB") and Maybank Islamic Berhad ("MIB") and has been accorded a preliminary long-term rating of AAA(bg) with stable outlook by RAM Rating Services Berhad. The issuance under the Proposed Guaranteed Sukuk Murabahah Facility shall be made within sixty (60) business days from the Lodgement Date.

BPMB and Maybank Investment Bank Berhad are the Joint Principal Advisers, Joint Lead Arrangers and Joint Lead Managers for the Proposed Guaranteed Sukuk Murabahah Facility. The Shariah Adviser for the Proposed Guaranteed Sukuk Murabahah Facility is MIB.

(b) On 29 January 2016, EKVE completed its issuance of RM1,000 million in nominal value of the Sukuk Murabahah pursuant to the Guaranteed Sukuk Murabahah Facility. The Sukuk Murabahah issued has been accorded a long-term rating of AAA(bg) with stable outlook by RAM Rating Services Berhad. BPMB and MIB are the guarantors for the Guaranteed Sukuk Murabahah Facility.

The proceeds raised from the issuance of the Sukuk Murabahah will be utilised by EKVE to, amongst others, part-finance and reimburse all costs associated with the development, design, construction and operations of the East Klang Valley Expressway.

(c) A wholly-owned subsidiary of AZRB, AZ Land & Properties Sdn. Bhd. ("AZLP") had on 22 February 2016, entered into a Development Rights Agreement ("the Agreement") with Kwasa Development (3) Sdn. Bhd. ("KD3"), a wholly-owned subsidiary of Kwasa Land Sdn. Bhd., which in turn is a wholly-owned subsidiary of the Employees Provident Fund, for the Development.

The Development shall entail the development of 188 units of 162 high rise twin tower condominiums and 26 units of garden villas on 3.91 acres of land identified as R3-4 located in the new Kwasa Damansara township ("Kwasa Damansara") and is expected to have an estimated gross development value of RM257 million.

In consideration of the development rights, AZLP shall do the following, subject to the terms and conditions as stipulated in the Agreement:-

(a) Pay to KD3 the Development Rights Value I for the development rights over the Development totalling RM28,954,332; and

(b) Pay to KD3 the Development Rights Value II for the development rights over the Development at a sum which is equivalent to 10% of the gross sales value.

(d) On 17 March 2016, Peninsular Medical Sdn. Bhd., a wholly-owned subsidiary of AZRB, received a Letter of Award from International Islamic University Malaysia ("the Award") for the proposed supply of additional equipment under Group 2 and 3 for International Islamic University Malaysia Teaching Hospital in Kuantan, Pahang ("the Works"). The Award for the Works amounts to a total value of RM129,005,659.

42. SIGNIFICANT EVENTS DURING THE YEAR (cont'd)

(e) On 1 April 2016, Ahmad Zaki Sdn. Bhd., a wholly-owned subsidiary of AZRB received a Letter of Acceptance ("LoA") from Mass Rapid Transit Corporation Sdn. Bhd. ("MRT Corp") ("the Award") for a project known as "Package V202: Construction and Completion of Viaduct Guideway and Other Associated Works from Persiaran Dagang to Jinjang" ("the Works"). The Award for the Works amounts to a total value of RM1,439,529,169.

(f) On 24 June 2016, AZRB received a Letter of Award from Jabatan Kerja Raya Malaysia, Kuala Lumpur ("the Award") for a project known as "Pembinaan Sebuah Jambatan Baru Merentasi Sungai Kuantan Menghubungkan Bandar Kuantan ke Bandar Putra, Tanjung Lumpur, Pahang" ("the Works"). The Award for the Works amounts to a total value of RM152,300,000.

(g) The Company had earlier on 25 November 2015 entered into the following agreements:-

(i) Share Purchase Agreement with the existing shareholders ("the Sellers") of Matrix Reservoir Sdn. Bhd. ("Matrix Resevoir") relating to the sale and purchase of 10,000 ordinary shares of RM1.00 each in Matrix Reservoir, representing 1% equity interest in the share capital of Matrix Reservoir, for a total cash consideration of RM10,000,000/- ("the Proposed Share Acquisition");

(ii) Subscription Agreement with Matrix Reservoir for AZRB's subscription of 500,000 ordinary shares of RM1.00 each in Matrix Reservoir, representing 50% of the equity interest in Matrix Reservoir ("Subscription Shares"), at a subscription price of RM45,000,000/- ("the Proposed Share Subscription"), to be satisfied by:
- Payment of RM22,500,000/- in cash by AZRB to Matrix Reservoir; and
- Transfer of shares in Astral Far East Sdn. Bhd., a wholly-owned subsidiary of AZRB, from AZRB to Matrix Reservoir, to set off against and towards the amount of monies that AZRB is required to pay Matrix Reservoir pursuant to the Subscription Shares, equivalent to RM22,500,000/-; and

(iii) Shareholders' Agreement with the Sellers and Matrix Reservoir to regulate the affairs of Matrix Reservoir and the respective rights of AZRB and the Sellers as shareholders of Matrix Reservoir.

The Acquisition was completed on 31 December 2016 and following the completion, Matrix Reservoir becomes a 51% owned subsidiary of AZRB.

43. EVENTS AFTER THE YEAR-END

(a) AZRB has implemented the Employee Share Scheme ("ESS") with effect from 18 August 2014. Pursuant to Paragraph 9.19(51) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, AZRB had on 1 March 2017 made the first offer of 4,597,453 options and award 5,614,943 of new ordinary shares of AZRB under the ESS to eligible employees and Directors.

44. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings and accumulated losses of the Group and of the Company at 31 December, into realised and unrealised profits or losses, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Main Market Listing Requirements, are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:				
- realised	264,141	193,996	(17,592)	(37,135)
- unrealised	(49,848)	(15,214)	(4,115)	(1,617)
	214,293	178,782	(21,707)	(38,752)
Total share of retained earnings of associated companies				
- realised	55	55	-	-
Total share of retained earnings of joint ventures				
- realised	-	84	-	-
Less: Consolidation adjustments	(35,491)	(17,609)	-	-
Total retained earnings/(accumulated losses)	178,857	161,312	(21,707)	(38,752)

The determination of realised and unrealised profits or losses is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 89 to 184 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 then ended.

In the opinion of the Directors, the information set out in Note 44 on page 185 has been properly compiled in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

RAJA TAN SRI DATO' SERI AMAN BIN RAJA HAJI AHMAD

DATO' SRI WAN ZAKARIAH BIN HAJI WAN MUDA

Kuala Lumpur,
30 March 2017

STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **KHAIRUDIN BIN HJ MOHD ALI**, the officer primarily responsible for the financial management of **AHMAD ZAKI RESOURCES BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 89 to 185 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.

KHAIRUDIN BIN HJ MOHD ALI

Subscribed and solemnly declared by the abovenamed **KHAIRUDIN BIN HJ MOHD ALI**
at **KUALA LUMPUR** this 30th day of March, 2017.

Before me,

COMMISSIONER FOR OATHS

ADDITIONAL INFORMATION

Aerial view of the Tok Bali Supply Base, Kelantan

DIRECTORS' INTERESTS IN SHARES AND WARRANTS

AS AT 31 MARCH 2017

Issued and Fully Paid-up Share Capital	:	RM120,885,063.75 #
Class of Shares	:	Ordinary Share
Voting Rights	:	One vote per share

\# *inclusive of 1,478,100 ordinary shares bought back by the Company.*

STATEMENT OF DIRECTOR'S SHAREHOLDINGS AND WARRANTHOLDINGS

	Number of Ordinary Shares			
	Direct Interest	**%**	**Deemed Interest**	**%**
The Company **Ahmad Zaki Resources Berhad**				
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	0	0	0	0
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	3,821,975	0.79	285,958,188*	59.32*
Dato' Sri Wan Zakariah bin Haji Wan Muda	4,114,418	0.85	0	0
Dato' Haji Mustaffa bin Mohamad	2,800,009	0.58	1,332,900*	0.28*
Dato' W Zulkifli bin Haji W Muda	7,043,368	1.46	0	0
Dato' Haji Roslan bin Tan Sri Jaffar	592,500	0.12	437,500*	0.09*
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	0	0	0	0
Datuk (Prof.) A. Rahman @ Omar bin Abdullah	2,100,000	0.44	0	0
Dato' Sr. Abdull Manaf bin Hj Hashim	35,000	0.01	0	0
Ultimate Holding Company				
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	1,500,001	50.00	0	0
Dato' Sri Wan Zakariah bin Haji Wan Muda	375,000	12.50	0	0
Dato' W Zulkifli bin Haji W Muda	375,000	12.50	0	0

	Warrants 2014/2024			
	Direct Interest	%	Deemed Interest	%
The Company **Ahmad Zaki Resources Berhad**				
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	0	0	0	0
Dato' Sri Haji Wan Zaki bin Haji Wan Muda	876,157	0.85	61,552,926*	59.59*
Dato' Sri Wan Zakariah bin Haji Wan Muda	881,661	0.85	0	0
Dato' Haji Mustaffa bin Mohamad	231,430	0.22	50*	0#*
Dato' W Zulkifli bin Haji W Muda	1,716,536	1.66	0	0
Dato' Haji Roslan bin Tan Sri Jaffar	123,750	0.12	93,750*	0.09*
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	0	0	0	0
Datuk (Prof.) A. Rahman @ Omar bin Abdullah	0	0	0	0
Dato' Sr. Abdull Manaf bin Hj Hashim	0	0	0	0

* *securities held through person(s) connected with the Director*
\# *neglible*

By virtue of Dato' Sri Haji Wan Zaki bin Haji Wan Muda having an interest of more than 20% of the shares in Ahmad Zaki Resources Berhad, he is deemed interested in the shares of its subsidiaries to the extent the Company has an interest.

Other than as disclosed above, none of the Directors held any shares or have any interest in the Company and its related companies as at 31 March 2017.

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2017

DISTRIBUTION OF SHAREHOLDINGS

Category	No. of Shareholders		No. of Shareholdings		% of Shareholdings	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Less than 100 Shares	188	3	4,742	103	0.00	0.00
100 to 1,000 Shares	376	2	220,461	1,500	0.04	0.00
1,001 to 10,000 Shares	1,768	15	9,895,872	99,940	2.05	0.02
10,001 to 100,000 Shares	1,232	33	37,373,522	1,235,219	7.73	0.26
100,001 to Less than 5% of Issued Shares	215	8	137,810,838	12,844,870	28.50	2.66
5% and Above of Issued Shares	3	0	284,053,188	0	58.74	0.00
TOTAL	**3,782**	**61**	**469,358,623**	**14,181,632**	**97.06**	**2.94**

LIST OF SUBSTANTIAL SHAREHOLDERS (5% and above excluding Bare Trustees)

	No. of Ordinary Shares			
	Direct Interest	%	Deemed Interest	%
1. ZAKI HOLDINGS (M) SDN. BHD.	222,353,188	46.13	0	0
2. AMSEC NOMINES (TEMPATAN) SDN. BHD. *AMBANK (M) BERHAD FOR ZAKI HOLDINGS (M) SDN. BHD.*	61,700,000	12.80	0	0
3. DATO' SRI HAJI WAN ZAKI BIN HAJI WAN MUDA	3,821,975	0.79	285,958,188*	59.32*

* Shares held through persons connected with the Director

Analysis of Shareholdings as at 31 March 2017 (Cont'd)

LIST OF 30 LARGEST SHAREHOLDERS AS PER RECORD OF DEPOSITORS

No.	Shareholder	Shares held	%
1	ZAKI HOLDINGS (M) SDN BHD	184,174,116	38.21
2	AMSEC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR ZAKI HOLDINGS (M) SDN BHD	61,700,000	12.80
3	ZAKI HOLDINGS (M) SDN BHD	38,179,072	7.92
4	CITIGROUP NOMINEES (ASING) SDN BHD - EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)	11,155,300	2.31
5	LEMBAGA TABUNG HAJI	8,603,300	1.78
6	CARTABAN NOMINEES (TEMPATAN) SDN BHD - RHB TRUSTEES BERHAD FOR MANULIFE INVESTMENT SHARIAH PROGRESS FUND	6,150,000	1.28
7	AMANAHRAYA TRUSTEES BERHAD - PUBLIC ISLAMIC SELECT TREASURES FUND	6,125,400	1.27
8	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD - HONG LEONG ASSET MANAGEMENT BHD FOR HONG LEONG ASSURANCE BERHAD (LP FUND ED102)	4,679,900	0.97
9	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AFFIN HWNG SM CF)	4,000,000	0.83
10	AMANAHRAYA TRUSTEES BERHAD - PUBLIC ISLAMIC TREASURES GROWTH FUND	3,944,500	0.82
11	HONG LEONG ASSURANCE BERHAD - AS BENEFICIAL OWNER (UNITLINKED GF)	3,650,000	0.76
12	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR DATO' W ZULKIFLI BIN HAJI W MUDA (006111262)	3,540,000	0.73
13	AMSEC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR DATO' W ZULKIFLI BIN HAJI W MUDA (SMART)	3,088,772	0.64
14	MAYBANK NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR TANG SING LING	2,919,800	0.61
15	AMANAHRAYA TRUSTEES BERHAD - PUBLIC ISLAMIC OPPORTUNITIES FUND	2,786,100	0.58
16	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD - KAF DANA ADIB	2,472,400	0.51

LIST OF 30 LARGEST SHAREHOLDERS AS PER RECORD OF DEPOSITORS (cont'd)

No.	Shareholder	Shares held	%
17	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR DATO' SRI HAJI WAN ZAKI BIN HAJI WAN MUDA (007480896)	2,469,660	0.51
18	NEOH CHOO EE & COMPANY, SDN BERHAD	2,400,000	0.50
19	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR DATO' SRI WAN ZAKARIAH BIN HAJI WAN MUDA	2,379,418	0.49
20	LIM BOON LIAT	2,333,200	0.48
21	DATUK (PROF.) A. RAHMAN @ OMAR BIN ABDULLAH	2,100,000	0.44
22	AL WAKALAH NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR DATO' HAJI MUSTAFFA BIN MOHAMAD	2,100,000	0.44
23	DING HUONG KAI	2,000,000	0.41
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR SU TIING UH	1,756,500	0.36
25	DATO' SRI WAN ZAKARIAH BIN HAJI WAN MUDA	1,735,000	0.36
26	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AIIMAN IS EQ)	1,619,100	0.34
27	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD - AIIMAN ASSET MANAGEMENT SDN BHD FOR LEMBAGA TABUNG HAJI	1,618,300	0.34
28	DATO' SRI HAJI WAN ZAKI BIN HAJI WAN MUDA	1,352,315	0.28
29	TO' PUAN NAIMAH BINTI HASHIM	1,332,900	0.28
30	BIMB SECURITIES SDN BHD - CLR FOR LEMBAGA TABUNG HAJI	1,303,600	0.27

ANALYSIS OF WARRANTHOLDINGS

AS AT 31 MARCH 2017

DISTRIBUTION OF WARRANTHOLDINGS

Category	No. of Warrantholders		No. of Warrantholdings		% of Warrantholdings	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Less than 100 Warrants	173	3	8,018	150	0.01	0.00
100 to 1,000 Warrants	231	2	132,563	1,050	0.13	0.00
1,001 to 10,000 Warrants	855	10	3,306,431	52,073	3.20	0.05
10,001 to 100,000 Warrants	327	7	10,257,735	329,850	9.93	0.32
100,001 to Less than 5% of Issued Warrants	67	2	27,375,083	688,154	26.50	0.67
5% and Above of Issued Warrants	1	0	61,147,926	0	59.19	0.00
TOTAL	**1,654**	**24**	**102,227,756**	**1,071,277**	**98.96**	**1.04**

LIST OF 30 LARGEST WARRANTHOLDERS AS PER RECORD OF DEPOSITORS

No.	Warrantholder	Warrants held	%
1	ZAKI HOLDINGS (M) SDN BHD	61,147,926	59.20
2	LEMBAGA TABUNG HAJI	3,046,100	2.95
3	MAYBANK NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR TANG SING LING	1,683,600	1.63
4	MAK SUET CHEE	1,677,000	1.62
5	MAYBANK NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR SU TIING UH	1,361,500	1.32
6	DATO' SRI NG TECK LONG	1,024,550	0.99
7	AMSEC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR DATO' W ZULKIFLI BIN HAJI W MUDA (SMART)	931,386	0.90
8	DATO' SRI HAJI WAN ZAKI BIN HAJI WAN MUDA	876,157	0.85
9	DATO' W ZULKIFLI BIN HAJI W MUDA	785,150	0.76
10	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR DATO' SRI WAN ZAKARIAH BIN HAJI WAN MUDA	681,661	0.66
11	TAN SOO LEE	600,300	0.58
12	CIMSEC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR KOO SENG HIAP (MUAR-CL)	579,900	0.56

LIST OF 30 LARGEST WARRANTHOLDERS AS PER RECORD OF DEPOSITORS (cont'd)

No.	Warrantholder	Warrants held	%
13	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD - MAYBANK KIM ENG SECURITIES PTE LTD FOR TAN SOO LEE	578,500	0.56
14	CHIONH CHIONG YEONG	573,300	0.56
15	NG BEE WEE	544,800	0.53
16	LEONG YAW FAN	534,000	0.52
17	CHUAN THONG HUAT	500,000	0.48
18	LAM CHEE MENG	470,000	0.46
19	CIMSEC NOMINEES (ASING) SDN BHD - EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD (RETAIL CLIENTS)	464,254	0.45
20	LEONG NYU KUAN	437,500	0.42
21	SOO AI WAH	430,300	0.42
22	AL WAKALAH NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR DATO' HAJI MUSTAFFA BIN MOHAMAD	425,000	0.41
23	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CHEN NGAU (REM 636)	400,000	0.39
24	LAM CHEE WENG	400,000	0.39
25	KENANGA NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR VINCENT WONG SOON CHOY	400,000	0.39
26	CHONG TECK LIM	353,900	0.34
27	CIMSEC NOMINEES (TEMPATAN) SDN BHD - CIMB BANK FOR YEO ANN SECK (MY0696)	350,000	0.34
28	YAP YOK FOO	316,000	0.31
29	NGOI LEONG EE	305,000	0.30
30	PUBLIC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR TEY HEONG TIONG (E-TCS)	300,000	0.29

LIST OF PROPERTIES

As at 31 December 2016

Title & Location of Property	Date of Acquisition	Description of Property (existing use)	Tenure (Age of Building)	Total Land Area / (built up area)	NBV / Prepaid Lease Payment (RM'000)
EMR 873, Lot 826, Mukim of Sungai Karang, District of Kuantan, Pahang Darul Makmur.	30.10.1993	Land and Hotel buildings	Freehold (21 years)	202,815/ (64,670)sq.ft.	16,672
GM372 Lot 981 and GM 4708 Lot 985, Mukim of Setapak, Wilayah Persekutuan, Kuala Lumpur.	20.01.1994 & 16.02.1994	Menara AZRB	Freehold (4 years)	54,967 sq.ft.	53,235
Lot PT2100, HSD 722 Mukim Kuala Telemong, District of Hulu Terengganu, Kuala Terengganu, Terenganu	15.07.2003	Vacant land for quarry operation	Leasehold Expiring 18.10.2025	20 hectares	63
HS (M) 929 Lot 16343, Mukim of Setapak, Wilayah Persekutuan, Kuala Lumpur.	24.11.2005	4-storey building for own use	Freehold (18 years)	1,604/ (8,291) sq.ft	678
HGU No. 5, Desa Amboyo Selatan, Kecamatan Ngabang, Kabuputen Pontianak, Kalimantan Barat, Republic of Indonesia.	31.05.2005	Land for cultivation	Leasehold expiring 27.09.2033	6,763.89 hectares	7,861
GM 1012 Lot 22050, Mukim of Setapak, Wilayah Persekutuan, Kuala Lumpur.	03.08.2007	Menara AZRB, Car Park	Freehold	12,066.34 sq.ft	1,448
GM 1754 Lot 167, Mukim of Sabai, District of Bentong, Pahang Darul Makmur.	8.10.2010	Vacant land	Freehold	4.6 hectares	960
HS (D) 29915, Lot PT 91677 Mukim Kuala Kuantan, Kuantan, Pahang Darul Makmur.	18.12.2012	Commercial Development	Freehold	12.14 hectares	8,959
GRN 11795, Lot 41184, Mukim Kuala Kuantan, Daerah Kuantan, Pahang Darul Makmur.	20.1.2015	Land held for Development	Freehold	2.529 hectares	4,640

List of Properties as at 31 December 2016 (Cont'd)

Title & Location of Property	Date of Acquisition	Description of Property (existing use)	Tenure (Age of Building)	Total Land Area / (built up area)	NBV / Prepaid Lease Payment (RM'000)
GM 2413-GM2451, Lot 60011-Lot 60021, Lot 60023-Lot 60050, Mukim Kemasik, Tempat Kampung Semayor, Daerah Kemaman, Terengganu Darul Iman.	1.8.2015	Land held for Development	Freehold	17,777 sq. mtr	3,028
Lot 8316, Mukim Bukit Payung, Daerah Marang, Terengganu Darul Iman.	9.10.2015	Land held for Development	Leasehold	66.96 acres	7,500
Geran 26152, Lot 4812, Mukim Setapak, Daerah Kuala Lumpur, Wilayah Persekutuan, Kuala Lumpur.	28.7.2016	Land held for Development	Freehold	772.7 sq.mtr	2,899
GM 1011, Lot 22049, Mukim Setapak, Daerah Kuala Lumpur, Wilayah Persekutuan, Kuala Lumpur.	28.7.2016	Land held for Development	Freehold	278.0 sq.mtr	898
Geran 25668, Lot 4806, Mukim Setapak, Daerah Kuala Lumpur, Wilayah Persekutuan, Kuala Lumpur.	28.7.2016	Land held for Development	Freehold	642.4 sq.mtr	2,074
Geran 25669, Lot 4807, Mukim Setapak, Daerah Kuala Lumpur, Wilayah Persekutuan, Kuala Lumpur.	28.7.2016	Land held for Development	Freehold	460.8 sq.mtr	1,495
Geran 25670, Lot 4808, Mukim Setapak, Daerah Kuala Lumpur, Wilayah Persekutuan, Kuala Lumpur.	28.7.2016	Land held for Development	Freehold	670.0 sq.mtr	2,266
Geran 34944, Lot 4809, Mukim Setapak, Daerah Kuala Lumpur, Wilayah Persekutuan, Kuala Lumpur.	28.7.2016	Land held for Development	Freehold	633.0 sq.mtr	2,254

NOTICE OF THE 20TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 20th Annual General Meeting of the Company will be held at the Banquet Hall, 1st Level, Main Lobby, TPC Kuala Lumpur (formerly known as Kuala Lumpur Golf & Country Club), 10 Jalan 1/170D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Wednesday, 24 May 2017 at 10.00 a.m for the following purposes:-

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon. — Please refer to Note A
2. To approve the payment of Directors' fees and benefits for the financial year ended 31 December 2016. — Resolution 1
3. To re-elect the following Directors retiring in accordance with Article 80 of the Company's Articles of Association:
   (i) Dato' W Zulkifli bin Haji W Muda — Resolution 2
   (ii) Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng — Resolution 3
4. To re-elect Dato' Sr. Abdull Manaf bin Hj Hashim who retires in accordance with Article 87 of the Company's Articles of Association. — Resolution 4
5. To re-appoint Messrs Deloitte PLT as auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. — Resolution 5

Special Business

To consider and if thought fit, to pass with or without modifications, the following resolutions:-

Ordinary Resolutions

6. **Re-appointment of Directors**

   To re-appoint the following Directors retiring under the resolution passed at the last Annual General Meeting held on 1 June 2016 pursuant to Section 129 of the Companies Act 1965 (which was then in force), to continue to act as Directors of the Company from the date of this Annual General Meeting:
   (i) Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad — Resolution 6
   (ii) Datuk (Prof.) A Rahman @ Omar bin Abdullah — Resolution 7

7. **Authority to Allot and Issue Shares pursuant to Section 76 of the Companies Act, 2016**

   "THAT, subject to the Companies Act, 2016, the Articles of Association of the Company and the approval from the relevant authorities, where such approval is necessary, the Directors be and are hereby authorised, pursuant to Section 76 of the Companies Act, 2016, to issue and allot shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for the additional shares so issued." — Resolution 8

8. **Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transaction of a Revenue or Trading Nature**

"THAT, subject to the Companies Act, 2016 ("Act"), the Memorandum and Articles of Association of the Company and the Main Market Listing Requirements of Bursa Securities, approval be and is hereby given to the Company, its subsidiaries or any of them to enter into any of the transactions falling within the types of the Recurrent Related Party Transactions, particularly of which are set out in the Circular to Shareholders dated 28 April 2017 with the Related Parties as described in the said Circular, provided that such transactions are of revenue or trading nature, which are necessary for the day-to-day operations of the Company and/or its subsidiaries, in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and not to the detriment of the minority shareholders and that such transactions are made on the arm's length basis and on normal commercial terms. Resolution 9

AND THAT such approval shall continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company (being the 21st AGM of the Company), at which time the said authority will lapse, unless by a resolution passed at a general meeting whereby the authority is renewed;

(ii) the expiration of the period within which the next AGM of the Company (being the 21st AGM of the Company) is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(iii) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is the earliest,

AND THAT the Directors of the Company be authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

9. **Authority to Continue in Office as Independent Non-Executive Director**

(i) "THAT Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as Independent Non-Executive Director of the Company." Resolution 10

(ii) "THAT Datuk (Prof.) A. Rahman @ Omar bin Abdullah who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as Independent Non-Executive Director of the Company." Resolution 11

By Order of the Board

Dato' Haji Bahari bin Johari (LS 0008773)
Seuhailey binti Shamsudin (MAICSA 7046575)
Wong Maw Chuan (MIA 7413)
Company Secretaries

Kuala Lumpur
28 April 2017

Notes:

A. This Agenda item is meant for discussion only as the provision of Section 248(2) of the Companies Act, 2016 does not require a formal approval of the shareholders and hence, is not put forward for voting.

1. A member of the Company shall not be entitled to appoint more than two (2) proxies to attend, participate, speak and vote at the same meeting and where the member appoints two (2) proxies to attend, participate, speak and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his/her holdings to be represented by each proxy.

2. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Share Registrar, Mega Corporate Services Sdn Bhd at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur of the Company, or at such other place within Malaysia is specified for that purpose in the notice convening the meeting, not less than forty-eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. If the appointer is a corporation, either under its Common Seal (if any) or under the hand of an officer or attorney duly authorised.

4. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all the resolutions as set out in this Notice will be put to vote by way of poll.

5. In respect of deposited securities, only members whose names appear on the Record of Depositors as at 17 May 2017 shall be eligible to attend, participate, speak and vote at the 20th Annual General Meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

Explanatory Notes on Special Business:

6. Resolutions 6 and 7 – Re-appointment of Directors

The proposed Ordinary Resolutions under item 6 is to seek shareholders' approval on the re-appointment of Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad and Datuk (Prof.) A Rahman @ Omar bin Abdullah, who had been re-appointed in the previous Annual General Meeting held on 1 June 2016 as Directors under Section 129 of the former Companies Act, 1965 which was then in force and whose term would expire at the conclusion of the 20th Annual General Meeting, as Directors of the Company. If passed, the proposed Resolutions 6 and 7 will authorise the continuation of Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad and Datuk (Prof.) A Rahman @ Omar bin Abdullah in office from the date of the 20th Annual General Meeting onwards.

7. Resolution 8 - Authority to Allot and Issue Shares pursuant to Section 76 of the Companies Act, 2016

The ordinary resolution proposed under item 7, if passed will give powers to the Directors to issue shares in the Company up to an amount not exceeding in total ten per centum (10%) of the issued share capital of the Company for such purposes as the Directors would consider in the best interest of the Company. The approval is sought to avoid any delay and cost involved in convening a general meeting for such issuance of shares. This authority, unless revoked or varied at a general meeting will expire at the next Annual General Meeting of the Company.

The general mandate for issue of shares will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placement of shares for the purpose of repayment of bank borrowings, funding future investment and working capital.

8. **Resolution 9 - Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

   The ordinary resolution proposed under item 8, if passed will enable the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Securities.

9. **Resolutions 10 and 11 - Authority to Continue in Office as Independent Non-Executive Director**

   In line with the Malaysian Code on Corporate Governance 2012, the Board of Directors has assessed the independence of Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad and Datuk (Prof.) A. Rahman @ Omar bin Abdullah, who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years and the Board has recommended them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:-

   (i) Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad and Datuk (Prof.) A. Rahman @ Omar bin Abdullah have fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Securities, and hence, they would be able to provide an element of objectivity, independent judgement and balance to the Board;

   (ii) Their length of services on the Board of more than nine (9) years does not in any way interfere with their exercise of objective judgement or their ability to act in the best interests of the Company and Group. In fact, Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad and Datuk (Prof.) A. Rahman @ Omar bin Abdullah, having been with the Company for more than nine (9) years, are familiar with the Group's business operations and have devoted sufficient time and commitment to their role and responsibilities as an Independent Director for informed and balance decision making; and

   (iii) They have exercised due care during their tenures as Independent Director of the Company and have discharged their duties with reasonable skill and competence, bringing independent judgement and depth into the Board's decision making in the interest of the Company and its shareholders.

10. **Statement Accompanying the Notice of Annual General Meeting**

    Pursuant to paragraph 8.27(2) of the Main Marketing Listing Requirements of Bursa Securities, the Notice convening an Annual General Meeting is to be accompanied by a statement furnishing details of individuals who are standing for election as directors. This requirement excludes directors who are standing for re-election.

    No individual is standing for election as a Director at the 20th Annual General Meeting of the Company.

Perforated here

AZRB
AHMAD ZAKI RESOURCES BERHAD
(432768-X)

FORM OF PROXY

*I/We, ... NRIC/Company No. ....

of ....

being a *member/members of AHMAD ZAKI RESOURCES BERHAD, hereby appoint ....

.... NRIC No. ....

of ....

*and/or failing him/her .... NRIC No. ....

of ....

or failing *him/her/both, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the 20th Annual General Meeting of the Company to be held at the Banquet Hall, 1st Level, Main Lobby, TPC Kuala Lumpur (formerly known as Kuala Lumpur Golf & Country Club), 10 Jalan 1/170D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Wednesday, 24 May 2017 at 10.00 a.m. and, at every adjournment thereof for/against* the resolution(s) to be proposed thereat.

The proportion of *my/our holding to be represented by *my/our proxies are as follows:-

(The next paragraph should be completed only when two proxies are appointed)

*First Proxy (1) .... % *Second Proxy (2) .... %

*My/our proxy is to vote as indicated below:-

NO.	RESOLUTIONS	FOR	AGAINST
1.	RESOLUTION 1		
2.	RESOLUTION 2		
3.	RESOLUTION 3		
4.	RESOLUTION 4		
5.	RESOLUTION 5		
6.	RESOLUTION 6		
7.	RESOLUTION 7		
8.	RESOLUTION 8		
9.	RESOLUTION 9		
10.	RESOLUTION 10		
11.	RESOLUTION 11		

Number of Shares Held	Shareholder's Contact No.

(Please indicate with an "X" in the appropriate spaces provided above as to how you wish to cast your votes. If you do not do so, the proxy will vote or abstain from voting at *his/her discretion).

This .... day of 2017

....
Signature of member (s)/Seal (if any)

(*Delete where inapplicable)

Notes:

1. A member of the Company shall not be entitled to appoint more than two (2) proxies to attend, participate, speak and vote at the same meeting and where the member appoints two (2) proxies to attend, participate, speak and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his/her holdings to be represented by each proxy.

2. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Share Registrar, Mega Corporate Services Sdn Bhd at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur of the Company, or at such other place within Malaysia is specified for that purpose in the notice convening the meeting, not less than forty-eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. If the appointer is a corporation, either under its Common Seal (if any) or under the hand of an officer or attorney duly authorised.

4. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all the resolutions as set out in this Notice will be put to vote by way of poll.

5. In respect of deposited securities, only members whose names appear on the Record of Depositors as at 17 May 2017 shall be eligible to attend, participate, speak and vote at the 20th Annual General Meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

STAMP

MEGA CORPORATE SERVICES SDN BHD
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

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