

ANNUAL REPORT 2015



JK **JIANKUN INTERNATIONAL BERHAD**
(111365-U)

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Corporate Information

Board of Directors

Dato' Ir Lim Siang Chai
(Executive Chairman)

Lee Leong Kui
(Executive Director)

Foong Kah Heng
(Executive Director)

Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman
(Independent Non-Executive Director)

Fathi Ridzuan Bin Ahmad Fauzi
(Independent Non-Executive Director)

Kamil Bin Abdul Rahman
(Independent Non-Executive Director)

Chan Fook Mun
(Independent Non-Executive Director)

Company Secretaries

Tan Tong Lang (MAICSA 7045482)
Chong Voon Wah (MAICSA 7055003)

Registered Office

Suite 10.03, Level 10, The Gardens South Tower,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur
Telephone : 03-2279 3080
Facsimile :
03-2279 3090

Principal Place of Business

No. 39, Jalan 5/62A
Bandar Menjalara
52200 Kuala Lumpur
Telephone : 03-62638869
Facsimile : 03-62625889
Website : jki.com.my

Audit Committees

Fathi Ridzuan Bin Ahmad Fauzi (Chairman)
Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman
Kamil Bin Abdul Rahman
Chan Fook Mun

Remuneration Committee

Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman
(Chairman)
Dato' Ir Lim Siang Chai
Kamil Bin Abdul Rahman

Nomination Committee

Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman
(Chairman)
Kamil Bin Abdul Rahman
Fathi Ridzuan bin Ahmad Fauzi

Risk Management Committee

Dato' Ir. Lim Siang Chai (Chairman)
Lee Leong Kui
Foong Kah Heng

Auditors

UHY (AF1411)
Chartered Accountants
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Telephone : 03-2279 3088
Facsimile : 03-2279 3099

Share Registrar

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Telephone : 03-2264 3883
Facsimile : 03-2282 1886

Principal Bankers

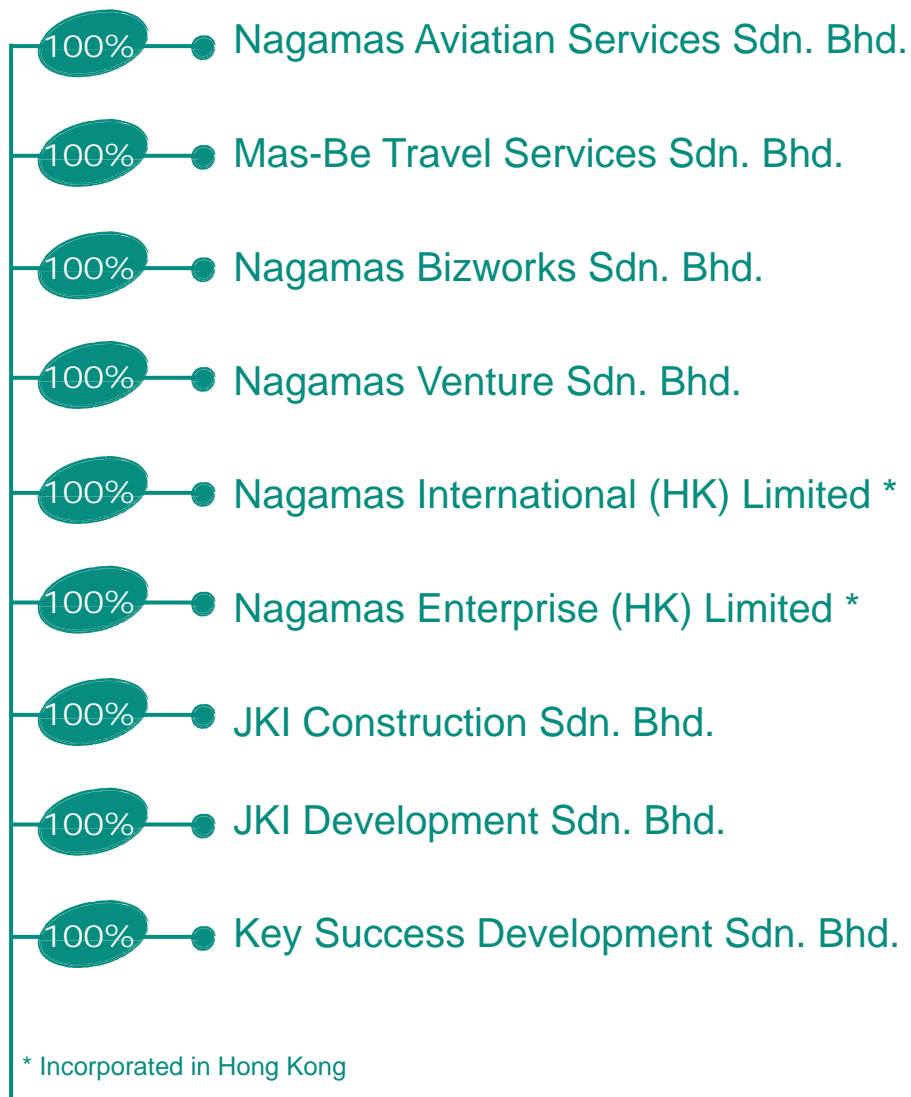
United Overseas Bank (Malaysia) Berhad
Public Bank Berhad
Public Bank (Hong Kong) Ltd
RHB Bank Berhad

Stock Exchange Listing

Main Market of Bursa Malaysia Berhad
Sector : Properties
Stock Number : 8923
Stock Short Name : Jiankun



JIANKUN INTERNATIONAL BERHAD
(111365-U)



Executive Chairman's Statement

On behalf of the Board of Directors of Jiankun International Berhad (“Jiankun” or “the Company”), I'm pleased to present to you the Annual Report and Audited Financial Statement of the Group for the financial year (“FY”) ended 31 December 2015.

Economic Review

The Malaysian Economy, policy and Consumer Residual Income will influence the buyer decision and further affect the revenue and performance of the Group.

In year 2015, overall performance of the construction sector recorded a growth of 11.2 per cent year-of-year and the residential buildings recorded 8.7 per cents respectively (Source: www.statistics.gov.my). These given a strongly indicator to the Group that the Group is going to right business direction for development of residential properties and the Board believe that residential properties with reasonable pricing is still in demand due to young Malaysia population and will continue to contribute positive performance for the group.

Financial Review

For FY2015, the Group recorded a turnover of RM11.5 million (FY2014: turnover of RM3.2million). The increase in revenue was contributed by construction segment which has been progressing according to plan.

During FY2015, loss before taxation of RM1.2 million, the loss of RM1.2 million inclusive of RM1.1 million derived from the fair value changes for investment properties located in China due to currency fluctuation.

Business Outlook and Prospects

The Group strategic vision is still focusing on property development and construction activities. Currently the Group is carrying out the construction of its existing semi detached factory construction and is targeting to complete in 3rd quarter year 2016. In year 2016, the Group targeting to launch two housing development projects in 3rd quarter with the estimated Total Gross Development value of RM280 million.

At current stage, the Group development is focusing on pocket size land niche market mixed housing development segments in Klang Valley and surrounding. The Group will continue to negotiate for new joint ventures arrangement with potential landowners or to acquire new potential pocket size land for development. The Group will keep shareholders informed once the arrangement is materialized from time to time.

Dividend

The Board of Directors has not proposed any dividend for this financial year. The Board will consider to declare any dividend to reward the investors after taken into consideration of the Group's financial performance and positions as well as cash flow requirement for future development.

Corporate Developments

The Company did not implement any new corporate proposals during the financial year ended 31 December 2015.

Corporate Social Responsibility and Sustainability

The Group believes that doing business in sustainable way and delivering long term benefits for shareholders and stakeholders. The Group recognize the importance of Corporate Social Responsibility and sustainability in various areas which cover the workplace, the community, the environment and the employees.

During the financial year under review, the Group has contributed to various community association and school as part of the Group policies to help those who are in need. The Management continue providing training internally or externally for employees to equip with latest knowledge related to Group business operation which is part of Human Capital development programmes. At the workplace, the Group observed the safety requirement to mitigate the worksite accident and disaster which may cause injury to employees. The Management encourage energy saving at work place to reduce the consumption of environmental resources.

Acknowledgement

On behalf of the Board, I would like to thank our valued shareholders, customers, business associates, financiers, the regulatory authorities and members of the community, for their continued support and trust in our Group, I would also like to record our sincere appreciation to the management team and all employees of the Group for their invaluable contributions and tireless efforts throughout the year.

To my fellow directors, I would like to express my gratitude for their counsel, contributions, support and guidance.

Dato' Ir Lim Siang Chai
Executive Chairman

Management Discussion & Analysis

The following Management Discussion and Analysis (“MD&A”) of the operating performance and financial condition of Jiankun International Berhad (“Jiankun” or the “Company”) and its subsidiary Companies (the “Group”) for the twelve months ended 31 December 2015, should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2015 and related notes thereto.

The information presented in the MD&A, including information relating to comparative periods in 2014, is presented in accordance with the Financial Reporting Standards (“FRS”) unless otherwise stated.

Overview

Jiankun is a company listed on the main market of Bursa Malaysia Securities Berhad under the Properties category with an authorized share capital of RM100 million split into 400 million shares. The Company has an issued and fully paid up capital of RM37,919,379 split into 151,677,519 shares. The total comprehensive income was RM3.3 million was recorded for financial year ended 31 December 2015 as compare with total comprehensive loss of RM0.9 million for financial year ended 31 December 2014. The total comprehensive income was derive from fluctuation of foreign currency because the investment property was held in foreign currency.

Growth & Strategies

Management is of the view that the financial year ending 31 December 2016 will be a challenging year due to weak consumer purchasing powers and consumer sentiments as well as economic scenarios. The challenging environment is further compounded by the tightening of credit lending guideline and difficulties of purchaser obtaining loans for purchasing of properties including residential properties and the competition from existing developers. The changes of government and bank policies may affect the group to close the business deal with our customer.

The management will continue to review the market position and adjust our strategies of our business plan to weather the challenging environment and still put in extra effort to push the growth to ensure the group performance is sustainable.

In long run, the management will continue to source for potential opportunity either in acquisition of new land or by joint venture to expand the growth of our business, growth in revenue and profit.

Business Risk

a) Foreign currency risk

The Group’s exposure to foreign currency risk is minimal except for investment properties in China. Management will continue to review the Group’s exposure to foreign currency risks arising from turnover generated in currencies other than Ringgit Malaysia.

b) Interest rate risks

The development businesses were required external financing and the cost of financing are dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, or any restrictions imposed by the Government of Malaysia and political, social and economic conditions in Malaysia. The Group businesses may also be exposed to fluctuation in interest rate movements. Any significant increase in interest rate may also adversely affect the financial performance of the Group.

The Management would monitor and mitigate the interest rate risk by undertaking prudent capital budgeting wherein all major financing decision would be made with the consultation and approval from the Board.

c) Competition risks

The Group's competitiveness is dependent on the ability of the management to price the product competitively, to provide quality and timely delivery of developments and to manage the sales of the properties.

The management will continue to undertake measures to remain competitive in the property development industry by providing quality products and competitive pricing and ensure timely completion and delivery of properties sold.

d) Delays in commencement and completion

There are many external factors which are beyond the control of the management that could affect the timely completion of property development like getting the necessary approvals from relevant authorities, the availability of construction materials in reasonable amounts and satisfactory performance of the appointed building contractors.

The management will closely monitor the progress of work to mitigate the risks by rectify any setbacks in order to ensure timely completion of the development.

Financial Results

The Group's key financial information for the year ended 31 December 2015 and 2014 are summarized as follows:

	2015 RM Million	2014 RM Million
Turnover	11.46	3.17
Earnings Before Interest, Depreciation, Amortisation and Taxation (EBITDA)	(1.48)	(1.61)
Profit / (Loss) Before Taxation	(1.20)	(0.94)
Taxation	0.55	(0.03)
Profit After Taxation and Minority Interest	(0.65)	(1.99)
Total Comprehensive Income / (Loss)	3.30	(0.93)
Net Tangible Assets	48.11	44.81

Turnover

The Group's turnover for financial year ended 31 December 2015 of RM11.46 million was derived from construction activity and project management. As comparative for 2014, the revenue was derived from property development from a subsidiary company which was disposed at the end of financial year ended 2014.

Results

For the financial year ended 31 December 2015, the company recorded a negative EBITDA of RM1.48 million and loss after taxation of RM0.65 million, the EBITDA and loss after taxation was derived after taken into consideration fair value loss adjustment for investment properties in China due to currency fluctuation, after taken into consideration of foreign exchange translation of this properties, the Group recorded a positive total comprehensive income of RM3.3 million.

Management Discussion & Analysis (Cont'd)

Financing and Expansion

The Group has secure 93 pieces of land value of RM22.5 million being part of the Group expansion program to develop 84 units of 3-storey terrace house, part of the purchase consideration of RM15.5 million was partly finance by United Overseas Bank (Malaysia) Berhad. The gross development value for this project approximately RM75 million and the management believe that this project will contribute a positive return in future.

The Group also entered into a Joint Venture Agreement with Five Star Development (Puchong) Sdn Bhd to develop 377 units of services apartment for gross development value approximately RM205 million will contribute positive return to the Group's performance.

In order to sustain for the development and growth of Group's business, the projects will required reasonable financial support from financial institution. Currently the Group has secured bridging loan from United Overseas Bank (Malaysia) Berhad of RM9 million to finance the development of 84 units of 3-storey terrace house. The Group's also negotiating banking facilities for the development of 377 units of services of RM36 million.

Conclusion

The Management will consider year 2016 will be a challenging year ahead. The management remain confident with the business opportunities identified and will proceed cautiously to ensure continue business growth.

Dato' Ir Lim Siang Chai Executive Chairman

Dato' Ir Lim Siang Chai, Malaysian, aged 61, was appointed to the Board on July 1, 2013 as Executive Chairman of the Company.

Dato' Ir Lim is a Chartered Engineer (C Eng) registered with the Engineering Council, United Kingdom and Professional Engineer (C Eng) registered with the Board of Engineers, Malaysia. He is a member of the Institution of Engineers Malaysia (MIEM), Institute of Engineering and Technology of United Kingdom (MIET), an Honourary Fellow of the ASEAN Federation of Engineering Organisation, and a member of the Malaysian Institute of Management. He also holds a Masters in Business Administration from Deakin University, Australia and had undergone many technical and management training in Japan.

Dato' Ir Lim had also served the Malaysian Government in various capacities as follows:

- 2010 – 2013 Deputy Minister of Finance
- 2006 – 2008 Deputy Minister of Tourism
- 2003 – 2006 Deputy Minister of Information
- 1999 – 2003 Parliamentary Secretary, Ministry of Transport
- 1995 – 2008 Member of Parliament (Petaling Jaya South)

Dato' Ir Lim is the Past President of the Electrical and Electronic Association, Past President of the Subang National Golf Club and Chairman of the Ping Pong Association of Petaling District.

Dato' Ir Lim is actively involved in various NGOs and has held various key positions, like Adviser to The Federation of Malaysia Chinese Clans and Guilds Youth Association, the Lim Clan Association of Malaysia, Gerakan Belia Bersatu Malaysia, the Business and Commerce Association of Petaling District, as well as the Association of Hawkers and Small Traders of Petaling Jaya.

Apart from the Company, Dato' Ir Lim also the Executive Chairman and Managing Director of Advance Information Marketing Berhad.

He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company and has had no convictions for offences within the past ten (10) years.

Profile of Directors (Cont'd)

Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman

Independent Non-Executive Director

Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman, Malaysian, aged 83, was appointed to the Board on March 26, 2010 as a Non-Independent Non-Executive Director. Tan Sri Abdul Aziz was re-designated from Non-Independent Non-Executive Director to Independent Non-Executive Director. He is the Chairman of both the Nomination Committee and the Remuneration Committee, and is also a member of the Audit Committee.

Tan Sri Abdul Aziz is a Fellow of Chartered Institute of Transport, United Kingdom, Fellow of Institute of Management Malaysia, Fellow of Institute of Directors Malaysia, Fellow of Institute of Public Relations Malaysia and Fellow of Asian Institute of Management Science.

Tan Sri Abdul Aziz is an advocate and solicitor and partner in the law firm of Messrs Nik Saghir & Ismail, Kuala Lumpur. He has more than 35 years experience in managing public and private corporations. He started by serving the government for 15 years, the first 7 years as an administrative officer and for 8 years he was in the judicial and legal service of the Federal Government. He served as Magistrate, President Sessions Court, Federal Counsel and Assistant Parliamentary Draftsman. His last government appointment was as Federal Counsel and Legal Officer of the National Operation Council (NOC) during the Emergency of 1969.

Tan Sri Abdul Aziz subsequently served Malaysian Airlines from its inception in 1971 as company secretary and Director of Legal Affairs. He retired in late 1991 as the Managing Director and Chief Executive Officer, a position he held for 10 years. He was responsible for its vast expansion and had turned MAS into a profitable and leading player in the world of aviation.

Tan Sri Abdul Aziz has presented many papers at seminars and conferences on aviation, airline, management and tourism, in Malaysia and abroad. He is a fellow of several institutes and for several years served as the President of the Chartered Institutes of Transport Malaysia. He served as the President of the International Council of the Chartered Institute of Transport with its headquarters in London for one term. This was the first time an Asian was accorded such a privilege by election.

Tan Sri Abdul Aziz writes regularly on management issues and was an Adjunct Professor in the Faculty of Management of University Utara Malaysia. He wrote a book entitled "Management Philosophy and Techniques" in 1992.

Tan Sri Abdul Aziz sits on the Board of BTM Resources Bhd. He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company and has had no convictions for offences within the past ten (10) years.

Tan Sri Abdul Aziz who retires in accordance with section 129(6) of the Companies Act, 1965 has expressed his intention not to seek re-appointment as Director of the Company. Hence, he will retain office until the close of the Thirty-Second (32nd) Annual General Meeting.

Fathi Ridzuan Bin Ahmad Fauzi Independent Non-Executive Director

Mr. Fathi Ridzuan Bin Ahmad Fauzi, Malaysia, aged 51, was appointed to the Board on 20 April 2012 as an Independent Non-Executive Director. He is the Chairman of Audit Committee and a member of the Nomination Committee.

Mr. Fathi Ridzuan holds a degree in B. Sc. Accounting & Financial Analysis from the School of Industrial and Business Studies, University of Warwick, Coventry, United Kingdom in 1988. He has more than 20 year experiences, including 15 years in the capital market and 3 years in the Business Process Outsourcing (“BPO”) industry.

Mr. Fathi Ridzuan started his career in 1989 with Malaysian National Reinsurance Berhad as Accounts Executive before joining American International Assurance Co Ltd in 1990 as Assistant Accountant. In 1991, he joined the Kuala Lumpur Stock Exchange (“KLSE”) Group and had held several positions including Accountant with Malaysian Central Depository Sdn Bhd (“MCD”) (1991-1995); Senior Manager, Finance & Administration (1996-1997); Senior Vice President, Finance & Administration with Malaysian Exchange for Securities Dealing and Automated Quotation Berhad (“MESDAQ”) (1997-1998); Senior Vice President, Finance & Administration for the clearing house with Securities Clearing Automated Network Services Sdn Bhd (1999-2001); General Manager for MCD (2002-2003); Head of Information Services Business with Bursa Malaysia in 2003; and Head, Exchanges Division, responsible for the development and operations of three exchanges owned by Bursa Malaysia, namely Bursa Malaysia Securities, Bursa Malaysia Derivative and Labuan Financial Exchange Inc. in 2004.

In 2007, Mr. Fathi Ridzuan joined VADS Berhad as Chief Financial Officer and later joined Maybank Investment Bank Berhad in July 2009 as Chief Operating Officer/Chief Financial Officer, responsible for financial, administrative, legal, information technology, risk management and stockbroking operations of the bank.

In 2010, Mr Fathi Ridzuan set up a consultancy firm, IX.com Sdn Bhd, specializing in call-centre operations and training. In 2013, he joined PRIME Mantle Corporation plc, an investment holding company, domiciled in the Republic of Ireland, as its Chief Financial Officer and Executive Director. He also sits on the board of other private companies.

Currently, Mr Fathi Ridzuan is the Advisor to Precise Communications Sdn. Bhd..

Mr. Fathi Ridzuan is not a director of any other public companies. He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company and has had no convictions for offences within the past ten (10) years.

Lee Leong Kui Executive Director

Mr Lee Leong Kui, Malaysian, aged 39, was appointed to the Board on 13 January 2015 as an Executive Director. He graduated with Degree in Business Administration from Anglia Polytechnic University in United Kingdom.

He was an Executive Director in Solid Property Developments Sdn Bhd in year 2009. He continued his career as Head of Business Development Division in Newday Development Sdn Bhd in year 2011. He later joined Juara Gred Development Sdn. Bhd. in year 2014 as a Director.

Mr. Lee is not a director of any other public companies. He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company and has had no convictions for offences within the past ten (10) years.

Profile of Directors (Cont'd)

Foong Kah Heng

Executive Director

Mr. Foong Kah Heng, Malaysian, aged 53, was appointed to the Board on 13 January 2015 as an Executive Director. He graduated with Diploma in Accountancy from Systematic College in Kuala Lumpur.

He acted as Managing Director in Falcon Speed Automobile Sdn Bhd from year 1991 to year 2013.

Mr Foong is not a director of any other public companies. He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company and has had no convictions for offences within the past ten (10) years.

Kamil Bin Abdul Rahman

Independent Non-Executive Director

Encik Kamil Bin Abdul Rahman, Malaysian, aged 67, was appointed to the Board on 29 January 2015 as an Independent Non-Executive Director. Presently, he is a member of Audit Committee, Nomination Committee and Remuneration Committee of Jiankun.

He graduated with a Bachelor of Commerce degree from the University of Otago, New Zealand and subsequently qualified as a Chartered Accountant of the Institute of Chartered Accountants of New Zealand. He is also a Fellow Chartered Secretary of the Institute of Chartered Secretaries and Administrators, United Kingdom, and a Chartered Accountant of the Malaysian Institute of Accountants.

His area of specialization is in corporate governance, corporate finance and risk management. His previous senior positions were as Senior Vice President of the Bank of Commerce (M) Berhad and as Executive Director of Commerce International Merchant Bankers Berhad.

Apart from the Company, he is also a Director of Khind Holdings Berhad, Brahim's Holdings Berhad, WDM Holdings Berhad (which not listed on Bursa Malaysia), and the Malaysia South Africa Business Council (company limited by guarantee).

He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company and has had no convictions for offences within the past ten (10) years.

Chan Fook Mun

Independent Non-Executive Director

Mr. Chan Fook Mun, Malaysian, aged 45, was appointed to the Board on 29 May 2015 as an Independent Non-Executive Director. At present, he is the member of Audit Committee of Jiankun.

He graduated with Bachelor Architecture in Curtin University of Technology, Perth, Australia. He is also member of Lembaga Arkitek Malaysia and member of Persatuan Arkitek Malaysia.

In year 2002, he had established Redd Integrated Sdn Bhd with Tan Sri Lim Kok Wing. In year 2004, established RDO (Redd Design Office Sdn. Bhd.). In year 2007, he had established Chan & Rakan-rakan (Branch Abu Dhabi) in Abu Dhabi, UAE. In year 2009, he had established Redd Development Sdn. Bhd. In year 2010, work published in Architecture @ 10 The next generation of architecture in Asia + New building technologies and products, publisher: BCI Asia. In year 2014, work published in The Edge business and investment newspaper.

Mr. Chan is not a director of any other public companies. He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company and has had no convictions for offences within the past ten (10) years.

Corporate Governance Statement

The Board of Directors (“the Board”) of Jiankun International Berhad (“the Company” or “Jiankun”) is committed towards achieving excellence in corporate governance and acknowledges that the prime responsibility lies with the Board. The Board is fully committed to ensure that the highest standards of corporate governance are practiced throughout the Group as a fundamental part of discharging its responsibilities to create, protect and enhance shareholders’ value and the performance of the Group.

The Malaysian Code on Corporate Governance (“the Code”) aims to set out principles and best practices on structures and processes that companies may apply in their operations towards achieving the optimal governance framework. The Board reaffirms its support to the Code and in order to ensure that the best interests of shareholders and other stakeholders are effectively served, the Board continues to play an active role in improving governance practiced and constantly monitors the development in corporate governance.

PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear functions of the Board and those delegated to Management

The Board provides overall stewardship over the management of the Group and reserves appropriate strategic, financial and organisational matters for its collective decision. Key matters such as approval of annual and quarterly results, acquisition and disposals of material investments, material agreements, major capital expenditures, budgets and long term plans and succession planning for top management are reserved for the Board.

The Board comprises professional persons of calibre, creditability and has the necessary skills and experience to come to an independent judgement. With their combined experience and knowledge, they provide sound advice and impartial judgement for the benefits of the Company, its shareholders and stakeholders.

1.2 Clear Roles and Responsibilities in Discharging Fiduciary and Leadership Functions

The Board provides stewardship to the Group’s strategic direction and operations, and ultimately the enhancement of long-term shareholders’ value. The Board is primarily responsible for:

- Adopting and monitoring progress of the Company’s strategies, budgets, plans and policies;
- Overseeing the conduct of the Company’s business to evaluate whether the business is being properly managed;
- Succession planning including appointing and reviewing the compensation of the top management;
- Overseeing the development and implementation of a shareholder communication policy;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Reviewing the adequacy and integrity of the Company’s internal control systems and management information systems for compliance with applicable laws, regulations, rules, directive and guidelines.

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

1.3 Code of Ethics

The Directors shall be guided by the Code of Ethics for Directors issued by the Companies Commission of Malaysia. The Directors shall observe the Code of Ethics in performance of their duties.

Corporate Governance Statement (Cont'd)

1.4 Strategies Promoting Sustainability

The Board promotes good Corporate Governance in the application of sustainability practices throughout the Company, the benefits of which are believed to translate into better corporate performance. Accordingly, the Company takes cognizance of the global environmental, social, governance and sustainability agenda.

1.5 Access to Information and Advice

The Directors have individual and independent access to the advice and dedicated support services of the Company Secretary in ensuring the effective functioning of the Board. The Directors may seek advice from Management on issues under their respective purview. The Directors may also interact directly with Management, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from them.

In addition, the Board may seek independent professional advice at the Company's expense on specific issues to enable it to discharge its duties in relation to matters being deliberated.

1.6 Qualified and Competent Company Secretary

The Company Secretary plays an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations.

The Company Secretary attends and ensures that all Board meetings are properly convened and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory register of the Company.

The Company Secretary works closely with Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committees.

1.7 Board Charter

The Board has adopted a Board Charter, which sets out the role, composition and responsibilities of the Board embodying the principles of the MCCG 2012 and serves as a source of reference for new Board members.

The Board Charter will be reviewed from time to time and updated in accordance with the requirements of the Group and any new regulations that may have an impact on the discharge of the Board's responsibilities. The salient term of the charter are made available at the Company's website at www.jki.com.my.

PRINCIPLE 2 – STRENGTHEN COMPOSITION

2. Board committees

To assist the Board to effectively discharge its roles and functions, the Board delegates certain of its role and functions of three (3) Board Committees which operate within clearly defined terms of reference.

The Chairman of the respective Committees will brief the Board on the matters discussed at the Committee meetings and minutes of these meetings are circulated to the Board. The Board committees are:-

- a) Audit Committee;
- b) Nomination Committee;
- c) Remuneration Committee; and
- d) Risk Management Committee.

a) Audit Committee

Composition of the AC, duties and responsibilities, term of reference and a summary of its activities are set out on pages 31 to 34 of this Annual Report.

b) Nomination Committee

The Board has established a Nomination Committee and exclusively of Non-Executive Directors, a majority of whom must be independent. The present members are:-

Chairman : Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman

Member : Fathi Ridzuan Bin Ahmad Fauzi

Member : Kamil Bin Abdul Rahman

The Nomination Committee is responsible for reviewing the Board's structure, size and composition regularly, as well as making recommendations to the Board with regards to changes that are deemed necessary. It also recommends the appointment of Directors to committees of the Board and reviews the required mix of skills, experience, competence and other qualities which Non-Executive Directors should bring to the Board. For this purpose, the Nomination Committee meets at least once a year or at such other times as the Chairman of the Nomination Committee decides.

The primary duties and functions of the Nomination Committee are summarised as follows:-

- i. Recommending candidates for appointment to the Board, its Committees, and key management positions;
- ii. Establishing the performance criteria to evaluate the performance of the Board and its Committees and each member of the Board and reviewing their respective performance;
- iii. Reviewing the outcomes of the annual self and peer assessment of the members of the Board, evaluating the performance of the members of the Board and making necessary recommendations to the Board;
- iv. Evaluating the performance of each of the committees established by the Board and the Board as a whole and making necessary recommendations to the Board;
- v. Formulating the nomination and selection policies for members of the Board and its Committees;
- vi. Recommending to the Board the optimum size of the Board, and formalising a transparent procedure for proposing new nominees to the Board and its Committees;
- vii. Assisting the Board in reviewing on an annual basis the required mix of skills and experience of Non-Executive Directors;
- viii. Developing the criteria to assess independence and to assess on an annual basis, the independence of the Independent Non-Executive Directors and recommend the same to the Board;
- ix. Establishing time commitment expectations for the members of the Board and establish a policy formalizing its approach to boardroom diversity; and
- x. Reviewing training programmes for the Board and facilitate board induction and training programmes.

The NC would conduct an annual review of the composition of the Board and makes recommendations to the Board accordingly, with a view to meeting current and future requirements of the Group. The Committee is satisfied with the current size of the Board, and with the mix of qualifications, skills experience among the Board members. Among other evaluation criteria is the commitment displayed, the depth of contribution, ability to communicate and undertake assignments on behalf of the Board.

Corporate Governance Statement (Cont'd)

The Board is aware of the gender diversity policy and targets as set out in the Code. However, the Board is of the view that the Board membership is dependent on each candidate's skills, experience, core competencies and other qualities, regardless of gender. Nevertheless, for any new proposed appointment of Directors of the Company in future, the NC and the Board will evaluate and match the criteria of the potential candidate to the Board as well considering the boardroom diversity.

During the financial year under review, the NC held two (2) meetings, which was attended by all members of the NC.

c) Remuneration Committee

In line with the best practices of the Code, the Board has set up a RC which would comprise a majority of Independent Non-Executive Directors in order to assist the Board for determining the Director's remuneration. The present members of the RC as follow:-

Chairman :	Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman
Member :	Dato' Ir Lim Siang Chai
Member :	Kamil Bin Abdul Rahman

The responsibilities of the RC include the following:-

- seek comparative information on remuneration and conditions service in comparable organisations;
- review directors' fees to ensure that they are at sufficiently competitive levels;
- consider severance payments that represent public interest and avoid any inappropriate use of public funds;
- recommend and advise the Board on the terms of appointment and remuneration of its members; and
- establish a formal and transparent procedure for developing policy on remuneration packages of individual directors.

The RC reviews all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, options and benefit-in-kind.

For the financial year under review, the RC held two (2) meetings, which was attended by all members of the RC.

d) Risk Management Committee

In line with the best practices of the Code, the Board has set up a Risk Management Committee (RMC) which would comprise Executive Director and head of departments.

The present members of the RMC as follow:-

Chairman :	Dato' Ir. Lim Siang Chai
Member :	Lee Leong Kui
Member :	Foong Kah Heng

The responsibilities of the RMC include the following:-

- Assessment and monitoring of risks associated with the operations of the Group;
- Development and implementation of internal compliance and control systems and procedures to manage risk;
- Assessment and monitoring of the effectiveness of controls instituted;
- Review and make recommendations to the Board in relation to Risk Management;
- Consider, and make recommendations to the Board in connection with, the compliance by the Group with its Risk Management Strategy;
- Report to the Board on any material changes to the risk profile of the Group;
- Monitor and refer to the Board any instances involving material breaches or potential breaches to the Group's Risk Management Strategy;

Corporate Governance Statement (Cont'd)

- Report to the Board in connection with the Group's annual reporting responsibilities in relation to matters pertaining to the Group's Risk Management Strategy; and
- Undertake annual review, in accordance with the Group's Risk Management framework and to make recommendations to the Board in connection with changes required to be made to the Group's Risk Management Strategy.

For the financial year under review, the RMC held one (1) meeting, which was attended by all members of the RMC and heads of department.

Appointments to the Board

The NC makes independent recommendations for appointments to the Board. In making these recommendations, the NC assesses the suitability of candidates, taking into account the character, integrity, competence, time commitment and other qualities of the candidates, before recommending their appointment to the Board for approval.

Re-election of Directors and re-appointment of Directors who are over the age of 70

In accordance with the Articles of Association of the Company, at least one third of the Board shall retire from office at least once in every three (3) years, but shall be eligible for re-election, and that the retiring Director shall retain office until the close of the annual general meeting at which he retires. This is also in compliance with Main Market Listing Requirements ("Main LR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

Pursuant to Section 129 of the Companies Act, 1965, the office of a director of or over the age of 70 years become vacant at every Annual General Meeting ("AGM") unless he is reappointed by a resolution passed at such an AGM of which no shorter notice than that required for the AGM has been given and the majority by which such resolution is passed is not less than three-fourths of all members present and voting at such AGM.

Gender Diversity

The Board has not set a gender diversity targets as of the reporting period as it is of the view the Board membership should be determined based on a candidate's skills, experience and other qualities regardless of gender but will nevertheless considers appointing more directors of the female gender where suitable.

The Board believes that candidature to the Board should be based on a candidate's merits but in line with the Code, the board will consider more females onto the Board in due course to bring about a more diverse perspective.

Directors' remuneration procedures and policies

The determination of the remuneration for Non-Executive Directors is a matter of the Board as a whole. The level of remuneration for Non-Executive Directors reflects the amount paid by other comparable organisations, adjusted for the experience and levels of responsibilities undertaken by the particular Non-Executive Directors concerned. The remuneration package of Non-Executive Directors will be a matter to be deliberated by the Board, with the Director concerned abstaining from deliberations and voting on deliberations in respect of his individual remuneration. In addition, the Company also reimburses reasonable out-of-pocket expenses incurred by all the Non-Executive Directors in the course of their duties as Directors of the Company. The aggregate annual Directors' fees are to be approved by shareholders at the Annual General Meeting based on recommendations of the Board.

The aggregate remuneration of Directors for the financial period ended 31 December 2015 is as follow:

Remuneration	Executive Director (RM'000)	Non-Executive Director (RM,000)	Total (RM,000)
Salary	586	-	586
Fees	-	86	86
Allowance	180	9	189
Bonuses & Other emoluments	65	-	65
Defined Contribution Plan	42	-	42
	873	95	968

Corporate Governance Statement (Cont'd)

The number of Directors whose remuneration fall into the following bands is as follows:-

Range of Remuneration (RM)	Executive	Non-Executive
50,000 and below	-	4
50,001 – 100,000	-	-
100,000 – 150,000	-	-
150,001 – 200,000	-	-
200,001 - 250000	-	-
250,001 – 300,000	2	-
300,001 – 350,000	-	-
350,001 – 400,000	1	-
400,001 – 450,000	-	-

Details of the individual Director's remuneration are not disclosed in this report as the Board is of the view that the above remuneration disclosures by band and analysis between Executive and Non-Executive Directors satisfies the accountability and transparency aspects of the Code.

PRINCIPLE 3 – REINFORCE INDEPENDENCE

1. Annual Assessment of Independence

The Board, through the NC, shall assess the independence of Independent Directors annually. The criteria for assessing the independence of an Independent Director include the relationship between the Independent Director and the Company and his involvement in any significant transaction with the Company.

2. Tenure of Independent Directors

The Board has adopted a nine-year policy for Independent Non-Executive Directors. An Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. Otherwise, the Board will justify and seek shareholders' approval at the AGM in the event it retains the director as an Independent Director.

None of the Independent Non-Executive Directors served more than 9 years in the Company.

3. Shareholders' Approval for the Continuance Office as Independent Directors

The Board would seek shareholders' approval at the AGM if an Independent Director who has served in that capacity for more than nine years shall remain as an Independent Director.

The NC will assess the independence of the Independent Director based on the assessment criteria developed by the NC, and recommended to the Board for recommendation to shareholders for approval. Justification for the Board's recommendation would be provided to shareholders.

4. Separation of the Positions of the Chairman and Group Managing Director and Chief Executive Officer ("CEO")

The code required the positions of Chairman and CEO to be held by two different individuals. The Chairman is responsible for the leadership of the Board and ensures effectiveness of the Board while the CEO, guided by the Executive Chairman, manages the day-to-day business and operations and also implements the Board's directive, strategies and policies. The distinct and separate roles, with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

The Chairman of the Company is currently also the Executive Chairman of the Company. The Board is aware that it is not in compliance with the best practices of the MCCG 2012 on the separation of the roles of the Chairman and Group MD & CEO.

However, the Board is satisfied with the role held by the same person in view of his varied experience and knowledge of the businesses of the Group and the time he has spent in discharging his duties and fulfilling his responsibilities.

The presence of the 4 independent directors, forming a majority of the 7 Board members are sufficient to provide the necessary checks and balances on the decision making process of the Board. The contributions of the independent directors in the decision making process is evidenced in their participation as members of the various committees of the Board.

The Executive Chairman ensures that all procedural rules are followed in the conduct of meetings and that decisions made are formally recorded and adopted. He also holds the primary executive responsibility for the Group's business performance and manages the Group in accordance with the strategies and policies approved by the Board. He also leads the Board in making and implementing the day-to-day decisions on the business operations, managing resources and risks in pursuing the corporate objectives of the Group.

Composition of the Board

During the financial year under review, the Board of Jiankun currently comprises seven (7) Board members, which includes one (1) Executive Chairman, two (2) Executive Directors and four (4) Independent Non-Executive Directors. The composition of the Board is in compliance with Paragraph 15.02(1) of the Main Market Listing Requirements of Bursa Malaysia Berhad ("Bursa Malaysia") and the adoption of best practices set out in the Code whereby at least two (2) or one-third (1/3) of its Board members are Independent Directors. The profile of each Director is presented separately in pages 9 to 12 of the Annual Report 2015.

The current composition of the Board provides an effective Board with a mix of industry specific knowledge, broad based business and commercial experience together with independent judgement on matters of strategy, operations, resources and business conduct. This wide spectrum of skills and experience provide the strength that is needed to lead the Company to meet its objectives. The Board is of the opinion that the directors, with their different background and specializations, collectively bring with them a wide range of experience and expertise required to discharge the Board's duties and responsibilities.

PRINCIPLE 4 – FOSTER COMMITMENT

Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities. The Board met six (6) times during the year under review and all Directors attended more than 50% of the total Board meetings held during the financial year ended 31 December 2015, thus fulfilling the requirement of the Main LR of Bursa Malaysia.

During these meetings, the Board review, amongst others, the Group's quarterly financial results, reports and updates on the Group's operations, minutes of meetings of Board Committees and any other strategic issues relating to the Group's businesses.

In advance of and during each Board Meeting, members are each provided with relevant documents and information to enable them to make an informed decision. All proceedings at the Board meetings are minuted and recorded including the issues discussed and decisions arrived at.

Corporate Governance Statement (Cont'd)

The following are the Board meetings attended by the Directors during the financial year ended 31 December 2015:-

Director	Position	No. of Board Meetings Attended
Dato' Ir Lim Siang Chai	Executive Chairman	6/6
Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman	Independent Non-Executive Director	5/6
Fathi Ridzuan Bin Ahmad Fauzi	Independent Non-Executive Director	6/6
Foong Kah Heng (Appointed on 13 January 2015)	Executive Director	5/5
Lee Leong Kui (Appointed on 13 January 2015)	Executive Director	5/5
Kamil Bin Abdul Rahman (Appointed on 29 January 2015)	Independent Non-Executive Director	5/5
Chan Fook Mun (Appointed on 29 May 2015)	Independent Non-Executive Director	2/2

Directors' Training

All Directors have attended the Mandatory Accreditation Programme ("MAP") prescribed by Main LR of Bursa Malaysia. The Directors shall be committed to continuous education to equip themselves with the knowledge and understanding of various provisions, rules, regulations and the latest development in the industries to effectively discharge their duties and obligations.

The Directors are briefed by the Company Secretary on the letters and circulars issued by Bursa Malaysia at every Board Meeting. The Directors also will continue to undergo training and education programmes in order to keep themselves abreast on the various issues facing the changing business environment within which the company operates in order to discharge their duties and responsibilities more effectively.

Updates on the Code, Companies Act, 1965 and the Main LR of Bursa Malaysia were given by the Company Secretary to all Directors to facilitate knowledge enhancement in the areas of the Corporate Governance and relevant compliance areas.

All Directors have full opportunity to attend seminars, trainings, workshops and conference to update their knowledge and skills to contribute and to carry out their roles and duties in line with the directors' responsibility.

All Directors have complied with the Continuous Training Programme prescribed by Bursa Malaysia. The Directors have participated in conferences, seminars and training programmes and during the financial year ended 31 December 2015, the following training programmes and seminars were attended by the Directors:-

Corporate Governance Statement (Cont'd)

Name	Date of Training	Subject
Dato' Ir Lim Siang Chai	27-28 August 2015	Fair for Trade in Services of the 10th China - Northeast Asia Expo, Chengchua , China.
	3-4 September 2015	Markets and Technology : Driving Future Growth Through Innovation
Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman	10 December 2015	Corporate Financial Reporting – Are You Making The Right Decisions?
Fathi Ridzuan Bin Ahmad Fauzi	10 December 2015	Corporate Financial Reporting – Are You Making The Right Decisions?
Kamil Bin Abdul Rahman	20 January 2015	Economic Challenges in Europe
	12 February 2015	Economic Outlook 2015
	13 April 2015	New Zealand Health Technology
	5-6 August 2015	Integrity and Professionalism – Key to Business Success
	3 September 2015	Business Opportunities in OIC
	12 October 2015	Listing on Bursa Malaysia
	26-27 October 2015	Today's Synergy, Tomorrow's Reality
Foong Kah Heng	3 November 2015	Navigating The Political Economy Of Global Business : A Malaysian Insight
Lee Leong Kui	15 April 2015	Travel & Tours Enhancement Course
	30 June 2015	Advocacy Sessions On Management Discussion & Analysis For Chief Executive Officers And Chief Financial Officers
	3-4 September 2015	Markets and Technology : Driving Future Growth Through Innovation
Chan Fook Mun	3 November 2015	Navigating The Political Economy Of Global Business : A Malaysian Insight

Corporate Governance Statement (Cont'd)

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING

Compliance with Applicable Financial Reporting Standards

In presenting the annual audited financial statements and quarterly announcements of results to shareholders, the Board take responsibility to present a balanced and meaningful assessment of the Group's position and prospect and to ensure that the financial statements are drawn up in accordance with the provision of Companies Act, 1965 and applicable accounting standards in Malaysia. The Audit Committee assists the Board in scrutinising information for disclosure to ensure accuracy, adequacy and completeness. The Responsibility Statement by the Directors pursuant to Main LR of Bursa Malaysia is set out in this Annual Report.

In addition to the above, the Company also undertook an independent assessment of the internal control system and the Audit Committee has been assured that no material issue and major deficiency had been detected which posed a high risk to the overall internal control under review.

Assessment of Suitability and Independence of External Auditors

The Board has maintained an appropriate and transparent relationship with the External Auditors through the Audit Committee. The Audit Committee has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. Both the External Auditors and Internal Auditors are invited to attend the Audit Committee Meetings to facilitate the exchange of view on issues requiring attention.

A full Audit Committee Report is set out in pages 31 to 34 of this Annual Report.

PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS

Sound Framework to Manage Risk

The Board oversees, reviews and monitors the operation, adequacy and effectiveness of the Group's system of internal controls. The Board defines the level of risk appetite, approving and overseeing the operation of the Group's Risk Management Framework, assessing its effectiveness and reviewing any major/ significant risk facing the Group.

The Audit Committee oversees the risk management framework of the Group and advises the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation.

The Audit Committee also reviews the action plan implemented and makes relevant recommendations to the Board to manage residual risks. The Company continues to maintain and review its internal control procedures to safeguard its assets and businesses.

Internal Audit Function

The Company has outsourced its internal audit function to a professional services firm namely Sterling Business Alignment Consulting Sdn. Bhd. to assist the AC in discharging its duties and responsibilities in respect of reviewing the adequacy and effectiveness of the Group's risk management and internal control systems.

The Statement on Risk Management and Internal Control as included on pages 26 to 28 of this Annual Report provides the overview of the internal control framework adopted by the Company during the financial year ended 31 December 2015.

PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policies

The Board shall ensure that all communications to the public are timely, factual, accurate, complete, broadly disseminated and where necessary, filed with regulators in accordance with applicable laws. The Company aims to build long-term relationships with shareholders and potential investors through appropriate channels for the management and disclosure of information. These investors are provided with sufficient business, operations and financial information on the Group to enable them to make informed investment decision.

The Management are responsible for determining the materiality of the information and ensuring timely, complete, and accurate disclosure of material information to the investing public in accordance with securities laws and stock exchange rules and regulations, monitoring compliance with this policy and overseeing the disclosure controls and procedures.

Sufficient information would be provided to the Company Secretary for drafting of the necessary announcement. The Board is mindful that information which is expected to be material must be announced immediately, and that the confidential information should be handled properly to avoid leakage and improper use of such information.

Leverage on Information Technology for Effective Dissemination of Information

The Company's website incorporates an Investor Relations section which provides all relevant information on the Company and is accessible by the public. This Investor Relation section enhances the Investor Relations function by including all announcements made by the Company. The announcement of the quarterly financial results is also made via Bursa Link immediately after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN AND SHAREHOLDERS

Encourage Shareholder Participation at General Meetings

In an effort to encourage greater shareholders' participation at AGMs, the Board takes cognisance in serving longer than the required minimum notice period for AGMs, when possible. The Chairman shall ensure that the Board is accessible to shareholders and an open channel of communication is cultivated.

Jiankun encloses the Annual Report and Notice of AGM with regard to, amongst others, details of the AGM, their entitlement to attend the AGM, the right to appoint proxy and also the qualification of proxy.

Notice of the AGM and the Annual Report are sent out more than 21 days prior to the date of the AGM and it is also advertised in a local daily newspaper. Any item of the Special Business included in the Notice of the AGM will be accompanied by a full explanation of the effects of the proposed resolution. Shareholders are given the opportunity to participate in the question and answer session on the proposed resolutions and the Group's operations. Separate resolutions are prepared for different transactions and the outcome of the resolutions voted upon will be declared by the Chairman during the AGM and will be announced to Bursa Malaysia on the same Meeting day.

Corporate Governance Statement (Cont'd)

Encourage Poll Voting

On poll voting, the Board is of the opinion that with the current level of shareholders' attendance at general meetings, voting by way of a show of hands continues to be efficient. During the general meetings, the Chairman of the meeting shall remind all members present about their right to demand for a poll in accordance with the provisions of the Articles of Association of the Company in the voting on any resolutions. Currently, all resolutions put forth for the shareholders' approval are carried out by a show of hands, unless a poll is demanded or specifically required.

Effective Communication and Proactive Engagement

The Board acknowledges the need of its shareholders and potential investors to be informed of the Group's performance and major developments. As such, the Company ensures that the quarterly announcements of the Group's financial are made on timely basis to provide its shareholders with an overview of the Group's performance and operations. In addition, general announcements and press releases were made to update the shareholders on any significant developments.

The Company also maintain a website at www.jki.com.my from which shareholders and stakeholders can access for information.

COMPLIANCE STATEMENT

The Board has deliberated, reviewed and approved this Statement on Corporate Governance. The Board considers that the Statement on Corporate Governance provides the information necessary to enables shareholders to evaluate how the Code has been applied. The Board considers and is satisfied that the Company has fulfilled its obligation under the Code, the Main LR of Bursa Malaysia and all applicable laws and regulations throughout the financial year ended 31 December 2015.

This Statement is made in accordance with a resolution of the Board of Directors dated 7 April 2016.

Statement Of Directors' Responsibility In Relation To The Financial Statements

The Directors are required to lay before the Company (“Jiankun International Berhad”) at its Annual General Meeting, the financial statements, which includes the consolidated statement of financial position and the consolidated statement of comprehensive income of the Company and its subsidiaries (“the Group”) for each financial year made out in accordance with the applicable approved accounting standards and the provisions of the Act. This is also in line with Paragraph 15.26(a) of Main LR of Bursa Malaysia.

The Directors are required to take reasonable steps in ensuring that the consolidated financial statements give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year ended 31 December 2015.

The financial statements of the Company and the Group for the financial year under review are set out from pages 46 to 118 of this Annual Report.

During the preparation of financial statements, the Directors have considered the following:-

- Appropriate accounting policies have been used and are consistently applied;
- Reasonable and prudent judgments and estimates were made; and
- All applicable approved accounting standards in Malaysia have been followed.

The Directors are required under the Companies Act, 1965 to ensure that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and to cause such records to be kept in such manner as to enable them to be conveniently and properly audited.

Statement On Risk Management And Internal Control

INTRODUCTION

Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities requires the Board of Directors of the Company to make a statement in this Annual Report about the state of risk management and internal control in the Company as a Group. The Board of Directors recognises the importance of good practice of corporate governance and is committed to maintain a sound system of internal control to safeguard shareholders' investments and Group's assets. The Board is pleased to provide the following Statement on Risk Management and Internal Control which has been prepared in accordance with the "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers".

BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility for maintaining a sound risk management framework and system of internal control, and for reviewing its adequacy and integrity to safeguard shareholders' investment and the Company's assets. The review of the Group's risk management and system of internal control is a concerted and continuing process. In the pursuit of this objective, the Directors are aware that the internal control system is designed to manage rather than eliminate the risk of failure to achieve the Group's objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has received assurance from the Executive Director and Finance and Accounts Manager that the Group's risk management and internal control is operating adequately and effectively, in all material aspects based on the risk management and internal control system of the Group.

KEY ELEMENTS OF INTERNAL CONTROL

CONTROL ENVIRONMENT AND CONTROL ACTIVITIES

- Organization structure with clearly defined lines of responsibility, authority and accountability;
- Clearly defined authorization limits at appropriate levels are set out in an authority matrix for controlling and managing business operations;
- Experienced and competent staffs are placed in areas of responsibility to support and continuously monitor the effectiveness of the Group's system of internal control;
- Policies and procedures for key business processes are formalized and documented for implementation and continuous improvements. These policies are subject to regular reviews to meet new business required.

MONITORING AND COMMUNICATION

- Regular Board and Management meetings are held where information is provided to the Board and Management covering financial performance and operations;
- Regular visits to operating subsidiaries by members of the Board and Senior Management whenever appropriate;
- Regular review of business processes to assess the effectiveness of internal controls by the independent internal auditor. Reports on findings of the internal audit are presented to the Audit Committee and subsequently presented to the Board for consideration for necessary action to be carried out by management.
- Management Accounts and reports are prepared regularly for monitoring of actual performance.
- Regular Management Meetings to identify, assessment and mitigate any potential risk face by the Group.

RISK MANAGEMENT

The Board confirms that there is an on-going process of risk identifying; assessing and responding to achieve the objectives of the Group for the financial year under review. This process is in place for the year under review and up to the date of issuance of the Statement on Risk Management and Internal Control.

Statement On Risk Management And Internal Control

(Cont'd)

Risk management forms an integral part of the Group's business operations. The process of identifying, evaluating, monitoring and managing significant risk is embedded in the various work processes and procedures of the respective operational functions and management team. Any significant issues and controls implemented were discussed at the regular operations and management meetings. Management is putting in place a formal risk management task force consisting of Senior Management and Audit Committee members of the Group.

As part of the Risk Management process, a Registry of Risk and a Risk Management Handbook were adopted. The Registry of Risk records the identified principal business risk. The Risk Management handbook summarizes risk management methodology, approach and processes, roles and responsibilities, and various risk management concept.

A Risk Management Review Group is established to support and advise the Group and Audit Committee on the implementation and monitoring of the Group Risk Management Policy and Strategy. The Review group comprised of all the Executive Management team that comprises of Executive Directors and Heads of Department. The Independent Non-Executive Directors are encourage to attend Risk Registry Review meeting.

For the financial year under review, the meeting was carried out on 11 November 2015. The meeting was attended by the Executive Directors, Head of Project Team, Head of Human Resources, Finance and Account Manager and Contract Manager.

The Finance and Account Manager updates the Audit Committee and Board on the Group's risk profile and reports any new significant risks once a year.

INTERNAL AUDIT FUNCTIONS

Independent reviews of internal control are essential in order to provide an objective assurance to the Board. At present, the review mechanism is under the purview of the Audit Committee. Functionally, the internal auditor report directly to the Audit Committee and are responsible to conduct reviews on the systems of risk management and internal control; report the weaknesses of the systems of risk management and internal control; and to provide recommendations for improvement to the management.

During the financial year, the internal auditors have performed the internal audit according to the revised plan approved by Audit Committee. For the financial year ended 31st December 2015, two Internal Audit Reviews and two Follow up internal audit reviews had been carried out:-

Audit Period	Reporting Month	Audited Areas
1st Quarter (Jan 2015 – Mar 2015)	May 2015	Internal Audit Review on Finance & Accounts functions of JianKun International Berhad and Nagamas Land Development Sdn Bhd, Nagamas Venture Sdn Bhd, Nagamas International (HK) Ltd, Mas-Be Travel Services Sdn Bhd.
2nd Quarter (Apr 2015 – Jun 2015)	Aug 2015	Follow up reviews on Finance and Accounts Review reported in May 2015.
3rd Quarter (Jul 2015 – Sep 2015)	Nov 2015	Follow up reviews on Finance and Accounts Review reported in May 2015.
4th Quarter (Oct 2015 – Dec 2015)	Feb 2016	Contract Management and Project Management of Nagamas Venture Sdn Bhd.

For the financial year ended 31 December 2015, the total fee incurred for the outsourced internal audit function were RM10,000.00.

Statement On Risk Management And Internal Control

(Cont'd)

CONCLUSION

For the year under review and up to the date of issuance of the statement in the Annual Report, the Board is of the opinion that the internal control system currently in place is adequate and effective to safeguard the Group's interests and assets. The Board will continually assess the adequacy and effectiveness of the Group's risk management and system of internal control and to strengthen it, as and when necessary.

REVIEW OF STATEMENT BY THE EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report and had 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 risk management and system of internal control.

Additional Compliance Information

1. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE

That on 9 July 2015, the Board of Directors had announced the revised approval on the utilisation of utilisation of the Rights Proceeds through Bursa announcement.

The Renounceable Rights Issue Together with Free Detachable Warrants has raised proceeds of RM 25.2 million and the fund utilisation status are stated below:

Purpose	Estimated Timeframe	Amounts allocated RM,000	Actual Utilisation RM,000	Unutilised Amounts RM,000
Payment for construction cost	Within 12 months from the listing of the Rights shares	3,877	3,877	-
Working Capital	Within 12 months from the listing of the Rights shares	2,248	2,248	-
To Fund Future Projects	Within 36 months from the listing of the Rights shares	18,747	15,394	3,353
To defray expenses relating to the Proposals	Within 3 months from the listing of the Rights shares	323	323	-
		25,195	21,842	3,353

2. MATERIAL CONTRACTS

During the financial year ended 31 December 2015, there were no material contracts entered into by the Company and/or its subsidiaries involving directors and major shareholders' interests (not being contracts entered into in the ordinary course of business).

3. SHARE BUY-BACK

The Company did not enter into any share buy-backs transactions during the financial year.

4. OPTIONS OR CONVERTIBLE SECURITIES

The Company did not issue any options or convertible securities during the financial year.

5. DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt programme during the financial year.

6. SANCTIONS AND/OR PENALTIES

During the financial year under review, there were no sanctions and/or penalties imposed on the Company and/or its subsidiary companies, Directors or Management by relevant regulatory bodies arising from any significant breach of rules/guidelines/legislation during the financial year ended 31 December 2015.

Additional Compliance Information (Cont'd)

7. NON-AUDIT FEE

Non-audit fees paid or payable to the External Auditors by the Group for the financial year ended 31 December 2015 was RM5,000 for the work done to verify the Statement on Risk Management and Internal Control.

8. VARIATION IN RESULTS

There was no material variations between the results for the financial year and the unaudited results previously announced. The Company did not make any profit estimate, forecast or projection for the financial year.

9. PROFIT GUARANTEE

The Company did not provide any profit guarantee during the financial year.

Report Of The Audit Committee

The Board of Directors of Jiankun International Berhad is pleased to present the Audit Committee Report for the financial year ended 31 December 2015.

MEMBERS OF AUDIT COMMITTEE

The Audit Committee (“AC” or “Committee”) consists of four (4) members, majority of whom are Independent Non-Executive Directors. The present members of the AC are: -

Director	Position
Fathi Ridzuan Bin Ahmad Fauzi	Independent Non-Executive Director
Tan Sri Dato’ (Dr) Abdul Aziz Bin Abdul Rahman	Independent Non-Executive Director
Kamil Bin Abdul Rahman (<i>Appointed on 29 January 2015</i>)	Independent Non-Executive Director
Chan Fook Mun (<i>Appointed on 29 May 2015</i>)	Independent Non-Executive Director

TERMS OF REFERENCE

1. Constitution

The Board of Directors have constituted and established a committee of the Board to be known as the Audit Committee.

2. Composition

- (a) The Committee shall be appointed by the Board of Directors from amongst the Directors of the Company and shall comprise of not less than three (3) members, all of whom must be Non-Executive Directors, with a majority of them being independent.
- (b) At least one (1) member of the Committee shall be a member of the Malaysian Institute of Accountants; or if not a member of the Malaysian Institute of Accountants, he must have at least three (3) years’ working experience and have passed the examinations specified in Part 1 of the First Schedule of the Accountants Act, 1967 (“said Schedule”) or he must be a member of one (1) of the associations of accountants specified in Part II of the said Schedule; or has a degree/masters/doctorate in accounting or finance and at least three (3) years’ post qualification experience in accounting or finance or is a member of a professional accountancy organisation which has been admitted as full members of the International Federation of Accountants and at least three (3) years’ post qualification experience in accounting or finance; or at least seven (7) years’ experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.
- (c) No alternate director shall be appointed as a member of the Committee.
- (d) The members of the Committee shall elect a Chairman from among their numbers who shall be an Independent Director.
- (e) In the event of any vacancy in the Committee resulting in the non-compliance of subparagraph 15.09(1) of the Main LR of Bursa Malaysia, the Board shall fill the vacancy within three (3) months from the date of the vacancy.
- (f) The Board shall review the terms of office and performance of the Committee and each of its members at least once every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

Report Of The Audit Committee (Cont'd)

3. Authority

- (a) The Committee is authorised by the Board to review and/or investigate any matter within the Committee's terms of reference. It shall have full and unrestricted access to any information pertaining to the Group and shall have the resources it requires to perform its duties. All employees of the Group are required to comply with the requests made by the Committee.
- (b) The Committee is authorised by the Board to obtain external legal or independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary, the expenses of which will be borne by the Company.
- (c) The Committee shall have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity.
- (d) The Committee shall be able to convene meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary, in order to enable the Committee and the External Auditors or the Internal Auditors or both, to discuss problems and reservations and any other matter the External Auditors or Internal Auditors may wish to bring up to the attention of the Committee.
- (e) The Committee is not authorised to implement its recommendations on behalf of the Board but report its recommendations back to the Board for its consideration and implementation. Where the Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Main LR of Bursa Malaysia, the Committee is authorised to promptly report such matters to the Bursa Malaysia.

4. Functions of the Committee shall be amongst others:-

- (a) To consider the audit fee of the External Auditors, any questions of resignation or dismissal of the External Auditors and appointment of new External Auditors to replace outgoing auditor, and whether there is reason (supported by grounds) to believe that the Company's External Auditors is not suitable for re-appointment; and to recommend the nomination of a person or persons as External Auditors;
- (b) To discuss with the External Auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one (1) audit firm is involved;
- (c) To act as an intermediary between Management or other employees, and the External Auditors;
- (d) To review the quarterly results and year-end financial statements prior to the approval by the Board, focusing particularly on:-
 - (i) any changes in or implementations of major accounting policies and practices;
 - (ii) significant adjustments arising from audits;
 - (iii) significant and unusual events;
 - (iv) litigation that could affect results materially;
 - (v) the going concern assumption; and
 - (vi) compliance with accounting standards regulatory and other legal requirements.
- (e) To discuss problems and reservations arising from the interim and final audits, and any matter the External Auditors may wish to discuss (in the absence of Management where necessary);
- (f) To review matters arising from the audit with the External Auditors including any report or management letter and Management's response;

Report Of The Audit Committee (Cont'd)

- (g) To do the following where an internal audit function exists:-
 - (i) review the adequacy of the scope, functions and resources and competency of the internal audit function, and that it has the necessary authority to carry out its work;
 - (ii) review the internal audit programme, process and results of the internal audit programme, process and/or investigation undertaken and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
 - (iii) to ensure the internal audit function of the Company reports directly to the Committee;
 - (iv) review any appraisal or assessment of the performance of the internal audit function;
 - (v) to review the independence of the internal audit function;
 - (vi) approve any appointment or termination of Internal Auditors; and
 - (vii) provide the Internal Auditors an opportunity to submit reasons for resigning.
- (h) Review the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- (i) To consider any related party transactions and conflict of interest situations that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of Management integrity;
- (j) To consider the major findings of internal investigations and Management's response;
- (k) To prepare the annual Committee report to the Board which includes the composition of the Committee, its terms of reference, number of meetings held, a summary of its activities and the existence of internal audit function and summary activities of internal audit function for inclusion in the Annual Report;
- (l) To review the Board's statement in compliance with the Malaysian Code on Corporate Governance for inclusion in the Annual Report;
- (m) To carry out such other functions as may be agreed to by the Committee and the Board.

5. Meetings & Minutes

- (a) The Committee shall meet at least four (4) times annually. However, at least once a year, the Committee shall meet with the External Auditors without the Executive Directors being present.
- (b) A quorum shall be two (2) members, majority of whom must be Independent Directors.
- (c) Other than in circumstances which the Chairman considers inappropriate, the Chief Accountant and/or Chief of Finance and the representatives of the External Auditors and Internal Auditors shall attend all meetings of the Committee to make known their views on any matter under consideration by the Committee, or which in their opinion, should be brought to the attention of the Committee. The Committee may, as and when necessary, invite other members of the Board and members of Senior Management to attend the meetings.
- (d) The Company Secretary shall be the Secretary of the Committee and will record, prepare and circulate the minutes of the meetings of the Committee and ensure that the minutes are properly kept and produced for inspection, if required. The Committee shall report to the Board and its minutes tabled and noted by the Board.

Report Of The Audit Committee (Cont'd)

Meetings held during the financial year ended 31 December 2015

The Committee met five (5) times during the financial year ended 31 December 2015 and the details of attendance are as follows:-

Director	Total meetings attended
Fathi Ridzuan Bin Ahmad Fauzi	5/5
Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman	4/5
Kamil Bin Abdul Rahman (<i>Appointed on 29 January 2015</i>)	5/5
Chan Fook Mun (<i>Appointed on 29 May 2015</i>)	2/2

Other Board members, Director of Corporate Affairs, Chief Administrative Office, Finance Manager and representatives of the External Auditors and Internal Auditors were present by invitation to brief the Committee on specific issues, as and when necessary, with the Company Secretaries in attendance.

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

During the financial year, the Audit Committee in the discharge of its duties and functions carried out the following activities:

- Reviewed the unaudited quarterly financial results and annual audited financial statements of the Group to ensure compliance with approved accounting standards and adherence to other regulatory requirements prior to submission to the Board for consideration and approval;
- Reviewed and assessed the significant issues set out in the management letter arising from the audit of the Group by the External Auditors for the financial year and seeks clarification and explanations from Management of the Company on issues noted in the audit reports.
- Reviewed the Audit Plan and timetable with the External Auditors.
- Reviewed report of the Internal Auditors on the Company and its subsidiaries.
- Reviewed the assistance provided by Management to the External Auditors during the course of their audit.
- Reviewed the audit fees for the External Auditors in respect of their audit of the Group and the Company
- Considered and recommended the re-appointment of the External Auditors to the shareholders for approval.
- Reviewed the internal control system of the Group and made recommendations to the Board and Management on improvement of internal controls, procedures and systems and other matters noted by the Committee.
- Reviewed the recurrent related party transactions.

Group Financial Highlights

GROUP FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2015

Revenue	Loss Before Taxation	Loss After Taxation	Shareholder's Fund	Earnings Per Share
11,456,357	1,204,664	654,714	55,805,170	(0.43 Sen)

FIVE YEARS' FINANCIAL PERFORMANCE

Revenue	RM
2011	15,336,190
2012	10,291,455
2013	6,349,481*
2014	3,168,399*
2015	11,456,357

Profit/ (Loss) Before Taxation	RM
2011	(1,321,624)
2012	(1,593,922)
2013	8,850,720*
2014	(1,967,462)*
2015	(1,204,664)

Shareholders' Fund	RM
2011	16,901,066
2012	14,988,515
2013	20,543,603
2014	44,805,170
2015	55,805,170

Earnings/ (Loss) Per Share	Sen
2011	(2.5)
2012	(3.1)
2013	9.1*
2014	(3.8)*
2015	(0.43)

* Inclusive of discontinued operation

Directors' Report

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

Principal Activities

The principal activities of the Company consist of the provision of management services and investment holding. The principal activities of its subsidiary companies are disclosed in Note 7 to the financial statements.

During the financial year, the Group has ventured into construction activities through the acquisition of JKI Construction Sdn. Bhd. and JKI Development Sdn. Bhd.

Financial Results

	Group RM	Company RM
Net loss for the financial year	<u>(654,714)</u>	<u>(795,348)</u>
Attributable to: Owners of the parent	<u>(654,714)</u>	<u>(795,348)</u>

Reserves and Provisions

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

Dividends

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year. The Board of Directors does not recommend any dividend in respect of the current financial year.

Issue of Shares and Debentures

There were no issues of shares or debentures during the current financial year.

Warrants

Details of warrants is disclosed in Note 15 of the financial statements.

Options Granted Over Unissued Shares

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

Directors

The Directors in office since the date of the last report are:

Dato' Ir Lim Siang Chai

Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman

Fathi Ridzuan Bin Ahmad Fauzi

Foong Kah Heng

Lee Leong Kui

Kamil Bin Abdul Rahman

Chan Fok Mun

(Appointed on 29.05.2015)

Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman retires pursuant to Section 129(6) of the Companies Act, 1965 and has indicated that he is not seeking for re-election and re-appointment as director.

Foong Kah Heng, Lee Leong Kui and Kamil Bin Abdul Rahman retire pursuant to Article 95 of the Company's Article of Association and seek re-election and re-appointment as director to hold office until next Annual General Meeting of the Company.

Fathi Ridzuan Bin Ahmad Fauzi retires pursuant to Article 88 of the Company's Article of Association and seeks re-election and re-appointment as director to hold office until the next Annual General Meeting of the Company.

Directors' Interests

The interests and deemed interests in the shares and options over shares of the Company and of its related corporations (other than wholly-owned subsidiary companies) of those who were Directors at financial year end (including their spouses or children) according to the Register of Directors' Shareholdings are as follows:

Directors' Report (Cont'd)

Directors' Interests (Cont'd)

	Number of ordinary shares of RMI each			
	At 01.01.2015	Bought	Sold	At 31.12.2015
Interests in the Company				
Direct interests				
Dato' Ir Lim Siang Chai	13,508,000	2,000,000	(8,000)	15,500,000
Foong Kah Heng	7,530,000	-	-	7,530,000
Indirect interests				
Foong Kah Heng	16,882,450	-	-	16,882,450

	Number of warrants 2014 / 2021			
	At 01.01.2015	Bought	Sold	At 31.12.2015
Direct interest				
Dato' Ir Lim Siang Chai	9,750,000	-	(7,000,000)	2,750,000
Foong Kah Heng	3,765,000	-	-	3,765,000
Indirect interests				
Foong Kah Heng	9,661,837	-	-	9,661,837

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than 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 28 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Other Statutory Information

- (a) Before the statements of financial position and statements of profit or loss and other comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps:
 - (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no bad debts to be written off and no allowance for doubtful debts was required; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
 - (i) which would render it necessary to write off any bad debts or to make any allowance for doubtful debts in the financial statements of the Group and of the Company; or
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
 - (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or
 - (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) At the date of this report, there does not exist:
 - (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

Directors' Report (Cont'd)

Other Statutory Information (Cont'd)

- (d) In the opinion of the Directors:
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;
 - (ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
 - (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Significant Events

Significant events during the financial year are disclosed in Note 32 to the financial statements.

Auditors

The Auditors, Messrs UHY, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 7 April 2016.

DATO' IR LIM SIANG CHAI

LEE LEONG KUI

KUALA LUMPUR

Statement By Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 46 to 117 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 2015 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 36 to the financial statements on page 118 have been compiled in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 7 April 2016.

DATO' IR LIM SIANG CHAI

LEE LEONG KUI

KUALA LUMPUR

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, WONG KOK FONG, being the Officer primarily responsible for the financial management of Jiankun International Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 46 to 117 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the)
abovenamed at Kuala Lumpur in the)
Federal Territory on 7 April 2016)

WONG KOK FONG

Before me,

COMMISSIONER FOR OATHS

Independent Auditors' Report

To The Members Of Jiankun International Berhad (111365-U)

Report on the Financial Statements

We have audited the financial statements of Jiankun International Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 46 to 117.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the requirements of 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 that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditors' Report

To The Members Of Jiankun International Berhad (111365-U) (Cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

- (i) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (ii) We have considered the financial statements and the auditors' reports of all the subsidiary companies of which we have not acted as auditors, which are indicated in Note 7 to the financial statements.
- (iii) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (iv) The audit reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 36 on page 118 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of 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.

Independent Auditors' Report

To The Members Of Jiankun International Berhad (111365-U) (Cont'd)

Other Matters

1. This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.
2. The financial statements of Jiankun International Berhad for the financial year ended 31 December 2014 were audited by another auditor who expressed an unqualified opinion on those financial statements on 17 April 2015.

UHY

Firm Number: AF 1411

Chartered Accountants

CHONG HOU NIAN

Approved Number: 3105/11/16(J)

Chartered Accountant

KUALA LUMPUR

7 April 2016

Statements Of Financial Position

As At 31 December 2015

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	71,539	2,852	62,943	2,852
Goodwill	5	-	-	-	-
Investment properties	6	26,123,727	22,211,741	-	-
Investment in subsidiary companies	7	-	-	11,642,159	9,742,157
		<u>26,195,266</u>	<u>22,214,593</u>	<u>11,705,102</u>	<u>9,745,009</u>
Current assets					
Property development cost	8	23,345,073	-	-	-
Amount due from contract customer	9	-	-	-	-
Trade receivables	10	6,607,270	-	-	-
Other receivables	11	14,208,803	4,891,478	497,564	483,662
Amount due from subsidiary companies	12	-	-	21,937,468	4,895,739
Fixed deposit with licence bank	13	2,057,768	-	2,057,768	-
Cash and bank balances		<u>1,808,132</u>	<u>25,204,545</u>	<u>763,208</u>	<u>25,203,203</u>
		<u>48,027,046</u>	<u>30,096,023</u>	<u>25,256,008</u>	<u>30,582,604</u>
Total assets		<u>74,222,312</u>	<u>52,310,616</u>	<u>36,961,110</u>	<u>40,327,613</u>
EQUITY					
Share capital	14	37,919,380	37,919,380	37,919,380	37,919,380
Reserves	15	<u>10,188,292</u>	<u>6,885,790</u>	<u>(1,242,375)</u>	<u>(447,027)</u>
Total equity		<u>48,107,672</u>	<u>44,805,170</u>	<u>36,677,005</u>	<u>37,472,353</u>

Statements of Financial Position

As At 31 December 2015 (Cont'd)

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
LIABILITIES					
Non-current liabilities					
Bank borrowings	16	15,750,000	-	-	-
Deferred tax liabilities	17	5,172,943	4,695,144	-	-
		<u>20,922,943</u>	<u>4,695,144</u>	<u>-</u>	<u>-</u>
Current liabilities					
Trade payables	18	3,985,634	-	-	-
Other payables	19	1,206,063	1,632,544	133,001	1,490,226
Amount due to a subsidiary company	12	-	-	151,104	187,276
Amount due to directors	20	-	1,177,758	-	1,177,758
		<u>5,191,697</u>	<u>2,810,302</u>	<u>284,105</u>	<u>2,855,260</u>
Total liabilities		<u>26,114,640</u>	<u>7,505,446</u>	<u>284,105</u>	<u>2,855,260</u>
Total equity and liabilities		<u>74,222,312</u>	<u>52,310,616</u>	<u>36,961,110</u>	<u>40,327,613</u>

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

Statements Of Profit Or Loss And Comprehensive Income

For The Financial Year Ended 31 December 2015

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
Revenue	21	11,456,357	-	1,410,000	-
Cost of sales	22	(9,105,172)	-	-	-
Gross profit		<u>2,351,185</u>	<u>-</u>	<u>1,410,000</u>	<u>-</u>
Other income	23	827,036	2,535,759	818,517	-
Administrative expenses		(3,282,984)	(3,473,308)	(3,023,865)	(3,239,690)
Other expenses		<u>(1,099,901)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss from operation		<u>(1,204,664)</u>	<u>(937,549)</u>	<u>(795,348)</u>	<u>(3,239,690)</u>
Finance costs		-	-	-	-
Loss before tax	24	<u>(1,204,664)</u>	<u>(937,549)</u>	<u>(795,348)</u>	<u>(3,239,690)</u>
Taxation	25	<u>549,950</u>	<u>(25,122)</u>	<u>-</u>	<u>-</u>
Loss from continuing operations		<u>(654,714)</u>	<u>(962,671)</u>	<u>(795,348)</u>	<u>(3,239,690)</u>
Loss from a discontinued operation		<u>-</u>	<u>(1,029,913)</u>	<u>-</u>	<u>-</u>
Loss for the financial year		<u>(654,714)</u>	<u>(1,992,584)</u>	<u>(795,348)</u>	<u>(3,239,690)</u>

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

Statements Of Profit Or Loss And Comprehensive Income

For The Financial Year Ended 31 December 2015 (Cont'd)

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss					
Exchange translation differences for foreign operations		3,957,216	1,058,521	-	-
Total comprehensive income/ (loss) for the financial year		3,302,502	(934,063)	(795,348)	(3,239,690)
Loss for the financial year attributable to owners of the parent		(654,714)	(1,992,584)	(795,348)	(3,239,690)
Total comprehensive income/ (loss) attributable to owner of the parent		3,302,502	(934,063)	(795,348)	(3,239,690)
Loss per share	26				
Basic loss per share (sen):					
Loss from continuing operations		(0.43)	(1.81)	-	-
Loss from discontinued operations		-	(1.94)	-	-
Total		(0.43)	(3.75)	-	-
Diluted loss per share (sen):					
Loss from continuing operations		(0.29)	(1.80)	-	-
Loss from discontinued operations		-	(1.93)	-	-
Total		(0.29)	(3.73)	-	-

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

Statements of Changes In Equity

For The Financial Year Ended 31 December 2015

Group 2015	Attributable to the Owners of the Parent						
	Non-Distributable				Distributable		
	Share Capital RM	Foreign Exchange Translation Reserve RM	Warrant Reserve RM	Capital Reserve RM	Accumulated Losses RM	Total Equity RM	
At 1 January 2015	37,919,380	1,215,731	13,605,640	2,792,663	(10,728,244)	44,805,170	
Loss for the financial year	-	-	-	-	(654,714)	(654,714)	
Other comprehensive income for the financial year	-	3,957,216	-	-	-	3,957,216	
Total comprehensive income for the financial year	-	3,957,216	-	-	(654,714)	3,302,502	
At 31 December 2015	37,919,380	5,172,947	13,605,640	2,792,663	(11,382,958)	48,107,672	

Statements of Changes In Equity

For The Financial Year Ended 31 Decembe 2015 (Cont'd)

Group 2014	Attributable to the Owners of the Parent						
	Non-Distributable			Distributable			
	Share Capital RM	Foreign Exchange Translation Reserve RM	Warrant Reserve RM	Capital Reserve RM	Accumulated Losses RM	Total Equity RM	Total Equity RM
At 1 January 2014	50,895,000	157,210	-	-	(30,508,607)	20,543,603	20,543,603
Loss for the financial year	-	-	-	-	(1,992,584)	(1,992,584)	(1,992,584)
Other comprehensive income for the financial year	-	1,058,521	-	-	-	1,058,521	1,058,521
Total comprehensive income/ (loss) for the financial year	-	1,058,521	-	-	(1,992,584)	(934,063)	(934,063)
Transaction with owners:							
Par value reduction	(38,171,250)	-	-	-	-	(38,171,250)	(38,171,250)
Issuance of shares pursuant to rights issue with warrant	25,195,630	-	-	2,792,663	35,378,587	63,366,880	63,366,880
Transfer to warrant reserve	-	-	13,605,640	-	(13,605,640)	-	-
Total transactions with owners	(12,975,620)	-	13,605,640	2,792,663	21,772,947	25,195,630	25,195,630
At 31 December 2014	37,919,380	1,215,731	13,605,640	2,792,663	(10,728,244)	44,805,170	44,805,170

Statements of Changes In Equity

For The Financial Year Ended 31 Decembe 2015 (Cont'd)

	Attributable to the Owners of the Parent				Total Equity RM
	Share Capital RM	Warrant Reserve RM	Capital Reserve RM	Accumulated Losses RM	
Company 2015					
At 1 January 2015	37,919,380	13,605,640	2,792,663	(16,845,330)	37,472,353
Loss for the financial year, representing total comprehensive income for the financial year	-	-	-	(795,348)	(795,348)
At 31 December 2015	37,919,380	13,605,640	2,792,663	(17,640,678)	36,677,005

Statements of Changes In Equity

For The Financial Year Ended 31 Decembe 2015 (Cont'd)

Company	Attributable to the Owners of the Parent					Total Equity RM
	Share Capital RM	Warrant Reserve RM	Capital Reserve RM	Accumulated Losses RM	Distributable	
2014						
At 1 January 2014	50,895,000	-	-	(35,378,587)	-	15,516,413
Loss for the financial year, representing total comprehensive income for the financial year	-	-	-	(3,239,690)	-	(3,239,690)
Transaction with owners:						
Par value reduction	(38,171,250)	-	-	-	-	(38,171,250)
Issuance of shares pursuant to rights issue with warrant	25,195,630	-	2,792,663	35,378,587	-	63,366,880
Transfer to warrant reserve	-	13,605,640	-	(13,605,640)	-	-
Total transactions with owners	(12,975,620)	13,605,640	2,792,663	21,772,947	-	25,195,630
At 31 December 2014	37,919,380	13,605,640	2,792,663	(16,845,330)	-	37,472,353

Statements of Cash Flows

For The Financial Year Ended 31 Decembe 2015

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Cash Flows From Operating Activities				
Loss before tax				
- Continuing operations	(1,204,664)	(937,549)	(795,348)	(3,239,690)
- Discontinued operations	-	(1,029,913)	-	-
	<u>(1,204,664)</u>	<u>(1,967,462)</u>	<u>(795,348)</u>	<u>(3,239,690)</u>
Adjustments for:				
Allowance of impairment loss on receivables	-	22,767	-	-
Deposits written off	-	41,816	-	41,816
Depreciation of property, plant and equipment	14,102	108,540	13,252	16,023
Discount on settlement	-	800,000	-	-
Gain/(loss) on disposal of:				
- Investment in subsidiary companies	-	(2,483,516)	-	700,000
- Property, plant and equipment	-	35,931	-	35,931
Fair value loss/(gain) on investment property	1,099,901	(50,243)	-	-
Interest expense	-	177,370	-	-
Interest income	(292,400)	-	(292,400)	-
Property, plant and equipment written off	-	150	-	150
Waiver of liability	(526,117)	-	(526,117)	-
Operating loss before working capital changes	<u>(909,178)</u>	<u>(3,314,647)</u>	<u>(1,600,613)</u>	<u>(2,445,770)</u>
Changes in working capital				
Property development costs	(23,345,073)	(2,588,620)	-	-
Trade receivables	(6,607,270)	-	-	-
Other receivables	(9,317,325)	722,290	(13,902)	(516,662)

Statements of Cash Flows

For The Financial Year Ended 31 Decembe 2015 (Cont'd)

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Cash Flows From Operating Activities (Cont'd)				
Trade payables	3,985,634	-	-	-
Other payables	99,636	893,034	(831,108)	(1,175,994)
Amount due to directors	(1,177,758)	2,138,375	(1,177,758)	(776,926)
Amount due from/(to) related companies	-	-	-	(43,564)
Amount due from/(to) subsidiary companies	-	-	(17,077,901)	1,623,555
	<u>(36,362,156)</u>	<u>1,165,079</u>	<u>(19,100,669)</u>	<u>(889,591)</u>
Cash used in operating activities	(37,271,334)	(2,149,568)	(20,701,282)	(3,335,361)
Interest paid	-	(177,370)	-	-
Interest received	292,400	-	292,400	-
	<u>292,400</u>	<u>(177,370)</u>	<u>292,400</u>	<u>-</u>
Net cash used in operating activities	<u>(36,978,934)</u>	<u>(2,326,938)</u>	<u>(20,408,882)</u>	<u>(3,335,361)</u>
Cash Flows From Investing Activities				
Acquisition of subsidiary companies, net of cash acquired	-	-	(1,900,002)	-
Acquisition of property, plant and equipment	(82,789)	(6,629)	(73,343)	(3,550)
Proceeds from disposal of a subsidiary company, net of cash disposed	-	2,969,890	-	3,300,000
Proceeds from disposal of property, plant and equipment	-	20,000	-	20,000
Net cash (used in)/from investing activities	<u>(82,789)</u>	<u>2,983,261</u>	<u>(1,973,345)</u>	<u>3,316,450</u>

Statements of Cash Flows

For The Financial Year Ended 31 December 2015 (Cont'd)

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Cash Flows From Financing Activities				
Proceed from borrowing	15,750,000	=	-	-
Proceed from issue of share capital	-	25,195,630	-	25,195,630
Increase in fixed deposit pledge	(2,057,768)	=	(2,057,768)	=
Repayment of borrowings	-	(848,888)	-	-
Payment of finance lease liabilities	-	(46,038)	-	-
Net cash from/(used in) financing activities	<u>13,692,232</u>	<u>24,300,704</u>	<u>(2,057,768)</u>	<u>25,195,630</u>
Net (decrease)/increase in cash and cash equivalents	(23,369,491)	24,957,027	(24,439,995)	25,176,719
Cash and cash equivalents at beginning of the financial year	25,204,545	253,536	25,203,203	26,484
Effect of exchange translation differences on cash and cash equivalents	<u>(26,922)</u>	<u>(6,018)</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents at the end of the financial year	<u>1,808,132</u>	<u>25,204,545</u>	<u>763,208</u>	<u>25,203,203</u>
Cash and cash equivalents at the end of the financial year comprises:				
Fixed deposits with a licensed bank	2,057,768	-	2,057,768	-
Cash and bank balances	<u>1,808,132</u>	<u>25,204,545</u>	<u>763,208</u>	<u>25,203,203</u>
	3,865,900	25,204,545	2,820,976	25,203,203
Less: Fixed deposit pledged with licensed bank	<u>(2,057,768)</u>	<u>-</u>	<u>(2,057,768)</u>	<u>-</u>
	<u>1,808,132</u>	<u>25,204,545</u>	<u>763,208</u>	<u>25,203,203</u>

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

1. Corporate Information

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

The principal place of business of the Company is located at No. 39, Jalan 5/62A, Bandar Menjalara, 52200 Kuala Lumpur.

The registered office of the Company is located at Suite 10.03, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal activities of the Company consist of the provision of management services and investment holding. The principal activities of its subsidiary companies are disclosed in Notes 7 to the Financial Statements. During the financial year, the Group has ventured into construction activities through the acquisition of JKI Construction Sdn. Bhd. and JKI Development Sdn. Bhd.

2. Basis of Preparation

(a) Statement of Compliance

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

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

Notes To The Financial Statements

31 December 2015 (Cont'd)

2. Basis of Preparation (Cont'd)

(a) Statement of Compliance (Cont'd)

Adoption of new and amended standards

During the financial year, the Group and the Company have adopted the following amendments to FRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

Amendments to FRS 119 Defined Benefits Plans: Employee Contributions
Annual Improvements to FRSs 2010 - 2012 Cycle
Annual Improvements to FRSs 2011 - 2013 Cycle

Adoption of above amendments to FRSs did not have any significant impact on the financial statements of the Group and of the Company.

Standards issued but not yet effective

The Group and the Company have not applied the following new FRSs and amendments to FRSs that have been issued by the MASB but are not yet effective for the Group and for the Company:

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

Notes To The Financial Statements

31 December 2015 (Cont'd)

2. Basis of Compliance (Cont'd)

(a) Statement of Compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

		Effective dated for financial periods beginning on or after
FRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
Amendments to FRS 10 and FRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

The Group and the Company intend to adopt the above FRSs when they become effective.

The initial application of the abovementioned FRSs are not expected to have any significant impacts on the financial statements of the Group and of the Company except as mentioned below:

FRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)

FRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of FRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. FRS 9 when effective will replace FRS 139 *Financial Instruments: Recognition and Measurement*.

FRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. FRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under FRS 139.

Notes To The Financial Statements

31 December 2015 (Cont'd)

2. Basis of Preparation (Cont'd)

(a) Statement of Compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

FRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014) (cont'd)

The adoption of FRS 9 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting FRS 9.

New Malaysian Financial Reporting Standards (“MFRS Framework”) issued but not yet effective

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRS Framework”). The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer (hereinafter called “Transitioning Entities”).

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework and continue to use the existing FRS Framework. The adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

The Group and the Company fall within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in their first MFRS financial statements for the financial year ending 31 December 2018. In presenting their first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of the MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

The Group and the Company have not completed its assessment of the financial effects of the differences between FRSs and accounting standards under the MFRS Framework. Accordingly, the consolidated and separate financial performance and financial position as disclosed in these financial statements for the financial year ended 31 December 2015 could be different if prepared under the MFRS Framework.

2. Basis of Preparation (Cont'd)

(b) Functional and Presentation Currency

These financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

(c) Significant accounting judgments, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140 *Investment Property* in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

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

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

Notes To The Financial Statements

31 December 2015 (Cont'd)

2. Basis of Preparation (Cont'd)

(c) Significant accounting judgments, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Useful lives of property, plant and equipment (Note 4)

The Group regularly review the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Group engaged an independent valuation specialist to assess fair value as at 31 December 2015 for investment properties and revalued land and buildings. For investment properties, a valuation methodology based on sales comparison approach was used. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. Land was valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The fair value of buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

The key assumptions used to determine the fair value of the properties are provided in Notes 6.

Property development

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

Significant judgement is required in determining the stage of completion, the extent of the property development cost incurred the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists. The carrying amount of the Group's property development costs at the reporting date is disclosed in Note 8.

2. Basis of Preparation (Cont'd)

(c) Significant accounting judgments, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Income taxes

Judgment is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

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

Contingent liabilities

Determination of the treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and internal and external experts to the Group for matters in the ordinary course of business.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the Note 30(c) regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

Construction Contracts

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

Significant judgement is required in determining the stage of completion, the extent of the construction costs incurred, the estimated total construction revenue and costs, as well as the recoverability of the construction projects. In making the judgement, the Group evaluates based on experience and by relying on the work of specialists. The details of construction contracts are disclosed in Notes 9.

Notes To The Financial Statements

31 December 2015 (Cont'd)

3. Significant Accounting Policies

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

(a) Basic of consolidation

(i) Subsidiary companies

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed off in profit or loss as incurred.

If the business combination is achieved in stages, previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instruments and within the scope of FRS 139 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

3. Significant Accounting Policies (Cont'd)

(a) Basic of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(j) to the financial statements on impairment of non-financial assets.

(ii) Changes in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(iii) Goodwill on consolidation

The excess of the aggregate consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired (i.e. a bargain purchase), the gain is recognised in profit or loss.

Notes To The Financial Statements

31 December 2015 (Cont'd)

3. Significant Accounting Policies (Cont'd)

(a) Basic of consolidation (Cont'd)

(iii) Goodwill on consolidation (Cont'd)

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 3(j) to the financial statements on impairment of non-financial assets.

(b) Foreign currency translation

(i) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Company's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

3. Significant Accounting Policies (Cont'd)

(b) Foreign currency translation (Cont'd)

(ii) Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at the rate of exchange prevailing at the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2012 (the date of transition to MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly owned subsidiary company, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed off such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

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

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(j).

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. 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. All other repair and maintenance costs are recognised in profit or loss as incurred.

Notes To The Financial Statements

31 December 2015 (Cont'd)

3. Significant Accounting Policies (Cont'd)

(c) Property, plant and equipment (Cont'd)

(i) Recognition and measurement (Cont'd)

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 on the date of 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, 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 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.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing part 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 part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost or valuation of each asset to its residual value over its estimated useful life.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Furniture and office equipment	10%
Electrical installation	25%
Renovation	25%
Computer and software	20% to 33%
Motor vehicle	20%

3. Significant Accounting Policies (Cont'd)

(c) Property, plant and equipment (Cont'd)

(iii) Depreciation (Cont'd)

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

(d) Land and property development costs

(i) Land held for property development

Land held for property development consists of land held for future development activities where no development activities has been undertaken or where development activities are not expected to be completed within normal operating cycle. Such land is classified as non-current asset and is stated at cost less any accumulated impairment losses. The policy of recognition and measurement of impairment is in accordance with Note 3(j).

Land held for property development is reclassified as current asset when the development activities have commenced or development activities are expected to commence within the period of twelve months after the end of financial year and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

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.

(ii) 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.

Property development costs shall be classified as non-current asset where no development activities have been carried out or development activities are not expected to commence within the period of twelve months after the end of financial year or where development activities are not expected to be completed within the normal operating cycle.

Notes To The Financial Statements

31 December 2015 (Cont'd)

3. Significant Accounting Policies (Cont'd)

(d) Land and property development costs (Cont'd)

(ii) Property development costs (Cont'd)

Property development costs shall be reclassified to current asset when the development activities have been commenced or development activities are expected to commence within the period of twelve months after the end of financial year or where the activities are expected to be completed within the normal operating cycle.

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

(e) Investment properties

Investment properties are properties which are 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, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any changes 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.

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

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

3. Significant Accounting Policies (Cont'd)

(f) Financial assets

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

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group and the Company classify its financial assets depends on the purpose for which the financial assets were acquired at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases or sales of financial assets are recognised and derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

A financial asset is derecognised when the contractual rights to receive cash flows from the financial asset has expired or has been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in profit or loss.

(g) Financial liabilities

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

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

Notes To The Financial Statements

31 December 2015 (Cont'd)

3. Significant Accounting Policies (Cont'd)

(g) Financial liabilities (Cont'd)

The Group and the Company classify their financial liabilities at initial recognition, into the following categories:

(i) Other financial liabilities measured at amortised cost

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

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

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

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(h) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdraft and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

3. Significant Accounting Policies (Cont'd)

(j) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, amount due from contract customers, deferred tax assets, assets arising from employee benefits 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, the asset's recoverable amount is estimated. For goodwill the recoverable amount is estimated each period at the same time.

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 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 a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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 cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.