

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the subsidiary companies, associated companies and a joint venture are described in Notes 6 and 7 to the financial statements respectively. There have been no significant changes in the nature of these principal activities during the year.

PROFIT AFTER TAX

	Group RM'000	Company RM'000
Profit after tax attributable to:		
Owners of the Company	400,219	139,724
Non-controlling interests	3,387	-
	<hr/> 403,606	<hr/> 139,724

RESERVES AND PROVISIONS

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

DIVIDENDS

Dividends declared and paid by the Company since the end of the previous year are as follows:

	RM'000
(a) A single-tier final dividend of 5.0 sen per ordinary share in respect of the preceding year ended 31 December 2016 was paid on 11 May 2017	69,240
(b) A single-tier interim dividend of 2.5 sen per ordinary share for the current year ended 31 December 2017 was paid on 11 October 2017	34,620
	<hr/> 103,860

The Board of Directors recommends a single-tier final dividend of 3.5 sen per share amounting to approximately RM72.70 million, based on the number of outstanding shares in issue at the end of the year, for the year ended 31 December 2017. The proposed dividend is subject to Shareholders' approval at the forthcoming Annual General Meeting. The entitlement date for the final dividend shall be determined by the Board of Directors. The financial statements for the current year do not reflect this proposed final dividend. Such dividend will be accounted for in the Shareholders' equity as an appropriation of retained profits in the year ending 31 December 2018 when approved by Shareholders.

DIRECTORS' REPORT

ULTIMATE HOLDING COMPANY

OSK Equity Holdings Sdn. Bhd., a company incorporated in Malaysia, is regarded by the Directors as the Company's ultimate holding company.

SUBSIDIARY COMPANIES

The details of subsidiary companies are disclosed in Note 6 to the financial statements.

For the year ended 31 December 2017, the auditors' report on the financial statements of all the subsidiary companies are not qualified.

None of the subsidiary companies hold any shares in the holding company or in other related corporations.

DIRECTORS

The Directors of the Company who have held office during the year are:

Tan Sri Ong Leong Huat @ Wong Joo Hwa*

Ong Ju Yan*

Ong Ju Xing*

Dato' Saiful Bahri bin Zainuddin*

Foo San Kan*

Tan Sri Datin Paduka Siti Sa'diah binti Sheikh Bakir

Dato' Abdul Majit bin Ahmad Khan

Dato' Thanarajasingam Subramaniam

Ong Yee Ching

Nik Mohamed Sharifidin B N M Din

- appointed on 24 November 2017

Dato' Nik Mohamed Din bin Datuk Nik Yusoff

- retired on 19 April 2017

* Who is also Director of the subsidiary company(ies)

During the period commencing from the end of the year and ending on the date of this report, there were no changes in the directorship of the Company.

DIRECTORS' REPORT

LIST OF DIRECTORS OF THE SUBSIDIARY COMPANIES

The Directors of the subsidiary companies who have held office during the year are:

Ang Beng Teik	
Chow Hock Kin	
Dato' Mohd Daud bin Samsuddin	
Eng Kim Haw	
Estrop Evon Agnes	
Mohamed Nazari bin Noordin	
Noriza Binti Shahadan	
Ong Ghee Bin	
Puan Sri Khor Chai Moi	
Siew Kem Kem	
Terence Vincent Slattery	
Wong Chong Shee	
Yeat Siew Hong	
Tan Kheak Chun	- appointed on 21 March 2017
Fan Pui Chin	- appointed on 17 July 2017
Ting Chun Hong	- appointed on 17 July 2017
Dato' Abdul Rahman bin Yusof	- retired on 18 April 2017
Dr. Ngo Get Ping	- retired on 18 April 2017
Yap Yoon Kong	- retired on 18 April 2017
Wu Yau Wah	- resigned on 31 March 2017
Chan Feoi Chun	- resigned on 17 July 2017
Young Tat Yong	- resigned on 17 July 2017
Chia Peng Hai	- resigned on 21 November 2017

The Directors of the subsidiary companies who have held office during the period commencing from the end of the year and ending on the date of this report are:

Ng Lee Huat	- appointed on 2 January 2018
Wong Kit Yin	- appointed on 2 January 2018

DIRECTORS' REPORT

DIRECTORS' INTERESTS

Neither at the end of the year, nor at any time during the year, did there subsist any arrangement to which the Company was a party, being arrangements with the objects of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

According to the Register of Directors' Shareholdings, the Directors in office at the end of the year who have interests in the shares and warrants of the Company and of its related corporations during the year were as follows:

The Company

	As at 1.1.2017	Bonus Issue	Number of ordinary shares Transferred In /Acquired	Transferred Out	As at 31.12.2017
Direct interest					
Tan Sri Ong Leong Huat					
@ Wong Joo Hwa	90,457,319	45,228,659	-	-	135,685,978
Ong Ju Yan	8,491,700	8,245,850	8,000,000 #	-	24,737,550
Ong Ju Xing	8,722,930	7,361,465	6,000,000 #	-	22,084,395
Ong Yee Ching	2,444,793	4,222,396	6,000,000 #	-	12,667,189

Indirect interest

Tan Sri Ong Leong Huat					
@ Wong Joo Hwa	709,482,516 ⁽¹⁾	344,741,256	13,277,800 ^#	(32,000,000) #	1,035,501,572 ⁽¹⁾
Ong Ju Yan	1,645,134 ⁽²⁾	822,567	-	-	2,467,701 ⁽²⁾
Ong Ju Xing	3,068,708 ⁽³⁾	1,534,354	-	-	4,603,062 ⁽³⁾
Ong Yee Ching	192,187 ⁽²⁾	96,093	-	-	288,280 ⁽²⁾

	As at 1.1.2017	Bonus Issue *	Number of Warrants C 2015/2020 Acquired	Disposed	As at 31.12.2017
Direct interest					
Tan Sri Ong Leong Huat					
@ Wong Joo Hwa	2,050,000	1,025,000	-	-	3,075,000
Ong Ju Yan	805,557	402,778	-	-	1,208,335
Ong Ju Xing	141,207	70,603	-	-	211,810
Ong Yee Ching	295,260	147,630	-	-	442,890

Indirect interest

Tan Sri Ong Leong Huat					
@ Wong Joo Hwa	101,999,720 ⁽⁴⁾	50,999,858	-	-	152,999,578 ⁽⁴⁾
Ong Ju Yan	177,533 ⁽²⁾	88,766	-	-	266,299 ⁽²⁾
Ong Yee Ching	48,046 ⁽²⁾	24,023	-	-	72,069 ⁽²⁾

Each Warrants C 2015/2020 entitles the registered holder to subscribe for 1 new ordinary share in the Company at an exercise price of RM1.20 per share, at any time between the date of issue on 23 July 2015 and the expiry date of 22 July 2020.

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONT'D)

Related corporations

(a) Ultimate holding company

OSK Equity Holdings Sdn. Bhd.

	As at 1.1.2017	Number of ordinary shares		As at 31.12.2017
		Acquired	Disposed	
Direct interest				
Tan Sri Ong Leong Huat @ Wong Joo Hwa	99,999	-	-	99,999

(b) Subsidiary companies

PJ Development Holdings Berhad

	As at 1.1.2017	Number of ordinary shares		As at 31.12.2017
		Acquired	Disposed	
Indirect interest				
Tan Sri Ong Leong Huat @ Wong Joo Hwa	505,295,613 ⁽⁵⁾	2,964,880	-	508,260,493 ⁽⁵⁾

	As at 1.1.2017	Number of Warrants C 2010/2020		As at 31.12.2017
		Acquired	Disposed	
Indirect interest				
Tan Sri Ong Leong Huat @ Wong Joo Hwa	127,841,913 ⁽⁵⁾	1,497,083	-	129,338,996 ⁽⁵⁾

OSK Property Holdings Berhad

	As at 1.1.2017	Number of ordinary shares		As at 31.12.2017
		Acquired	Disposed	
Indirect interest				
Tan Sri Ong Leong Huat @ Wong Joo Hwa	327,767,145 ⁽⁵⁾	17,870,378	-	345,637,523 ⁽⁵⁾

	As at 1.1.2017	Number of Warrants C 2012/2017		As at 31.12.2017
		Acquired	Exercised	
Indirect interest				
Tan Sri Ong Leong Huat @ Wong Joo Hwa	17,870,378 ⁽⁵⁾	-	(17,870,378)	-

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONT'D)

- ⁽¹⁾ Deemed interested pursuant to Section 8 of the Companies Act 2016 ("CA2016") by virtue of his substantial shareholdings in Dindings Consolidated Sdn. Bhd., Land Management Sdn. Bhd. and OSK Equity Holdings Sdn. Bhd. and disclosure made pursuant to Section 59(11)(c) of CA2016 in relation to interests held by his spouse and children.
- ⁽²⁾ Disclosure made pursuant to Section 59(11)(c) of CA2016 in relation to interests held by their spouse.
- ⁽³⁾ Deemed interested pursuant to Section 8 of CA2016 by virtue of his substantial shareholdings in Ladang Setia Sdn. Bhd. and disclosure made pursuant to Section 59(11)(c) of CA2016 in relation to interests held by his spouse.
- ⁽⁴⁾ Deemed interested pursuant to Section 8 of CA2016 by virtue of his substantial shareholdings in Land Management Sdn. Bhd. and OSK Equity Holdings Sdn. Bhd. and disclosure made pursuant to Section 59(11)(c) of CA2016 in relation to interests held by his spouse and children.
- ⁽⁵⁾ Deemed interested pursuant to Section 8 of CA2016 by virtue of Tan Sri Ong Leong Huat @ Wong Joo Hwa's substantial shareholdings in OSK Holdings Berhad.
- [#] Puan Sri Khor Chai Moi, who is the spouse of Tan Sri Ong Leong Huat @ Wong Joo Hwa, transferred her shares to her children that includes Ong Ju Yan, Ong Ju Xing and Ong Yee Ching who are the Directors of the Company as well as Ong Yin Suen and Ong Yee Min who are indirect interest of Tan Sri Ong Leong Huat @ Wong Joo Hwa.
- [^] Includes acquisition of 1,277,800 shares by OSK Equity Holdings Sdn. Bhd. and Land Management Sdn. Bhd..
- ^{*} Additional Warrants C 2015/2020 issued pursuant to the Bonus Issue as disclosed in Note 26(c) to the financial statements.

Tan Sri Ong Leong Huat @ Wong Joo Hwa, by virtue of his interest in the Company, is also deemed to have an interest in the shares of all the subsidiary companies to the extent the Company has an interest.

Other than as disclosed above, the other Directors in office at the end of the year did not hold any shares or warrants in the Company or its related corporations.

REMUNERATION OF DIRECTORS OF THE COMPANY

The details of remuneration of Directors of the Company are disclosed in Note 38(a) and (b) to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company provides an insurance cover for the Directors and officers of the Company and its subsidiary companies. The total amount of insurance premium paid by the Company for the year was RM77,000 only.

OTHER BENEFITS OF THE DIRECTORS OF THE COMPANY

Since the end of the previous year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or the fixed salary of full time employees of certain subsidiary companies of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 38(d) to the financial statements.

DIRECTORS' REPORT

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render the amounts written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps to ensure that any current assets other than debts, which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading.

METHOD OF VALUATION OF ASSETS OR LIABILITIES

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

CONTINGENT AND OTHER LIABILITIES

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

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the year, other than those arising in the normal course of business of the Group and of the Company.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF UNUSUAL NATURE

In the opinion of the Directors:

- (a) the results of the operations of the Group and of the Company during the year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the year in which this report is made.

DIRECTORS' REPORT

ISSUE OF SHARES AND DEBENTURES

The details of new shares and warrants issued during the year are disclosed in Note 26 to the financial statements.

There were no new issue of debentures during the year.

OPTIONS TO TAKE UP UNISSUED SHARES OF THE COMPANY

The details of Warrants C 2015/2020 are disclosed in Note 26(c) to the financial statements.

There were no new options granted during the year to take up unissued shares of the Company.

TREASURY SHARES

The details of treasury shares are disclosed in Note 27 to the financial statements.

SIGNIFICANT EVENTS

The significant events are disclosed in Note 41 to the financial statements.

MATERIAL SUBSEQUENT EVENTS

The material subsequent events are disclosed in Note 42 to the financial statements.

AUDITORS' REMUNERATION

The details of auditors' remuneration are disclosed in Note 32 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 8 March 2018.



Tan Sri Ong Leong Huat @ Wong Joo Hwa

Kuala Lumpur, Malaysia

8 March 2018



Ong Ju Yan

STATEMENT BY DIRECTORS

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

We, Tan Sri Ong Leong Huat @ Wong Joo Hwa and Ong Ju Yan, being two of the Directors of OSK Holdings Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 144 to 286 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of the results and the cash flows of the Group and of the Company for the year ended on that date.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 8 March 2018.



Tan Sri Ong Leong Huat @ Wong Joo Hwa



Ong Ju Yan

Kuala Lumpur, Malaysia
8 March 2018

STATUTORY DECLARATION

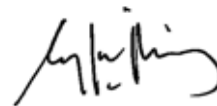
PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Ng Lai Ping, being the officer primarily responsible for the financial management of OSK Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 144 to 286 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
the above named Ng Lai Ping
at Kuala Lumpur in the Federal Territory
on 8 March 2018

Before me,

Commissioner for Oaths
Kuala Lumpur, Malaysia
8 March 2018



Ng Lai Ping

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF OSK HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of OSK Holdings Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 144 to 286.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF OSK HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA)

Key Audit Matters (Cont'd)

Key Audit Matters for the Group

1 Property development revenue and profit recognition

Revenue from property development during the year as disclosed in Note 29 to the financial statements amounted to RM628.2 million.

Property development revenue and profit recognition involves significant judgements in estimating the stage of completion of property development activities and assessing the forecast costs to completion.

In estimating the total costs to completion, the Group considers the completeness and accuracy of its costs estimation, including its obligations to contract variations, claims and cost contingencies. The total cost to complete including sub-contractor costs, can vary with market conditions and may also be differently forecasted due to unforeseen events during construction.

Audit procedures

Our audit procedures included the following:

- (a) tested the Group's controls by verifying approvals over budgets setting and authorising and recording of costs;
- (b) assessed management's estimate on budgeted costs to be incurred by comparing historical budgets to actual costs incurred;
- (c) recomputed stage of completion determined by management for revenue recognition based on verified actual costs incurred to-date and budgeted costs; and
- (d) assessed estimated total costs to completion through enquiries with operational and financial personnel of the Group and verified documentation to support the cost estimates.

2 Impairment of trade receivables

As at 31 December 2017, trade receivables that had been past due but not impaired were RM91.5 million. The details of trade receivables have been disclosed in Note 13 to the financial statements.

Management recognised impairment losses on trade receivables based on specific known facts or circumstances or abilities of customers to pay.

Assessing recoverability of trade receivables including review of credit worthiness and past collection history of receivables involves significant management judgement.

Significant management judgement is also required to estimate the realisation amount when determining the level of impairment loss required.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF OSK HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA)

Key Audit Matters (Cont'd)

Key Audit Matters for the Group (Cont'd)

2 Impairment of trade receivables (Cont'd)

Audit procedures

Our audit procedures included the following:

- (a) assessed recoverability of debts that were past due but not impaired with reference to the past historical repayment trends, customers credit profiles, post year end cash receipts and including discussion with management to enquire the status of attempts by management to recoup the amounts outstanding;
- (b) challenged management's assessment that no further impairment loss was required based on analysis of customer credit worthiness, past historical repayment trends and expectation of repayment patterns; and
- (c) evaluated management's assessment on the likelihood that property buyers securing loans subsequent to the end of the reporting period by inspecting the relevant correspondences and reports.

Key Audit Matters for the Company

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF OSK HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA)

Responsibilities of Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF OSK HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

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

- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we also report that the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

Other Matters

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



BDO

AF: 0206

Chartered Accountants

Kuala Lumpur
8 March 2018



Law Kian Huat

2855/06/18 (J)

Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
ASSETS:					
Non-current					
Property, plant and equipment	4	752,444	778,257	1,138	187,111
Investment properties	5	712,943	649,780	-	-
Investments in subsidiary companies	6	-	-	1,829,830	1,690,646
Investments in associated companies and a joint venture	7	3,443,134	2,896,737	2,225,185	2,225,185
Intangible assets	8	1,726	2,156	262	205
Inventories	9	815,175	1,161,723	-	-
Deferred tax assets	10	74,018	100,883	1,322	1,237
Available-for-sale securities	11	-	954	-	-
Capital financing	12	151,850	35,250	-	-
Trade receivables	13	30,170	39,969	-	-
Other assets	14	5,357	4,102	-	-
		5,986,817	5,669,811	4,057,737	3,917,460
Current					
Inventories	9	561,557	551,603	-	-
Capital financing	12	361,040	316,063	-	-
Trade receivables and contract assets	13	405,278	563,578	-	-
Other assets	14	78,388	115,120	587	152
Biological assets	15	80	145	-	-
Amounts due from subsidiary companies	16	-	-	206,390	201,463
Tax recoverable		54,151	47,308	2,699	2,505
Derivative assets	17	17,742	35,871	64,670	81,788
Securities at fair value through profit or loss	18	299	199	299	199
Cash, bank balances and short term funds	19	424,676	418,452	7,393	4,168
		1,903,211	2,048,339	282,038	290,275
Non-current assets held for sale	20	12,641	8,000	-	-
		1,915,852	2,056,339	282,038	290,275
TOTAL ASSETS		7,902,669	7,726,150	4,339,775	4,207,735

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
LIABILITIES:					
Non-current					
Medium term notes	21	774,717	837,604	774,717	837,604
Borrowings	22	608,282	773,027	149,377	185,676
Deferred income	23	152,943	159,099	-	-
Trade payables	24	24,455	34,915	-	-
Other liabilities	25	-	6,085	-	-
Deferred tax liabilities	10	143,120	156,916	-	-
		1,703,517	1,967,646	924,094	1,023,280
Current					
Medium term notes	21	63,493	-	63,493	-
Borrowings	22	820,424	620,263	67,304	6,054
Deferred income	23	10,740	5,057	-	-
Trade payables and contract liabilities	24	224,553	267,824	-	-
Tax payable		4,796	6,854	-	-
Other liabilities	25	468,222	415,616	7,630	6,806
Amounts due to subsidiary companies	16	-	-	245,179	175,406
		1,592,228	1,315,614	383,606	188,266
TOTAL LIABILITIES		3,295,745	3,283,260	1,307,700	1,211,546
NET ASSETS		4,606,924	4,442,890	3,032,075	2,996,189
EQUITY:					
Share capital	26	2,095,310	1,402,891	2,095,310	1,402,891
Treasury shares, at cost	27	(30,237)	(30,237)	(30,237)	(30,237)
		2,065,073	1,372,654	2,065,073	1,372,654
Reserves	28	2,473,617	2,927,856	967,002	1,623,535
Issued capital and reserves attributable to Owners of the Company		4,538,690	4,300,510	3,032,075	2,996,189
Non-controlling interests	6(c)	68,234	142,380	-	-
TOTAL EQUITY		4,606,924	4,442,890	3,032,075	2,996,189

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

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	29	1,169,279	1,305,671	206,652	341,343
Cost of sales	30	(865,652)	(904,777)	(228)	(357)
Gross profit		303,627	400,894	206,424	340,986
Other income	31	281,544	98,687	20,164	18,515
Administrative expenses	32	(197,578)	(227,533)	(24,234)	(21,474)
Other expenses	33	(12,076)	(21,512)	-	(49,453)
Finance costs	34	375,517 (72,803)	250,536 (77,681)	202,354 (62,305)	288,574 (58,319)
Share of results of associated companies and a joint venture, net of tax		302,714	172,855	140,049	230,255
Profit before tax		485,180	321,413	140,049	230,255
Tax (expense)/income	35	(81,574)	(69,385)	(325)	1,026
Profit after tax		403,606	252,028	139,724	231,281
Profit attributable to:					
Owners of the Company		400,219	247,273	139,724	231,281
Non-controlling interests	6(c)	3,387	4,755	-	-
		403,606	252,028	139,724	231,281
Earnings per share attributable to Owners of the Company (sen):					
Basic	36	19.27	11.90*		
Diluted	36	19.27	11.90*		

* The earnings per share have been restated pursuant to the issuance of bonus shares as disclosed in Note 26(b)(ii).

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit after tax		403,606	252,028	139,724	231,281
Other comprehensive income/(loss) for the year, net of income tax					
<u>Items that may be reclassified subsequently to profit or loss:</u>					
Fair value gain/(loss) on:					
- Available-for-sale securities		-	72	-	-
- Cash flow hedge	17(b)(i)	(349)	(637)	-	-
Foreign currency translation		17,377	16,346	-	-
Share of other comprehensive (loss)/income and reserves of associated companies:					
- Foreign exchange reserves		(54,032)	14,474	-	-
- Other reserves		19,862	(5,297)	-	-
<u>Reclassification of (gains)/losses to profit or loss:</u>					
Fair value of available-for-sale securities reclassified to profit or loss upon disposal					
		(88)	-	-	-
Foreign currency translation reclassified to profit or loss upon:					
- Deemed disposal of a subsidiary company	6(b)(v)	(40,599)	-	-	-
- Disposal of subsidiary companies		-	2,621	-	-
- Striking off of subsidiary companies		(1,745)	-	-	-
Total other comprehensive (loss)/income for the year, net of income tax		(59,574)	27,579	-	-
Total comprehensive income		344,032	279,607	139,724	231,281
Total comprehensive income attributable to:					
Owners of the Company		337,553	271,433	139,724	231,281
Non-controlling interests		6,479	8,174	-	-
		344,032	279,607	139,724	231,281

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

GROUP

Attributable to Owners of the Company

Note	Share capital (Note 26) RM'000	Treasury shares (Note 27) RM'000	Share premium (Note 28) RM'000	Available-for-sale reserve (Note 28) RM'000	Revaluation reserve (Note 28) RM'000	Foreign exchange reserves (Note 28) RM'000	Hedging reserve (Note 28) RM'000	Other reserves (Note 28) RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests [Note 6(c)] RM'000	Total equity RM'000
As at 1 January 2017	1,402,891	(30,237)	336,481	64	76,321	125,095	253	(15,752)	2,405,394	4,300,510	142,380	4,442,890
Profit after tax	-	-	-	-	-	-	-	-	400,219	400,219	3,387	403,606
Other comprehensive (loss)/income	-	-	-	(64)	-	(82,126)	(338)	19,862	-	(62,666)	3,092	(59,574)
Total comprehensive (loss)/income	-	-	-	(64)	-	(82,126)	(338)	19,862	400,219	337,553	6,479	344,032
Dividends paid to:												
- Owners of the Company	-	-	-	-	-	-	-	-	(103,860)	(103,860)	-	(103,860)
- Non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,190)	(1,190)
Shares issued pursuant to:												
- Bonus issue	692,397	-	(336,481)*	-	-	-	-	-	(355,916)	-	-	-
- Exercise of Warrants C 2015/2020	22	-	-	-	-	-	-	-	-	22	-	22
Total contribution by and distributions to Owners	692,419	-	(336,481)	-	-	-	-	-	(459,776)	(103,838)	(1,190)	(105,028)
Acquisition of additional interests in subsidiary companies												
- from non-controlling interests:	-	-	-	-	-	-	-	-	-	-	(10,116)	(10,116)
- Accretion of equity interests	-	-	-	-	-	-	-	-	5,668	5,668	-	5,668
- Gain on acquisitions	-	-	-	-	-	-	-	-	-	-	-	-
Exercise of warrants in subsidiary companies:												
- Shares issued by subsidiary companies	-	-	-	-	-	-	-	-	-	-	540	540
- Effects of dilution of interests in subsidiary companies	-	-	-	-	-	-	-	-	(455)	(455)	455	-
Effects of acquisitions of warrants in a subsidiary company	-	-	-	-	-	-	-	-	(749)	(749)	-	(749)
Effect of deemed disposal of a subsidiary company	-	-	-	-	-	-	-	-	-	-	(70,314)	(70,314)
Accretion of interests in a subsidiary company of an associated company	-	-	-	-	-	-	-	-	1	1	-	1
Total changes in ownership interest in subsidiary companies	-	-	-	-	-	-	-	-	4,465	4,465	(79,435)	(74,970)
Total transactions with Owners in their capacity as Owners	692,419	-	(336,481)	-	-	-	-	-	(455,311)	(99,373)	(80,625)	(179,998)
Reserve reclassified to retained profits upon disposal of investment properties which recognised as property, plant and equipment previously	-	-	-	-	(12,870)	-	-	-	12,870	-	-	-
As at 31 December 2017	2,095,310	(30,237)	-	-	63,451	42,969	(85)	4,110	2,363,172	4,538,690	68,234	4,606,924

* Upon the commencement of the Companies Act 2016 ("CA2016") on 31 January 2017, the amount standing to the credit of the Company's share premium becomes part of the Company's share capital pursuant to Section 618(2) of the CA2016. The Company may use the credit amount of the share premium within twenty-four months in accordance with Section 74 of the CA2016. On 29 November 2017, the Company has fully utilised the credit amount of RM336.5 million in the share premium account as part of the issuance of bonus shares.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

GROUP

Attributable to Owners of the Company

Note	Share capital (Note 26) RM'000	Treasury shares (Note 27) RM'000	Share premium (Note 28) RM'000	Available-for-sale reserve (Note 28) RM'000	Revaluation reserve (Note 28) RM'000	Foreign exchange reserves (Note 28) RM'000	Hedging reserve (Note 28) RM'000	Other reserves (Note 28) RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests [Note 6(c)] RM'000	Total equity RM'000
As at 1 January 2016	1,402,891	(30,234)	336,481	-	76,321	96,133	824	(10,455)	2,222,071	4,094,032	213,662	4,307,694
Profit after tax	-	-	-	-	-	-	-	-	247,273	247,273	4,755	252,028
Other comprehensive income/(loss)	-	-	-	64	-	29,964	(571)	(5,297)	-	24,160	3,419	27,579
Total comprehensive income/(loss)	-	-	-	64	-	29,964	(571)	(5,297)	247,273	271,433	8,174	279,607
Dividends paid to: - Owners of the Company - Non-controlling interests	-	-	-	-	-	-	-	-	(69,240)	(69,240)	-	(69,240)
Share buybacks by the Company	-	-	-	-	-	-	-	-	-	-	(3,205)	(3,205)
Shares issued pursuant to exercise of Warrants C 2015/2020*	-	(3)	-	-	-	-	-	-	-	(3)	-	(3)
26(c)	-	-	-	-	-	-	-	-	-	-	-	-
Total contribution by and distributions to Owners	-	(3)	-	-	-	-	-	-	(69,240)	(69,243)	(3,205)	(72,448)
Acquisition of additional interests in subsidiary companies	-	-	-	-	-	-	-	-	-	-	(88,703)	(88,703)
from non-controlling interests:	-	-	-	-	-	-	-	-	-	-	-	32,668
- Accretion of equity interests	-	-	-	-	-	-	-	-	32,668	32,668	-	-
- Gain on acquisitions	-	-	-	-	-	-	-	-	-	-	-	-
Exercise of warrants in subsidiary companies:	-	-	-	-	-	-	-	-	-	-	410	410
- Shares issued by subsidiary companies	-	-	-	-	-	-	-	-	-	-	-	-
- Effects of dilution of interests in subsidiary companies	-	-	-	-	-	-	-	-	(508)	(508)	508	-
Effects of acquisitions of warrants in subsidiary companies	-	-	-	-	-	-	-	-	(16,304)	(16,304)	-	(16,304)
Effects of accretion of equity interest via preference shares capital reduction in a subsidiary company	-	-	-	-	-	(1,002)	-	-	(10,532)	(11,534)	11,534	-
Dilution of interests in a subsidiary company of an associated company	-	-	-	-	-	-	-	-	(34)	(34)	-	(34)
Total changes in ownership interest in subsidiary companies	-	-	-	-	-	(1,002)	-	-	5,290	4,288	(76,251)	(71,963)
Total transactions with Owners in their capacity as Owners	-	(3)	-	-	-	(1,002)	-	-	(63,950)	(64,955)	(79,456)	(144,411)
As at 31 December 2016	1,402,891	(30,237)	336,481	64	76,321	125,095	253	(15,752)	2,405,394	4,300,510	142,380	4,442,890

* 80 units ordinary shares issued.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

COMPANY

	Note	Distributable				Total equity RM'000
		Share capital (Note 26) RM'000	Treasury shares (Note 27) RM'000	Share premium (Note 28) RM'000	Retained profits RM'000	
As at 1 January 2017		1,402,891	(30,237)	336,481	1,287,054	2,996,189
Profit after tax/ Total comprehensive income		-	-	-	139,724	139,724
Dividends paid to Owners of the Company	37(a)	-	-	-	(103,860)	(103,860)
Share issued pursuant to:						
- Bonus Issue	26(b)(ii)	692,397	-	(336,481) [#]	(355,916)	-
- Exercise of Warrants C 2015/2020	26(c)	22	-	-	-	22
Total contribution by and distributions to Owners		692,419	-	(336,481)	(459,776)	(103,838)
As at 31 December 2017		2,095,310	(30,237)	-	967,002	3,032,075
As at 1 January 2016		1,402,891	(30,234)	336,481	1,125,013	2,834,151
Profit after tax/ Total comprehensive income		-	-	-	231,281	231,281
Dividends paid to Owners of the Company	37(a)	-	-	-	(69,240)	(69,240)
Share buybacks by the Company	27(b)	-	(3)	-	-	(3)
Shares issued pursuant to exercise of Warrants C 2015/2020*	26(c)	-	-	-	-	-
Total contribution by and distributions to Owners		-	(3)	-	(69,240)	(69,243)
As at 31 December 2016		1,402,891	(30,237)	336,481	1,287,054	2,996,189

* 80 units ordinary shares issued.

[#] Upon the commencement of the Companies Act 2016 ("CA2016") on 31 January 2017, the amount standing to the credit of the Company's share premium becomes part of the Company's share capital pursuant to Section 618(2) of the CA2016. The Company may use the credit amount of the share premium within twenty-four months in accordance with Section 74 of the CA2016. On 29 November 2017, the Company has fully utilised the credit amount of RM336.5 million in the share premium account as part of the issuance of bonus shares.

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		485,180	321,413	140,049	230,255
Add/(Less) non-cash and non-operating items:					
Amortisation of finance cost		1,194	1,332	1,194	1,332
Depreciation and amortisation		29,260	29,345	102	16
Dividend income		(67)	(53)	(196,733)	(340,564)
Expenses incurred on borrowings and medium term notes		-	83	-	83
Funds distribution income		(5,716)	(2,737)	(235)	(440)
(Gain)/Loss on disposals of:					
- available-for-sale securities		(355)	-	-	-
- club membership		51	12	-	-
- investment properties		(4,868)	(5,997)	-	-
- investments in subsidiary companies		-	2,589	-	-
- plant and equipment		(139)	(91)	-	-
Gain on deemed disposal of a subsidiary company	6(b)(v)	(177,612)	-	-	-
Impairment loss on:					
- infrastructure development costs	4	10	10,436	-	-
- investment in a subsidiary company	6	-	-	-	49,448
- property, plant and equipment	4	2,051	-	-	-
Interest income		(52,885)	(46,967)	(10,328)	(967)
Interest expense		87,220	89,455	62,305	58,319
Loss/(Gain) on fair valuation of:					
- biological assets	15	65	(110)	-	-
- derivative assets		-	-	-	(3,825)
- investment properties	5	(53,127)	(55,984)	-	-
- retention sums		(3,058)	(3,137)	-	-
- securities at fair value through profit or loss		(100)	5	(100)	5
Loss/(Gain) on foreign exchange translations		1,895	(323)	-	-
Recovery of bad debts of capital financing		(1,639)	(2)	-	-
Share of results of associated companies and a joint venture		(182,466)	(148,558)	-	-
Sub-total carried forward		124,894	190,711	(3,746)	(6,338)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)					
Sub-total brought forward (Write back of)/Allowance for impairment loss (net) on:		124,894	190,711	(3,746)	(6,338)
- capital financing	12	(4,163)	(3,605)	-	-
- trade and other receivables	13,14	(447)	2,947	-	-
Write off of:					
- bad debts on trade and other receivables		1,597	466	-	-
- club membership	8(c)	132	-	-	-
- plant and equipment	4(b)(iii)	376	485	-	-
- software licences	8(b)	40	1	-	-
Operating profit/(loss) before working capital changes		122,429	191,005	(3,746)	(6,338)
(Increase)/Decrease in operating assets:					
Inventories		(218,098)	(55,852)	-	-
Capital financing		(155,776)	34,413	-	-
Trade receivables and contract assets		176,954	217,872	-	-
Other receivables		32,762	(5,543)	(435)	22,264
(Decrease)/Increase in operating liabilities:					
Deferred income		(473)	(10,271)	-	-
Trade payables and contract liabilities		(47,748)	(260,069)	-	-
Other liabilities		160,600	131,198	824	2,004
Cash generated from/(used in) operations		70,650	242,753	(3,357)	17,930
Interest received		52,885	46,967	-	-
Interest paid		(30,388)	(37,608)	-	-
Income tax paid		(79,332)	(106,054)	(663)	(1,813)
Refund of income tax		815	5,686	59	-
Net cash generated from/(used in) operating activities		14,630	151,744	(3,961)	16,117

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisitions of additional:					
- shares in subsidiary companies		-	-	(116,870)	-
- shares in subsidiary companies from non-controlling interests	6(b)(i)	(4,447)	(56,035)	(4,447)	(56,035)
- warrants in subsidiary companies	6(b)(i)	(749)	(16,304)	(749)	(16,304)
(Advance to)/Repayment from:					
- an associated company		(1,216)	(2,452)	-	-
- subsidiary companies		-	-	64,847	(242,302)
Dividends received		48,808	57,733	196,733	385,040
Expenditure incurred on investment properties	5	(14,536)	(53,054)	-	-
Funds distribution income received		5,716	2,737	235	440
Interest received		-	-	10,328	967
Net cash outflow upon deemed disposal of a subsidiary company	6(b)(v)	(3,646)	-	-	-
Net cash outflow upon disposal of subsidiary companies		-	(9)	-	-
Proceeds from disposals of:					
- available-for-sale securities		1,221	-	-	-
- club membership		17	4	-	-
- investment properties		17,368	32,697	-	-
- plant and equipment		222	495	-	-
Purchase of:					
- club membership	8(c)	-	(216)	-	-
- property, plant and equipment	4	(26,198)	(21,240)	(1,041)	(183)
- software licences	8(b)	(171)	(216)	(69)	(48)
- trademarks		-	(1)	-	(1)
Share buybacks by the Company	27	-	(3)	-	(3)
Net cash generated from/(used in) investing activities		22,389	(55,864)	148,967	71,571

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to:					
- Owners of the Company	37(a)	(103,860)	(69,240)	(103,860)	(69,240)
- non-controlling interests		(1,190)	(3,205)	-	-
Drawdown of loans		276,978	154,679	-	-
Drawdown/(Repayment) of revolving credits - net		132,130	(31,011)	35,000	-
Expenses incurred on borrowings and medium term notes		-	(83)	-	(83)
Interest paid		(72,803)	(77,681)	(62,208)	(58,275)
Proceeds from:					
- exercise of warrants of subsidiary companies		562	410	22	-
- issuance of medium term notes	21(b)	-	190,113	-	190,113
Redemption of medium term notes	21(b)	-	(100,000)	-	(100,000)
Repayment of loans		(250,662)	(192,926)	(10,735)	(62,500)
Net cash used in financing activities		(18,845)	(128,944)	(141,781)	(99,985)
Net increase/(decrease) in cash and cash equivalents		18,174	(33,064)	3,225	(12,297)
Effects of exchange rate changes		(12,412)	(122)	-	-
Cash and cash equivalents at the beginning of the year		418,396	451,582	4,168	16,465
Cash and cash equivalents at the end of the year		424,158	418,396	7,393	4,168
Cash and cash equivalents comprised:					
Cash, bank balances and short term funds	19	424,676	418,452	7,393	4,168
Bank overdrafts	22	(518)	(56)	-	-
		424,158	418,396	7,393	4,168

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

1. GENERAL INFORMATION

The Company is a public company limited by shares, incorporated under the Companies Act, 1965 (which had been superseded by Companies Act 2016 ("CA2016")), domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The registered office of the Company is located at 21st Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur while the principal place of business of the Company is located at 7th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur.

The Company is an investment holding company. The principal activities of the subsidiary companies, associated companies and a joint venture are described in Notes 6 and 7 respectively. There have been no significant changes in the nature of these principal activities during the year.

OSK Equity Holdings Sdn. Bhd., a company incorporated in Malaysia, is regarded by the Directors as the Company's ultimate holding company.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 8 March 2018.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared on a historical cost convention, other than investment properties, available-for-sale securities, biological assets, derivative assets and securities at fair value through profit or loss which are measured at their fair values. The financial statements are presented in Ringgit Malaysia ("RM") which is also the functional currency of the Company and all values are rounded to the nearest thousand (RM'000), unless otherwise indicated. The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the CA2016 in Malaysia. During the year, the Group and the Company adopted applicable MFRSs and amendments to MFRSs and CA2016 as disclosed in Notes 46 and 47 respectively.

3. SEGMENT INFORMATION

The Group's businesses are organised into five major business segments based on products and services, which are regularly provided to and reviewed by the chief operating decision makers comprising of the Board of Directors and senior management of the Group:

Property

- | | | |
|---|---|---|
| (i) Property Development | - | Property development of residential and commercial properties for sale as well as provision of project management services. |
| (ii) Property Investment and Management | - | Management and letting of properties, contributing rental yield and appreciation of properties. |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

3. SEGMENT INFORMATION (CONT'D)

The Group's businesses are organised into five major business segments based on products and services, which are regularly provided to and reviewed by the chief operating decision makers comprising of the Board of Directors and senior management of the Group: (Cont'd)

Construction - Building construction works.

Industries

- (i) Cables - Manufacturing and trading of power cables and wires.
- (ii) Industrialised Building System ("IBS") - Manufacturing and sale of IBS concrete wall panels and trading of building materials.

Hospitality

- (i) Hotels and Resorts - Management of hotels, resorts including golf course operations.
- (ii) Vacation Club - Management of vacation timeshare membership scheme.

Financial Services and Investment Holding

- (i) Capital Financing - Capital financing activities, generating interest, fee and related income.
- (ii) Investment Holding - Investing activities and other insignificant business segment, where investments contribute dividend income and interest income as well as sharing of results of the investee companies.

The Group monitors the operating results of its business segments separately for the purpose of making decision about resources allocation and performance assessment. Business segment performance is evaluated based on operating profit or loss which in certain aspects is measured differently from profits or loss in the consolidated financial statements. The Group income taxes are not allocated to operating segment.

Business segment revenue and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The inter-segment transactions have been entered into, at arms-length, at terms mutually agreed between the segments and have been eliminated to arrive at the Group's results. During the year, there is no single external customers amount to 10 percent or more of the Group's revenue.

Basis of segmentation and related measurement of segment revenue, results, total assets and liabilities have no material change, other than certain comparative figures have been reclassified to conform with current year's presentation to reflect its nature of business activities involved. Such reclassifications merely improve disclosure of business performance and do not have financial impact to the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

3. SEGMENT INFORMATION (CONT'D)

(a) Business segment analysis:

2017

	Property RM'000	Construction RM'000	Industries RM'000	Hospitality RM'000	Financial Services & Investment Holding RM'000	Consolidated RM'000
Revenue						
Total revenue	691,584	309,324	294,293	107,325	654,192	2,056,718
Inter-segment revenue	(2,769)	(279,025)	(5,023)	(690)	(27,505)	(315,012)
Dividends from:						
- subsidiary companies	-	-	-	-	(523,686)	(523,686)
- an associated company	-	-	-	-	(48,741)	(48,741)
Revenue from external parties	688,815	30,299	289,270	106,635	54,260	1,169,279
Results						
Segment profit/(loss)	127,214	16,826	25,593	(11,178)	153,225	311,680
Share of results of associated companies and a joint venture	4,221	-	-	-	178,245	182,466
	131,435	16,826	25,593	(11,178)	331,470	494,146
Inter-segments eliminations	-	(4,846)	-	-	(4,120)	(8,966)
Profit/(Loss) before tax	131,435	11,980	25,593	(11,178)	327,350	485,180
Tax expense						(81,574)
Profit after tax						403,606
Included in the results are:						
Amortisation of finance cost	-	-	-	-	(1,194)	(1,194)
Depreciation and amortisation	(5,317)	(1,124)	(6,053)	(14,898)	(1,868)	(29,260)
Dividend income	-	-	-	-	67	67
Finance costs	(13,172)	-	(1,514)	(3,719)	(54,398)	(72,803)
Funds distribution income	3,824	418	79	-	1,395	5,716
Funding costs	-	-	-	-	(14,417)	(14,417)
Interest income	7,774	190	162	2,633	42,126	52,885
Gain on deemed disposal of a subsidiary company	-	-	-	-	177,612	177,612

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

3. SEGMENT INFORMATION (CONT'D)

(a) Business segment analysis: (Cont'd)

2017

	Property RM'000	Construction RM'000	Industries RM'000	Hospitality RM'000	Financial Services & Investment Holding RM'000	Consolidated RM'000
Included in the results are: (Cont'd)						
Gain/(Loss) on disposal of:						
- available-for-sale securities	-	-	-	-	355	355
- club membership	(51)	-	-	-	-	(51)
- investment properties	4,868	-	-	-	-	4,868
- plant and equipment	140	2	15	(18)	-	139
(Loss)/Gain on fair valuation of:						
- biological assets	-	-	-	-	(65)	(65)
- investment properties	53,127	-	-	-	-	53,127
- retention sums	3,058	-	-	-	-	3,058
- securities at fair value through profit or loss	-	-	-	-	100	100
(Loss)/Gain on foreign exchange translations	-	-	(153)	131	(1,873)	(1,895)
Recovery of bad debts of capital financing	-	-	-	-	1,639	1,639
Write back of/ (Allowance for) impairment losses (net) on:						
- capital financing	-	-	-	-	4,163	4,163
- infrastructure development costs	-	-	-	(10)	-	(10)
- property, plant and equipment	-	-	(200)	(1,851)	-	(2,051)
- trade and other receivables	255	(1)	355	(162)	-	447
Write off of:						
- bad debts on trade and other receivables	(1,547)	(1)	-	(40)	(9)	(1,597)
- club membership	(132)	-	-	-	-	(132)
- plant and equipment	(3)	(60)	(1)	(185)	(127)	(376)
- software licences	(40)	-	-	-	-	(40)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

3. SEGMENT INFORMATION (CONT'D)

(a) Business segment analysis: (Cont'd)

2017

	Property RM'000	Construction RM'000	Industries RM'000	Hospitality RM'000	Financial Services & Investment Holding RM'000	Consolidated RM'000
Assets						
Tangible assets	2,926,574	76,992	216,400	502,916	606,758	4,329,640
Intangible assets	531	-	-	-	1,195	1,726
	2,927,105	76,992	216,400	502,916	607,953	4,331,366
Investments in associated companies and a joint venture	529,358	-	-	-	2,913,776	3,443,134
Segment assets	3,456,463	76,992	216,400	502,916	3,521,729	7,774,500
Deferred tax assets and tax recoverable						128,169
Total assets						7,902,669
Liabilities						
Segment liabilities	1,235,556	137,885	45,986	269,768	1,458,634	3,147,829
Deferred tax liabilities and tax payable						147,916
Total liabilities						3,295,745
Other information						
Expenditure capitalised under:						
Property, plant and equipment	2,423	7,758	1,563	12,913	1,541	26,198
Investment properties	14,536	-	-	-	-	14,536
Intangible assets	47	-	-	-	124	171
	17,006	7,758	1,563	12,913	1,665	40,905

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

3. SEGMENT INFORMATION (CONT'D)

(a) Business segment analysis: (Cont'd)

2016

	Property RM'000	Construction RM'000	Industries RM'000	Hospitality RM'000	Financial Services & Investment Holding RM'000	Consolidated RM'000
Revenue						
Total revenue	828,328	187,519	298,837	121,183	690,748	2,126,615
Inter-segment revenue	(3,505)	(173,797)	(557)	(466)	(22,694)	(201,019)
Dividends from:						
- subsidiary companies	-	-	-	-	(562,245)	(562,245)
- an associated company	-	-	-	-	(57,680)	(57,680)
Revenue from external parties	824,823	13,722	298,280	120,717	48,129	1,305,671
Results						
Segment profit/(loss)	201,558	9,238	33,447	(23,444)	(42,844)	177,955
Share of results of associated companies and a joint venture	(1,029)	-	-	-	149,587	148,558
	200,529	9,238	33,447	(23,444)	106,743	326,513
Inter-segments eliminations	-	(2,160)	-	-	(2,940)	(5,100)
Profit/(Loss) before tax	200,529	7,078	33,447	(23,444)	103,803	321,413
Tax expense						(69,385)
Profit after tax						252,028
Included in the results are:						
Amortisation of finance cost	-	-	-	-	(1,332)	(1,332)
Depreciation and amortisation	(5,242)	(1,601)	(5,742)	(14,547)	(2,213)	(29,345)
Dividend income	-	-	-	-	53	53
Finance costs	(16,965)	-	(599)	(3,654)	(56,463)	(77,681)
Funds distribution income	608	464	79	-	1,586	2,737
Funding costs	-	-	-	-	(11,774)	(11,774)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

3. SEGMENT INFORMATION (CONT'D)

(a) Business segment analysis: (Cont'd)

2016

	Property RM'000	Construction RM'000	Industries RM'000	Hospitality RM'000	Financial Services & Investment Holding RM'000	Consolidated RM'000
Included in the results are: (Cont'd)						
Gain/(Loss) on fair valuation of:						
- biological assets	-	-	-	-	110	110
- investment properties	55,984	-	-	-	-	55,984
- retention sums	3,137	-	-	-	-	3,137
- securities at fair value through profit or loss	-	-	-	-	(5)	(5)
(Loss)/Gain on disposal of:						
- club membership	(12)	-	-	-	-	(12)
- investment properties	5,997	-	-	-	-	5,997
- investments in subsidiary companies	-	(2,589)	-	-	-	(2,589)
- plant and equipment	(44)	31	119	(15)	-	91
(Loss)/Gain on foreign exchange translations	-	-	(63)	221	165	323
Interest income	10,706	285	164	1,711	34,101	46,967
Recovery of bad debts of capital financing	-	-	-	-	2	2
Write back of/ (Allowance for) impairment losses (net) on:						
- capital financing	-	-	-	-	3,605	3,605
- infrastructure development costs	-	-	-	(10,436)	-	(10,436)
- trade and other receivables	(559)	-	(1,817)	(449)	(122)	(2,947)
Write off of:						
- bad debts on trade and other receivables	(1)	-	(174)	(291)	-	(466)
- intangible assets	(1)	-	-	-	-	(1)
- plant and equipment	(326)	(45)	(1)	(113)	-	(485)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

3. SEGMENT INFORMATION (CONT'D)

(a) Business segment analysis: (Cont'd)

2016

	Property RM'000	Construction RM'000	Industries RM'000	Hospitality RM'000	Financial Services & Investment Holding RM'000	Consolidated RM'000
Assets						
Tangible assets	3,406,175	108,207	224,247	500,937	439,500	4,679,066
Intangible assets	886	-	-	-	1,270	2,156
	3,407,061	108,207	224,247	500,937	440,770	4,681,222
Investments in associated companies and a joint venture	105,982	-	-	-	2,790,755	2,896,737
Segment assets	3,513,043	108,207	224,247	500,937	3,231,525	7,577,959
Deferred tax assets and tax recoverable						148,191
Total assets						7,726,150
Liabilities						
Segment liabilities	1,277,903	130,001	41,672	261,687	1,408,227	3,119,490
Deferred tax liabilities and tax payable						163,770
Total liabilities						3,283,260
Other information						
Expenditure capitalised under:						
Property, plant and equipment	4,587	2,699	4,701	8,216	1,037	21,240
Investment properties	53,054	-	-	-	-	53,054
Intangible assets	337	-	-	-	96	433
	57,978	2,699	4,701	8,216	1,133	74,727

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

3. SEGMENT INFORMATION (CONT'D)

(b) Geographical segments analysis:

The Group's operations are mainly based in Malaysia and Australia. Other geographical segments mainly include Singapore, Vietnam and British Virgin Islands (2016: Singapore, Thailand, Vietnam and British Virgin Islands). In presenting information on the basis of geographical areas, segment performance is based on the geographical location of customers.

	Malaysia RM'000	Australia RM'000	Others RM'000	Total RM'000
2017				
Revenue	1,133,665	3,405	32,209	1,169,279
Profit/(Loss) before tax	496,981	(10,656)	(1,145)	485,180
Non-current assets *	2,276,540	-	5,748	2,282,288
Expenditure capitalised under:				
Property, plant and equipment	25,182	1,008	8	26,198
Investment properties	14,536	-	-	14,536
Intangible assets	171	-	-	171
	39,889	1,008	8	40,905
2016				
Revenue	1,272,749	3,652	29,270	1,305,671
Profit/(Loss) before tax	325,722	(4,575)	266	321,413
Non-current assets *	2,044,409	540,616	6,891	2,591,916
Expenditure capitalised under:				
Property, plant and equipment	20,693	494	53	21,240
Investment properties	53,054	-	-	53,054
Intangible assets	433	-	-	433
	74,180	494	53	74,727

* The non-current assets excluding financial instruments, deferred tax assets, and investments in associated companies and a joint venture are presented based on the geographical location of the assets.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

4. PROPERTY, PLANT AND EQUIPMENT

Group

2017

	As at 1.1.2017	Additions	Disposals	Write off [Note 4(b)(iii)]	Deemed disposal of a subsidiary company [Note 6(b)(v)]	Re- classifications	Foreign exchange differences	Transfer to non-current assets held for sale [Note 4(b)(vi)]	As at 31.12.2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At cost									
Freehold land	169,654	-	-	-	-	-	(157)	(6,416)	163,081
Buildings on freehold land	137,703	1,474	-	-	-	-	-	-	139,177
Golf course on freehold land	17,879	-	-	-	-	-	-	-	17,879
Hotel properties on freehold land	257,010	796	-	-	-	-	(152)	(6,182)	251,472
Hotel properties on leasehold land	84,564	1,892	-	-	-	-	-	-	86,456
Long term leasehold land and buildings	90,228	32	-	-	-	215	-	-	90,475
Short term leasehold land and buildings	13,969	-	-	-	-	-	(659)	-	13,310
Jetty and infrastructure	38,179	10	-	-	-	-	-	-	38,189
Plant and machinery	124,030	7,564	(65)	-	-	1,337	(358)	-	132,508
Motor vehicles and boats	17,357	1,280	(1,626)	(91)	-	-	(37)	-	16,883
Office equipment	16,198	1,649	(49)	(71)	-	-	(4)	(37)	17,686
Furniture, fittings and equipment	122,346	9,647	(522)	(1,038)	(1,174)	1,111	(39)	(2,467)	127,864
Construction-in- progress	5,717	1,303	-	(127)	-	(2,663)	-	-	4,230
Office renovation	635	273	(55)	-	-	-	-	-	853
Bearer plants	17,490	278	-	-	-	-	-	-	17,768
	1,112,959	26,198	(2,317)	(1,327)	(1,174)	-	(1,406)	(15,102)	1,117,831

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group (Cont'd)

2017

	As at 1.1.2017 RM'000	Charge for the year [Note 4(b)(ii)] RM'000	Disposals [Note 4(b)(iii)] RM'000	Deemed disposal of a subsidiary company [Note 6(b)(v)] RM'000	Foreign exchange differences RM'000	Transfer to non-current assets held for sale [Note 4(b)(vi)] RM'000	As at 31.12.2017 RM'000
Accumulated depreciation							
Buildings on freehold land	12,970	2,959	-	-	-	-	15,929
Hotel properties on freehold land	43,188	5,936	-	-	(32)	(1,215)	47,877
Hotel properties on leasehold land	19,647	1,894	-	-	-	-	21,541
Long term leasehold land and buildings	14,510	1,164	-	-	-	-	15,674
Short term leasehold land and buildings	2,813	396	-	-	(115)	-	3,094
Jetty and infrastructure	29,863	-	-	-	-	-	29,863
Plant and machinery	90,175	10,360	(52)	-	(303)	-	100,180
Motor vehicles and boats	10,455	2,004	(1,536)	(34)	(26)	-	10,863
Office equipment	11,530	1,566	(43)	(54)	(3)	(28)	12,968
Furniture, fittings and equipment	87,825	7,701	(460)	(789)	(41)	(1,218)	92,927
Office renovation	215	51	(53)	-	-	-	213
Bearer plants	1,075	686	-	-	-	-	1,761
	324,266	34,717	(2,144)	(877)	(520)	(2,461)	352,890
Accumulated impairment							
Buildings on freehold land	-	-	-	-	-	200	200
Hotel properties on freehold land	-	-	-	-	-	1,851	1,851
Jetty and infrastructure	8,316	-	-	-	-	10	8,326
Construction-in-progress	2,120	-	-	-	-	-	2,120
	10,436	-	-	-	-	2,061	12,497

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group (Cont'd)

2016

	As at 1.1.2016	Additions	Disposals	Write off [Note 4(b)(iii)]	Reclassifications	Foreign exchange differences	As at 31.12.2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At cost							
Freehold land	169,375	-	-	-	-	279	169,654
Buildings on freehold land	135,653	1,990	(100)	-	160	-	137,703
Golf course on freehold land	17,879	-	-	-	-	-	17,879
Hotel properties on freehold land	227,233	510	-	-	28,998	269	257,010
Hotel properties on leasehold land	84,448	116	-	-	-	-	84,564
Long term leasehold land and buildings	85,058	328	-	-	4,842	-	90,228
Short term leasehold land and buildings	13,699	16	-	-	-	254	13,969
Jetty and infrastructure	38,179	-	-	-	-	-	38,179
Plant and machinery	113,700	3,376	(1,730)	(812)	9,359	137	124,030
Motor vehicles and boats	16,083	2,204	(685)	(259)	-	14	17,357
Office equipment	14,343	2,003	(10)	(141)	-	3	16,198
Furniture, fittings and equipment	116,145	7,491	(370)	(5,427)	4,421	86	122,346
Construction-in-progress	50,633	2,895	-	(31)	(47,780)	-	5,717
Office renovation	706	84	(21)	(134)	-	-	635
Bearer plants	17,263	227	-	-	-	-	17,490
	1,100,397	21,240	(2,916)	(6,804)	-	1,042	1,112,959

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group (Cont'd)

2016

	As at 1.1.2016 RM'000	Charge for the year [Note 4(b)(iii)] RM'000	Disposals RM'000	Write off [Note 4(b)(iii)] RM'000	Foreign exchange differences RM'000	As at 31.12.2016 RM'000
Accumulated depreciation						
Buildings on freehold land	10,044	2,929	(3)	-	-	12,970
Hotel properties on freehold land	37,148	5,991	-	-	49	43,188
Hotel properties on leasehold land	17,763	1,884	-	-	-	19,647
Long term leasehold land and buildings	13,381	1,129	-	-	-	14,510
Short term leasehold land and buildings	2,374	393	-	-	46	2,813
Jetty and infrastructure	29,690	173	-	-	-	29,863
Plant and machinery	81,860	10,581	(1,580)	(807)	121	90,175
Motor vehicles and boats	9,086	2,302	(684)	(259)	10	10,455
Office equipment	10,301	1,368	(4)	(137)	2	11,530
Furniture, fittings and equipment	86,152	6,866	(228)	(5,015)	50	87,825
Office renovation	205	58	(13)	(35)	-	215
Bearer plants	-	1,075	-	-	-	1,075
	298,004	34,749	(2,512)	(6,253)	278	324,266
Accumulated impairment						
Jetty and infrastructure	-	-	-	-	8,316	8,316
Construction-in-progress	-	-	-	-	2,120	2,120
	-	-	-	-	10,436	10,436

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group (Cont'd)

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
Net carrying amount		
Freehold land	163,081	169,654
Buildings on freehold land	123,048	124,733
Golf course on freehold land	17,879	17,879
Hotel properties on freehold land	201,744	213,822
Hotel properties on leasehold land	64,915	64,917
Long term leasehold land and buildings	74,801	75,718
Short term leasehold land and buildings	10,216	11,156
Jetty and infrastructure	-	-
Plant and machinery	32,328	33,855
Motor vehicles and boats	6,020	6,902
Office equipment	4,718	4,668
Furniture, fittings and equipment	34,937	34,521
Construction-in-progress	2,110	3,597
Office renovation	640	420
Bearer plants	16,007	16,415
	752,444	778,257
Net carrying amount analysed by business segments:		
Property	179,648	183,472
Construction	13,580	12,841
Industries	81,423	86,736
Hospitality	421,530	438,596
Financial services and investment holding	56,263	56,612
	752,444	778,257

Company

2017

	As at 1.1.2017 RM'000	Additions RM'000	As at 31.12.2017 RM'000
At cost			
Furniture and fittings	-	21	21
Motor vehicle	-	464	464
Office equipment	123	278	401
Office renovation	84	273	357
Plant and machinery	-	5	5
	207	1,041	1,248

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company (Cont'd)

2017

	As at 1.1.2017 RM'000	Charge for the year [Note 4(b)(ii)] RM'000	As at 31.12.2017 RM'000
Accumulated depreciation			
Furniture and fittings	-	3	3
Motor vehicle	-	5	5
Office equipment	18	62	80
Office renovation	2	19	21
Plant and machinery	-	1	1
	20	90	110

2016

	As at 1.1.2016 RM'000	Additions RM'000	Charge for the year [Note 4(b)(ii)] RM'000	As at 31.12.2016 RM'000
At cost				
Office equipment	24	99	-	123
Office renovation	-	84	-	84
	24	183	-	207
Accumulated depreciation				
Office equipment	7	-	11	18
Office renovation	-	-	2	2
	7	-	13	20

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
Net carrying amount		
Furniture and fittings	18	-
Motor vehicle	459	-
Office equipment	321	105
Office renovation	336	82
Plant and machinery	4	-
	1,138	187

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) Recognition, measurement and significant judgement

Property, plant and equipment are initially measured at cost and subsequently at cost less accumulated depreciation and accumulated impairment losses, if any.

Freehold land and golf course on freehold land are not depreciated. Construction-in-progress is not depreciated until such time when the asset is available for use.

Depreciation is calculated on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life. The estimated useful life represent common life expectancies applied in the industry within which the Group and the Company operate. The principal depreciation periods and annual rates used are as follows:

	Years	Percentage (%)
Buildings on freehold land	50	2
Hotel properties on freehold land	50	2
Hotel properties on leasehold land	43	2
Long term leasehold land and buildings	50 - 98	1 - 2
Short term leasehold land and buildings	24 - 47	2 - 4
Jetty and infrastructure	50	2
Plant and machinery	5 - 10	10 - 20
Motor vehicles and boats	5 - 7	15 - 20
Office equipment	5 - 7	15 - 20
Furniture, fittings and equipment	5 - 10	10 - 20
Office renovation	10	10
Bearer plants	22	5

The residual value, useful life and depreciation method are reviewed at the end of the year 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 items of property, plant and equipment.

At the end of the year, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

The Group has assessed and classified land use rights of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the lease term. Consequently, the Group has classified the unamortised upfront payment for land use rights as finance lease in accordance with MFRS 117 Leases.

NOTES TO THE FINANCIAL STATEMENTS

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4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) Other information

(i) Assets pledged as security

Property, plant and equipment of certain subsidiary companies with the following carrying amounts are pledged to licensed financial institutions for credit facilities granted to the subsidiary companies as disclosed in Note 22(b):

	Group	
	2017 RM'000	2016 RM'000
Freehold land and buildings	57,074	21,610
Freehold land and hotel properties	171,723	176,637
Other property, plant and equipment	-	808
	228,797	199,055

(ii) Depreciation charge

The total depreciation charge for the year is recognised and classified as follows:

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Recognised in profit or loss:					
- Cost of sales	30(b)	5,160	4,890	-	-
- Administrative expenses	32	23,739	24,111	90	13
Capitalised in assets:					
- Contract assets and liabilities in relation to construction contracts	13(b)(iii)	5,818	5,748	-	-
		34,717	34,749	90	13

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) Other information (Cont'd)

(iii) Write off

The plant and equipment written off for the year is recognised and classified as follows:

	Note	2017 RM'000	Group 2016 RM'000
Cost		1,327	6,804
Accumulated depreciation		(877)	(6,253)
Net carrying amount		450	551
Recognised in profit or loss:			
- Other expenses	33	376	485
Capitalised in assets:			
- Contract assets and liabilities in relation to construction contracts	13(b)(iii)	74	66
		450	551

(iv) Impairment

Total impairment losses recognised for the year are as follows:

	Note	2017 RM'000	Group 2016 RM'000
Buildings on freehold land	*	200	-
Hotel properties on freehold land	*	1,851	-
Jetty and infrastructure	^	10	8,316
Construction-in-progress	^	-	2,120
	33	2,061	10,436

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) Other information (Cont'd)

(iv) Impairment (Cont'd)

- * In accordance with the accounting policies, the Group assesses whether the carrying amount of the assets is fully recoverable. The impairment were made to the building and hotel property as the carrying amount exceeds the recoverable amount.
- ^ Pursuant to the agreement dated 27 March 2013, entered between Damai Laut Golf Resort Sdn. Bhd. and Perak State Government for the proposed development of a sea villa on seabed with 20.23 hectare at Mukim Lumut, Daerah Manjung, Perak, the Group has capitalised RM10.4 million in respect of the infrastructure development costs. As the agreement expired on 26 March 2016, the infrastructure development costs was considered irrevocable at the end of the previous year and impairment on the entire sum has been made accordingly.

(v) Changes in estimates

During the year, the Group conducted an operational efficiency review on its assets and revised the estimated useful life of certain assets after reassessing those assets' estimated useful life. The revision in estimate has been applied prospectively with effect from 1 January 2017. The effect of the above revision on depreciation charge in current year is not material.

(vi) Transfer of asset

The property, plant and equipment transferred to non-current assets held for sale is as follows:

	Note	Group 2017 RM'000	2016 RM'000
Cost		15,102	-
Accumulated depreciation		(2,461)	-
Net carrying amount	20	12,641	-

(vii) Others

During the year, a motor vehicle with carrying amount of RM90,000 was awarded to a long service Director as recognition of his past contributions to the Group.

NOTES TO THE FINANCIAL STATEMENTS

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5. INVESTMENT PROPERTIES

	Note	Group 2017 RM'000	2016 RM'000
Investment properties, at fair value			
At the beginning of the year		631,610	567,866
Classified as non-current assets held for sale	20	-	(8,000)
Disposals		(4,500)	(21,600)
Expenditure incurred	(c)	14,498	37,360
Gain on fair valuation recognised in profit or loss	31	53,127	55,984
At the end of the year		694,735	631,610
Investment property under construction, at cost			
At the beginning of the year		18,170	2,476
Expenditure incurred	(c)	38	15,694
At the end of the year		18,208	18,170
		712,943	649,780

(a) Recognition and measurement

Investment properties, principally comprise properties held for rental yields or capital appreciation or both and are not occupied by the Group.

Investment properties are initially measured at cost, the fair value of consideration paid, including related transaction costs and subsequently carried at fair value.

Investment property under construction is measured at fair value if the fair value is considered reliable, but for which the Group expects that the fair value of the property will be reliable determinable when construction is completed, it is measured at cost until either the fair value becomes reliably determinable or construction is completed, whichever is earlier.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed off when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Gains or losses arising from changes in the fair values of investment properties are recognised in the profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognised in profit or loss in the year of retirement or disposal.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

5. INVESTMENT PROPERTIES (CONT'D)

(b) Fair value measurement and significant judgement

(i) Valuation process overview

The Group's investment properties are valued by independent professionally qualified valuers who hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. The management team reviewed and discussed the valuations, including valuation processes, performed by the independent valuers for financial reporting purposes. Below are the key review processes carried out each year:

- (1) Verification of all major inputs to the independent valuation report;
- (2) Assessment of property valuation movements when compared to the prior year valuation report; and
- (3) Discussions with the independent valuer.

(ii) Valuation techniques adopted

Pursuant to MFRS 13 Fair Value Measurement, the Group establishes a fair value hierarchy that is categorised into three levels of inputs to valuation techniques which are used to measure fair value. The carrying amount of the investment properties categorised into the fair value hierarchy are as follow:

	Group	
	2017	2016
	RM'000	RM'000
(1) There is no investment properties categorised under Level 1, using unadjusted active market price of identified assets.	-	-
(2) Investment properties included in Level 2, valuation techniques for which all inputs that have a significant effect on the recorded fair values are observable for the asset, using the market approach (comparison approach) which uses observable inputs (including prices and other relevant information generated by market transactions involving identical or comparable/similar properties).	353,382	297,873
(3) Investment properties included in Level 3, valuation techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data for the asset, using investment, residual and income capitalisation approaches based on inputs which are not observable market data.	359,561	351,907
	712,943	649,780

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

5. INVESTMENT PROPERTIES (CONT'D)

(b) Fair value measurement and significant judgement (Cont'd)

(ii) Valuation techniques adopted (Cont'd)

The Group engaged independent valuation specialists to determine fair values of the investment properties. The fair value was determined using income capitalisation method and/or comparison method.

By using income capitalisation method, the comparison method is used as a check. Income capitalisation method of valuation entails determining the net annual income by deducting the annual outgoings from the gross annual income and capitalising the net income by a suitable rate of return consistent with the type and quality of investment to arrive at the market value. The key inputs for valuation techniques include:

- | | | | |
|-----|-------------------------|---|--|
| (1) | Estimated rental/income | : | based on income and period of the existing lease agreement |
| (2) | Term rate | : | capitalisation rate for term of lease based on current rate of return of the properties in market |
| (3) | Reversion rate | : | capitalisation rate for perpetuity based on current rate of return of the properties in market |
| (4) | Void allowance | : | based on the current occupancy rate in the market according to the type and location of the properties |

Those inputs are unobservable, any significant change in the inputs might result in a significantly higher or lower fair value measurement. In such, the increase/(decrease) in the estimated rental/income would result in a higher/(lower) fair value of the investment property. The higher/(lower) term rate, reversion rate or void allowance would otherwise will result in lower/(higher) fair value of the investment property.

The comparison method analyses recent transactions and asking price of similar properties in the larger locality with applicable adjustments made for differences in location, size and etc.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

5. INVESTMENT PROPERTIES (CONT'D)

(b) Fair value measurement and significant judgement (Cont'd)

(iii) Fair value reconciliation of investment properties measured at Level 3

Group	Office buildings RM'000	Shopping mall, supermarket premises and car park RM'000	Others RM'000	Total RM'000
2017				
At the beginning of the year	-	344,469	7,438	351,907
Expenditure incurred	-	14,188	13	14,201
Loss on fair valuation	-	(7,188)	-	(7,188)
Transfer from level 2	-	641	-	641
At the end of the year	-	352,110	7,451	359,561
2016				
At the beginning of the year	8,000	329,643	7,438	345,081
Expenditure incurred	-	32,052	-	32,052
Gain on fair valuation	-	54,154	-	54,154
Transfer to non-current assets held for sale	(8,000)	-	-	(8,000)
Car park transfer to Level 2	-	(71,380)	-	(71,380)
At the end of the year	-	344,469	7,438	351,907

Valuation techniques used and key inputs for valuation on the investment properties measured at Level 3 are described below:

Property category	Valuation technique	Significant unobservable inputs	Group 2017	Group 2016
Shopping mall	Income Capitalisation method	Estimated net income (RM'000)	22,000	19,928
		Term rate	6.00%	6.00%
		Reversion rate	7.00%	7.00%
		Void allowances	12.00%	15.00%
Supermarket premises	Income Capitalisation method	Estimated rental (RM'000)	7,386	7,386
		Term rate	5.75% - 7.00%	5.75% - 7.00%
		Reversion rate	7.25% - 8.00%	7.25% - 8.00%
		Void allowances	5.00%	5.00%
Others	Income Capitalisation method	Estimated rental (RM'000)	265	265
		Term rate	5.75%	5.75%
		Reversion rate	7.25%	7.25%
		Discount rate	4.87%	4.87%

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

5. INVESTMENT PROPERTIES (CONT'D)

(c) Other information

(i) Investment properties at fair value

The investment properties of the Group comprise shopping mall, supermarket premises, office buildings, shop offices, commercial units, residential units and car parks. The expenditure incurred under investment properties during the year mainly represented additional costs incurred for the existing investment properties. Rental income and direct expenses arising from investment properties during the year are as follows:

	Group	
	2017	2016
	RM'000	RM'000
Rental income generated	30,152	33,057
Direct expenses - Income generated	14,674	12,828

(ii) Investment property under construction, at cost

Investment properties under construction consist of expenditure incurred for the planned building on freehold land. In previous year, the expenditure incurred for investment properties under construction mainly represented charge paid for office building plot ratio.

(iii) Investment properties pledged as security

Investment properties of certain subsidiary companies with a carrying amount of RM409.6 million (2016: RM406.8 million) are pledged to licensed financial institutions for the credit facilities granted to certain subsidiary companies [Note 22(b)].

(iv) The Group has no restriction on the realisability of its investment properties and no contracted obligations to purchase, construct or development investment property or for repairs, maintenance or enhancement.

(v) Others

During the year, a subsidiary company disposed off certain non-core properties and recognised a total gains of RM4.9 million (2016: RM6.0 million) (Note 31).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. INVESTMENTS IN SUBSIDIARY COMPANIES

	Note	Company 2017 RM'000	2016 RM'000
Quoted shares in Malaysia			
At cost			
At the beginning of the year		-	698,265
Acquisition of additional equity interests		-	55,440
Reclassification to unquoted shares upon delisting		-	(753,705)
At the end of the year		-	-
Unquoted shares in Malaysia			
At cost			
At the beginning of the year		1,772,832	1,018,532
Acquisition of additional equity interests		139,184	595
Reclassification from quoted shares upon delisting		-	753,705
At the end of the year		1,912,016	1,772,832
<u>Accumulated impairment loss</u>			
At the beginning of the year		(97,977)	(48,529)
Allowance made	33	-	(49,448)
At the end of the year		(97,977)	(97,977)
		1,814,039	1,674,855
Fair value of financial guarantee given to financial institutions for credit facilities granted to certain subsidiary companies		15,791	15,791
		1,829,830	1,690,646

(a) Recognition, measurement and significant judgement

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.

Investments in subsidiary companies are stated at cost which is measured at the fair value of consideration paid and subsequently carried at cost less accumulated impairment loss, if any.

The Company reviews the investments in subsidiary companies for impairment when there is an indication of impairment at the end of the year. The recoverable amounts of the investments in subsidiary companies are assessed by reference to the fair value less cost to sell of the underlying assets or value-in-use of subsidiary companies.

In previous year, due to the disposal of non-core investment properties, the recoverable amount determined based on the projected cash flows was lower than the carrying amount of the investment in a subsidiary company, KE-ZAN Holdings Berhad, the Company made an impairment loss of RM49.4 million. There was no material financial effect to the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

(b) Changes in Group's composition

(i) Acquisitions of additional equity interests from non-controlling interests of PJ Development Holdings Berhad ("PJD")

From 1 January 2017 to 28 February 2017, pursuant to the Notice to Holder Who Has Not Accepted the Voluntary Take-Over Offer dated 4 October 2016, the Company further acquired the following ordinary shares and warrants of PJD:

	Shares	Warrants C
Number of units	2,156,000	1,498,083
Average price per unit (RM)	1.50	0.50
Total purchase consideration (RM)	3,234,000	749,042

Arising from the above, the Company's effective interest in ordinary shares and warrants of PJD increased from 96.42% to 96.83% and from 90.60% to 91.67% respectively.

There were no acquisitions of ordinary shares and warrants of PJD in March 2017. From 1 April 2017 to 31 December 2017, the Company further acquired the following ordinary shares of PJD from open market:

	Shares
Number of units	808,880
Average price per unit (RM)	1.50
Total purchase consideration (RM)	1,213,320

The acquisitions of additional equity interests from non-controlling interests of PJD have the following effects to the Group:

	RM'000
Net assets acquired from non-controlling interests	(7,219)
Gains on consolidation recognised in equity	2,772
Cash outflow on acquisitions of additional ordinary shares in PJD	(4,447)
Cash outflow on acquisitions of additional warrants in PJD	(749)
	(5,196)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

(b) Changes in Group's composition (Cont'd)

(ii) Issuance of 309,499 PJD's ordinary shares pursuant to conversion of PJD's Warrants C

From 11 May 2017 to 31 December 2017, PJD, a subsidiary company of the Company, issued 309,499 new ordinary shares for cash pursuant to the exercise of warrants at an exercise price of RM1.00 cash for the equivalent numbers by the registered holders.

Accordingly, the Company's effective interest in PJD's ordinary shares and warrants increased from 96.83% to 96.93% and from 91.67% to 91.87% respectively.

(iii) Incorporation of Yarra Development Holdings (Australia) Sdn. Bhd. ("YDH")

On 28 March 2017, PJD incorporated a wholly-owned subsidiary company, YDH, with an issued and paid up capital of RM100 comprising of 100 ordinary shares.

(iv) Incorporation of Yarra Australia Development Pty. Ltd. ("YAD")

On 29 March 2017, YDH incorporated a wholly-owned subsidiary company, YAD, with an issued and paid up capital of AUD10 comprising of 10 ordinary shares.

(v) Share Sale Agreement entered by PJD and Employees Provident Fund Board ("EPF") and Share Subscription Agreement entered by YAD and Yarra Park City Pty. Ltd. ("YPC")

On 5 April 2017, PJD entered into a Share Sale Agreement with EPF for the disposal of 100 ordinary shares representing 100% equity interest in YDH, a wholly-owned subsidiary company of PJD, which in turn is a subsidiary company of the Company, for a total cash consideration of RM100 ("Disposal of YDH").

On even date, YAD has entered into a Share Subscription Agreement with YPC, a 81.85% owned subsidiary company of P.J. (A) Pty. Limited, which is a subsidiary company of PJD, which in turn a 79.26% owned subsidiary company of the Company, to subscribe for 110,490,197 ordinary shares in the YPC at AUD154.0 million ("Base Subscription Amount"), which may be adjusted to include an amount or amounts (if any) of up to (in aggregate) AUD21.0 million ("Contingent Amount") in accordance with the Subscription Agreement, which representing 49.00% of the entire enlarged paid-up share capital of the YPC ("Share Subscription").

On 7 August 2017, the Disposal of YDH was duly completed.

On 8 August 2017, the Share Subscription was duly completed.

The Disposal of YDH has no material impact to the Group. The Share Subscription by YAD resulted in a dilution (or deemed disposal) of the Group's effective interest in YPC from 79.30% to 40.44% and the Group accounts for it as an associated company as disclosed in Note 7. The gain on deemed disposal comprised the difference between the fair value of interest retained in YPC and the carrying amount of investment in YPC as well as realisation of foreign exchange reserve.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

(b) Changes in Group's composition (Cont'd)

(v) Share Sale Agreement entered by PJD and Employees Provident Fund Board ("EPF") and Share Subscription Agreement entered by YAD and Yarra Park City Pty. Ltd. ("YPC") (Cont'd)

The Share Subscription by YAD in YPC resulted in a deemed disposal of YPC which was completed on 8 August 2017, the date control of YPC passed to the acquirer.

The values of assets and liabilities of YPC recorded in the consolidated financial statements as at 8 August 2017 are as follow:

	Note	RM'000
Equipment	4	1,083
Inventories	9	598,201
Deferred tax assets	10	1,330
Other receivables, deposits and prepayments		1,413
Cash and short-term funds		2,960
Borrowings		(106,606)
Trade payables		(5,855)
Amount due to related companies		(106,642)
Other payables, deposits and accruals		(7,643)
Net assets		378,241
Non-controlling interest		(70,314)
Realisation of foreign exchange reserve		(40,599)
		267,328
Capitalised as investment in an associated company		(445,626)
Gain on deemed disposal of a subsidiary company at Group level	31	177,612
Expenses incurred upon deemed disposal		(686)
Cash balances of a subsidiary company deemed disposed		(2,960)
Net cash outflow from deemed disposal of a subsidiary company		(3,646)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

(b) Changes in Group's composition (Cont'd)

(v) Share Sale Agreement entered by PJD and Employees Provident Fund Board ("EPF") and Share Subscription Agreement entered by YAD and Yarra Park City Pty. Ltd. ("YPC") (Cont'd)

Gain on the deemed disposal of YPC, including realisation of foreign exchange gain based on a prevailing foreign exchange rate on 8 August 2017, on the Group's financial statements:

	RM'000
Fair value of investment in an associated company recognised upon change of status from a subsidiary company (Deemed disposal)	445,626
Less: Cost of investment in a subsidiary company	(267,046)
Less: Expenses incurred on deemed disposal	(686)
Gain on deemed disposal of a subsidiary company at a subsidiary company level	177,894
Pre-acquisition reserves recognised upon acquisition	2,087
Post-acquisition reserves recognised up to the date of deemed disposal	(109,626)
Realisation of foreign exchange reserve	40,599
Excess of fair value over carrying amount of the remaining equity stake (gain on dilution of equity interest)	66,658
Gain on deemed disposal of a subsidiary company at Group level	177,612

As at 31 December 2017, the Group's effective interest in YPC increased from 40.44% to 40.46% due to the changes of interest in PJD as disclosed in 6(b)(i) and (ii).

(vi) Striking off of Olympic Cable (Singapore) Pte. Ltd. ("OCS")

On 4 July 2017, OCS, a wholly-owned subsidiary company of Olympic Cable Company Sdn. Bhd., which is a wholly-owned subsidiary company of PJD, which in turn is a subsidiary company of the Company, has been struck off from the register under the Singapore Companies Act (Chapter 50) by application to the Accounting and Corporate Regulatory Authority of Singapore. The striking off of OCS did not have any material financial effect to the Group.

(vii) Striking off of Swiss-Garden Rewards (Singapore) Pte. Ltd. ("SGRS")

On 7 August 2017, SGRS, a wholly-owned subsidiary company of Swiss-Garden Rewards Sdn. Bhd., which is a wholly-owned subsidiary company of PJD, which in turn is a subsidiary company of the Company has been struck off from the register under the Singapore Companies Act (Chapter 50) by application to the Accounting and Corporate Regulatory Authority of Singapore. The striking off did not have any material financial effect to the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

(b) Changes in Group's composition (Cont'd)

(viii) Issuance of 18,101,311 OSK Property Holdings Berhad's ("OSKP") ordinary shares pursuant to exercise of OSKP's Warrants C

From 1 July 2017 to 28 August 2017, OSKP issued 18,101,311 new ordinary shares for cash pursuant to the exercise of warrants at exercise price of RM1.00 each for the equivalent numbers by the Company and the registered holders of 17,870,378 and 230,933 respectively.

Arising from the above, the Company's effective interest in ordinary shares of OSKP decreased from 99.99% to 99.93%.

The remaining OSKP's Warrants C of 801,350 units have expired on 28 August 2017.

(ix) Subscription of redeemable preference shares and ordinary shares in OSK Realty Sdn. Bhd. ("OSKR")

On 27 February 2017, the Company subscribed for 75,000,000 redeemable preference shares in OSKR, a wholly-owned subsidiary company of the Company, for a cash consideration of RM75,000,000.

On 16 October 2017, the Company subscribed for 24,000,000 new ordinary shares in OSKR for a cash consideration of RM24,000,000.

The issued and paid up ordinary share capital of OSKR was increased from RM150,000,000 to RM174,000,000. The equity interest in OSKR remained at 100%.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

(c) Subsidiary companies with non-controlling interests

The subsidiary companies of the Group that have non-controlling interests that are material to the Group:

	OSKP Group RM'000	PJD Group RM'000	Total RM'000
2017			
Proportion of ownership interest held by non-controlling interests	0.07%	3.07%	
Accumulated non-controlling interests	25,025	43,209	68,234
(Loss)/Profit attributable to non-controlling interests	(1,488)	4,875	3,387
Dividend paid to non-controlling interests of OSKP/PJD	-	-	-
2016			
Proportion of ownership interest held by non-controlling interests	0.01%	3.58%	
Accumulated non-controlling interests	29,172	113,208	142,380
Profit attributable to non-controlling interests	3,842	913	4,755
Dividend paid to non-controlling interests of OSKP/PJD	686	-	686

There were significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiary companies with material non-controlling interests.

The above information is presented based on the financial statements of subsidiary groups before accounting for fair value adjustments upon both entities being acquired and intercompany transactions elimination.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

(c) Subsidiary companies with non-controlling interests (Cont'd)

Summarised financial information of the subsidiary companies have non-controlling interests are set out below:

2017

	OSKP Group RM'000	PJD Group RM'000
<u>Aggregated assets and liabilities (100%)</u>		
Current assets	549,971	987,087
Non-current assets	810,804	1,208,899
Total assets	1,360,775	2,195,986
Current liabilities	(430,647)	(546,940)
Non-current liabilities	(320,095)	(356,528)
Total liabilities	(750,742)	(903,468)
Net assets	610,033	1,292,518
<u>Aggregated results (100%)</u>		
Revenue	388,986	794,974
Profit for the year	4,378	198,032
Other comprehensive loss	-	(64,706)
Total comprehensive income	4,378	133,326
Profit/(Loss) attributable to:		
- owners of OSKP/PJD	5,847	199,522
- non-controlling interests of OSKP/PJD	(1,469)	(1,490)
	4,378	198,032
Total comprehensive income/(loss) attributable to:		
- owners of OSKP/PJD	5,847	131,385
- non-controlling interests of OSKP/PJD	(1,469)	1,941
	4,378	133,326
<u>Aggregated cash flows (100%)</u>		
Net cash generated from/(used in)		
- operating activities	72,581	83,075
- investing activities	(15,474)	(33,797)
- financing activities	5,661	(92,184)
Net increase/(decrease) in cash and cash equivalents	62,768	(42,906)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

(c) Subsidiary companies with non-controlling interests (Cont'd)

Summarised financial information of the subsidiary companies have non-controlling interests are set out below: (Cont'd)

2016

	OSKP Group RM'000	PJD Group RM'000
<u>Aggregated assets and liabilities (100%)</u>		
Current assets	710,231	1,004,448
Non-current assets	651,857	1,339,933
Total assets	1,362,088	2,344,381
<u>Aggregated liabilities (100%)</u>		
Current liabilities	(465,286)	(476,440)
Non-current liabilities	(241,098)	(602,673)
Total liabilities	(706,384)	(1,079,113)
Net assets	655,704	1,265,268
<u>Aggregated results (100%)</u>		
Revenue	564,019	727,241
Profit/(Loss) for the year	23,674	(6,797)
Other comprehensive income	-	18,402
Total comprehensive income	23,674	11,605
Profit/(Loss) attributable to:		
- owners of OSKP/PJD	19,834	(6,859)
- non-controlling interests of OSKP/PJD	3,840	62
	23,674	(6,797)
Total comprehensive income attributable to:		
- owners of OSKP/PJD	19,834	8,714
- non-controlling interests of OSKP/PJD	3,840	2,891
	23,674	11,605
<u>Aggregated cash flows (100%)</u>		
Net cash (used in)/generated from:		
- operating activities	(8,111)	60,451
- investing activities	(38,223)	(6,546)
- financing activities	(64,715)	(16,171)
Net (decrease)/increase in cash and cash equivalents	(111,049)	37,734

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

(d) List of subsidiary companies

Subsidiary companies of the Company which have the same financial year ended 31 December are as follows:

Name of companies	Principal place of business/ Country of incorporation	Principal activities	Effective proportion of ownership interest	
			2017 %	2016 %
OSK Capital Sdn. Bhd.	Malaysia	Capital financing business	100.00	100.00
OSK Realty Sdn. Bhd.	Malaysia	Property investment and letting of commercial properties	100.00	100.00
KE-ZAN Holdings Berhad	Malaysia	Property investment and letting of commercial properties	100.00	100.00
OSK Capital Management Sdn. Bhd.	Malaysia	Provision of treasury management services	100.00	100.00
OSK Management Services Sdn. Bhd. (f.k.a. OSK Ventures Sdn. Bhd.)	Malaysia	Provision of management services	100.00	100.00
OSK Property Holdings Berhad	Malaysia	Investment holding	99.93 Note 6(b)(viii)	99.99
PJ Development Holdings Berhad	Malaysia	Investment holding, property investment and provision of management services	96.93 Note 6(b)(ii)	96.42
Subsidiary companies of OSK Property Holdings Berhad				
Aspect Synergy Sdn. Bhd.	Malaysia	Property development	99.93	99.99
Aspect Potential Sdn. Bhd.	Malaysia	Property development	99.93	99.99
Atria Damansara Sdn. Bhd.	Malaysia	Property investment and development	99.93	99.99

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

(d) List of subsidiary companies (Cont'd)

Name of companies	Principal place of business/ Country of incorporation	Principal activities	Effective proportion of ownership interest	
			2017 %	2016 %
Subsidiary companies of OSK Property Holdings Berhad (Cont'd)				
Atria Shopping Gallery Sdn. Bhd.	Malaysia	Mall management and operations	99.93	99.99
Atria Parking Management Sdn. Bhd.	Malaysia	Car park management and operations	99.93	99.99
Country Wheels Sdn. Bhd.	Malaysia	Property development	50.97	50.99
Dikir Dagang Sdn. Bhd.	Malaysia	Property development	99.93	99.99
Dikir Venture Sdn. Bhd.	Malaysia	Property development	99.93	99.99
Jelang Vista Sdn. Bhd.	Malaysia	Property development	99.93	99.99
OSK Properties Sdn. Bhd.	Malaysia	Property development, investment and sale of oil palm fresh fruit bunches	99.93	99.99
OSK Properties (Seremban) Sdn. Bhd.	Malaysia	Property development	99.93	99.99
OSK Properties Management Sdn. Bhd.	Malaysia	Property management	99.93	99.99
OSKP Facilities Management Sdn. Bhd.	Malaysia	Property management	99.93	99.99
Perspektif Vista Sdn. Bhd.	Malaysia	Property development	99.93	99.99
Perspektif Pertama Sdn. Bhd.	Malaysia	Property development	99.93	99.99
Pine Avenue Sdn. Bhd.	Malaysia	Property management and development	99.93	99.99

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

(d) List of subsidiary companies (Cont'd)

Name of companies	Principal place of business/ Country of incorporation	Principal activities	Effective proportion of ownership interest 2017 %	2016 %
Subsidiary companies of OSK Property Holdings Berhad (Cont'd)				
Ribuan Ekuiti Sdn. Bhd.	Malaysia	Property development	99.93	99.99
Rimulia Sdn. Bhd.	Malaysia	Property development	54.96	54.99
Potensi Rajawali Sdn. Bhd.	Malaysia	Property development	99.93	99.99
Semponia Sdn. Bhd.	Malaysia	Property development	50.97	50.99
Warisan Rajawali Sdn. Bhd.	Malaysia	Property development	99.93	99.99
Wawasan Rajawali Sdn. Bhd.	Malaysia	Property development	99.93	99.99
Subsidiary companies of PJ Development Holdings Berhad				
Aco Built System Sdn. Bhd.	Malaysia	Installation of concrete wall panels	96.93	96.42
Acotec Sdn. Bhd.	Malaysia	Manufacturing and sale of concrete wall panels and trading of building materials	96.93	96.42
<i>Subsidiary companies of Acotec Sdn. Bhd.</i>				
Acotec-Concrete Products Sdn. Bhd.	Malaysia	Property investment and rental services	96.93	96.42

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

(d) List of subsidiary companies (Cont'd)

Name of companies	Principal place of business/ Country of incorporation	Principal activities	Effective proportion of ownership interest 2017 %	2016 %
Subsidiary companies of PJ Development Holdings Berhad (Cont'd)				
Subsidiary companies of Acotec Sdn. Bhd. (Cont'd)				
PJD Concrete Land (JB) Sdn. Bhd.	Malaysia	Property investment	96.93	96.42
PJD Concrete Land (South) Sdn. Bhd.	Malaysia	Property investment	96.93	96.42
Ancient Capital Sdn. Bhd.	Malaysia	Dormant	96.93	96.42
Bindev Sdn. Bhd.	Malaysia	Property development	96.93	96.42
Bunga Development Sdn. Bhd.	Malaysia	Property development	96.93	96.42
Subsidiary company of Bunga Development Sdn. Bhd.				
Kulai Management Services Sdn. Bhd.	Malaysia	Provision of property management services	96.93	96.42
DLHA Management Services Sdn. Bhd.	Malaysia	Investment holding	96.93	96.42
Eframe Sdn. Bhd.	Malaysia	Software consultancy, product development and maintenance	96.93	96.42
Eframe Solutions Sdn. Bhd.	Malaysia	Software consultancy, product development and maintenance	96.93	96.42
Harbour Place Management Services Sdn. Bhd.	Malaysia	Provision of property management services	96.93	96.42

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

(d) List of subsidiary companies (Cont'd)

Name of companies	Principal place of business/ Country of incorporation	Principal activities	Effective proportion of ownership interest	
			2017 %	2016 %
Subsidiary companies of PJ Development Holdings Berhad (Cont'd)				
HTR Management Services Sdn. Bhd.	Malaysia	Provision of property management services	96.93	96.42
Kota Mulia Sdn. Bhd.	Malaysia	Property development and investment	96.93	96.42
<i>Subsidiary companies of Kota Mulia Sdn. Bhd.</i>				
PJD Highland Resort Sdn. Bhd.	Malaysia	Property development	96.93	96.42
PTC Management Services Sdn. Bhd.	Malaysia	Provision of property management services	96.93	96.42
OCC Cables Berhad	Malaysia	Investment holding	96.93	96.42
<i>Subsidiary companies of OCC Cables Berhad</i>				
Olympic Cable Company Sdn. Bhd.	Malaysia	Manufacturing and sale of cables and wires	96.93	96.42
<i>Subsidiary companies of Olympic Cable Company Sdn. Bhd.</i>				
# *Olympic Cable (Singapore) Pte. Ltd.	Singapore	Investment holding and trading of cable products	- Note 6(b)(vi)	96.42
**OVI Cables (Vietnam) Co., Ltd.	Vietnam	Manufacturing and sale of cables and wires	96.93	96.42
PJ Exim Sdn. Bhd.	Malaysia	Trading of cable products	96.93	96.42

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

(d) List of subsidiary companies (Cont'd)

Name of companies	Principal place of business/ Country of incorporation	Principal activities	Effective proportion of ownership interest	
			2017 %	2016 %
Subsidiary companies of PJ Development Holdings Berhad (Cont'd)				
Olympic Properties Sdn. Bhd.	Malaysia	Property investment	96.93	96.42
**Pengerang Jaya Pte. Ltd.	Singapore	Investment holding	96.93	96.42
Subsidiary companies of Pengerang Jaya Pte. Ltd.				
P.J. (A) Pty. Limited	Australia	Investment holding and hotel business	96.93	96.42
Subsidiary company of P.J. (A) Pty. Limited				
Yarra Park City Pty. Ltd. ("YPC")	Australia	Property development and investment	* - Note 6(b)(v)	78.97
PJ Equity Sdn. Bhd.	Malaysia	Investment holding	96.93	96.42
PJD Central Sdn. Bhd.	Malaysia	Property development and investment	96.93	96.42
PJD Construction Sdn. Bhd.	Malaysia	Construction	96.93	96.42
Subsidiary company of PJD Construction Sdn. Bhd.				
PJDC International Sdn. Bhd.	Malaysia	Investment holding	96.93	96.42
PJD Eastern Land Sdn. Bhd.	Malaysia	Property development and investment	96.93	96.42

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

(d) List of subsidiary companies (Cont'd)

Name of companies	Principal place of business/ Country of incorporation	Principal activities	Effective proportion of ownership interest	
			2017 %	2016 %
Subsidiary companies of PJ Development Holdings Berhad (Cont'd)				
PJD Hartamas Sdn. Bhd.	Malaysia	Property development and investment	96.93	96.42
PJD Hotels Sdn. Bhd.	Malaysia	Investment holding and hotel and restaurant business	96.93	96.42
Subsidiary companies of PJD Hotels Sdn. Bhd.				
Damai Laut Golf Resort Sdn. Bhd.	Malaysia	Development and investment in resort property, hotel and restaurant business and operation of golf course	95.96	95.46
MM Hotels Sdn. Bhd.	Malaysia	Hotel and restaurant business	96.93	96.42
Swiss-Garden Management Services Sdn. Bhd.	Malaysia	Hotel and restaurant business	96.93	96.42
PJD Land Sdn. Bhd.	Malaysia	Leasing of office cum commercial building	96.93	96.42
PJD Landmarks Sdn. Bhd.	Malaysia	Property development	96.93	96.42
PJD Management Services Sdn. Bhd.	Malaysia	Provision of property management and facilities services	96.93	96.42
PJD Pravest Sdn. Bhd.	Malaysia	Cultivation of oil palm	96.93	96.42
PJD Properties Management Sdn. Bhd.	Malaysia	Provision of project management services	96.93	96.42
PJD Realty Sdn. Bhd.	Malaysia	Property development	96.93	96.42

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6. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

(d) List of subsidiary companies (Cont'd)

Name of companies	Principal place of business/ Country of incorporation	Principal activities	Effective proportion of ownership interest	
			2017 %	2016 %
Subsidiary companies of PJ Development Holdings Berhad (Cont'd)				
PJD Regency Sdn. Bhd.	Malaysia	Property development	96.93	96.42
PJD Sejahtera Sdn. Bhd.	Malaysia	Property development	96.93	96.42
PKM Management Services Sdn. Bhd.	Malaysia	Provision of property management services	96.93	96.42
Putri Kulai Sdn. Bhd.	Malaysia	Property investment	96.93	96.42
SGL Vacation Club Berhad	Malaysia	Operation and management of timeshare membership scheme	96.93	96.42
Superville Sdn. Bhd.	Malaysia	Property development	96.93	96.42
Swiss-Garden Hotel Management Sdn. Bhd.	Malaysia	Hotel management and consultancy services	96.93	96.42
Swiss-Garden International Sdn. Bhd.	Malaysia	Hotel management and consultancy services	96.93	96.42
Subsidiary companies of Swiss-Garden International Sdn. Bhd.				
Swiss-Garden International Limited	British Virgin Islands	Hotel management and consultancy services	96.93	96.42
*Swiss-Garden International Hotels & Resorts (Australia) Pty. Ltd.	Australia	Hotel management and consultancy services	96.93	96.42

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

(d) List of subsidiary companies (Cont'd)

Name of companies	Principal place of business/ Country of incorporation	Principal activities	Effective proportion of ownership interest	
			2017 %	2016 %
Subsidiary companies of PJ Development Holdings Berhad (Cont'd)				
Swiss-Garden Rewards Sdn. Bhd.	Malaysia	Marketing of timeshare memberships	96.93	96.42
Subsidiary company of Swiss-Garden Rewards Sdn. Bhd.				
#*Swiss-Garden Rewards (Singapore) Pte. Ltd.	Singapore	Agent providing services to hotel companies	- Note 6(b)(vii)	96.42
Swiss-Inn JB Sdn. Bhd.	Malaysia	Hotel and restaurant business	96.93	96.42
Vibrant Practice Sdn. Bhd.	Malaysia	Car park management and operations	96.93	96.42

* Consolidated using management financial statements.

** Audited by BDO member firms.

*** The Group holds 40.46% of ownership interest in YPC as at 31 December 2017 and accounts for it as an associated company [Note 7(d)].

Not required to be audited under the local legislation.

(e) Other information

Shares in certain subsidiary companies with carrying amount of RM1.33 billion (2016: RM1.29 billion) are pledged to a licensed financial institution to secure the MTNs issued by the Company [Note 21(b)(1)].

NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENTS IN ASSOCIATED COMPANIES AND A JOINT VENTURE

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Investments in associated companies					
At cost					
Quoted shares in Malaysia		2,209,614	2,209,614	2,209,614	2,209,614
Unquoted shares in Malaysia		107,403	45,424	15,571	15,571
Unquoted shares outside Malaysia		469,544	23,918	-	-
Foreign exchange differences		(18,013)	9,673	-	-
		2,768,548	2,288,629	2,225,185	2,225,185
Share of reserves, net of dividends received		669,946	540,602	-	-
Amount due from an associated company		-	60,763	-	-
(c)(i)		3,438,494	2,889,994	2,225,185	2,225,185
Investment in a joint venture					
At cost					
Unquoted shares in Malaysia		10,918	10,918	-	-
Share of reserves		(6,278)	(4,175)	-	-
(c)(ii)		4,640	6,743	-	-
Total		3,443,134	2,896,737	2,225,185	2,225,185
Fair value of investment in an associated company for which there is a quoted market price for the investment:					
Quoted shares in Malaysia		2,030,858	1,913,068	2,030,858	1,913,068

(a) Recognition, measurement and significant judgement

Investments in associated companies and a joint venture are accounted for using the equity method of accounting and are recognised initially at cost which is measured at the fair value of consideration paid and subsequently carried at cost less accumulated impairment loss, if any. The Group's carrying amount includes share of profit or loss of the investee after the date of acquisitions; such carrying amount includes goodwill identified upon acquisitions. Dividend received as return from investee is recognised as reduction in the carrying amount of the investments.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

7. INVESTMENTS IN ASSOCIATED COMPANIES AND A JOINT VENTURE (CONT'D)

(a) Recognition, measurement and significant judgement (Cont'd)

The Group determines at the end of the year whether there is any objective evidence that the investments in the associated companies and a joint venture are impaired. The carrying amount of the investment is tested for impairment in accordance with MFRS 136 Impairment of Assets as a single asset, by comparing its recoverable amount with its carrying amount. Based on the impairment test carried out on the quoted shares in Malaysia using the discounted cash flow projection, the value in use derived from the discounted cash flow projection is in excess of the cost.

The management has assessed the level of influence that the Group has on its associated company, RHB Bank Berhad ("RHBB"), and determined that it has significant influence even though the shareholding is below 20% because of the board representations in RHBB and its key operating subsidiary and their participation in the strategic directions and decision making process.

(b) Changes in Group's interests in associated companies

(i) Subscription of ordinary shares in Agile PJD Development Sdn. Bhd. ("Agile")

On 19 July 2017, PJD Hartamas Sdn. Bhd., a wholly-owned subsidiary company of PJD, which in turn is a subsidiary company of the Company, subscribed for 61,978,926 new ordinary shares in Agile for a cash consideration of RM61.9 million.

The issued and paid up share capital of Agile was increased from RM11.0 million to RM217.6 million. The Group's equity interest in Agile remained at 30% in PJD.

(ii) Change of status upon dilution of equity interest in Yarra Park City Pty. Ltd. ("YPC")

On 8 August 2017, pursuant to the Share Subscription as disclosed in Note 6(b)(v), which resulted in a dilution (or deemed disposal) of the Group's effective interest in YPC from 79.30% to 40.44%. Thereafter, YPC become an associated company to the Group upon the Share Subscription.

(c) Other information

A part of the shares in an associated company with carrying amount of RM638.2 million (2016: RM719.5 million) are pledged to a licensed financial institution to secure a term borrowing granted to the Company [Note 22(b)]. There were no contingent liabilities relating to the Group's interests in the associated companies.

In previous year, the amount due from an associated company was unsecured, receivable and bore interest rate at 4.50% per annum. It was regarded as part of the Group's investments in an associated company. At the end of the previous year, such amount including interest therein was due and to be paid.

Dividends of RM48.7 million were received from RHBB during the year compared with a total dividends of RM57.7 million were received from RHB Capital Berhad ("RHBC") of RM37.4 million and RHBB of RM20.3 million in previous year. There were no restrictions as the ability of associated companies and a joint venture to transfer funds to the Group and the Company in the form of cash dividends or to repay loans or advances made by the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

7. INVESTMENTS IN ASSOCIATED COMPANIES AND A JOINT VENTURE (CONT'D)

(c) Other information (Cont'd)

(i) Investments in associated companies

The reconciliation of net assets to the carrying amount of investments in associated companies is as follows:

Group

	RHBB RM'000	YPC RM'000	Equity & Property Investment Corporation Pty. Limited ("EPIC") RM'000	Others RM'000	Total RM'000
2017					
Proportion of ownership interests in associated companies	10.13%	41.74% #	27.40% #		
Share of net assets	2,651,256	347,463	89,956	78,601	3,167,276
Goodwill	246,489	69,378	-	-	315,867
Effect of indirect interests in a former subsidiary company held by an associated company	-	-	(22,349)	-	(22,349)
Unrealised profit	-	-	-	(22,300)	(22,300)
Carrying amounts	2,897,745	416,841	67,607	56,301	3,438,494

	RHBB RM'000	EPIC RM'000	Others RM'000	Total RM'000
2016				
Proportion of ownership interests in associated companies		10.13%	27.40% #	
Share of net assets		2,528,836	88,599	2,627,992
Goodwill		245,888	-	245,888
Effect of indirect interests in a subsidiary company held by an associated company		-	(22,349)	(22,349)
Unrealised profit		-	(22,300)	(22,300)
Amount due from an associated company		-	60,763	60,763
Carrying amounts		2,774,724	49,020	2,889,994

For the above reconciliation purpose, the percentage of ownership interests in associated companies represents the proportion equity interests in those associated companies held by PJD, a 96.93% owned subsidiary company of the Company. While the effective proportion of ownership interest is disclosed in Note 7(d).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

7. INVESTMENTS IN ASSOCIATED COMPANIES AND A JOINT VENTURE (CONT'D)

(c) Other information (Cont'd)

(i) Investments in associated companies (Cont'd)

Summarised financial information of the material associated companies is as follows:

2017

Aggregated assets and liabilities of associated companies (100%)

	RHBB RM'000	YPC RM'000	EPIC RM'000
Current assets^	-	231,311	63,484
Non-current assets^	-	646,193	283,951
Total assets	233,544,030	877,504	347,435
Current liabilities^	-	(45,128)	(11,473)
Non-current liabilities^	-	-	(7,650)
Total liabilities	(207,334,340)	(45,128)	(19,123)
Net assets	26,209,690	832,376	328,312
<u>Aggregated results (100%)</u>			
Revenue	6,386,743	1,360	17,253
Profit/(Loss) for the year attributable to:			
- owners of associated company	1,753,788	(6,193)	10,381
- non-controlling interests of associated company	5,895	-	-
	1,759,683	(6,193)	10,381
Other comprehensive loss attributable to:			
- owners of associated company	(64,016)	(62,763)	-
- non-controlling interests of associated company	(258)	-	-
	(64,274)	(62,763)	-
Total comprehensive income/(loss)	1,695,409	(68,956)	10,381
<u>Net assets attributable to the owners of associated company</u>			
At the beginning of the year	24,966,397	-	323,354
Upon share subscription	-	901,332	-
Profit/(Loss) for the year	1,753,788	(6,193)	10,381
Other comprehensive loss	(64,016)	(62,763)	-
Other reserves changes	(481,193)	-	(5,423)
At the end of the year	26,174,976	832,376	328,312

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

7. INVESTMENTS IN ASSOCIATED COMPANIES AND A JOINT VENTURE (CONT'D)

(c) Other information (Cont'd)

(i) Investments in associated companies (Cont'd)

Summarised financial information of the material associated companies is as follows: (Cont'd)

2016

Aggregated assets and liabilities of associated companies (100%)

	RHBB* RM'000	EPIC RM'000
Current assets^	-	81,955
Non-current assets^	-	316,010
Total assets	240,297,789	397,965
Current liabilities^	-	(59,588)
Non-current liabilities^	-	(15,023)
Total liabilities	(215,302,303)	(74,611)
Net assets	24,995,486	323,354
<u>Aggregated results (100%)</u>		
Revenue	6,307,974	31,789
Profit for the year attributable to:		
- owners of associated company	1,470,795	13,486
- non-controlling interests of associated company	5,964	-
	1,476,759	13,486
Other comprehensive income attributable to:		
- owners of associated company	129,799	-
- non-controlling interests of associated company	182	-
	129,981	-
Total comprehensive income	1,606,740	13,486
<u>Net assets attributable to the owners of associated company</u>		
At the beginning of the year	-	300,804
Acquisition upon distribution-in-specie	24,155,318	-
Profit for the year	1,470,795	13,486
Other comprehensive income	129,799	-
Other reserves changes	(789,515)	9,064
At the end of the year	24,966,397	323,354

* Inclusive the results of RHBB and RHBC.

^ Breakdown of current assets/liabilities and non-current assets/liabilities of RHBB are not available as financial institution has to comply with BNM guidelines on presentation and disclosures.

The above information is presented based on the financial statements of the associated companies after accounting for fair value adjustments made at the time of acquisitions.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

7. INVESTMENTS IN ASSOCIATED COMPANIES AND A JOINT VENTURE (CONT'D)

(c) Other information (Cont'd)

(ii) Investment in a joint venture, Scotia Acres Sdn. Bhd. ("Scotia")

The reconciliation of net assets to carrying amount of the joint venture is as follows:

	2017 RM'000	Group 2016 RM'000
Proportion of ownership interest in a joint venture	50.00%	50.00%
Share of net assets/Carrying amount	4,640	6,743

Summarised financial information of the joint venture is as follows:

Aggregated assets and liabilities of the joint venture (100%)

	2017 RM'000	2016 RM'000
Current assets	3,296	4,642
Non-current assets	97,706	101,784
Total assets	101,002	106,426
Current liabilities	(15,163)	(16,662)
Non-current liabilities	(76,559)	(76,279)
Total liabilities	(91,722)	(92,941)
Net assets	9,280	13,485

Aggregated results (100%)

Revenue	11,824	9,431
Loss for the year/Other comprehensive loss attributable to:		
- owners of joint venture	(4,205)	(5,215)
- non-controlling interests of the joint venture	-	-
	(4,205)	(5,215)
Total comprehensive loss	(4,205)	(5,215)
<u>Net assets attributable to the owners of the joint venture</u>		
At the beginning of the year	13,485	18,700
Loss for the year	(4,205)	(5,215)
At the end of the year	9,280	13,485

The above information presented is based on the financial statements of the joint venture with adjustments for differences in accounting policies between the Group and the joint venture.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

7. INVESTMENTS IN ASSOCIATED COMPANIES AND A JOINT VENTURE (CONT'D)

(d) List of associated companies and a joint venture

Name of companies	Principal place of business/ Country of incorporation	Principal activities	Effective proportion of ownership interest	
			2017 %	2016 %
Associated companies				
RHB Bank Berhad*	Malaysia	Commercial banking and finance related business and the provision of related services whilst its subsidiary companies are involved in Islamic banking, investment banking, stock broking, leasing, offshore banking, offshore trust services, property investment, general insurance, unit trust management, asset management and nominee and custodian services	10.13	10.13
RHB Capital Berhad* (In Members' Voluntary Winding Up)	Malaysia	Investment holding (dormant)	10.13	10.13
Associated companies of PJD				
^ Agile PJD Development Sdn. Bhd.	Malaysia	Property development and investment	29.08 @	28.93
^ Equity & Property Investment Corporation Pty. Limited**	Australia	Property investment and property development	26.56 @	26.42
^ Yarra Park City Pty. Ltd.*	Australia	Property development and investment	40.46 ## Note 7(b)(ii)	*** -

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

7. INVESTMENTS IN ASSOCIATED COMPANIES AND A JOINT VENTURE (CONT'D)

(d) List of associated companies and a joint venture (Cont'd)

Name of companies	Principal place of business/ Country of incorporation	Principal activities	Effective proportion of ownership interest	
			2017 %	2016 %
Joint venture of PJD				
^ Scotia Acres Sdn. Bhd.	Malaysia	Property development and investment	48.46 [@]	48.21
Subsidiary company of Scotia Acres Sdn. Bhd.				
Canggih Pesaka Sdn. Bhd.	Malaysia	Property investment	48.46 [@]	48.21

^ Indirect interest held through PJD Group.

* Audited by firms of auditors other than BDO in Malaysia and BDO member firms.

** Equity accounted using management financial statements and not audited by BDO member firms.

*** The Group holds 78.97% of ownership interest in YPC as at 31 December 2016 and accounts for it as a subsidiary company [Note 6(d)].

@ The Group's effective equity interest increased due to the changes of interest in PJD as disclosed in Note 6(b) (i) and (ii). The Company has a 96.93% (2016: 96.42%) equity interest in a subsidiary company, PJD, which in turn holds 30% equity interest in Agile, 27.40% equity interest in EPIC, 41.74% and 50% equity interest in Scotia. Therefore, the Group's effective equity interest in Agile, EPIC and Scotia are 29.08% (2016: 28.93%), 26.56% (2016: 26.42%) and 48.46% (2016: 48.21%) respectively.

PJD holds 41.74% equity interest in YPC, therefore, the Group's effective equity interest in YPC is 40.46%.

The financial statements of the associated companies and a joint venture used in applying equity method are prepared as of 31 December except for EPIC which prepared its financial statements as of 30 June. For applying the equity method of accounting, the management financial statements of EPIC for financial period ended 31 December 2017 have been used for the consistent financial period within the Group.

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8. INTANGIBLE ASSETS

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Software licences	(b)	1,216	1,446	102	45
Club membership	(c)	350	550	-	-
Trademarks		160	160	160	160
		1,726	2,156	262	205

(a) Recognition and measurement

Software licences, club membership and trademarks are stated at cost less any accumulated amortisation and accumulated impairment losses, if any. The software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of 6 to 7 years. The estimated useful life represent common life expectancies applied in the industry within which the Group and the Company operate.

(b) Software licences

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At cost					
At the beginning of the year		2,612	2,405	48	-
Additions		171	216	69	48
Write off	33	(94)	(9)	-	-
At the end of the year		2,689	2,612	117	48
Accumulated amortisation					
At the beginning of the year		(1,166)	(830)	(3)	-
Amortisation		(361)	(344)	(12)	(3)
Write off	33	54	8	-	-
At the end of the year		(1,473)	(1,166)	(15)	(3)
Net carrying amount		1,216	1,446	102	45

The total amortisation for the year is recognised and classified as follows:

Recognised in profit or loss:					
- Cost of sales	30(b)	10	14	-	-
- Administrative expenses	32	351	330	12	3
		361	344	12	3

(c) Club membership

	Note	Group	
		2017 RM'000	2016 RM'000
At cost			
At the beginning of the year		550	350
Additions		-	216
Disposal		(68)	(16)
Write off	33	(132)	-
At the end of the year		350	550

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9. INVENTORIES

	Note	Group 2017 RM'000	2016 RM'000
Non-current			
Land held for property development			
Freehold and leasehold land			
At the beginning of the year		1,035,976	1,012,816
Costs incurred		193,239	8,997
Transfer to property development costs		(23,735)	(7,335)
Deemed disposal of a subsidiary company	6(b)(v)	(545,834)	-
Foreign exchange differences		26,563	21,498
At the end of the year		686,209	1,035,976
Development costs			
At the beginning of the year		125,747	84,528
Costs incurred		69,158	41,113
Transfer to property development costs		(4,066)	-
Recognised in profit or loss	30	(10,327)	-
Deemed disposal of a subsidiary company	6(b)(v)	(52,367)	-
Foreign exchange differences		821	106
At the end of the year		128,966	125,747
Total non-current		815,175	1,161,723
Current			
Property development costs			
Freehold and leasehold land			
At the beginning of the year		297,505	481,511
Costs incurred		5	9,956
Transfer from land held for property development		23,735	7,335
Transfer to inventories		(10,331)	(875)
Reversal of development expenditure for completed projects		(28,607)	(200,422)
At the end of the year		282,307	297,505
Development costs			
At the beginning of the year		866,474	2,602,818
Costs incurred		473,525	573,649
Transfer from land held for property development		4,066	-
Transfer to inventories		(39,029)	(21,183)
Reversal of development expenditure for completed projects		(282,768)	(2,288,810)
At the end of the year		1,022,268	866,474
Total property development costs incurred		1,304,575	1,163,979

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9. INVENTORIES (CONT'D)

	Note	Group 2017 RM'000	2016 RM'000
Current (Cont'd)			
Property development costs (Cont'd)			
Costs recognised in profit or loss			
At the beginning of the year		(692,192)	(2,642,722)
Recognised in profit or loss	30	(475,149)	(538,702)
Reversal of costs arising from completed projects		311,375	2,489,232
At the end of the year		(855,966)	(692,192)
Net carrying amount of property development costs		448,609	471,787
Others			
At cost			
Completed properties held for sale		56,698	32,793
Raw materials		9,531	13,550
Consumables		2,671	2,505
Work-in-progress		6,009	7,030
Finished goods		26,202	19,428
		101,111	75,306
At net realisable value			
Completed properties held for sale		8,386	-
Raw materials		306	247
Finished goods		3,145	4,263
		11,837	4,510
Net carrying amount of others		112,948	79,816
Total current		561,557	551,603

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9. INVENTORIES (CONT'D)

(a) Recognition, measurement and significant judgement

(i) Land held for property development

The land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at lower of cost and net realisable value. Costs associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

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

(ii) Property development costs

The property development costs comprise all costs that are directly attributable to the development activities or that can be allocated on a reasonable basis to such activities. Such development costs comprise the cost of land under development, construction costs and other related development costs common to the whole project including professional fees, stamp duties, commissions, conversion fees and other relevant levies as well as borrowing costs.

Property development costs not recognised as an expense are recognised as an asset measured at the lower of cost and net realisable value. The asset is subsequently credited over to profit or loss and recognised as an expense when the control of the asset is transferred to the customer.

The Group recognises in profit or loss the property development revenue and costs by reference to the progress towards complete satisfaction of that performance obligation at the reporting period. It is measured based on direct measurements of the value transferred by the Group to the customers and the Group's efforts or inputs to the satisfaction of the performance obligation. Significant judgement is required in determining:

- the completeness and accuracy of the budgets; and
- the extent of the costs incurred.

Substantial changes in cost estimates can have a significant effect on the Group's profitability in future periods. In making the above judgement, the Group relies on past experience and work of specialists. There is no estimation required in determining the transaction prices as revenue from property development is based on contracted prices.

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9. INVENTORIES (CONT'D)

(a) Recognition, measurement and significant judgement (Cont'd)

(iii) Completed properties held for sale

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

(iv) Other inventories

The other inventories costs are determined using a weighted average cost basis and stated at the lower of cost and net realisable value.

(b) Other information

(i) Land held for property development

Included in land held for property development costs during the year was interest capitalised of RM5.4 million (2016: RM6.9 million) (Note 34).

Development land of certain subsidiary companies with carrying amount of RM246.1 million (2016: RM582.6 million) are pledged as security for term and bridging borrowings granted to the subsidiary companies [Note 22(b)].

(ii) Property development cost

Included in property development cost during the year was interest capitalised of RM14.4 million (2016: RM19.6 million) (Note 34).

Property development land of the certain subsidiary companies with carrying amount of RM392.6 million (2016: RM374.7 million) are pledged as security for term borrowing granted to the subsidiary companies [Note 22(b)].

(iii) Other inventories

The following are amount of inventories recognised as an expense in cost of sales during the year.

	Group	
	2017	2016
	RM'000	RM'000
Completed properties held for sale	13,464	9,716
Consumables	9,020	10,460
Finished goods	221,575	220,290
	244,059	240,466

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10. DEFERRED TAX ASSETS/(LIABILITIES)

The following amounts are determined after appropriate set-off as shown in the statements of financial position.

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets	(b)(i)				
At the beginning of the year		100,883	84,487	1,237	-
Deemed disposal of a subsidiary company	6(b)(v)	(1,330)	-	-	-
Recognised in profit or loss	35	(25,754)	16,350	85	1,237
Foreign exchange differences		219	46	-	-
At the end of the year		74,018	100,883	1,322	1,237
Deferred tax liabilities	(b)(ii)				
At the beginning of the year		(156,916)	(136,772)	-	-
Recognised in profit or loss	35	13,796	(20,144)	-	-
At the end of the year		(143,120)	(156,916)	-	-

(a) Recognition, measurement and significant judgement

Deferred tax is accounted using the liability method on temporary differences at the reporting period between the tax based value and carrying amount.

Deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred tax is determined using tax rate (and tax laws) that have been enacted or substantively enacted by the end of the year and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. Significant judgement is required to determine the amount of deferred tax assets that could be recognised based on the likely timing and extent of future taxable profits together with future tax planning.

Deferred tax is provided on temporary differences arising from investments in subsidiary and associated companies, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associated companies. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference, deferred tax is not recognised.

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10. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

(b) The components and movements of deferred tax assets and liabilities:

Deferred tax assets and liabilities are offset when there is a legally enforceable rights to set-off current tax assets against current tax liabilities and when the deferred taxes are related to the same authority.

(i) Deferred tax assets

Group

	Note	Excess of depreciation over capital allowances RM'000	Fair value on investment properties RM'000	Interest capitalised in inventories RM'000	Unused tax losses and unabsorbed capital allowances RM'000	Deferred income RM'000	Provisions RM'000	Total RM'000
2017								
At the beginning of the year		632	-	5,706	32,424	31,857	30,264	100,883
Deemed disposal of a subsidiary company	6(b)(v)	-	-	-	(1,330)	-	-	(1,330)
Recognised in profit or loss	35	(11,161)	1,744	12,989	(15,423)	2,934	(16,837)	(25,754)
Foreign exchange differences		-	-	-	219	-	-	219
At the end of the year		(10,529)	1,744	18,695	15,890	34,791	13,427	74,018
2016								
At the beginning of the year		1,024	-	4,333	8,902	30,103	40,125	84,487
Recognised in profit or loss	35	(392)	-	1,373	23,476	1,754	(9,861)	16,350
Foreign exchange differences		-	-	-	46	-	-	46
At the end of the year		632	-	5,706	32,424	31,857	30,264	100,883

NOTES TO THE FINANCIAL STATEMENTS
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10. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

(b) The components and movements of deferred tax assets and liabilities: (Cont'd)

(i) Deferred tax assets (Cont'd)

Company

	Note	Excess of depreciation over capital allowances RM'000	Provisions RM'000	Total RM'000
2017				
At the beginning of the year		(23)	1,260	1,237
Recognised in profit or loss	35	(58)	143	85
At the end of the year		(81)	1,403	1,322
2016				
At the beginning of the year		-	-	-
Recognised in profit or loss	35	(23)	1,260	1,237
At the end of the year		(23)	1,260	1,237

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10. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

(b) The components and movements of deferred tax assets and liabilities: (Cont'd)

(ii) Deferred tax liabilities

Group

		Excess of capital allowances over depreciation RM'000	Fair value on investment properties RM'000	Unused tax losses and unabsorbed capital allowances RM'000	Fair value on inventories RM'000	Fair value on share of net assets of the associated companies RM'000	Provisions RM'000	Total RM'000
Note								
2017								
	At the beginning of the year	(40,283)	(28,589)	-	(81,809)	(6,373)	138	(156,916)
	Recognised in profit or loss	(112)	4,601	7,474	841	-	992	13,796
35								
	At the end of the year	(40,395)	(23,988)	7,474	(80,968)	(6,373)	1,130	(143,120)
2016								
	At the beginning of the year	(44,400)	(9,420)	-	(76,705)	(6,373)	126	(136,772)
	Recognised in profit or loss	4,117	(19,169)	-	(5,104)	-	12	(20,144)
35								
	At the end of the year	(40,283)	(28,589)	-	(81,809)	(6,373)	138	(156,916)

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10. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

(c) Other information

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

	Group	
	2017	2016
	RM'000	RM'000
Deductible temporary differences	47,842	2,401
Taxable temporary differences	(26,969)	(21,447)
Unused tax losses	61,118	52,416
Unabsorbed capital allowances	90,138	84,857
	172,129	118,227

Deferred tax assets of certain subsidiary companies have not been recognised in respect of these items as it is not probable that taxable profits of the subsidiary companies would be available against which the deductible temporary differences could be utilised. The amount and the availability of these items to be carried forward are subject to the agreement of the relevant tax authorities.

11. AVAILABLE-FOR-SALE SECURITIES

	Group	
	2017	2016
	RM'000	RM'000
Unquoted shares in Malaysia		
At fair value	-	954

(a) Recognition and measurement

Available-for-sale securities are financial assets that are measured at fair value and subsequently carried at fair value; unless such fair value cannot be reliably measured and such amount is then measured at cost less impairment, if any.

Any gains or losses from the changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest rate method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest rate method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's rights to receive payment is established.

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11. AVAILABLE-FOR-SALE SECURITIES (CONT'D)

(a) Recognition and measurement (Cont'd)

An available-for-sale financial asset is derecognised when the contractual rights to receive cash flows from the asset is expired. Upon derecognitions, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income shall be recognised in profit or loss.

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence such investment securities are impaired.

Impairment loss is the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, and is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

(b) Other information

Pursuant to MFRS 13 Fair Value Measurement, the Group establishes a fair value hierarchy that is categorised into three levels of inputs to valuation techniques which are used to measure fair value.

The fair value measurement of the available-for-sale securities are categorised within Level 3 of the fair value hierarchy, using valuation techniques for which all inputs that have a significant effect on the recorded fair values are observable for the asset.

12. CAPITAL FINANCING

	Group	
	2017	2016
	RM'000	RM'000
Non-current	151,850	35,250
Current	361,040	316,063
	512,890	351,313
Term financing clients	513,778	362,867
Allowances for impairment losses:		
- Collective assessment	-	(32)
- Individual assessment	(888)	(11,522)
	(888)	(11,554)
	512,890	351,313

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12. CAPITAL FINANCING (CONT'D)

The movement of allowances for impairment losses are as follows:

	Note	Group 2017 RM'000	2016 RM'000
Collective assessment			
At the beginning of the year		(32)	-
Allowance made	33	-	(32)
Write back of allowance	31	32	-
At the end of the year		-	(32)
Individual assessment			
At the beginning of the year		(11,522)	(15,971)
Write back of allowance	31	4,131	3,637
Write off		6,503	812
At the end of the year		(888)	(11,522)

(a) Recognition, measurement and significant judgement

Capital financing are financial assets with fixed or determinable payments that are not quoted in an active market and are classified as loans and receivables. Capital financing are recognised initially at fair value plus any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the capital financing are derecognised or impaired.

Capital financing client is impaired when impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') which has an impact on the estimated future cash flows of the capital financing that can be reliably estimated.

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

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for collateral held as security; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio; and
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

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12. CAPITAL FINANCING (CONT'D)

(a) Recognition, measurement and significant judgement (Cont'd)

The capital financing subsidiary company reviews its individually significant capital financing at each reporting period to assess whether an impairment loss should be recorded in the financial statements. In particular, judgement is required in the identification of doubtful loans, and the estimation of realisation amount (including review of credit worthiness and the past collection history of each receivables) and timing of future cash flows from the doubtful loans when determining the level of impairment loss required.

All impaired accounts are selected for individual impairment assessment on a regular basis.

- (i) None of the Group's capital financing that are neither past due nor impaired have been renegotiated during the year.
- (ii) The Group has capital financing amounting to RM23.5 million (2016: RM33.8 million) that are past due at the end of the year but not impaired, due to the availability of sufficient collateral or repayment subsequent to the reporting period.

The Group would take possession of these collaterals that are held as security against capital financing when default occurs. Repossessed collateral are sold as soon as practicable. Repossessed collateral are recognised as investments. The Group does not occupy repossessed properties for its business use. For the year ended 31 December 2017 and 2016, other than force selling of shares in the normal course of the Group's business, there are no unsold repossessed collaterals as at 31 December 2017 and 2016.

The capital financing portfolio is denominated in RM and charged at fixed interest rate. At weighted average interest rate of 8.73% (2016: 8.77%) per annum. The normal credit term for capital financing ranged from 2 to 24 months from the date of financing.

(b) Credit risk

Credit risk of capital financing is mitigated via collateral held as securities. The main types of collateral obtained by the capital financing subsidiary to mitigate credit risk of capital financing are pledges over quoted shares, charges over properties, ownership claims over assets financed and guarantee given by individuals. The capital financing subsidiary adopts the policy of obtaining sufficient collateral and monitors closely the collateral by observing the market trends, the collateral value continually being updated based on the changes in market value.

At the end of the year, the value of the collaterals held as securities are above the net outstanding capital financing.

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12. CAPITAL FINANCING (CONT'D)

(b) Credit risk (Cont'd)

The Group assesses credit quality of a capital financing client using the following internal classified grades:

- (1) "Grade A" refers to capital financing with collateral value higher than the gross outstanding amount. The collateral obtained is able to be used to settle in whole the indebtedness of the customer in the event of default.
- (2) "Grade B" refers to capital financing with collateral value lower than the gross outstanding amount. The collateral obtained is able to be used to settle in part the indebtedness of the customer in the event of default.

The credit quality of gross capital financing that are neither past due nor impaired is analysed as follows:

	Group	
	2017	2016
	RM'000	RM'000
Capital financing		
- Grade A	489,213	315,878
- Grade B	131	206
	489,344	316,084

(c) Other information

At the end of the year, the five largest clients, accounted for RM188.7 million or 37% (2016: RM194.1 million or 55%) of the net capital financing portfolio, representing the subsidiary company's significant concentration of credit risks.

Ageing analysis of gross capital financing is as follows:

	Group	
	2017	2016
	RM'000	RM'000
Neither past due nor impaired	489,344	316,084
Past due, not impaired		
1 to 30 days	23,534	31,824
31 to 60 days	8	818
61 to 90 days	-	1,136
	23,542	33,778
Impaired	892	13,005
	513,778	362,867

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13. TRADE RECEIVABLES AND CONTRACT ASSETS

	Note	Group 2017 RM'000	2016 RM'000
Non-current			
Trade receivables:			
Trade debtors		20,472	23,176
Stakeholder sums		7,318	4,445
Retention sums		2,380	12,348
Total non-current	(b)(i)	30,170	39,969
Current			
Trade receivables:			
Trade debtors		216,685	214,676
Stakeholder sums		56,962	62,725
Retention sums		9,448	14,007
	(b)(i)	283,095	291,408
Less: Allowance for individual impairment	(b)(i)(3)	(3,735)	(4,749)
		279,360	286,659
Contract assets in relation to:			
- property development activities	(b)(ii)	108,989	262,209
- construction contracts	(b)(iii)	16,929	14,710
		125,918	276,919
Total current		405,278	563,578
Total		435,448	603,547

(a) Recognition, measurement and significant judgement

The trade receivables are financial assets with fixed or determinable payments and are classified as loans and receivables, which are recognised at their invoiced amounts which represent their fair value on initial recognition.

Contract assets are the rights to considerations, the fair values at initial recognition, for goods or services transferred to the customers. For property development activities and construction contracts, contract assets (accrued billings) are the excess of cumulative revenue recognised over the billings to purchasers or customers.

Subsequent to initial recognition, such trade receivables and contract assets are measured at amortised cost using the effective interest rate method. Gain or losses are recognised in profit and loss when such receivables are derecognised or impaired.

The Group reviews its individually significant receivables at each reporting period to assess whether an impairment loss should be recorded in the financial statements. In particular, judgement is required in the identification of doubtful loans, and the estimation of realisation amount (including review of credit worthiness and the past collection history of each receivables) and timing of future cash flows from the doubtful loans when determining the level of impairment loss required.

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13. TRADE RECEIVABLES AND CONTRACT ASSETS (CONT'D)

(b) Other information

(i) Trade receivables

The trade debtors are generally non-interest bearing unless overdue and the normal credit periods granted by the Group range from 30 to 90 days.

The ageing analysis of gross trade receivables is as follows:

	Note	Group 2017 RM'000	2016 RM'000
Gross receivables:			
Non-current		30,170	39,969
Current		283,095	291,408
		313,265	331,377
Neither past due nor impaired	(1)	218,034	160,343
Past due, not impaired	(2)	91,496	166,285
Impaired	(3)	3,735	4,749
		313,265	331,377

- (1) Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. There is no indication as of the end of the year that the receivables will not meet their payment obligations.

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

- (2) The Group has trade receivables amounting to RM91.5 million (2016: RM166.3 million) that are past due at the end of the year but not impaired. These receivables are unsecured and the analysis of their aging at the end of the year is as follows:

Trade receivables past due but not impaired:

	Group 2017 RM'000	2016 RM'000
1 to 90 days	49,442	67,747
91 to 180 days	8,479	35,862
More than 180 days	33,575	62,676
	91,496	166,285

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13. TRADE RECEIVABLES AND CONTRACT ASSETS (CONT'D)

(b) Other information (Cont'd)

(i) Trade receivables (Cont'd)

- (3) The trade receivables that are impaired at the reporting period relate to those debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements. The movement of allowance for individual impairment is as follows:

	Note	Group 2017 RM'000	2016 RM'000
At the beginning of the year		4,749	1,798
Allowance made	33	1,275	3,224
Write back of allowance	31	(1,622)	(273)
Write off		(667)	-
At the end of the year		3,735	4,749

- (4) The currency exposure profile is disclosed in Note 43(b)(i).

(ii) Property development activities

The contract assets and contract liabilities from property development activities are as follows:

	Note	Group 2017 RM'000	2016 RM'000
At the beginning of the year		222,627	250,840
Property development revenue recognised		630,187	772,919
Provision for liquidated and ascertained damages		(1,968)	(8,280)
Net revenue pursuant to MFRS 15	29	628,219	764,639
Less: Progress billings issued		(763,102)	(792,852)
At the end of the year		87,744	222,627
At the end of the year			
- Contract assets		108,989	262,209
- Contract liabilities	24	(21,245)	(39,582)
		87,744	222,627

The remaining contractual billings to customers under property development activities amounted to RM581.5 million (2016: RM866.8 million) to be billed progressively upon the fulfilment of contractual milestones notwithstanding if control of the assets has not been transferred to the customers. The contractual billings period for property development ranges between 1 to 4 years.

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13. TRADE RECEIVABLES AND CONTRACT ASSETS (CONT'D)

(b) Other information (Cont'd)

(iii) Construction contracts

The contract assets and contract liabilities from construction contracts are as follows:

	Note	Group 2017 RM'000	2016 RM'000
At the beginning of the year		(45,589)	(38,698)
Cost incurred and profit accrued		48,890	6,831
Less: Progress billings issued		(30,299)	(13,722)
At the end of the year		(26,998)	(45,589)
At the end of the year			
- Contract assets		16,929	14,710
- Contract liabilities	24	(43,927)	(60,299)
		(26,998)	(45,589)

Included in construction contracts are depreciation of property, plant and equipment of RM5.8 million (2016: RM5.7 million) [Note 4(b)(ii)] and plant and equipment written off of RM74,000 (2016: RM66,000) [Note 4(b)(iii)].

(iv) Transaction price allocated to the remaining performance obligations

The aggregate amount of the transaction price allocated to the property development and construction contracts that are fully or partially to be fulfilled (unsatisfied) as at end of the year is approximately RM477.1 million. The Group expects that 83% or RM395.4 million of the transaction price allocated to be recognised as revenue in the financial year ended 31 December 2018. The remaining 17% or RM81.7 million is expected to be recognised as revenue from year 2019 to 2022.

The contract assets and contract liabilities under property development activities and construction contracts of the Group were not impacted by the significant changes in contract terms.

The contract assets and contract liabilities under property development activities and construction contracts of the Group are denominated in Ringgit Malaysia.

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14. OTHER ASSETS

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current					
Deposits		5,357	4,102	-	-
Current					
Other receivables		57,023	63,386	96	40
Less: Allowance for individual impairment		(726)	(868)	-	-
		56,297	62,518	96	40
Deposits		18,393	49,151	253	34
Prepayments		3,698	3,451	238	78
Total current		78,388	115,120	587	152
Total		83,745	119,222	587	152
Allowance for individual impairment					
At the beginning of the year		868	872	-	-
Allowance made	33	2	102	-	-
Write back of allowance	31	(102)	(106)	-	-
Write off		(42)	-	-	-
At the end of the year		726	868	-	-

(a) Recognition and measurement

Other assets, excluding deposits and prepayments, are financial assets with fixed or determinable payments. Other assets are classified as loans and receivables and recognised initially at amounts transacted being their fair values. Subsequent to the initial recognition, such assets are measured at amortised cost using the effective interest rate method. Gains or losses including impairment are recognised in profit or loss.

(b) Other information

Other receivables are non-interest bearing and the normal credit periods granted by the Group range from 30 to 90 days.

The reduction in deposits mainly due to RM29.0 million of deposit in relation to acquisition of development land. The acquisition is completed in year 2017.

The currency exposure profile is disclosed in Note 43(b)(i).

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15. BIOLOGICAL ASSETS

	Note	Group 2017 RM'000	2016 RM'000
At fair value			
Fresh fruit bunches:			
At the beginning of the year		145	35
Changes in fair value less cost to sell	31, 33	(65)	110
At the end of the year		80	145

(a) Recognition, measurement and significant judgement

The biological assets of the Group comprise fresh fruit bunches ("FFB") prior to harvest. The biological assets are measured at their fair values. The valuation model adopted by the Group considers the present value of the net cash flows expected to be generated from the sale of FFB less costs to sell which include harvesting cost and transport expenses.

(b) Other information

Pursuant to MFRS 13 Fair Value Measurement, the Group establishes a fair value hierarchy that categorised into three levels of inputs to valuation techniques which are used to measure fair value.

The fair value measurement of the Group's biological assets is categorised within Level 3 of the fair value hierarchy, using techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data for the asset. If the FFB selling price changes by 10%, profit or loss for the Group would have equally increased or decreased by approximately RM8,000 (2016: RM14,500) respectively.

There were no transfers between all three (3) levels of the fair values hierarchy for the biological assets during the year.

16. AMOUNTS DUE FROM/(DUE TO) SUBSIDIARY COMPANIES

	Company 2017 RM'000	2016 RM'000
Amounts due from subsidiary companies		
- Interest bearing	206,390	201,463
Amounts due to subsidiary companies		
- Interest bearing	(245,179)	(175,406)

(a) Recognition, measurement and significant judgement

The amounts due from/(due to) subsidiary companies are financial assets/(liabilities) with fixed or determinable payments and classified as loans and receivables/(other financial liabilities) which are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

The Company reviews and assesses the impairment on the amounts due from subsidiary companies at the end of the year. The recoverable amounts of amounts due from subsidiary companies are assessed by reference to the fair value less cost to sell of the underlying assets or the value-in-use of the respective subsidiary companies.

NOTES TO THE FINANCIAL STATEMENTS

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16. AMOUNTS DUE FROM/(DUE TO) SUBSIDIARY COMPANIES (CONT'D)

(b) Other information

The amounts due from/(due to) subsidiary companies are non-trade, unsecured and bear interest rate ranging from 4.55% to 4.85% (2016: 4.52% to 4.74%) per annum. At the end of the year, such amounts including interest therein are due and to be received/paid.

17. DERIVATIVE ASSETS

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Contract/Notional Amount					
Cross-currency interest rate swap		77,487	99,360	-	-
At fair value					
Cross-currency interest rate swap	43(d)	17,742	35,871	-	-
Investments in subsidiary companies' warrants		-	-	64,670	81,788
		17,742	35,871	64,670	81,788

(a) Recognition and measurement

Derivative assets of the Group are financial assets initially recognised at fair value on the date the derivative contract is entered into. Pursuant to inception of the cash flow hedge, subsequent gain or loss on remeasurement of this hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss.

If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in other comprehensive income until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

Derivative assets of the Company are financial assets initially recognised at fair value on the acquisition date including transaction costs. Subsequent to initial recognition, such derivative assets are measured at fair values; unless such fair values cannot be reliably measured and such amount is then measured at cost less impairment, if any. Gains or losses from the changes in fair values of the derivative assets are recognised in profit or loss.

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17. DERIVATIVE ASSETS (CONT'D)

(b) Other information

(i) Cross-currency interest rate swap

The cross-currency interest rate swap have been entered into in order to operationally hedge the borrowing denominated in United States Dollar ("USD") and floating monthly interest payments on borrowings that would mature on 28 September 2018. The fair value of these components has been determined based on the difference between the monthly future rates and the strike rate.

During the year, the Group recognised total fair value loss of RM349,000 (2016: RM637,000) arising from fair value changes of derivative assets in other comprehensive income as hedging reserve.

Pursuant to MFRS 13 Fair Value Measurement, the Group establishes a fair value hierarchy that is categorised into three levels of inputs to valuation techniques which are used to measure fair value. The fair value measurement of the derivative assets is categorised within Level 2 of the fair value hierarchy, using valuation techniques for which all inputs that have a significant effect on the recorded fair values are observable for the asset.

(ii) Investment in subsidiary companies' warrants

During the year, the Company further acquired 1,498,083 warrants of PJD pursuant to the Notice to Holder Who Has Not Accepted the Voluntary Take-Over Offer at a total consideration of RM749,042 and the Company exercised its entire holding of 17,870,378 warrants in OSKP at a total consideration of RM17.9 million.

As at 31 December 2017, the Company's effective interest in warrants of PJD increased to 91.87% from 90.60%.

18. SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Company	
	2017	2016
	RM'000	RM'000
Designated as fair value through profit or loss		
Quoted securities		
Shares in Malaysia	299	199

(a) Recognition and measurement

The above securities are financial assets designated as fair value through profit or loss in accordance with the Group's investment strategy and recognised initially at cost. The fair value of the quoted securities is based on their last bid price in the active markets.

Subsequent to the initial recognition, such securities are measured at their fair value. Any gains or losses arising from changes in fair values are recognised in profit or loss. Net gains or net losses on securities do not include foreign exchange differences, interest and dividend income. Foreign exchange differences, interest and dividend income on these securities are recognised separately in profit or loss as part of other losses or other income.

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18. SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONT'D)

(b) Other information

Pursuant to MFRS 13 Fair Value Measurement, the Group establishes a fair value hierarchy that is categorised into three levels of inputs to valuation techniques which are used to measure fair value.

The fair value measurement of the quoted securities is categorised within Level 1 of the fair value hierarchy, using unadjusted active market price of identified assets.

19. CASH, BANK BALANCES AND SHORT TERM FUNDS

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances		62,205	61,525	1,221	103
Housing Development Accounts	43(b)(ii)	166,110	187,545	-	-
Deposits with licensed financial institutions	43(b)(ii)	60,006	48,106	-	5
Short term funds		136,355	121,276	6,172	4,060
	43(b)(i), 44	424,676	418,452	7,393	4,168

(a) Recognition and measurement

Cash, bank balances and short term funds are financial assets that are measured at their fair value.

(b) Other information

Bank accounts held under Housing Development Accounts ("HDAs") are maintained pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 (as amended by Housing Development (Control and Licensing) (Amendment) Act, 2015) in Malaysia. The utilisation of this balance is restricted for property development activities.

The deposits with licensed financial institutions amounting to RM3.5 million (2016: RM8.6 million) of the Group have been pledged to licensed financial institutions for credit facilities granted to certain subsidiary companies as disclosed in Note 22(b).

Short term funds aim to invest in highly liquid instruments which are investing its assets in Ringgit Malaysia deposits with financial institutions in Malaysia and are redeemable with one (1) day notice. These funds are subject to an insignificant risk of changes in value and form part of cash and cash equivalents. Funds distribution income from these funds is tax-exempted, is calculated daily and distributed at every month end.

The short term funds of the Company with carrying amount of RM4.2 million (2016: RM4.1 million) are pledged as a security for medium term notes as disclosed in Note 21(b)(2), being the permitted investments pursuant to medium term note programme.

The currency exposure profile is disclosed in Note 43(b)(i).

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19. CASH, BANK BALANCES AND SHORT TERM FUNDS (CONT'D)

(c) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and at banks, deposits with licensed financial institutions and short term funds with short term maturities and highly liquid investments which have an insignificant risk of changes in value less bank overdrafts. Statements of cash flows are prepared using indirect method and changes in cash and cash equivalents are classified into operating, investing and financing activities.

(d) Reconciliation of liabilities arising from financing activities

		2016	Cash Flows			2017
				Non-cash changes		
				Deemed disposal of a subsidiary company	Effect of foreign exchange	Others
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Medium term notes	21	837,604	-	-	-	606
Borrowings*		1,393,234	158,446	(106,606)	(19,695)	2,809
Total liabilities from financing activities		2,230,838	158,446	(106,606)	(19,695)	3,415
Company						
Medium term notes	21	837,604	-	-	-	606
Borrowings*		191,730	24,265	-	-	686
Total liabilities from financing activities		1,029,334	24,265	-	-	1,292

* For reconciliation of liabilities arising from financing activities purpose, the bank overdrafts have been excluded from the borrowings. This is because of the cash and cash equivalents had already included bank overdrafts.

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20. NON-CURRENT ASSETS HELD FOR SALE

	Note	Group 2017 RM'000	2016 RM'000
At net carrying amount			
At the beginning of the year		8,000	5,100
Disposal		(8,000)	(5,100)
Transfer from property, plant and equipment	4(b)(vi)	12,641	-
Transfer from investment properties	5	-	8,000
At the end of the year		12,641	8,000

(a) Recognition and measurement

Non-current assets held for sale are presented separately in the current assets of the statements of financial position. Immediately before the initial classification of the assets as held for sale, the carrying amounts of the assets are measured in accordance with their applicable accounting policy. Non-current assets held for sale are subsequently measured at the lower of their carrying amount and fair value less cost to sell. Non-current assets held for sale are no longer amortised or depreciated.

(b) Other information

As at 31 December 2017, the asset held for sale represents a hotel property. A Sale and Purchase Agreement has been signed for the disposal of the hotel property and the disposal is expected to complete in year 2018.

As at 31 December 2016, the assets held for sale represent an office building which was previously measured at fair value under investment properties. The disposal was completed on 3 January 2017 and the Group recognised a gain of RM0.2 million during the year.

21. MEDIUM TERM NOTES

	Note	Group and Company 2017 RM'000	2016 RM'000
Non-current			
Secured			
Medium term notes ("MTNs")		776,000	840,113
Less: Expenses incurred for issuance of MTNs		(1,283)	(2,509)
		774,717	837,604
Current			
Secured			
MTNs		64,113	-
Less: Expenses incurred for issuance of MTNs		(620)	-
		63,493	-
Total	19(d), 43(b)(ii), 44	838,210	837,604

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21. MEDIUM TERM NOTES (CONT'D)

The maturity of MTNs are as follows:

	Group and Company	
	2017	2016
	RM'000	RM'000
On demand or within 1 year	63,493	-
More than 1 year but less than 2 years	193,459	71,587
More than 2 years but less than 5 years	581,258	574,285
More than 5 years	-	191,732
	838,210	837,604

(a) Recognition and measurement

The medium term notes are financial liabilities, recognised and measured initially at fair value, net of transaction costs incurred. Subsequent to the initial recognition, such medium term notes are measured at amortised cost using the effective interest rate method.

MTNs are derecognised upon extinguishment of the obligations under such financial liabilities. When the existing MTNs are replaced by another lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(b) Other information

On 15 October 2015, the Company lodged with the Securities Commission Malaysia ("SC") all the required information and relevant documents relating to the MTN Programme pursuant to the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by SC. The MTN Programme will give the Company the flexibility to raise funds via the issuance of MTNs of up to RM990.0 million in nominal value, which can be utilised to refinance its existing borrowings and to fund its working capital requirements. The MTN Programme is unrated and has a tenure of fifteen (15) years from the date of its first issuance.

On 30 October 2015, the Company issued MTNs of RM750.0 million to refinance its bridging borrowings. The MTNs were issued in 12 tranches with maturities commencing from 2017 to 2022. The MTNs are redeemable every 6 months commencing 18 months after the first issuance date.

On 17 November 2016 and 1 December 2016, the Company further issued MTNs of RM100.0 million and RM90.1 million for working capital respectively. The MTNs were issued in 10 tranches with maturities commencing from 2018 to 2022. Such MTNs are redeemable every 6 months commencing 30 months after the first issuance date.

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21. MEDIUM TERM NOTES (CONT'D)

(b) Other information (Cont'd)

The terms of the MTN Programme remained unchanged other than the withdrawals of the unutilised balance sum of RM9.9 million, in respect of the first issuance, from the Disbursement Account for working capital purposes. Arising from this, the Company received a total sum of RM200.0 million for its working capital purpose.

On 30 November 2016, the Company redeemed RM100.0 million from the MTNs issued on 30 October 2015 by using its internally generated funds.

The terms of the MTN Programme contain various covenants, including the following:

- (i) The Company shall maintain a gearing ratio of not exceeding 1.50 times throughout the tenure of the MTN Programme.
- (ii) The Company shall maintain a security cover ratio of not less than 1.50 times throughout the tenure of the MTN Programme.
- (iii) The Company shall maintain a Debt Service Reserve Account ("DSRA") with a minimum amount equivalent to one interest payment. As at 31 December 2017, the DSRA balance was RM3.8 million (2016: RM3.7 million).

The amount can be utilised for the payment of interest of MTNs in the event of a default in interest payment obligations. Any utilised funds shall be replenished within 14 days from the date of withdrawal/shortfall.

Interest rate for MTNs are disclosed in Note 43(b)(ii).

The MTNs are denominated in Ringgit Malaysia.

The MTN Programme are secured by the following:

- (1) First party legal charge by way of Memorandum of Deposit with Power of Attorney over shares and warrants in certain subsidiary companies as disclosed in Note 6(e); and
- (2) First party assignment and charge over the Company's rights (including rights to sue), title, interest and benefit in and under the DSRA and Disbursement Account and all monies standing to the credit thereto [Note 19(b)].

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22. BORROWINGS

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current					
Secured					
- Bridging		17,448	23,763	-	-
- Term		590,834	749,264	149,377	185,676
Total non-current		608,282	773,027	149,377	185,676
Current					
Secured					
- Bankers' acceptances		5,200	-	-	-
- Bridging		-	15	-	-
- Revolving credits		143,150	169,300	-	-
- Term		146,001	83,297	26,151	-
Unsecured					
- Bank overdrafts		518	56	-	-
- Revolving credits		524,787	366,198	41,153	6,054
- Trust receipt		768	1,397	-	-
Total current		820,424	620,263	67,304	6,054
Total	43(b), 44	1,428,706	1,393,290	216,681	191,730
The maturity of borrowings is as follows:					
On demand or within 1 year		820,424	620,263	67,304	6,054
More than 1 year but less than 2 years		129,917	373,764	74,559	36,288
More than 2 years but less than 5 years		287,535	285,630	74,818	149,388
More than 5 years		190,830	113,633	-	-
		1,428,706	1,393,290	216,681	191,730

(a) Recognition and measurement

Borrowings are financial liabilities recognised and measured initially at their amounts net of transaction costs incurred being their fair values. Subsequent to the initial recognition, such borrowings are measured at amortised cost using the effective interest rate method.

Borrowings are derecognised upon extinguishment of their obligations. Gains or losses, such as interest and fee, expenses and discount, are recognised in profit or loss.

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22. BORROWINGS (CONT'D)

(b) Other information

The unsecured revolving credits of certain subsidiary companies are supported by corporate guarantees of the Company.

The secured borrowings of certain subsidiary companies are secured by way of charges over certain subsidiary companies' freehold land and buildings, freehold land and hotel properties, other property, plant and equipment [Note 4(b)(i)], investment properties [Note 5(c)(iii)], inventories [Note 9(b)(i) and (ii)] and deposits with financial institutions [Note 19(b)] as well as debentures for the development projects. Certain of the above borrowings of indirect subsidiary companies are also supported by corporate guarantees of their respective holding companies.

The term borrowing of the Company is secured by way of charge over a portion of shares in an associated company as disclosed in Note 7(c).

The term borrowings are repayable over periods from years 2018 to 2032. Interest rates for the above borrowings are disclosed in Note 43(b)(ii).

The currency exposure profile is disclosed in Note 43(b)(i).

23. DEFERRED INCOME

	Group	
	2017	2016
	RM'000	RM'000
Non-current		
Facility fees	869	595
Membership fees	152,074	158,504
Total non-current	152,943	159,099
Current		
Facility fees	3,228	2,126
Maintenance fees	757	841
Membership fees	6,755	2,090
Total current	10,740	5,057
Total	163,683	164,156

Recognition and measurement

Deferred income are initially measured at fair value of consideration received and subsequently amortised over the periods of services to be provided.

Facility fee income from capital financing clients are recognised over the facility periods granted.

Maintenance fee and membership fee income are generated from vacation club and such fees are recognised based on the benefit to be enjoyed over the membership tenure.

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24. TRADE PAYABLES AND CONTRACT LIABILITIES

	Note	Group 2017 RM'000	2016 RM'000
Non-current			
Trade payables:			
Retention sums		24,455	34,915
Current			
Trade payables:			
Trade creditors		94,807	103,988
Retention sums		64,483	63,633
Advance payment from clients		91	322
		159,381	167,943
Contract liabilities in relation to:			
- property development activities	13(b)(ii)	21,245	39,582
- construction contracts	13(b)(iii)	43,927	60,299
		65,172	99,881
Total current		224,553	267,824
Total		249,008	302,739

(a) Recognition and measurement

Trade payables are financial liabilities recognised and measured initially at fair value of goods and services received. Trade payables are derecognised upon extinguishment of its obligation under such financial liability.

Contract liabilities are the obligations to transfer goods or services to customers for which the Group has received the consideration, the fair values at initial recognition, or has billed the customers. For property development activities and construction contracts, contract liabilities (progress billings) are the excess of the progress billings to purchasers or customers over the cumulative revenue recognised.

Subsequent to initial recognition, such trade payables and contract liabilities are measured at amortised cost using the effective interest rate method.

(b) Other information

The trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days.

The retention sums and advance payments from clients are unsecured and interest-free.

The currency exposure profile is disclosed in Note 43(b)(i).

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25. OTHER LIABILITIES

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current					
Deposits		-	6,085	-	-
Current					
Provision for low cost housing	(b)(i)	49,951	18,853	-	-
Amount due to a joint venture partner	(b)(ii)	212	960	-	-
Amount due to an associated company	(b)(iii)	-	18,333	-	-
Other payables		33,054	40,791	480	157
Accruals	(b)(iv)	340,187	298,018	507	688
Provisions		2,508	5,102	63	93
Deposits		18,465	13,183	-	-
Short-term employee benefits		23,845	20,376	6,580	5,868
Total current		468,222	415,616	7,630	6,806
Total		468,222	421,701	7,630	6,806

(a) Recognition, measurement and significant judgement

Other liabilities, excluding provisions and deposits, are financial liabilities recognised and measured initially at fair values of goods and services received. Subsequent to the initial recognition, such other liabilities are measured at amortised cost using the effective interest rate method. Other liabilities are derecognised upon extinguishment of its obligation under such financial liability.

Provisions are recognised when the Group or the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

The provisions are reviewed at the end of the year and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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25. OTHER LIABILITIES (CONT'D)

(b) Other information

- (i) Provision for low cost housing:

	Group	
	2017	2016
	RM'000	RM'000
At the beginning of the year	18,853	20,189
Additions	33,270	-
Utilisation of the provision	(2,172)	(1,336)
At the end of the year	49,951	18,853

- (ii) The amount due to a joint venture partner is unsecured and is repayable in accordance to the terms of the joint venture, subject to consent of both parties to the joint venture.
- (iii) The amount due to an associated company in year 2016 was unsecured and bore interest rate ranged from 4.41% to 5.00% per annum. At the end of the previous year, such amount including interest therein was due and to be paid.
- (iv) The increase in accruals was mainly due to accrued property development related costs.
- (v) The currency exposure profile is disclosed in Note 43(b)(i).

26. SHARE CAPITAL

		Group and Company			
		2017		2016	
Note	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000	
Issued and fully paid ordinary shares					
At the beginning of the year	1,402,891	1,402,891	1,402,891	1,402,891	
Issued pursuant to:					
- Bonus Issue (b)	692,397	692,397	-	-	
- Exercise of Warrants C 2015/2020 (c)	12	22	-	-	
	692,409	692,419	-	-	
At the end of the year	2,095,300	2,095,310	1,402,891	1,402,891	27

(a) Recognition and measurement

The ordinary shares are classified as equity and recorded at fair value of consideration received.

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26. SHARE CAPITAL (CONT'D)

(b) Share capital information

The stock short name, stock number and ISIN Code of the ordinary shares are "OSK", "5053" and "MYL5053OO003" respectively. The Company's securities are classified under Properties sector in the Main Market of Bursa Securities.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the residual assets of the Company.

Upon the commencement of the Companies Act 2016 ("CA2016") on 31 January 2017, the concepts of authorised share capital and par value of share capital have been abolished. Consequently, the amount standing to the credit of the Company's share premium becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of CA2016. Notwithstanding this provision, the Company, may use the credit amount of the share premium for purposes stipulated in Section 618(3) of CA2016 within twenty-four months from 31 January 2017.

On 29 November 2017, the Company fully utilised the credit amount of RM336.5 million in the share premium account as part of the issuance of bonus shares.

The Company also utilised RM335.9 million credit amount in retained profits for the issuance of bonus shares. The changes to Warrants C 2015/2020 are diluted in part (c)(i) of the following note.

During the year, the Company issued 692,409,350 new ordinary shares pursuant to the following:

- (i) 12,294 new ordinary shares pursuant to exercise of 12,294 Warrants C 2015/2020 at an exercise price of RM1.80 per ordinary share for cash with share issue proceeds of RM22,129; and
- (ii) 692,397,056 new ordinary shares, as bonus shares which approved at the Extraordinary General Meeting held on 14 November 2017, on the basis of one (1) bonus share for every two (2) existing ordinary shares of the Company ("Bonus Issue") held on 29 November 2017. The ordinary shares that were listed on 30 November 2017.

The above newly issued ordinary shares rank pari-passu in all respects with the existing ordinary shares of the Company.

(c) Warrants C 2015/2020

The stock short name, stock number and ISIN Code of the Warrants C 2015/2020 are "OSK-WC", "5053WC" and "MYL5053WCU71" respectively.

On 23 July 2015, the Company issued 237,732,751 Warrants C 2015/2020 pursuant to the Bonus Issue of Warrants which were listed on the Main Market of Bursa Securities on 4 August 2015.

During the year, the Company issued 12,294 new ordinary shares pursuant to the exercise 12,294 Warrants C 2015/2020 at an exercise price of RM1.80 per warrant for cash.

NOTES TO THE FINANCIAL STATEMENTS

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26. SHARE CAPITAL (CONT'D)

(c) Warrants C 2015/2020 (Cont'd)

The main features of Warrants C 2015/2020 are as follows:

- (i) Each Warrants C 2015/2020 entitles the holder to subscribe for one (1) new ordinary share of RM1.00 each in the Company at an exercise price of RM1.80 per share by cash at any time during normal business hours up to 5.00 pm on or before 22 July 2020.

On 29 November 2017, the Company issued 118,856,788 additional Warrants C 2015/2020 and the exercise price was adjusted from RM1.80 to RM1.20 per share pursuant to the Bonus Issue as disclosed in Note 26(b)(ii) above in accordance with Condition 3(i) of the Third Schedule of the Deed Poll dated 7 July 2015 constituting the Warrants C 2015/2020 provides that the exercise price and/or the number of warrants shall from time to time be adjusted, calculated or determined by the Board.

The summary of the adjustments to the exercise price and number of the outstanding Warrants C pursuant to the Bonus Issue is set out below:

	Before the Bonus Issue	After the Bonus Issue
Exercise price (RM)	1.80	1.20
No. of outstanding Warrants C 2015/2020	237,720,377	356,577,165
Adjusted ratio	One (1) additional Warrants C for two (2) existing Warrants C held	

As at 31 December 2017, the total number of Warrants C 2015/2020 which remained unexercised was 356,577,165 (2016: 237,732,671).

- (ii) Full provisions regarding the transferability of Warrants C 2015/2020 to new ordinary shares, which will thereafter rank pari-passu with the existing ordinary shares of the Company, adjustment of the Exercise Price in certain circumstances, quotation on Bursa Securities and other terms and conditions pertaining to the Warrants C 2015/2020 are set out in detail in a Deed Poll executed by the Company on 7 July 2015, which is available for inspection at the registered office of the Company.

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27. TREASURY SHARES

	Note	Group and Company			
		2017	2016		
		Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
At cost					
At the beginning of the year		18,100	30,237	18,098	30,234
Share buybacks		-	-	2	3
At the end of the year		18,100	30,237	18,100	30,237
Total number of outstanding shares		2,077,200		1,384,791	
Total number of issued and fully paid ordinary shares	26	2,095,300		1,402,891	

(a) Recognition and measurement

When the Company repurchases its own equity share capital, the consideration paid, including any directly attributable incremental external costs including tax, is included in equity attributable to the Company's equity holders as treasury shares until they are cancelled, reissued or disposed off.

When repurchased shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, are included in equity attributable to Owners of the Company. Any difference between the resale price and the carrying amount of the repurchased shares is accounted as a movement in reserves.

(b) Summary of the share buybacks

	Highest price RM	Lowest price RM	Average cost* RM	Number of shares '000	Total amount paid RM'000
2017					
At the beginning/ end of the year	2.82	0.90	1.67	18,100	30,237
2016					
At the beginning of the year	2.82	0.90	1.67	18,098	30,234
Share buybacks during the year:					
June	1.59	1.59	1.64	1	2
December	1.48	1.48	1.52	1	1
	1.59	1.48	1.58	2	3
At the end of the year	2.82	0.90	1.67	18,100	30,237

* Average cost includes transaction costs.

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27. TREASURY SHARES (CONT'D)

(c) Other information

The Shareholders of the Company, by a special resolution passed in the Extraordinary General Meeting held on 18 December 2000, approved the Company's plan to repurchase its own ordinary shares. The Company has annually obtained the approval of the Shareholders to repurchase its own ordinary shares subject to the conditions of:

- (i) the aggregate number of shares purchased does not exceed 10 percent of the total issued and paid-up share capital of the Company as quoted on Bursa Securities as at the point of purchase;
- (ii) an amount not exceeding the Company's last audited retained profits and/or the share premium account at the time of the purchase(s) will be allocated by the Company for the purchase of own shares; and
- (iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends.

The Directors are committed to enhance the value of the Company for its shareholders and believe that the repurchase plan is to the best interests of the Company and its shareholders. The repurchase transactions were mainly financed by internally generated funds coupled with minimum borrowings.

The shares repurchased are being held as treasury shares in accordance with Section 127 of CA2016 (formerly under Section 67A of the Companies Act, 1965). The Company may distribute the treasury shares as dividend to the shareholders or re-sell the treasury shares in the market in accordance with the Rules of Bursa Securities or cancel the shares in accordance with Section 127 of CA2016.

28. RESERVES

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Share premium	(a)	-	336,481	-	336,481
Available-for-sale reserve	(b)	-	64	-	-
Revaluation reserve	(c)	63,451	76,321	-	-
Foreign exchange reserves	(d)	42,969	125,095	-	-
Hedging reserve	(e)	(85)	253	-	-
Other reserves	(f)	4,110	(15,752)	-	-
		110,445	522,462	-	336,481
Retained profits		2,363,172	2,405,394	967,002	1,287,054
		2,473,617	2,927,856	967,002	1,623,535

NOTES TO THE FINANCIAL STATEMENTS

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28. RESERVES (CONT'D)

(a) Share premium

	Note	Group and Company 2017 RM'000	2016 RM'000
At the beginning of the year		336,481	336,481
Utilisation as part of Bonus Issue	26	(336,481)	-
At the end of the year		-	336,481

The share premium represents excess of proceeds received over par value of ordinary share issued and share premium is classified as equity. Transaction costs of an equity transaction directly attributable to the new shares or option issued are accounted for as a deduction from share premium, net of any related income tax benefit. On 29 November 2017, the Company fully utilised the share premium as part of issuance of bonus shares as described in Note 26(b)(ii).

(b) Available-for-sale reserve

The available-for-sale reserve in the previous year represented the cumulative fair value changes of available-for-sale financial assets until they are disposed off or impaired.

(c) Revaluation reserve

Revaluation reserve of the Group represents revaluation surplus on land and building of a subsidiary company. On 9 November 2012, certain land and building that were classified as property, plant and equipment were transferred to investment properties due to change in use as a result of the disposal of the investment banking subsidiary companies. These land and building are measured at their fair values based on independent valuers at that date. A total gain of RM80.3 million was recognised as a revaluation surplus in year 2012 and a deferred tax of RM4.0 million arising from change of tax legislation in year 2013. The revaluation reserve are derecognised when the underlying property has been disposed.

Upon completion of the disposal of investment properties during the year, revaluation reserves of RM12.9 million is reclassified to retained profits in statement of changes in equity.

(d) Foreign exchange reserves

The foreign exchange reserves are used to record foreign currency exchange differences arising from the translations of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

The foreign exchange reserves include share of translation differences of RM90.1 million (2016: RM96.0 million) arising from equity accounting of associated companies.

(e) Hedging reserve

The hedging reserve comprises effective portion of the cumulative net change in fair value of cash flow hedge instruments as disclosed in Note 17(b)(i). This hedge instrument is related to hedged transactions that have not yet occurred.

NOTES TO THE FINANCIAL STATEMENTS

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28. RESERVES (CONT'D)

(f) Other reserves

Other reserves are share of other reserves of an associated company as summarised below:

	Group	
	2017 RM'000	2016 RM'000
Available-for-sale reserve	(15,278)	(15,351)
Other reserves	19,388	(401)
	4,110	(15,752)

29. REVENUE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Dividend income:				
- Subsidiary companies	-	-	147,983	282,884
- Associated company	-	-	48,741	57,680
- Available-for-sale securities	-	53	-	-
	-	53	196,724	340,564
Fee income:				
- Facilities	9,654	9,287	-	-
- Services	108,730	122,046	-	-
	118,384	131,333	-	-
Interest income:				
- Non-impaired financing	38,531	26,421	-	-
- Impaired financing	72	8,413	-	-
- Subsidiary companies	-	-	9,928	779
	38,603	34,834	9,928	779
Progress revenue:				
- Construction contracts	30,299	13,722	-	-
- Property development	628,219	764,639	-	-
	658,518	778,361	-	-
Rental income	39,379	46,466	-	-
Sale of goods and completed properties	314,395	314,624	-	-
	1,169,279	1,305,671	206,652	341,343

NOTES TO THE FINANCIAL STATEMENTS

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29. REVENUE (CONT'D)

Recognition and measurement

Revenue which represents income arising in the course of the Group's and of the Company's ordinary activities are recognised by reference to each distinct performance obligation promised in the contract with customer as and when the Group and the Company transfer the control of the goods or services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at a point in time.

The consideration allocated to each performance obligation is recognised as revenue as and when the customer obtains control of the goods or services. At the inception of each contract with customer, the Group and the Company determines whether control of the goods or services for each performance obligation is transferred over time or at a point in time. Control over the goods or services are transferred over time and revenue is recognised over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's and the Company's performance as the Group and the Company perform;
- the Group's and the Company's performance creates or enhances a customer-controlled asset; or
- the Group's and the Company's performance does not create an asset with alternative use and the Group and the Company have rights to payment for performance completed to date.

Revenue recognition criteria for each business activity of the Group and of the Company is described below:

(i) Progress revenue from property development and construction contract

Revenue from property development and construction contract is recognised as and when the control of the asset is transferred to the customer. Based on the terms of the contract and the laws that apply to the contract in Malaysia, control of the asset is transferred over time to the customers of the Group.

In determining timing of satisfaction of performance obligation for revenue recognition:

- (a) the property development and construction subsidiary companies in Malaysia recognise revenue over the periods of the contracts using the output method by reference to the progress completion of the physical proportion of contract works to-date which certified by professional consultants.
- (b) the promised properties are specifically identified in the sale and purchase agreements with its layout plan. Purchaser could enforce their rights to the properties if the Group seeks not to sell such properties to the purchaser. The contractual restriction on the Group's ability to direct the properties for another use is substantive and the properties sold to the purchaser do not have an alternative use to the Group. The Group has the rights to payment for performance completed to-date. The Group has obligated to complete the construction, transfer to the purchaser the developed properties and enforce their rights to full payment from the purchaser.

In certain circumstances, contracts with customers may include multiple promises to customers and therefore accounted for as separate performance obligations. The transaction price, which include estimating variable consideration and adjusting the consideration for the effects of the time value of money where applicable, will be allocated to each performance obligation based on the stand-alone selling prices of the properties involved. Stand-alone selling prices are estimated based on expected cost plus margin where the observable selling prices data not available.

(ii) Dividend income

Dividend income is recognised when the rights to receive dividend payment is established.

NOTES TO THE FINANCIAL STATEMENTS

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29. REVENUE (CONT'D)

Recognition and measurement (Cont'd)

Revenue recognition criteria for each business activity of the Group and of the Company is described below: (Cont'd)

(iii) Fee income

(1) Facilities

Facilities fees from capital financing are recognised upon the Group's performance of securing the facilities over the tenure of financing based on effective interest rate method.

Other non-refundable fees and commissions on services and facilities extended to customers that are not an integral part of the effective interest rate on the facilities granted are recognised on the inception of such transactions.

(2) Services

Hotel room rental, food and beverages revenue and golf course

Room rental revenue is recognised on a daily basis on customer-occupied rooms. Revenue from the sales of food and beverage is recognised when the customer receives and consumes, and the Group has a present rights to payment for the food and beverage product. Hotel revenue is recorded based on the published rates, net of discounts. Green fees and buggy rental are recognised when services are rendered and the customer receives and consumes the benefits provided by the Group, and the Group has a present right to payment for the services.

Property management services

The provision of property management services fees is recognised when the services are rendered and the customer receives and consumes the benefits provided by the Group, and the Group has a present rights to payment for the services.

Management and operation of timeshare membership scheme

Maintenance fees are recognised over the membership period as revenue is based on fees chargeable to members during the period/year.

(iv) Interest income

Interest income on capital financing is accounted for on an accrual basis using the effective interest rate method by reference to the rest of the periods as stipulated in the loan agreements.

Interest income on advances to subsidiary companies is recognised using effective interest rate method over the period.

(v) Rental income

Rental income from operating lease is recognised over the lease term evenly. Other rent related income is recognised in the period in which the services being rendered.

(vi) Sale of goods

Revenue from sale of goods is recognised when the Group satisfies a performance obligation by transferring a promised good (i.e. an asset) to a customer. An asset is transferred as and when the customer obtains control of that asset, which coincides with the delivery of goods and services and acceptance by customers.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

29. REVENUE (CONT'D)

Recognition and measurement (Cont'd)

Revenue recognition criteria for each business activity of the Group and of the Company is described below: (Cont'd)

(vii) Sale of land and completed properties

Proceeds from sale of land and completed properties are recognised when the Group satisfies a performance obligation by transferring a promised asset to a customer. An asset is transferred when the customer obtains control of that asset.

30. COST OF SALES

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Construction contract costs		23,507	11,500	-	-
Property development costs	9	485,476	538,702	-	-
Facility and commitment fees		2,268	1,899	228	357
Funding costs		14,417	11,774	-	-
Property maintenance expenses		18,247	17,028	-	-
Cost of services rendered		60,416	71,778	-	-
Cost of goods sold		261,321	252,096	-	-
		865,652	904,777	228	357

(a) Recognition and measurement

The cost of sales is recognised on similar principles that derive the respective revenue and income as disclosed in Note 29.

(b) Other information

Included in cost of sales are:

		Group	
	Note	2017 RM'000	2016 RM'000
Amortisation of software licences	8(b)	10	14
Depreciation of property, plant and equipment	4(b)(ii)	5,160	4,890
Written down of inventories			
- completed properties held for sale		665	-
- raw materials		312	420
- finished goods		2,411	2,142
Staff costs		48,847	47,144
		57,405	54,610

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31. OTHER INCOME

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Income:					
Dividend income from securities at fair value through profit or loss		67	-	9	-
Funds distribution income		5,716	2,737	235	440
Interest income on deposits and placements with financial institutions		14,282	12,133	400	188
Management fee income		181	180	18,949	13,434
Rental income		2,356	3,017	-	-
Sale of oil palm fresh fruit bunches		125	141	-	-
		22,727	18,208	19,593	14,062
Gains, write backs and reversals:					
Gain on deemed disposal of a subsidiary company	6(b)(v)	177,612	-	-	-
Gain on disposals of:					
- available-for-sale securities		355	-	-	-
- investment properties	5, 20	4,868	5,997	-	-
- plant and equipment		165	169	-	-
Gain on fair valuation of:					
- biological assets	15	-	110	-	-
- derivative assets		-	-	-	3,825
- investment properties	5	53,127	55,984	-	-
- retention sums		3,058	3,137	-	-
- securities at fair value through profit or loss		100	-	100	-
Gain on foreign exchange transactions		2,514	3	-	-
Gain on foreign exchange translations		100	541	-	-
Recovery of bad debts of capital financing		1,639	2	-	-
Write back of allowances for impairment loss on:					
- capital financing:					
- Collective assessment	12	32	-	-	-
- Individual assessment	12	4,131	3,637	-	-
- trade receivables:					
- Individual assessment	13	1,622	273	-	-
- other receivables:					
- Individual assessment	14	102	106	-	-
		249,425	69,959	100	3,825
Others		9,392	10,520	471	628
		281,544	98,687	20,164	18,515

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

31. OTHER INCOME (CONT'D)

Recognition and measurement

Other income is recognised as and when the Group satisfies a performance obligation by transferring of an asset. An asset is transferred when the customer obtains control of that asset, which coincides with the delivery of goods and services and acceptance by customers. Certain income with same nature is recognised on same principles as disclosed in Note 29, while others are described below:

- (i) Gain on the disposals of investments properties, plant and equipment and securities at fair value through profit or loss are recognised upon the customer obtaining the control of the asset or completion of sale and purchase agreement.
- (ii) Interest income on the deposits and placements with licensed financial institutions is recognised using effective interest rate method over the tenure of placement.
- (iii) Funds distribution income is recognised using effective interest rate method over time frame of the short term funds.
- (iv) Proceeds from the sale of oil palm fresh fruit bunches is recognised when goods are delivered to a customer and invoiced.
- (v) Gain on fair valuation is recognised when revaluation of such properties is evidenced by market information or valuation techniques where applicable. Gains arising from changes in the fair values of investment properties are recognised in the profit or loss in the year in which they arise.
- (vi) All other income is recognised on accrual basis.

32. ADMINISTRATIVE EXPENSES

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Establishment related expenses					
Depreciation of property, plant and equipment	4(b)(ii)	23,739	24,111	90	13
Amortisation of software licences	8(b)	351	330	12	3
Insurance		2,422	1,784	5	5
Quit rent and assessment		5,391	8,418	-	-
Rental of equipment		994	427	-	-
Rental of premises		459	886	1,415	295
Repair and maintenance		8,376	7,543	41	19
Utility expenses		12,389	13,145	80	6
Others		1,351	2,169	38	45
		55,472	58,813	1,681	386

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32. ADMINISTRATIVE EXPENSES (CONT'D)

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
General administrative expenses				
Advertisement	436	1,236	132	280
Auditors' remuneration #	640	644	70	70
Bank charges	3,292	2,387	10	11
Communication expenses	2,111	2,091	205	89
Legal and professional fees	3,572	7,751	750	1,036
Printing and stationery	1,900	2,136	264	226
Repair and maintenance	2,228	2,465	82	66
Security services	1,506	1,466	204	195
Service and registration expenses	880	1,389	296	270
Transport and travelling	1,757	1,934	110	88
Others	8,467	7,450	1,131	973
	26,789	30,949	3,254	3,304
Personnel expenses				
Salaries, allowances, bonuses and other emoluments (net of over provision)	70,721	76,082	15,594	15,807
Pension costs - defined contribution plan	9,394	9,142	1,846	1,542
Others	8,208	7,673	1,859	435
	88,323	92,897	19,299	17,784
Selling and marketing expenses				
Advertisement and promotion	11,149	15,517	-	-
Commission	1,104	2,304	-	-
Interest subsidies	81	16,924	-	-
Legal fees	675	479	-	-
Marketing cost	13,275	8,563	-	-
Others	710	1,087	-	-
	26,994	44,874	-	-
Total administrative expenses	197,578	227,533	24,234	21,474

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32. ADMINISTRATIVE EXPENSES (CONT'D)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
# Auditors' remuneration:				
(i) Statutory audit - current year				
- auditors of the Company	521	531	53	53
- an affiliate of the Company's auditors	21	20	-	-
- other auditors	-	6	-	-
(ii) Other audit-related services				
- current year				
- auditors of the Company	98	87	17	17
	640	644	70	70

(a) Recognition and measurement

Administrative expenses are recognised on accrual basis.

(b) Other information

Directors' remuneration and staff costs recognised in cost of sales and administrative expenses are summarised below:

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors' remuneration including estimated money value of any other benefits	38(a)	8,148	9,677	5,250	5,782
Staff costs (excluding Directors' remuneration):					
- salaries, allowances, bonuses and other emoluments (net of over provision)		105,083	106,909	11,012	10,705
- defined contribution plan		12,534	11,550	1,268	931
- social security costs		1,087	955	71	50
- other staff related expenses		10,318	10,950	1,698	316
		129,022	130,364	14,049	12,002

NOTES TO THE FINANCIAL STATEMENTS

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33. OTHER EXPENSES

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Expenses:					
Research and development expenses		1,266	1,600	-	-
Loss, write off and impairment:					
Impairment loss on:					
- capital financing					
- Collective assessment	12	-	32	-	-
- investment in a subsidiary company	6	-	-	-	49,448
- infrastructure development costs	4	10	10,436	-	-
- property, plant and equipment	4	2,051	-	-	-
- trade receivables					
- Individual assessment	13	1,275	3,224	-	-
- other receivables					
- Individual assessment	14	2	102	-	-
Loss on disposals of:					
- club membership		51	12	-	-
- investments in subsidiary companies		-	2,589	-	-
- plant and equipment		26	78	-	-
Loss on fair valuation of:					
- biological assets	15	65	-	-	-
- securities at fair value through profit or loss		-	5	-	5
Loss on foreign exchange transactions		61	4	-	-
Loss on foreign exchange translations		1,995	218	-	-
Write off of:					
- bad debts on trade and other receivables		1,597	466	-	-
- club membership	8(c)	132	-	-	-
- plant and equipment	4(b)(iii)	376	485	-	-
- software licences	8(b)	40	1	-	-
		7,681	17,652	-	49,453
Others		3,129	2,260	-	-
		12,076	21,512	-	49,453

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

33. OTHER EXPENSES (CONT'D)

Recognition and measurement

- (i) Other expenses are recognised on accrual basis when obligation of liability arose.
- (ii) The impairment losses are recognised in accordance with the impairment policy of the assets disclosed in respective notes.
- (iii) The loss on disposal of investment in subsidiary company is recognised when control over a subsidiary is ceased and fair value measurement of the consideration received is lower than the carrying amount of the underlying assets and liabilities derecognised.
- (iv) Loss on fair valuation is recognised when the market value of the investments carried at fair value are lower than their carrying amount. The loss arising from the changes in fair value of the investments are recognised in the profit or loss in the year in which they arise.

34. FINANCE COSTS

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest expense on:					
- amounts due to subsidiary companies		-	-	11,242	7,408
- medium term notes		39,863	37,069	39,863	37,069
- revolving credits		7,720	7,519	811	199
- term		42,795	52,817	9,195	12,311
- others		425	629	-	-
		90,803	98,034	61,111	56,987
Other finance costs:					
- amortisation of finance cost		1,194	1,332	1,194	1,332
- retention sums		587	4,670	-	-
- others		51	179	-	-
		1,832	6,181	1,194	1,332
Less: Interest capitalised in:					
- land held for property development	9(b)(i)	(5,407)	(6,900)	-	-
- property development cost	9(b)(ii)	(14,425)	(19,634)	-	-
		72,803	77,681	62,305	58,319

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35. TAX EXPENSE/(INCOME)

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
In respect of the current year income tax		66,771	58,806	-	-
Under provision of income tax in respect of prior years		2,845	6,785	410	211
Deferred income tax:					
Deferred tax assets	10(b)(i)	25,754	(16,350)	(85)	(1,237)
Deferred tax liabilities	10(b)(ii)	(13,796)	20,144	-	-
		11,958	3,794	(85)	(1,237)
Tax expense/(income)		81,574	69,385	325	(1,026)
Deferred income tax is further analysed as follow:					
Origination and reversal of temporary differences		(8,676)	2,559	(103)	(411)
Change in tax rate		-	130	-	-
Under/(Over) provision in prior years		20,634	1,105	18	(826)
		11,958	3,794	(85)	(1,237)

(a) Recognition and measurement

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised, outside profit or loss, either in other comprehensive income or directly in equity.

Tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the year.

(b) Other information

The income tax expense is calculated based on the respective jurisdictions' statutory income tax rates on the estimated taxable profits for the year as follow:

Country	2017 Tax rate	2016 Tax rate
Malaysia	24%	24%
Australia	30%	30%
Singapore	17%	17%
Vietnam	*	*

* OVI Cables (Vietnam) Co., Ltd., a wholly-owned subsidiary company of PJD and in turn an indirect subsidiary company of the Company, is entitled to enjoy preferential corporate income tax under incentive corporation income tax in Vietnam. The details of tax is as follows:

- Income tax rate of 15% shall be applied for 12 years from the commencement of activities for year 2007 to 2018 and based on the current rate of relevant regulation of corporation income tax ('CIT') for the following subsequent years, and
- To be exempt from CIT for three years from the first year generating taxable profit and reduced 50% of CIT in the seven succeeding years.

NOTES TO THE FINANCIAL STATEMENTS

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35. TAX EXPENSE/(INCOME) (CONT'D)

(c) Relationship between tax expense/(income) and accounting profit before tax

The reconciliation between Malaysian tax expense and the product of accounting profit before tax multiplied by the statutory corporate tax rate of 24% (2016: 24%) is as follow:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before tax ("PBT")	485,180	321,413	140,049	230,255
Tax at Malaysian statutory rate on PBT	116,443	77,139	33,612	55,261
Tax effects of:				
- change in tax rate in respect of deferred tax	-	130	-	-
- different tax rates in foreign jurisdictions/other authorities	9,687	(400)	-	-
- different tax rate under real property gains tax rate	3,781	3,326	-	-
- non-taxable income	(56,600)	(554)	(34,600)	(64,690)
- non-deductible expenses	15,640	13,271	885	9,018
- share of results of associated companies and a joint venture	(43,792)	(35,654)	-	-
Utilisation of previously unrecognised deferred tax assets	(113)	-	-	-
Deferred tax assets not recognised during the year	13,049	4,237	-	-
Temporary differences not recognised in prior years	20,634	1,105	18	(826)
Under provision of income tax in respect of prior years	2,845	6,785	410	211
Tax expense/(income)	81,574	69,385	325	(1,026)

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36. EARNINGS PER SHARE ("EPS")

	Group 2017	2016
Basic		
Profit attributable to Owners of the Company (RM'000)	400,219	247,273
Weighted average number of ordinary shares outstanding ('000)	2,077,190	2,077,189 *
Basic EPS (sen)	19.27	11.90
Diluted		
Profit attributable to Owners of the Company (RM'000)	400,219	247,273
Weighted average number of ordinary shares outstanding ('000)	2,077,190	2,077,189 *
Effect of dilution of assumed conversion of Warrants C 2015/2020 ('000)^	-	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	2,077,190	2,077,189
Diluted EPS (sen)	19.27	11.90

Measurement

Basic earnings per share are calculated by dividing profit attributable to Owners (ordinary equity holders) of the Company (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the year.

Diluted earnings per share are calculated by dividing profit for the year attributable to Owners (ordinary equity holders) of the Company, with no dilutive adjustments as required, by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares, i.e. the Company's Warrants C 2015/2020, into ordinary shares.

* The weighted average number of ordinary shares in issue has been adjusted pursuant to the issuance of bonus shares described in Note 26(b)(ii).

	Group 2016 '000
Previously stated	1,384,792
Adjustment pursuant to the Bonus Issue	692,397
Restated	2,077,189

^ The Company's Warrants C 2015/2020 that could potentially dilute basic earnings per share in the future were not included in the calculation of the diluted earnings per share because they are anti-dilutive for the current and previous years.

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37. DIVIDENDS

(a) Dividends paid:

	Group and Company			
	Total dividend		Dividend per share	
	2017	2016	2017	2016
	RM'000	RM'000	Sen	Sen
In year 2017				
Single-tier final dividend of 5.0 sen for the year ended 31 December 2016, paid on 11 May 2017	69,240	-	5.0	-
Single-tier interim dividend of 2.5 sen for the year ended 31 December 2017, paid on 11 October 2017	34,620	-	2.5	-
In year 2016				
Single-tier final dividend of 2.5 sen for the year ended 31 December 2015, paid on 11 May 2016	-	34,620	-	2.5
Single-tier interim dividend of 2.5 sen for the year ended 31 December 2016, paid on 31 October 2016	-	34,620	-	2.5
	103,860	69,240	7.5	5.0

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37. DIVIDENDS (CONT'D)

(b) Dividends declared or proposed:

	Group and Company			
	Total dividend 2017 RM'000	2016 RM'000	Dividend per share 2017 Sen	2016 Sen
For the year ended 31 December 2017				
Single-tier interim dividend of 2.5 sen, paid on 11 October 2017	34,620	-	2.5	-
Proposed single-tier final dividend of 3.5 sen per share based on number of outstanding shares in issue at the end of the year	72,702	-	3.5	-
For the year ended 31 December 2016				
Single-tier interim dividend of 2.5 sen, paid on 31 October 2016	-	34,620	-	2.5
Single-tier final dividend of 5.0 sen, paid on 11 May 2017	-	69,240	-	5.0
	107,322	103,860	6.0	7.5

The Board of Directors recommends a single-tier final dividend of 3.5 sen per share amounting to approximately RM72.70 million, based on the number of outstanding shares in issue at the end of the year, for the year ended 31 December 2017. The proposed dividend is subject to Shareholders' approval at the forthcoming Annual General Meeting. The entitlement date for the final dividend shall be determined by the Board of Directors. The financial statements for the current year do not reflect this proposed final dividend. Such dividend will be accounted for in the Shareholders' equity as an appropriation of retained profits in the year ending 31 December 2018 when approved by Shareholders.

Recognition and measurement

Dividend distribution to the Owners of the Company is recognised in retained profits under equity in the period which dividend is approved.

NOTES TO THE FINANCIAL STATEMENTS

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38. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Key management personnel's compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, including Directors of the Company and senior personnel of the Group. The key management personnel's compensation is as follows:

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors:					
Executive					
Fees - current year		40	40	-	-
Other benefits*		6,370	7,571	3,826	4,498
		6,410	7,611	3,826	4,498
Estimated money value of benefits-in-kind		128	112	86	53
Total short-term employee benefits		6,538	7,723	3,912	4,551
Post-employment benefits - Defined contribution plan		806	927	578	611
<i>Total Executive</i>		7,344	8,650	4,490	5,162
Non-Executive					
Fees - current year		368	430	326	279
Other benefits*		431	581	429	325
		799	1,011	755	604
Estimated money value of benefits-in-kind		5	16	5	16
<i>Total Non-Executive</i>		804	1,027	760	620
<i>Total</i>	32	8,148	9,677	5,250	5,782

NOTES TO THE FINANCIAL STATEMENTS

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38. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(a) Key management personnel's compensation (Cont'd)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other key management personnel:				
Short-term employee benefits	8,435	8,216	2,397	1,819
Estimated money value of benefits-in-kind	538	219	285	16
Total short-term employee benefits	8,973	8,435	2,682	1,835
Post-employment benefits - Defined contribution plan	1,053	1,061	337	256
	10,026	9,496	3,019	2,091
<i>Total key management personnel compensation</i>	18,174	19,173	8,269	7,873

* Other benefits included salaries, bonus, allowances and social security costs.

NOTES TO THE FINANCIAL STATEMENTS
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38. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(b) Directors' remuneration

The Directors' remuneration included in administrative expenses as disclosed in Note 38(a) are paid/payable to the following Directors:

	Company				Directors' remuneration received and receivable from Certain Subsidiary Companies				Group
	Other benefits (Salary, bonus, allowance, gratuity and EPF) RM'000	Estimated money value of benefits-in-kind RM'000	Total RM'000		Fee payable RM'000	Other benefits (Salary, bonus, allowance and EPF) RM'000	Estimated money value of benefits-in-kind RM'000	Total RM'000	Total RM'000
2017									
Executive Directors									
Tan Sri Ong Leong Huat @ Wong Joo Hwa	-	2,090	44	2,134	40	1,355	20	1,415	3,549
Ong Ju Yan	-	1,565	7	1,572	-	-	-	-	1,572
Ong Ju Xing	-	-	-	-	-	1,417	22	1,439	1,439
Dato' Saiful Bahri bin Zainuddin	-	749	35	784	-	-	-	-	784
Total Executive Directors' Remuneration	-	4,404	86	4,490	40	2,772	42	2,854	7,344
Non-Executive Directors									
Dato' Nik Mohamed Din bin Datuk Nik Yusoff	-	381	5	386	-	-	-	-	386
Foo San Kan	75	10	-	85	42	2	-	44	129
Tan Sri Datin Paduka Siti Sa'diah binti Sheikh Bakir	65	10	-	75	-	-	-	-	75
Dato' Abdul Majit bin Ahmad Khan	60	11	-	71	-	-	-	-	71
Dato' Thanarajasingam Subramaniam	60	9	-	69	-	-	-	-	69
Ong Yee Ching	60	8	-	68	-	-	-	-	68
Nik Mohamed Sharifudin B N M Din	6	-	-	6	-	-	-	-	6
Total Non-Executive Directors' Remuneration	326	429	5	760	42	2	-	44	804
Total Directors' Remuneration	326	4,833	91	5,250	82	2,774	42	2,898	8,148

NOTES TO THE FINANCIAL STATEMENTS

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38. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(b) Directors' remuneration (Cont'd)

The Directors' remuneration included in administrative expenses as disclosed in Note 38(a) are paid/payable to the following Directors: (Cont'd)

2016

Executive:

Tan Sri Ong Leong Huat @ Wong Joo Hwa
Ong Ju Yan
Ong Ju Xing
Dato' Saiful Bahri bin Zainuddin

Non-executive:

Dato' Nik Mohamed Din bin Datuk Nik Yusoff
Foo San Kan
Tan Sri Datin Paduka Siti Sa'diah binti Sheikh Bakir
Dato' Abdul Majit bin Ahmad Khan
Dato' Thanarajasingam Subramaniam
Ong Yee Ching
Dr. Ngo Get Ping

(c) Significant transactions and balances with subsidiary companies, associated companies and a joint venture

The relationship between the Company and its subsidiary companies, associated companies and a joint venture are disclosed in Notes 6 and 7 respectively. The significant transactions with subsidiary companies, associated companies and a joint venture during the year are as follows:

Transactions and balances with associated companies and a joint venture	Income/(Expenses)		Group	
	2017 RM'000	2016 RM'000	Amount due from/(to) 2017 RM'000	2016 RM'000
RHB Bank Berhad group of companies				
<u>RHB Bank Berhad</u>				
Interest income	1,266	515	-	-
Office rental income	786	786	-	-
Commitment fee expense	(693)	(1,259)	-	-
Interest expense	(46,662)	(41,989)	-	-
Bank balance and short term funds	-	-	89,319	24,290
Borrowings	-	-	(220,672)	(182,262)
Medium term notes	-	-	(840,113)	(840,113)
<u>RHB Investment Bank Berhad</u>				
Interest income	-	321	-	-
Office rental income	958	7,578	-	-
Brokerage fee expense	-	(118)	-	-
Short term deposits	-	-	-	618
Rental and utilities deposits received	-	-	-	(484)

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38. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(c) Significant transactions and balances with subsidiary companies, associated companies and a joint venture (Cont'd)

Transactions and balances with associated companies and a joint venture (Cont'd)	Group		Amount due from/(to)	
	Income/(Expenses) 2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
RHB Bank Berhad group of companies (Cont'd)				
<u>RHB Research Institute Sdn. Bhd.</u>				
Office rental income	-	294	-	-
<u>RHB Asset Management Sdn. Bhd.</u>				
Funds distribution income	3,123	2,580	-	-
Office rental income	-	1,575	-	-
Investments in short term funds	-	-	78,607	116,439
<u>RHB Nominees (Tempatan) Sdn. Bhd.</u>				
Custodial and service fee expense	(239)	(152)	-	-
Agile PJD Development Sdn. Bhd.				
Interest income	1,216	2,452	-	-
Amount due from an associated company	-	-	-	60,763
Scotia Acres Sdn. Bhd. group of companies				
<u>Canggih Pesaka Sdn. Bhd.</u>				
Office rental expense	(743)	(607)	-	-

Transactions and balances with subsidiary companies	Company		Amount due from/(to)	
	Income/(Expenses) 2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<u>OSK Capital Sdn. Bhd.</u>				
Dividend income	29,800	20,000	-	-
Management fee income	1,996	2,021	-	-
Interest expense	(6,296)	(247)	-	-
Amount due to a subsidiary company	-	-	(136,825)	(81,459)
<u>OSK Capital Management Sdn. Bhd.</u>				
Interest income	9,792	779	-	-
Management fee income	259	-	-	-
Amount due from a subsidiary company	-	-	200,210	200,135

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38. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(c) **Significant transactions and balances with subsidiary companies, associated companies and a joint venture (Cont'd)**

Transactions and balances with subsidiary companies (Cont'd)	Income/(Expenses)		Company	
	2017 RM'000	2016 RM'000	Amount due from/(to) 2017 RM'000	2016 RM'000
<u>KE-ZAN Holdings Berhad</u>				
Dividend income	13,489	68,737	-	-
Interest expense	(4,843)	(7,285)	-	-
Amount due to a subsidiary company	-	-	(108,354)	(93,947)
<u>OSK Realty Sdn. Bhd.</u>				
Dividend income	-	148,500	-	-
Management fee income	1,886	944	-	-
Office rental expense	(1,335)	(281)	-	-
Amount due from a subsidiary company	-	-	5,743	1,316
<u>PJ Development Holdings Berhad</u>				
Dividend income	36,546	21,064	-	-
Management fee income	10,584	6,007	-	-
<u>OSK Property Holdings Berhad</u>				
Dividend income	68,148	24,583	-	-
Management fee income	3,990	4,116	-	-
Transactions and balances with an associated group of companies				
RHB Bank Berhad group of companies				
<u>RHB Bank Berhad</u>				
Dividend income	48,741	57,680	-	-
Interest income	371	172	-	-
Interest expense	(39,863)	(37,069)	-	-
Bank balance and short term funds	-	-	1,167	4,099
Medium term notes	-	-	(840,113)	(840,113)
<u>RHB Asset Management Sdn. Bhd.</u>				
Funds distribution income	235	440	-	-
Investments in short term funds	-	-	6,172	4,060

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38. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(d) Significant transactions and balances with other related parties

Other related parties are companies related to a Director and a major Shareholder of the Company:

(i) Dindings Consolidated Sdn. Bhd. ("DCSB")

The spouse and daughter of Tan Sri Ong Leong Huat @ Wong Joo Hwa are directors of DCSB. Tan Sri Ong Leong Huat @ Wong Joo Hwa, his spouse and children collectively owned 100% of DCSB.

	Income/(Expenses)		Group	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Dindings Consolidated Sdn. Bhd. group of companies				
<u>Dindings Consolidated Sdn. Bhd.</u>				
Construction revenue	2,098	155	-	-
Office rental income	546	156	-	-
Amount due from a related party	-	-	281	148
<u>Dindings Risks Management Services Sdn. Bhd.</u>				
Insurance premium expense	(251)	(451)	-	-
<u>DC Services Sdn. Bhd.</u>				
Insurance premium expense	(1,409)	(1,639)	-	-
<u>Dindings Life Agency Sdn. Bhd.</u>				
Insurance premium expense	(645)	(1,092)	-	-
<u>Sincere Source Sdn. Bhd.</u>				
Insurance premium expense	(1,262)	(823)	-	-
<u>Dindings Construction Sdn. Bhd.</u>				
Construction costs	(1,332)	(15,260)	-	-
Amount due to a related party	-	-	(1,199)	(4,159)
<u>Dindings Design Sdn. Bhd.</u>				
Renovation costs	(3,917)	-	-	-
Amount due to a related party	-	-	(1,436)	-

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38. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(d) Significant transactions and balances with other related parties (Cont'd)

Other related parties are companies related to a Director and a major Shareholder of the Company: (Cont'd)

(ii) Willowglen MSC Berhad ("WMB")

Tan Sri Ong Leong Huat @ Wong Joo Hwa's brother and his brother's son are directors and major shareholder of WMB. Tan Sri Ong Leong Huat @ Wong Joo Hwa is a major shareholders of WMB, by virtue of WMB's shares held through OSK Technology Ventures Sdn. Bhd..

	Income/(Expenses)		Group	
	2017	2016	Amount due from/(to)	2016
	RM'000	RM'000	2017	2016
			RM'000	RM'000
Willowglen MSC Berhad				
group of companies				
<u>Willowglen (M) Sdn. Bhd.</u>				
Upkeep and maintenance expense	(85)	(1,451)	-	-

(iii) Nova Terrace Sdn. Bhd. ("NTSB")

Tan Sri Ong Leong Huat @ Wong Joo Hwa, his spouse and Ong Ju Xing are directors of NTSB. J.B. Properties Sdn. Bhd. ("JBPSB") is the holding company of NTSB. The spouse of Tan Sri Ong Leong Huat @ Wong Joo Hwa and Ong Ju Xing are major shareholders of JBPSB.

	Income/(Expenses)		Group	
	2017	2016	Amount due from/(to)	2016
	RM'000	RM'000	2017	2016
			RM'000	RM'000
Project management fee income	1,050	-	-	-

(iv) Raslan Loong, Shen & Eow ("RLSE")

The son-in-law of Tan Sri Ong Leong Huat @ Wong Joo Hwa are partner of RLSE.

	Income/(Expenses)		Group	
	2017	2016	Amount due from/(to)	2016
	RM'000	RM'000	2017	2016
			RM'000	RM'000
Legal fee expenses	(1,137)	(846)	-	-

NOTES TO THE FINANCIAL STATEMENTS

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38. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(e) Ultimate holding company

OSK Equity Holdings Sdn. Bhd. ("OSKE"), a company incorporated in Malaysia, is regarded by the Directors as the Company's ultimate holding company. The Company has not incurred any related party transactions or owing any balances with OSKE during the year.

The Directors are of the view that the above transactions have been entered into in the ordinary course of business at terms mutually agreed between the companies concerned and are not more favourable than those arranged with independent third parties.

39. COMMITMENTS

(a) Operating leases commitments

(i) The Group as lessee

The Group has entered into non-cancellable operating lease arrangements for office lots, shop lots and factories under operating leases for a term ranging from 1 to 49 years, with an option to renew the leases. None of these leases include contingent rent. At the end of the year, the Group and the Company have aggregate future minimum lease commitments and categorised as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Not later than one year	5,313	7,138	1,115	281
Later than one year and not later than five years	5,235	691	1,645	-
Later than five years	2,293	2,612	-	-
	12,841	10,441	2,760	281

(ii) The Group as lessor

The Group has entered into non-cancellable lease arrangements on certain properties classified under property, plant and equipment and investment properties. At the end of the year, the Group has aggregate future minimum lease receivables and categorised as follows:

	Group	
	2017 RM'000	2016 RM'000
Not later than one year	20,167	35,350
Later than one year and not later than five years	14,831	29,175
Later than five years	36,899	29,067
	71,897	93,592

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39. COMMITMENTS (CONT'D)

(b) Capital commitments

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Contracted but not provided for:				
- Acquisition of development land	-	118,321	-	-
- Acquisition of office equipment and software licences	3,927	1,807	-	-
- Construction of an investment property	24,712	24,670	-	-
- Professional fee for a corporate exercise	308	200	308	200
	28,947	144,998	308	200

Recognition and measurement

The Group and the Company have not recognised the contracted commitments, but disclose its existence in the financial statements. Commitments are measured at the transacted price less amount provided for in the financial statements.

40. CONTINGENT ASSETS AND LIABILITIES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unsecured contingent liabilities:				
Corporate guarantees given to licensed financial institutions for credit facilities granted to subsidiary companies	-	-	483,185	359,905
Corporate guarantees given to licensed financial institutions relating to credit facilities of a joint venture	39,372	39,724	-	-
	39,372	39,724	483,185	359,905

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31 DECEMBER 2017

40. CONTINGENT ASSETS AND LIABILITIES (CONT'D)

(a) Recognition and measurement

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

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

(b) Other information

There were no material changes of the contingent liabilities.

There were no contingent assets at the end of the year.

41. SIGNIFICANT EVENTS

The significant events occurred during the year are as follow:

- (a) The changes in composition of the Group in relation to subsidiary and associated companies are disclosed in Notes 6 and 7 respectively.
- (b) The Bonus Issue of the Company is disclosed in Note 26(b)(ii).

42. MATERIAL SUBSEQUENT EVENTS

(a) Acquisition of additional equity interest in PJD after 31 December 2017

From 1 January 2018 to 8 March 2018, pursuant to the Notice disclosed in Note 6(b)(i), the Company further acquired the following ordinary shares of PJD:

	Shares
Number of units	22,000
Average price per unit (RM)	1.50
Total purchase consideration (RM)	33,000

(b) Issuance of 3,500 PJD's ordinary shares pursuant to conversion of PJD's Warrants C

From 1 January 2018 to 8 March 2018, PJD issued 3,500 new ordinary shares for cash pursuant to the exercise of warrants for the equivalent numbers by the registered holders.

Arising from (a) and (b) above, the Company's effective interest in ordinary shares and warrants of PJD remains at 96.93% and 91.87% respectively.

NOTES TO THE FINANCIAL STATEMENTS

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42. MATERIAL SUBSEQUENT EVENTS (CONT'D)

(c) Incorporation of L26 Tower Sdn. Bhd.

On 17 January 2018, OSKP incorporated a wholly-owned subsidiary company, L26 Tower Sdn. Bhd., with an issued and paid up capital of RM1,000 comprising of 1,000 ordinary shares.

(d) Incorporation of OSK I CM Sdn. Bhd.

On 18 January 2018, the Company incorporated a wholly-owned subsidiary company, OSK I CM Sdn. Bhd., with an issued and paid up capital of RM1,000 comprising of 1,000 ordinary shares.

43. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

The Group's and the Company's financial risk management policies were established to ensure that there are adequate financial resources for business development and management of credit, market which includes currency, interest rate and other price and liquidity risks. The Group manages and allocates its capital resources centrally to ensure that all business units maintain the required level of capital and prudent level of liquidity at all times. The Group and the Company operate within clearly defined guidelines that are approved by the Board of Directors.

In dealing with its stewardship, the Board of Directors recognises that effective risk management is an integral part of good business practice. The Board acknowledges that the activities of the Group and the Company may involve some degree of risks and it should be noted that any system could only provide a reasonable and not absolute assurance against any misstatement or loss.

The Board will pursue an ongoing process of identifying, assessing and managing key business areas, overall operational and financial risks faced by its business units as well as regularly reviewing and enhancing risk mitigation strategies.

Below are the risks exposure of the Group and the Company:

(a) Credit risk

Credit risk is the risk of potential financial loss to the Group and the Company arising from the failure of a counterparty to fulfill its obligations under a contractual agreement and include settlement/clearing risk, concentration risk, credit assessment risk, recovery risk and credit-related liquidity risk.

The credit risk exposure of the Group arises principally from trade receivables including capital financing, bank balances, short term funds and amount due from an associated company. The Company's exposure to credit risk arises principally from bank balances, short term funds and amounts due from subsidiary companies and financial guarantee given to financial institutions for credit facilities granted to its subsidiary companies.

Allowance for impairment losses are made and interest income is recognised in accordance with the relevant accounting policies or when deemed necessary based on estimates of possible losses that may arise from non-collection of debts from its business. Write-off of debts against individual assessment are made only when avenues of recovery have been exhausted and the debts are deemed to be irrecoverable in the foreseeable future.

The Group's and the Company's business activities are guided by internal credit policies and guidelines that are approved by the Board of Directors, which have been established to ensure that the overall objectives in the area of lending are achieved. The Group and the Company conservatively manage its credit risk by controlling the granting of credits, revision in limits and other monitoring procedures.

NOTES TO THE FINANCIAL STATEMENTS

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43. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (Cont'd)

The Group has no significant concentration of credit risk from exposure to a single receivable or to groups of receivables except as disclosed in Note 12. The maximum exposure to credit risk associated with the recognised financial assets is the carrying amount shown in the statements of financial position. The details of credit risk for capital financing is disclosed in Note 12.

The Company is exposed to credit risk arising from the amounts due from subsidiary companies and financial guarantee given to financial institutions for credit granted to its subsidiary companies. At the end of the year, the maximum credit risk exposure arising from the amounts due from subsidiary companies are represented by their carrying amounts in the statement of financial position and the maximum amount of the financial guarantees issued to the financial institutions for subsidiary companies' borrowings is limited to the amount utilised by the subsidiary companies amounting to RM483.2 million (2016: RM359.9 million) as disclosed in Note 40. Both amounts due from subsidiary companies and the financial guarantee is determined to be low credit risk at the end of the year as the amounts due from subsidiary companies are fully recoverable and financial guarantee is unlikely to be called by the financial institutions.

The Group and the Company also have credit risk exposure on its bank balances and short term funds. The bank balances and short term funds are placed with creditworthy financial institutions. Therefore, the Group and the Company assessed both bank balances and short term funds have low credit risk at the end of the year.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The risk of loss in value is minimised via adherence of qualifying criteria before making the investments and by continuous monitoring of the performance and market risk of the investments.

Management continually evaluates risk arising from adverse movements in market prices or rates. The Group invests in marketable securities in Malaysia. External conditions such as global and domestic economic climates that are generally unpredictable and uncontrollable may affect the overall performance of the Group.

The credit risk of clients that the Group provides short term financing is also closely associated to market risk, as the changes in market prices will alter the value of client's investment and collateral provided to the Group. Risk of this nature is managed and mitigated by selective funding of client's investment and stringent criteria for collateral acceptance. The risk of loss in value of investment is mitigated via adherence to stringent qualifying criteria before making the investments and by continuous monitoring of the performance and medium term market risk of the investment.

In respect of the Group's property investment activities, market risk arises from changes in the state of domestic property prices. The Group minimises its exposure to adverse fluctuation in property value by continuous monitoring of the state of the property market. Gain or loss arising from the change in the fair value of investment properties will be made in the statement of profit or loss for the period in which it arises.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

The Group operates in Australia, Singapore, Vietnam and British Virgin Island. Certain subsidiary companies in the Group transact in currencies other than their respective functional currencies ("foreign currencies").

Currency risk arises when transactions are denominated in foreign currencies. To manage the currency risk, the Group enter into currency forwards with banks.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

43. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risk (Cont'd)

(i) Currency risk (Cont'd)

The following tables summarised the currency exposure of financial assets and financial liabilities of the Group as at year end which are mainly in Ringgit Malaysia ("RM"), Australian Dollar ("AUD") and United States Dollar ("USD"). Others currencies mainly include exposure to Vietnamese Dong and Singapore Dollar.

Group

		Denominated in				
	Note	RM RM'000	AUD RM'000	USD RM'000	Others RM'000	Total RM'000
2017						
Financial assets						
Trade receivables, excluding contract assets	13	306,529	14	-	2,987	309,530
Other assets, excluding prepayments and deposits	14	56,074	12	-	211	56,297
Cash, bank balances and short term funds	19	416,943	5,853	23	1,857	424,676
		779,546	5,879	23	5,055	790,503
Financial liabilities						
Borrowings	22	1,332,645	-	95,293	768	1,428,706
Trade payables, excluding contract liabilities	24	180,763	97	1,286	1,690	183,836
Other liabilities, excluding provisions and deposits	25	373,076	102	-	275	373,453
		1,886,484	199	96,579	2,733	1,985,995
2016						
Financial assets						
Trade receivables, excluding contract assets	13	322,707	66	-	3,855	326,628
Other assets, excluding prepayments and deposits	14	59,414	828	2,178	98	62,518
Cash, bank balances and short term funds	19	400,595	14,270	19	3,568	418,452
		782,716	15,164	2,197	7,521	807,598

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43. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risk (Cont'd)

(i) Currency risk (Cont'd)

Group (Cont'd)

	Note	Denominated in				Total RM'000
		RM RM'000	AUD RM'000	USD RM'000	Others RM'000	
2016						
Financial liabilities						
Borrowings	22	1,054,221	202,725	134,947	1,397	1,393,290
Trade payables, excluding contract liabilities	24	199,221	85	1,688	1,864	202,858
Other liabilities, excluding provisions and deposits	25	338,698	19,018	-	386	358,102
		1,592,140	221,828	136,635	3,647	1,954,250

The Group holds cash, bank balances and short term funds denominated in foreign currencies for working capital purposes. To a certain extent, the cash forms a natural hedge against a borrowing denominated in a foreign currency.

The Group is exposed to foreign currency exchange risk in respect of its overseas investments and borrowings. The Group has entered into cross-currency interest rate swap to manage exposures to currency risk of the borrowings and to minimise the interest expense which are denominated in a currency other than the functional currencies of the Group. In addition, the Group is exposed to currency translation risk on the net assets in foreign operations. Currency exposure to the net assets of the Group's foreign operations are managed through borrowings denominated in the relevant foreign currencies. During the year, there is no other significant foreign exchange risk arising from foreign currency transactions that may affect the overall activities of the Group except for the investment stated as above.

The notional amount and maturity date of the cross-currency interest rate swap outstanding as at 31 December 2017 are as follows:

Contract	Note	Expiry date	Contract amounts USD'000	RM equivalent RM'000
Contract used to hedge borrowings	17	28 September 2018	23,460	77,487

The Company is not exposed to foreign currency exchange risks, hence currency risk disclosure for the Company is not presented.

NOTES TO THE FINANCIAL STATEMENTS

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43. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risk (Cont'd)

(i) Currency risk (Cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates sensitivity analysis of the Group's profit after tax to a reasonably possible change in AUD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant. The sensitivity analysis includes only significant outstanding balances denominated in foreign currencies, of which the fluctuations in foreign exchange rates would have a significant impact to profit or loss.

	Group	
	2017	2016
	RM'000	RM'000
Profit net of tax		
AUD/RM		
- strengthen by 3%	60	(4,714)
- weaken by 3%	(60)	4,714

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or yield (i.e. future cash flows) of a financial instrument will fluctuate because of changes in market interest rates. The floating rate borrowings based on respective financial institutions' cost of funds or base rates managed by the Group and the Company to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall. The floating rate borrowings are monitored and negotiated according to changes in the interest rates to ensure that the Group and the Company are benefits from the lowest possible finance cost.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of the Group's and the Company's profit after tax if interest rates had been an average of 75 (2016: 75) basis points higher/lower for the Group and the Company, with all other variables remain constant, arising mainly as a result of higher/lower interest income from the capital financing and interest expense of the Group's and the Company's borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on current observable market environment.

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Profit net of tax				
- increased by 0.75%				
(2016: 0.75%)	(9,998)	(10,722)	(6,013)	(5,867)
- decreased by 0.75%				
(2016: 0.75%)	9,998	10,722	6,013	5,867

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

43. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

The following tables set out the carrying amounts, the interest rates at the end of the year and the remaining maturities of the financial instruments of the Group and of the Company that are exposed to interest rate risk:

Group

	Note	Interest rate per annum %	On demand or within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	Over 5 years RM'000	Total RM'000
2017									
Fixed rate instruments									
Deposits with licensed financial institutions	19	2.40 - 2.95	5,963	-	-	-	-	-	5,963
Floating rate instruments									
Deposits with licensed financial institutions	19	2.95 - 3.03	54,043	-	-	-	-	-	54,043
Housing Development Accounts	19	1.95 - 2.00	166,110	-	-	-	-	-	166,110
Medium term notes	21	4.70 - 4.75	(63,493)	(193,459)	(193,600)	(193,750)	(193,908)	-	(838,210)
Borrowings	22	4.33 - 7.91	(820,424)	(129,917)	(158,874)	(81,793)	(46,868)	(190,830)	(1,428,706)
2016									
Fixed rate instruments									
Deposits with licensed financial institutions	19	2.83 - 3.00	10,409	-	-	-	-	-	10,409
Floating rate instruments									
Deposits with licensed financial institutions	19	2.95 - 4.00	37,697	-	-	-	-	-	37,697
Housing Development Accounts	19	2.00 - 2.23	187,545	-	-	-	-	-	187,545
Medium term notes	21	4.70 - 4.93	-	(71,587)	(191,284)	(191,425)	(191,576)	(191,732)	(837,604)
Borrowings	22	4.25 - 7.90	(620,263)	(373,764)	(130,681)	(117,905)	(37,044)	(113,633)	(1,393,290)

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43. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

The following tables set out the carrying amounts, the interest rates at the end of the year and the remaining maturities of the financial instruments of the Group and of the Company that are exposed to interest rate risk: (Cont'd)

Company

	Note	Interest rate per annum %	On demand or within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	Over 5 years RM'000	Total RM'000
2017									
Floating rate instruments									
Medium term notes	21	4.70 - 4.75	(63,493)	(193,459)	(193,600)	(193,750)	(193,908)	-	(838,210)
Borrowings	22	4.56 - 5.02	(67,304)	(74,559)	(74,818)	-	-	-	(216,681)
2016									
Fixed rate instruments									
Deposits with licensed financial institutions	19	3.00	5	-	-	-	-	-	5
Floating rate instruments									
Medium term notes	21	4.70 - 4.93	-	(71,587)	(191,284)	(191,425)	(191,576)	(191,732)	(837,604)
Borrowings	22	4.55 - 5.32	(6,054)	(36,288)	(74,567)	(74,821)	-	-	(191,730)

NOTES TO THE FINANCIAL STATEMENTS

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43. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risk (Cont'd)

(iii) Other price risk

Other price risk refers to the risk that the fair value on future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk and currency risk).

The price risk arises from the Group's securities at fair value through profit or loss is minimal. The Group's equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

The Group manages its price risk arising from these investments in equity securities by diversification of its portfolio in accordance with the limits on individual and total equity instruments.

Sensitivity analysis for price risk

At the end of the year, if the FTSE Bursa Malaysia KLCI had been 5% (2016: 5%) higher/lower, with all other variables held constant, the Group's profit after tax would have been approximately RM11,000 (2016: RM47,000) higher/lower, arising as a result of higher/lower of fair value gains on quoted securities at fair value through profit or loss listed on Bursa Malaysia.

(c) Liquidity risk

Liquidity risk, is the risk that the Group and the Company will encounter difficulties in maintaining and raising funds to meet its financial commitments and obligations when they fall due at a reasonable cost. Funding needs of the Group are primarily met by bank borrowings and internally generated funds.

The Group seeks to achieve a balance between certainty of funding and a flexible, cost-effective borrowing structure. The Group's policy seeks to ensure that all projected net borrowing needs are covered by the committed facilities. In addition, debt maturities are closely monitored to ensure that the Group is able to meet its refinancing needs and obligations as and when they fall due.

Cash flow forecasts, taking into account all major transactions, are prepared and monitored. Any excess funds from operating cash cycles, which are temporary in nature, are invested in short term funds and fixed deposits as and when available with a wide array of licensed financial institutions at the most competitive interest rates.

The Group manages the funding needs and allocates funds in such manner that all business units maintain optimum levels of liquidity which are sufficient for their operations.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

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43. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (Cont'd)

Liquidity risk exposures

The table below analyses the Group's and the Company's financial liabilities into relevant maturity grouping based on the remaining period at the end of the year to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows and the balances shown below will not agree to the balances as reported in the statements of financial position as the table incorporates all contractual cash flows on an undiscounted basis, relating to both principal and interest payments.

	On demand or within 1 year RM'000	>1 to 2 years RM'000	>2 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Group					
2017					
Medium term notes	103,153	226,985	625,740	-	955,878
Borrowings	856,092	156,293	323,222	207,974	1,543,581
Trade payables	159,381	14,808	9,647	-	183,836
Other liabilities	373,453	-	-	-	373,453
	1,492,079	398,086	958,609	207,974	3,056,748
2016					
Medium term notes	39,485	123,017	636,409	194,090	993,001
Borrowings	656,976	403,226	316,048	126,749	1,502,999
Trade payables	167,943	32,730	2,185	-	202,858
Other liabilities	358,102	-	-	-	358,102
	1,222,506	558,973	954,642	320,839	3,056,960
Company					
2017					
Medium term notes	103,153	226,985	625,740	-	955,878
Borrowings	81,299	81,083	77,344	-	239,726
Amounts due to subsidiary companies	245,179	-	-	-	245,179
Other liabilities	987	-	-	-	987
	430,618	308,068	703,084	-	1,441,770

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43. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (Cont'd)

Company (Cont'd)

	On demand or within 1 year RM'000	>1 to 2 years RM'000	>2 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2016					
Medium term notes	39,485	123,017	636,409	194,090	993,001
Borrowings	10,667	49,921	155,640	-	216,228
Amounts due to subsidiary companies	175,406	-	-	-	175,406
Other liabilities	845	-	-	-	845
	226,403	172,938	792,049	194,090	1,385,480

(d) Hedging activities

The Group has entered into a cross-currency interest rate swap to hedge the cash flow risk. The details of the cross-currency interest rate swap are disclosed in Note 17.

44. CAPITAL MANAGEMENT

Capital is equivalent to issued capital and reserves attributable to Owners of the Company or Shareholders' funds. The primary objectives of the Group's capital management are to ensure that it maintains strong capital base and healthy capital ratios in order to sustain its future business development and maximise Shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions by meeting the internal capital requirements, optimising return to Shareholders, maintaining adequate levels and optimum mix of capital. To meet these objectives, the Group may adjust the dividend payment to its Shareholders, return capital to Shareholders or issue new shares. No changes were made in these objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

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44. CAPITAL MANAGEMENT (CONT'D)

The Group monitors capital by actively managing the level of gearing ratio which is the net debts divided by the Shareholders' funds. The gearing ratio at the end of the year is as follows:

	Note	Group 2017 RM'000	2016 RM'000
Medium term notes	21	838,210	837,604
Borrowings	22	1,428,706	1,393,290
Less: Derivative assets	17	(17,742)	(35,871)
Less: Cash, bank balances and short term funds	19	(424,676)	(418,452)
Net debts		1,824,498	1,776,571
Issued capital and reserves attributable to Owners of the Company / Shareholders' funds		4,538,690	4,300,510
Gearing ratio (times)		0.40	0.41

There were no changes in the Group's strategy to capital management during the year. The Group is required to maintain a maximum gearing ratio of 1.50 times to comply with a covenant as disclosed in Note 21(b)(i). The Group has complied with this covenant throughout the year.

45. MATERIAL LITIGATION

The Group was not engaged in any material litigation, claims nor arbitration either as plaintiff or defendant and the Directors are not aware of any proceeding pending or threatened against the Group or of any facts likely to give rise to any proceeding which might materially and adversely affect the financial position or business operations of the Group. Summary of material litigation are as follow:

(a) Adjudication between BUCG (M) Sdn. Bhd. ("BUCG") v Atria Damansara Sdn. Bhd. ("ADSB")

ADSB, a subsidiary company of OSK Property Holdings Berhad ("OSKP") which in turn is a subsidiary company of the Company, had on 29 June 2012 appointed BUCG for the Main Building Works of The Atria Redevelopment Project ("the Contract").

On 18 August 2015, BUCG purportedly determined its own employment under the Contract based on ADSB's failure to pay certain certified payments.

On 2 September 2015, ADSB responded to BUCG stating, among others, that no sums were due to BUCG as ADSB was entitled to withhold and deduct certain outgoings against the said certified payments.

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45. MATERIAL LITIGATION (CONT'D)

(a) Adjudication between BUCG (M) Sdn. Bhd. ("BUCG") v Atria Damansara Sdn. Bhd. ("ADSB") (Cont'd)

1st Adjudication

BUCG commenced their 1st adjudication against ADSB by serving their Payment Claim on 13 October 2015 for the sum of RM73.3 million under the Construction Industry Payment and Adjudication Act 2012 ("the CIPAA"). At the end of the adjudication proceedings, the Adjudicator delivered his decision on 11 July 2016 and ADSB was ordered to pay the following:

- (i) Outstanding sum due to BUCG in the sum of RM1,127,412.60;
- (ii) Adjudication fees and expenses in the sum of RM119,660.14; and
- (iii) Interest at 5% per annum from 11 October 2015 until date of actual payment.

On 25 July 2016, a sum of RM1,289,698.18 was paid by ADSB to BUCG.

2nd Adjudication

On 7 June 2017, BUCG commenced the 2nd Adjudication against ADSB by serving their Payment Claim dated 7 June 2017 for a total sum of RM99,692,535.49 which comprises of the following:

- (i) RM37,663,923.16 under Progress Claim No.36 (Final Claim);
- (ii) RM11,400,000.00 being 5% retention sum under the contract;
- (iii) RM45,630,921.64 being loss and expenses; and
- (iv) RM4,997,690.69 being GST.

ADSB Payment Response was served on BUCG on 22 June 2017. ADSB contends that, inter alia, the Payment Claim does not adhere to the requirements set out in CIPAA 2012 and that BUCG is estopped from raising such a claim now.

BUCG had submitted the Adjudication with the Kuala Lumpur Regional Centre for Arbitration (KLRC) and a Notice of Adjudication was served on ADSB on 27 July 2017. Parties will proceed to appoint the Adjudicator for the Adjudication.

On 15 September 2017, BUCG filed its Adjudication Claim for the total sum of claiming, inter alia:

- (i) For a sum of RM37,663,923.16 pursuant to Progress Claim No.36 (Final Claim);
- (ii) Release of retention sum of RM11,400,000.00;
- (iii) Loss and expenses of RM45,630,921.64; and
- (iv) GST of RM4,997,690.69.
(Total: RM99,692,535.49)

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45. MATERIAL LITIGATION (CONT'D)

(a) Adjudication between BUCG (M) Sdn. Bhd. ("BUCG") v Atria Damansara Sdn. Bhd. ("ADSB") (Cont'd)

On 10 October 2017, ADSB has filed its Adjudication Response, claimed that BUCG is not entitled to the sum of RM99,692,535.49 and raised a set off of RM100,073,692.16 (Inclusive of Liquidated Ascertained Damages ("LAD"), payments to Nominated Sub-Contractors, loss of rental etc).

On 14 November 2017, BUCG has served its Adjudication Reply, Written Submissions and Rebuttal Report to ADSB's solicitor and the Adjudicator.

On 23 November 2017, the Adjudicator has allowed ADSB to respond to the Adjudication Reply and the matter proceeded for Hearing on 18 January 2018. The Adjudicator will then deliver the Adjudication Decision within forty five (45) working days from 18 January 2018.

(b) Arbitration between Atria Damansara Sdn. Bhd. ("Claimant" or "ADSB") v BUCG (M) Sdn. Bhd. ("Respondent" or "BUCG")

ADSB, a subsidiary company of OSKP which in turn is a subsidiary company of the Company filed a revised Notice of Arbitration on 23 November 2016.

At a preliminary meeting with the Arbitrator on 6 July 2017, the Arbitrator provided parties with directions and has fixed the first hearing date to be on 4 March 2019.

The Statement of Claim has been filed on 7 September 2017 where ADSB has pleaded for a total claim sum of RM81,065,432.56 (which includes LAD of RM27,180,000.00 and additional costs paid to contractor for rectification works and cost to complete the constructions of RM22,818,413.67).

On 6 November 2017, the Arbitrator has resigned due to conflict of interest and parties now in the midst of appointing a new Arbitrator.

On 9 November 2017, BUCG has served its Defence and Counterclaim on the matter. Via its counterclaim, BUCG is claiming for the sum of RM105,674,087.62 based on various bills, variation orders, losses and expenses incurred and GST.

ADSB has filed its Reply to Defence and Defence to Counterclaim on 7 December 2017.

ADSB and BUCG have agreed that the appointment of the new Arbitrator shall be referred to the Kuala Lumpur Regional Centre of Arbitration.

NOTES TO THE FINANCIAL STATEMENTS

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45. MATERIAL LITIGATION (CONT'D)

(c) Claims by 14 Houseowners / Purchasers against OSK Properties Sdn. Bhd. ("OSKPSB") (together with architect W.K.Khor Architect and Majlis Perbandaran Sungai Petani ("MPSP"))

OSKPSB, a subsidiary company of OSKP which in turn is a subsidiary company of the Company had entered into sale and purchase agreements with 14 purchasers ("the Purchasers") between the years of 2012 and 2013 for the purchase of residential units at the Bandar Puteri Jaya project in Sungai Petani, Kedah. The purchase price stated in the Sale and Purchase Agreements with each of the Purchasers range from RM271,212 to RM385,022 for each unit.

On 3 May 2016, OSKPSB was served with a Writ and Statement of Claim by the Purchasers who had alleged inter alia that the construction of their properties had defects and that part of their properties differed from the show house. Each of the Purchasers is claiming: (a) damages amounting to RM2.5 million against OSKPSB; (b) damages amounting to RM2.5 million against the Architect; and (c) damages amounting to RM700,000 against MPSP.

The Architect and MPSP have each filed a Striking Out Application and their applications were allowed on 25 October 2016.

On 21 February 2018, as both parties were unable to meet to an amicable settlement in the mediation, the Court has now fixed 14 March 2018 as the final case management date for the parties to update the Court as to their status on settlement. In the mean time, all other proceedings for the matter has been adjourned pending the case management on 14 March 2018.

46. ADOPTION OF MFRSs AND AMENDMENTS TO MFRSs

The Group adopted the following amendments to published standards that are applicable and effective for the Group's financial year beginning on 1 January 2017:

- (a) Amendment to MFRS 107 'Statement of Cash Flows' requires an entity provides additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. It requires the disclosure of a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.
- (b) Amendments to MFRS 112 'Income Taxes' clarify that the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments also clarify that the deductible temporary differences should be compared with the entity's future taxable profits excluding tax deductions arising from the reversal of those deductible temporary differences when an entity evaluates whether it has sufficient future taxable profits.
- (c) Annual Improvements to MFRS Standards 2014-2016 Cycle cover minor amendments to MFRS 12 'Disclosure of Interests in Other Entities'. The amendments of MFRS 12 aim to clarify the disclosures requirement of MFRS 12 which are applicable to interest in entities classified as held for sale.

The adoption of the above amendments to published standards do not have any material impact to the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

46. ADOPTION OF MFRSs AND AMENDMENTS TO MFRSs (CONT'D)

The following are standards, amendments to published standards and interpretations to existing MFRSs issued by the MASB that are applicable to the Group but not yet effective for the current financial year:

- (a) For financial year beginning on/after 1 January 2018
- (i) MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 'Financial Instruments: Recognition and Measurement'.

MFRS 9 releases new classification and measurement requirements for financial assets on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. MFRS 9 introduces new expected credit loss model that replaces the incurred loss impairment model used in MFRS 139 'Financial Instruments: Recognition and Measurement'. MFRS 9 also simplifies new hedge accounting model where the hedged ratio is required to be the same as the one used by an entity's management for risk management purposes.

Classification and measurement of financial assets under MFRS 9

For classification under MFRS 9, there are three primary classification for financial assets: amortised cost ("AC"), fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVTOCI").

Under MFRS 9, the entity's business model does not depend on management's intention for an instrument, it is a matter of fact that can be observed by way an entity is managed and information is provided to its key management. Thus, same instrument may classify in all three classifications depending on its model for managing the assets.

Impairment of financial assets under MFRS 9

The expected credit loss model under MFRS 9 requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. It is no longer necessary for a credit event to have occurred before credit losses are recognised. The expected credit loss model will have greater provisions and earlier recognition of credit losses as compared with incurred loss model under MFRS 139.

Classification and measurement of financial liabilities under MFRS 9

MFRS 9 retains most of the MFRS 139 requirements for financial liabilities. These include amortised cost accounting for most financial liabilities including bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit or loss, unless this creates an accounting mismatch.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

46. ADOPTION OF MFRSs AND AMENDMENTS TO MFRSs (CONT'D)

The following are standards, amendments to published standards and interpretations to existing MFRSs issued by the MASB that are applicable to the Group but not yet effective for the current financial year: (Cont'd)

(a) For financial year beginning on/after 1 January 2018 (Cont'd)

- (i) MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 'Financial Instruments: Recognition and Measurement'. (Cont'd)

Hedge accounting under MFRS 9

The new hedge accounting requirements under MFRS 9 retain the three types of hedge accounting: fair value hedge, cash flow hedge and hedge of a net investment in a foreign operation. However, the greater flexibility has been given to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test which of ruled-based has been replaced with an objective-based test included the principle of an 'economic relationship'.

The financial effects of adoption of MFRS 9 are still being assessed by the Group due to the complexity and significant changes in its requirements.

- (ii) Amendment to MFRS 2 'Share-based Payment' clarifies that the classification and measurement of share-based payment transactions. The amendment introduces specific guidance on how to account for the following situations:
 - (a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
 - (b) share-based payment transactions with a net settlement feature for withholding tax obligations; and
 - (c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.
- (iii) Annual Improvements to MFRS Standards 2014-2016 Cycle cover minor amendments to MFRS 1 'First-time Adoption of Malaysian Financial Reporting Standards' and MFRS 128 'Investments in Associates and Joint Ventures'.

MFRS 1 has been amended to remove short-term exemptions covering transition provision of MFRS 7 'Financial Instruments: Disclosures', MFRS 119 'Employee Benefits' and MFRS 10 'Consolidated Financial Statements'. These transition provisions were available to entities for the passed reporting periods and are therefore no longer applicable.

MFRS 128 has been amended to clarify venture capital organisations, mutual funds, unit trusts and similar entities may elect to measure their investments in associates or joint ventures at fair value or using the equity method. An entity shall make this election separately for each associate or joint venture, at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

46. ADOPTION OF MFRSs AND AMENDMENTS TO MFRSs (CONT'D)

The following are standards, amendments to published standards and interpretations to existing MFRSs issued by the MASB that are applicable to the Group but not yet effective for the current financial year: (Cont'd)

(a) For financial year beginning on/after 1 January 2018 (Cont'd)

- (iv) Amendments to MFRS 140 'Investment Property' clarify an entity shall transfer a property to, or from, investment property when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. An entity must, therefore, have taken observable actions to support such a change.
- (v) IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The IC Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income and on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

(b) For financial year beginning on/after 1 January 2019

- (i) MFRS 16 'Leases' will replace the existing standard on MFRS 117 'Leases'.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. MFRS 16 requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months and for which the underlying asset is not of low value. For lessors, MFRS 16 requires enhanced disclosure on the information about lessors' risk exposure, particularly to residual value risk.

- (ii) IC 23 Uncertainty over Income Tax Treatments

IC 23 clarifies the application on the recognition and measurement requirements in MFRS 112 when there is uncertainty over income tax treatments. In the circumstance of uncertainty over income tax treatment, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in MFRS 112 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and shall assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making these examinations.

- (iii) Amendments to MFRS 9 allows companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.
- (iv) Amendments to MFRS 128 'Investments in Associates and Joint Ventures' clarifies that companies shall apply MFRS 9, including its impairment requirements, to account for long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture to which the equity method is not applied.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

46. ADOPTION OF MFRSs AND AMENDMENTS TO MFRSs (CONT'D)

The following are standards, amendments to published standards and interpretations to existing MFRSs issued by the MASB that are applicable to the Group but not yet effective for the current financial year: (Cont'd)

(b) For financial year beginning on/after 1 January 2019 (Cont'd)

- (v) Annual Improvements to MFRS Standards 2015-2017 Cycle cover minor amendments to MFRS 3 'Business Combinations', MFRS 11 'Joint Arrangements', and MFRS 112 'Income Taxes' and MFRS 123 'Borrowing Costs'.

MFRS 3 'Business Combinations' has been amended to clarify that when a party to a joint arrangement (as defined in MFRS 11 Joint Arrangements) obtains control of a business that is a joint operation (as defined in MFRS 11), and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. The acquirer shall therefore apply the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation. In doing so, the acquirer shall remeasure its entire previously held interest in the joint operation.

MFRS 11 'Joint Arrangements' has been amended to clarify that a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in MFRS 3. In such cases, previously held interests in the joint operation are not remeasured.

MFRS 112 'Income Taxes' has been amended to clarify an entity shall recognise the income tax consequences of dividends as defined in MFRS 9 when it recognises a liability to pay a dividend and an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

MFRS 123 'Borrowing Costs' has been amended to clarify that to the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the all borrowings of the entity that are outstanding during the period, other than borrowings. However, an entity shall exclude from this calculation borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare that asset for its intended use or sale are complete. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

46. ADOPTION OF MFRSs AND AMENDMENTS TO MFRSs (CONT'D)

The following are standards, amendments to published standards and interpretations to existing MFRSs issued by the MASB that are applicable to the Group but not yet effective for the current financial year: (Cont'd)

(c) Standard deferred to a date to be determined by MASB

Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The amendments clarify that gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture and gains and losses resulting from transactions involving the sale or contribution to an associate of a joint venture of assets that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by MASB. Earlier application is permitted.

The Group is currently assessing the impact of adoption of the new standards and will adopt the new standards on the required effective date.

47. ADOPTION OF COMPANIES ACT 2016

The Group and the Company have adopted the Companies Act 2016 ("CA2016") which took effect from 31 January 2017 except Section 241 and Division 8 of Part III of CA2016. CA2016 was enacted to replace the Companies Act 1965.

The Companies Commission of Malaysia has clarified that CA2016 should be complied with for the preparation of financial statements, directors' report and auditors' report thereon commencing from the financial year/period ended 31 January 2017. The main changes in CA2016 that will affect the financial statements of the Group and the Company upon the commencement of CA2016 on 31 January 2017 are:

- (i) removal of the authorised share capital;
- (ii) shares of the Company cease to have par or nominal value; and
- (iii) the Company's share premium account becomes part of the Company's share capital.

The adoption of CA2016 does not have any financial impact to the Group and the Company as any accounting implications are only applied prospectively. The effects of adoption are mainly on disclosures of the financial statements.

LIST OF GROUP'S TOP TEN PROPERTIES AS AT 31 DECEMBER 2017

	ADDRESS/ LOCATION	DESCRIPTION/ EXISTING USE	TENURE	APPROXIMATE AREA	DATE OF ACQUISITION	APPROXIMATE AGE OF BUILDING	CARRYING VALUE RM'000
1	Sungai Petani, Kedah Darul Aman	Land under development and held for development	Freehold	1,191 acres	29 January 1996	N/A	541,485
2	SS 22 Damansara Jaya, Petaling Jaya, Selangor Darul Ehsan	Investment property	Freehold	5.47 acres	6 July 2007	3 years	397,250
3	Jalan Ampang, Kuala Lumpur	Investment property	Freehold	60,846.45 square feet	30 October 1996	N/A	260,000
4	PN No. 3696, Lot 52 Section 13, Bandar Petaling Jaya, Daerah Petaling, Selangor Darul Ehsan	Land under development and held for development	Leasehold (99 years expiring on 04 November 2114)	258,746 square feet	31 May 2013	N/A	165,640
5	Plaza OSK, Jalan Ampang, Kuala Lumpur	Offices building	Freehold	57,597.68 square feet	30 December 1993	33 years	156,001
6	Harbour Place, Seksyen 4, Bandar Butterworth, Daerah Seberang Prai Utara, Pulau Pinang	Land for mixed development	Freehold	639,611.76 square feet	14 October 1996	N/A	114,342
7	Damai Laut Country Resort, Mukim of Lumut, District of Dindings, Perak Darul Ridzuan	Resort & property development	Freehold and leasehold (99 years expiring on 08 June 2094)	15,044,751 square feet	1990	N/A	92,705
8	Swiss-Garden Hotel & Residences Kuala Lumpur, 117 Jalan Pudu, 55100 Kuala Lumpur, Wilayah Persekutuan	Hotel	Freehold	342,752 square feet	-	21 years	86,160
9	Swiss-Garden Resort & Spa Kuantan, Lot PT 7566, Mukim Sungai Karang, Daerah Kuantan, Pahang Darul Makmur	Hotel	Freehold	250,512 square feet	3 March 1993	18 years	62,195
10	Swiss-Inn Johor Bahru, Township of Johor Bahru, District of Johor Bahru, Johor Darul Takzim	Hotel and land	Freehold	44,059 square feet	29 May 2013 and 6 December 2013	26 years	58,593

STATEMENT OF DIRECTORS' INTERESTS

AS AT 5 MARCH 2018

Name of Director	Direct Interest	Number of Ordinary Shares		%
			Indirect Interest	
		%		%
1. Tan Sri Ong Leong Huat @ Wong Joo Hwa	135,685,978	6.53	1,035,501,572 ⁽¹⁾	49.85
2. Ong Ju Yan	24,737,550	1.19	2,467,701 ⁽²⁾	0.12
3. Ong Ju Xing	22,084,395	1.06	4,603,062 ⁽³⁾	0.22
4. Ong Yee Ching	12,667,189	0.61	288,280 ⁽²⁾	0.01

Name of Director	Direct Interest	Number of Warrants C		%
			Indirect Interest	
		%		%
1. Tan Sri Ong Leong Huat @ Wong Joo Hwa	3,075,000	0.86	152,999,578 ⁽⁴⁾	42.91
2. Ong Ju Yan	1,208,335	0.34	266,299 ⁽²⁾	0.07
3. Ong Ju Xing	211,810	0.06	-	-
4. Ong Yee Ching	442,890	0.12	72,069 ⁽²⁾	0.02

SHAREHOLDINGS OF DIRECTOR IN RELATED CORPORATIONS

Name of Director & Related Corporations	Direct Interest	Number of Ordinary Shares		%
			Indirect Interest	
		%		%
1. Tan Sri Ong Leong Huat @ Wong Joo Hwa's interest in:				
OSK Equity Holdings Sdn. Bhd.	99,999	99.99	-	-
PJ Development Holdings Berhad	-	-	508,282,493 ⁽⁵⁾	96.93
OSK Property Holdings Berhad	-	-	345,637,523 ⁽⁵⁾	99.93
Yarra Park City Pty. Ltd.	-	-	28,750,000 ⁽⁶⁾	12.75
Country Wheels Sdn. Bhd.	-	-	127,500 ⁽⁵⁾	51.00
Semponia Sdn. Bhd.	-	-	127,500 ⁽⁵⁾	51.00
Rimulia Sdn. Bhd.	-	-	550,000 ⁽⁵⁾	55.00

WARRANT HOLDINGS OF DIRECTOR IN RELATED CORPORATIONS

Name of Director & Related Corporations	Direct Interest	Number of Warrants C		%
			Indirect Interest	
		%		%
1. Tan Sri Ong Leong Huat @ Wong Joo Hwa's interest in:				
PJ Development Holdings Berhad	-	-	129,338,996 ⁽⁵⁾	91.87

STATEMENT OF DIRECTORS' INTERESTS

AS AT 5 MARCH 2018

Notes:

- ⁽¹⁾ Deemed interested pursuant to Section 8 of the Companies Act 2016 ("the Act") by virtue of his substantial shareholdings in Dindings Consolidated Sdn. Bhd., Land Management Sdn. Bhd. and OSK Equity Holdings Sdn. Bhd. and disclosure made pursuant to Section 59(11)(c) of the Act in relation to interests held by his spouse and children.
- ⁽²⁾ Disclosure made pursuant to Section 59(11)(c) of the Act in relation to interests held by their spouse.
- ⁽³⁾ Deemed interested pursuant to Section 8 of the Act by virtue of his substantial shareholdings in Ladang Setia Sdn. Bhd. and disclosure made pursuant to Section 59(11)(c) of the Act in relation to interests held by his spouse.
- ⁽⁴⁾ Deemed interested pursuant to Section 8 of the Act by virtue of his substantial shareholdings in Land Management Sdn. Bhd. and OSK Equity Holdings Sdn. Bhd. and disclosure made pursuant to Section 59(11)(c) of the Act in relation to interests held by his spouse and children.
- ⁽⁵⁾ Deemed interested pursuant to Section 8 of the Act by virtue of his substantial shareholdings in OSK Holdings Berhad.
- ⁽⁶⁾ Deemed interested pursuant to Section 8 of the Act by virtue of shares held by Equity & Property Investment Corporation Pty. Limited. Tan Sri Ong Leong Huat @ Wong Joo Hwa holds 41.49% equity interest in Equity & Property Investment Corporation Pty. Limited.

Tan Sri Ong Leong Huat @ Wong Joo Hwa, by virtue of his interest in the Company, is also deemed to have an interest in the shares and warrants of all the Company's subsidiary companies to the extent the Company has an interest.

Other than the above, none of the other Directors in office has any interest in the shares and warrants of the Company and its related corporations as at 5 March 2018.

STATEMENT OF SHAREHOLDINGS

AS AT 5 MARCH 2018

Issued share capital	:	2,077,199,967 shares (excluding the treasury shares of 18,100,253)
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share

BREAKDOWN OF HOLDINGS

Range of Holdings	No. of Holders	Percentage of Holders	No. of Shares	Percentage of Issued Capital
1 — 99	3,242	13.44	134,594	0.01
100 — 1,000	1,955	8.10	683,639	0.03
1,001 — 10,000	12,045	49.91	54,632,268	2.63
10,001 — 100,000	5,985	24.80	169,685,883	8.17
100,001 — 103,859,997*	900	3.73	766,249,940	36.89
103,859,998 and above**	5	0.02	1,085,813,643	52.27
	24,132	100.00	2,077,199,967	100.00

Remarks:

* Less than 5% of the issued holdings

** 5% and above of the issued holdings

SUBSTANTIAL SHAREHOLDERS

According to the register required to be kept under Section 144 of the Companies Act 2016, the substantial shareholders of the Company are as follows:

Name of Substantial Shareholders	Direct Interest	Number of Ordinary Shares		%
			Indirect Interest	
1. Tan Sri Ong Leong Huat @ Wong Joo Hwa	135,685,978	6.53	979,587,315 ⁽¹⁾	47.16
2. Puan Sri Khor Chai Moi	29,362,682	1.41	419,942,504 ⁽²⁾	20.22
3. OSK Equity Holdings Sdn. Bhd.	563,521,273	27.13	-	-
4. Land Management Sdn. Bhd.	252,642,223	12.16	-	-
5. Dindings Consolidated Sdn. Bhd.	163,423,819	7.87	-	-

Notes:

⁽¹⁾ Deemed interested by virtue of his substantial shareholdings in Land Management Sdn. Bhd., OSK Equity Holdings Sdn. Bhd. and Dindings Consolidated Sdn. Bhd.

⁽²⁾ Deemed interested by virtue of her substantial shareholdings in Land Management Sdn. Bhd., Dindings Consolidated Sdn. Bhd. and Ladang Setia Sdn. Bhd.

STATEMENT OF SHAREHOLDINGS AS AT 5 MARCH 2018

THIRTY LARGEST REGISTERED HOLDERS

Name	No. of Shares	%
1. Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for OSK Equity Holdings Sdn. Bhd. (246758)	322,500,000	15.53
2. Land Management Sdn. Bhd.	252,422,223	12.15
3. OSK Equity Holdings Sdn. Bhd.	224,081,623	10.79
4. Dindings Consolidated Sdn. Bhd.	163,423,819	7.87
5. Tan Sri Ong Leong Huat @ Wong Joo Hwa	123,385,978	5.94
6. Puan Sri Khor Chai Moi	26,832,853	1.29
7. Wong Chong Ngin	26,432,000	1.27
8. Ong Ju Yan	24,737,550	1.19
9. Citigroup Nominees (Tempatan) Sdn. Bhd. - Employees Provident Fund Board (CIMB Prin)	24,395,300	1.17
10. Ong Ju Xing	21,997,911	1.06
11. Dato' Nik Mohamed Din bin Datuk Nik Yusoff	21,000,000	1.01
12. Khor Chei Yong	18,740,700	0.90
13. RHB Nominees (Tempatan) Sdn. Bhd. - OSK Equity Holdings Sdn. Bhd.	16,939,650	0.82
14. Ong Yin Suen	15,489,876	0.75
15. Cartaban Nominees (Asing) Sdn. Bhd. - Exempt AN for State Street Bank & Trust Company (West CLT OD67)	14,413,311	0.69
16. Citigroup Nominees (Tempatan) Sdn. Bhd. - Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)	13,802,400	0.66
17. Ong Yee Ching	12,667,189	0.61
18. Cartaban Nominees (Tempatan) Sdn. Bhd. - Exempt AN for LGT Bank AG (Local)	12,300,000	0.59

STATEMENT OF SHAREHOLDINGS AS AT 5 MARCH 2018

THIRTY LARGEST REGISTERED HOLDERS (CONT'D)

Name	No. of Shares	%
19. HSBC Nominees (Asing) Sdn. Bhd. - TNTC for Hosking Global Fund Public Limited Company	11,878,119	0.57
20. Nora Ee Siong Chee	11,835,937	0.57
21. Amanahraya Trustees Berhad - Public Smallcap Fund	11,519,700	0.55
22. Citigroup Nominees (Asing) Sdn. Bhd. - CBNY for Dimensional Emerging Markets Value Fund	11,072,105	0.53
23. Ong Yee Min	11,061,699	0.53
24. Citigroup Nominees (Asing) Sdn. Bhd. - CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	8,201,067	0.39
25. Citigroup Nominees (Asing) Sdn. Bhd. - CBNY for DFA Emerging Markets Small Cap Series	8,106,555	0.39
26. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad for Eastspring Investmentssmall-Cap Fund	7,786,650	0.37
27. AmSec Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Tan Swee Kwong	7,374,450	0.36
28. Amanahraya Trustees Berhad - Public Strategic Smallcap Fund	6,960,450	0.34
29. Dato' Nik Mohamed Bin Nik Yahya	6,755,494	0.33
30. Citigroup Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Wong Chong Shee (470539)	6,754,800	0.33

STATEMENT OF WARRANT HOLDINGS

AS AT 5 MARCH 2018

No. of Outstanding Warrants C 2015/2020 issued: 356,577,165

BREAKDOWN OF HOLDINGS

Range of Holdings	No. of Holders	Percentage of Holders	No. of Warrants C	Percentage of Issued Warrants C
1 — 99	4,487	22.73	116,200	0.03
100 — 1,000	6,258	31.71	3,730,681	1.05
1,001 — 10,000	7,304	37.00	23,024,171	6.46
10,001 — 100,000	1,409	7.14	41,970,182	11.77
100,001 — 17,828,857*	279	1.41	151,090,526	42.37
17,828,858 and above**	1	0.01	136,645,405	38.32
	19,738	100.00	356,577,165	100.00

Remarks:

* Less than 5% of the issued Warrants C

** 5% and above of the issued Warrants C

THIRTY LARGEST REGISTERED HOLDERS

Name	No. of Warrants C	%
1. OSK Equity Holdings Sdn. Bhd.	136,645,405	38.32
2. RHB Nominees (Tempatan) Sdn. Bhd. - OSK Equity Holdings Sdn. Bhd.	11,426,925	3.20
3. AllianceGroup Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Chong Yiew On (6000006)	9,556,650	2.68
4. AmSec Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Tan Swee Kwong	8,260,087	2.32
5. I-Wen Morsingh	6,667,500	1.87
6. Citigroup Nominees (Asing) Sdn. Bhd. - Exempt AN for Citibank New York (Norges Bank 1)	3,904,854	1.10
7. Puan Sri Khor Chai Moi	3,598,891	1.01
8. Agnes Chan Wai Ching	3,476,200	0.97
9. Cartaban Nominees (Tempatan) Sdn. Bhd. - Exempt AN for LGT Bank AG (Local)	3,075,000	0.86

STATEMENT OF WARRANT HOLDINGS AS AT 5 MARCH 2018

THIRTY LARGEST REGISTERED HOLDERS (CONT'D)

Name	No. of Warrants C	%
10. Loh Yu Lin	3,000,000	0.84
11. Nora Ee Siong Chee	2,546,484	0.71
12. Maybank Securities Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Tan Swee Kwong (STF)	2,477,662	0.69
13. Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Julian Suresh Candiah	2,458,500	0.69
14. RHB Nominees (Asing) Sdn. Bhd. - Pledged Securities Account for Profidend Investments Pte. Ltd.	2,196,525	0.62
15. Dato' Nik Mohamed bin Nik Yahya	1,730,122	0.49
16. Chew Leong Hoon	1,723,500	0.48
17. HSBC Nominees (Asing) Sdn. Bhd. - JPMCB NA for Vanguard Total International Stock Index Fund	1,716,558	0.48
18. Chinchoo Investment Sdn. Berhad	1,622,422	0.46
19. Kenanga Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Lim Ai Choo (001)	1,550,000	0.43
20. Ong Ah Choon @ Ong Kai Choon	1,505,250	0.42
21. Stephanie Teong Xia Chian	1,500,000	0.42
22. HSBC Nominees (Asing) Sdn. Bhd. - TNTC for Hosking Global Fund Public Limited Company	1,424,641	0.40
23. Kenanga Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Ting Yi En	1,359,900	0.38
24. Khor Chei Yong	1,322,968	0.37
25. Ong Ju Yan	1,208,335	0.34
26. Ng Choon Chuy	1,198,650	0.34
27. Ng Bieng San	1,190,000	0.33
28. RHB Nominees (Asing) Sdn. Bhd. - Exempt AN for RHB Securities Singapore Pte. Ltd. (A/C clients)	1,166,466	0.33
29. Loh Siew Hooi	1,122,200	0.31
30. RHB Capital Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Chuan Chek Piow	1,119,150	0.31

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Eighth Annual General Meeting of the Company will be held at the Grand Hibiscus Ballroom, Level 3, Swiss-Garden Hotel & Residences Kuala Lumpur, 117, Jalan Pudu, 55100 Kuala Lumpur on Thursday, 24 May 2018 at 2:30 p.m. to transact the following business:

AGENDA

- | | | |
|----|---|---|
| 1. | To receive the Audited Financial Statements of the Company and of the Group for the financial year ended 31 December 2017 and the Reports of Directors and Auditors thereon. | [Please refer to Explanatory Note (i)] |
| 2. | To sanction the declaration of a single-tier final dividend of 3.5 sen per share in respect of the financial year ended 31 December 2017. | Ordinary Resolution 1 |
| 3. | To approve the payment of Directors' fees of RM326,247 for the financial year ended 31 December 2017. | Ordinary Resolution 2 |
| 4. | To approve the payment of Directors' benefits to the Non-Executive Directors up to an amount of RM120,000 for the period from 25 May 2018 until the next Annual General Meeting of the Company. | Ordinary Resolution 3 |
| 5. | To re-elect the following Directors who retire by rotation in accordance with Article 102(1) of the Company's Articles of Association and being eligible, offers themselves for re-election:- | |
| | (a) Mr. Ong Ju Xing | Ordinary Resolution 4 |
| | (b) Dato' Saiful Bahri bin Zainuddin | Ordinary Resolution 5 |
| 6. | To re-elect En. Nik Mohamed Sharifidin B N M Din who retires in accordance with Article 109 of the Company's Articles of Association and being eligible, offers himself for re-election. | Ordinary Resolution 6 |
| 7. | To re-appoint Messrs. BDO as Auditors of the Company until the conclusion of the next Annual General Meeting of the Company and to authorise the Board of Directors to fix their remuneration. | Ordinary Resolution 7 |

AS SPECIAL BUSINESS

To consider and, if thought fit, with or without any modification, to pass the following Ordinary Resolutions:

- | | | |
|----|---|------------------------------|
| 8. | AUTHORITY TO ISSUE SHARES | Ordinary Resolution 8 |
| | <p>"THAT, subject always to the Companies Act 2016, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, if applicable, the Directors be and are hereby empowered, pursuant to the Companies Act 2016, to issue and allot shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this Resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."</p> | |

NOTICE OF ANNUAL GENERAL MEETING

9. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")**

Ordinary Resolution 9

"THAT, subject to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature as set out in Part A of the Circular to Shareholders dated 2 April 2018 provided that such transactions are undertaken in the ordinary course of business, on arm's length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders;

THAT such approval shall continue to be in force until the earlier of:

- (a) the conclusion of the next Annual General Meeting of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the next Annual General Meeting;
- (b) the expiration of the period within which the next Annual General Meeting is to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) such approval is revoked or varied by resolution passed by shareholders in a general meeting before the next Annual General Meeting;

AND THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate."

10. **PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES ("PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY")**

Ordinary Resolution 10

"THAT, subject always to the Companies Act 2016, the provisions of the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities as the Directors may deem fit and expedient in the interest of the Company, provided that:

- (a) the aggregate number of shares purchased or held does not exceed ten per centum (10%) of the total number of issued shares of the Company;
- (b) the maximum fund to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the aggregate of the retained profits of the Company based on the latest Audited Financial Statements and/or the latest management accounts of the Company (where applicable) available at the time of the purchase(s); and

NOTICE OF ANNUAL GENERAL MEETING

- (c) the Directors of the Company may decide in their absolute discretion either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends in such manner as may be permitted and prescribed by the provisions of the Listing Requirements of Bursa Securities and any other relevant authorities;

THAT the authority conferred by this Resolution shall commence immediately and shall continue to be in force until the conclusion of the next Annual General Meeting of the Company following the passing of this Ordinary Resolution, unless earlier revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting;

AND THAT authority be and is hereby given to the Directors of the Company to act and take all such steps and do all things as are necessary or expedient to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as the Directors may deem fit and expedient in the interests of the Company."

11. To transact any other ordinary business of which due notice shall have been given.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

Notice is hereby given that the single-tier final dividend of 3.5 sen per ordinary share for the financial year ended 31 December 2017, if approved by the shareholders at the Twenty-Eighth Annual General Meeting, will be payable on 13 June 2018 to shareholders whose names appear in the Register of Members or Record of Depositors on 31 May 2018.

A Depositor shall qualify for entitlement to the dividend only in respect of:

- (a) Shares deposited into the Depositor's securities account before 12:30 p.m. on 28 May 2018 (in respect of shares which are exempted from mandatory deposit);
- (b) Shares transferred into the Depositor's securities account before 4:00 p.m. on 31 May 2018 in respect of ordinary transfers; and
- (c) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

CHUA SIEW CHUAN (MAICSA 0777689)

CHIN MUN YEE (MAICSA 7019243)

Company Secretaries

Kuala Lumpur
2 April 2018

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

1. In respect of deposited securities, only members whose names appear in the Register of Members and Record of Depositors on 16 May 2018 shall be eligible to attend, participate, speak and vote at the Meeting.
2. A member entitled to attend, participate, speak and vote at the Meeting is entitled to appoint a proxy/ proxies to attend, participate, speak and vote instead of him. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, participate, speak and vote at the Meeting shall have the same rights as the member to participate, speak and vote at the Meeting.
3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holding(s) to be represented by each proxy.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under seal or in some other manner approved by its Board of Directors.
5. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy must be deposited at the office of the Share Registrar, Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.
7. Mr. Foo San Kan and Dato' Abdul Majit bin Ahmad Khan, the Independent Directors of the Company have expressed their intention to retire at the conclusion of the Twenty-Eighth Annual General Meeting to be in line with the Malaysian Code on Corporate Governance where the tenure of an Independent Director of the Company shall not exceed a cumulative term of nine (9) years. Hence, they will retain office until the close of the Twenty-Eighth Annual General Meeting.
8. Explanatory Notes on Ordinary and Special Business
 - (i) Item 1 of the Agenda

This Agenda item is meant for discussion only, as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.
 - (ii) Ordinary Resolution 3 – Directors' benefits payable

The proposed Directors' benefits payable comprises allowances and other benefits.

The total estimated amount of Directors' benefits payable is calculated based on the number of scheduled Board's and Board Committees' meetings from 25 May 2018, being the day after the Twenty-Eighth Annual General Meeting until the next Annual General Meeting and other benefits. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next Annual General Meeting of the Company.

NOTICE OF ANNUAL GENERAL MEETING

8. Explanatory Notes on Ordinary and Special Business (Cont'd)

(iii) Ordinary Resolution 8 – Authority to Issue Shares

This is the renewal of the mandate obtained from the members at the last Annual General Meeting held on 19 April 2017 (“the previous mandate”). The previous mandate was not utilised and accordingly, no proceeds were raised.

The proposed resolution, if passed, will provide flexibility to the Directors to undertake fund raising activities, including but not limited to placement of shares for the funding of the Company’s future investments projects, working capital and/or acquisitions, by the issuance of shares in the Company to such persons at any time, as the Directors may deem fit, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of next Annual General Meeting of the Company.

(iv) Ordinary Resolution 9 – Proposed Shareholders’ Mandate

The proposed resolution, if passed, will empower the Company and its subsidiaries (“OSKH Group”) to enter into recurrent related party transactions of a revenue or trading nature which are necessary for OSKH Group’s day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to the public and are not, in the Company’s opinion, detrimental to the minority shareholders of the Company.

Please refer to the Circular to Shareholders dated 2 April 2018 for further information.

(v) Ordinary Resolution 10 – Proposed Renewal of Share Buy-Back Authority

The proposed resolution, if passed, will allow the Company to purchase or hold its own shares of up to 10% of the total number of issued shares of the Company by utilising the funds allocated which shall not exceed the retained profits of the Company.

Based on the Audited Financial Statements for the year ended 31 December 2017, the Company’s retained profits is amounted to RM967.0 million.

Please refer to the Share Buy-Back Statement dated 2 April 2018 for further information.

OSK HOLDINGS BERHAD (207075-U)

(Incorporated in Malaysia)

FORM OF PROXY**CDS Account No.****Number of ordinary shares**

I/We _____ NRIC No./Passport No./Company No. _____
 of _____

being a member/members of OSK Holdings Berhad hereby appoint:-

Full Name (in Block)	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and/ or (*delete if not applicable)

Full Name (in Block)	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the Twenty-Eighth Annual General Meeting of the Company to be held at the Grand Hibiscus Ballroom, Level 3, Swiss-Garden Hotel & Residences Kuala Lumpur, 117, Jalan Pudu, 55100 Kuala Lumpur on Thursday, 24 May 2018 at 2:30 p.m. and at any adjournment thereof.

*My/Our proxy is to vote as indicated below:

Item	Agenda			
1.	To receive the Audited Financial Statements of the Company and of the Group for the financial year ended 31 December 2017 and the Reports of Directors and Auditors thereon.			
		Resolution	For	Against
2.	To sanction the declaration of a single-tier final dividend of 3.5 sen per share in respect of the financial year ended 31 December 2017.	1		
3.	To approve the payment of Directors' fees of RM326,247 for the financial year ended 31 December 2017.	2		
4.	To approve the payment of Directors' benefits to the Non-Executive Directors up to an amount of RM120,000 for the period from 25 May 2018 until the next Annual General Meeting of the Company.	3		
5.	To re-elect Mr. Ong Ju Xing who retires by rotation in accordance with Article 102(1) of the Company's Articles of Association and being eligible, offers himself for re-election.	4		
6.	To re-elect Dato' Saiful Bahri bin Zainuddin who retires by rotation in accordance with Article 102(1) of the Company's Articles of Association and being eligible, offers himself for re-election.	5		
7.	To re-elect En. Nik Mohamed Sharifidin B N M Din who retires in accordance with Article 109 of the Company's Articles of Association and being eligible, offers himself for re-election.	6		
8.	To re-appoint Messrs. BDO as Auditors of the Company until the conclusion of the next Annual General Meeting of the Company and to authorise the Board of Directors to fix their remuneration.	7		
Special Business				
9.	Authority to Issue Shares	8		
10.	Proposed Shareholders' Mandate	9		
11.	Proposed Renewal of Share Buy-Back Authority	10		

Please indicate with an "X" in the appropriate space how you wish your proxy to vote. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he thinks fit or, at his discretion, abstain from voting.

Dated this day _____ of _____ 2018

*Signature(s)/ Common Seal of Shareholder

*Delete if not applicable

NOTES:

- In respect of deposited securities, only members whose names appear in the Register of Members and Record of Depositors on 16 May 2018 shall be eligible to attend, participate, speak and vote at the Meeting.
- A member entitled to attend, participate, speak and vote at the Meeting is entitled to appoint a proxy/ proxies to attend, participate, speak and vote instead of him. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, participate, speak and vote at the Meeting shall have the same rights as the member to participate, speak and vote at the Meeting.
- Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holding(s) to be represented by each proxy.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or in some other manner approved by its Board of Directors.
- Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy must be deposited at the office of the Share Registrar, Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.

Fold this for sealing

AFFIX
STAMP

The Share Registrar
Securities Services (Holdings) Sdn. Bhd.
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

2nd fold here

1st fold here

OSK HOLDINGS BERHAD (207075-U)
(Incorporated in Malaysia)
21st Floor, Plaza OSK, Jalan Ampang,
50450 Kuala Lumpur, Malaysia.

Tel. No. : (603) 2166 6225 Fax No. : (603) 2026 6331

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