PASDEC HOLDINGS BERHAD
(Company No. 367122-D)

# Defining New Growth

Annual Report **2015**

# About Us

Pasdec Holdings Berhad ("PASDEC") is a leading government linked company based in Pahang listed on the Main Board of Bursa Malaysia Securities Berhad (Stock Code : 6912) under the property counter since 27 October 1997.

PASDEC is responsible for coordinating and marketing Pahang's vast resources to create new opportunities for growth and prosperity. Its present authorised and paid-up capital is RM500 million and RM205.9 million respectively.

As an investment holding company, PASDEC through its subsidiaries and associate companies is principally involved in property development, project management, civil and building construction, manufacturing of electrical wiring harness, seat components and catalytic converters for the automotive industry in South Africa, renewable energy, installation of UniFi, telecommunication services and provision of data centre services.

PASDEC is actively seeking for new business ventures and acquisitions to expand its investment portfolio.

# Vision

Towards an excellent and diversified conglomerate.

# Mission

An esteemed organisation in the property sector and diversification in other ventures giving best return to stakeholders.

20th ANNUAL GENERAL MEETING

**VENUE:**
Silk Ballroom, Level 3,
The Zenith Hotel,
Jalan Putra Square 6,
Putra Square, 25200 Kuantan,
Pahang Darul Makmur

**DATE:**
16 June 2016, Thursday

**TIME:**
11:00 a.m.

# Contents

# CHAIRMAN'S STATEMENT

**Dear Valued Shareholders,**

"The financial year ended 31 December 2015 was a tough year for Pasdec Holdings Berhad ("PASDEC") amidst the challenging economic and operating environment."

**Dato' Sri Diraja Haji Adnan Bin Haji Yaakob**
Chairman

# Chairman's Statement

*A Challenging Operating Environment*

Malaysia's economy was hit by strong headwinds in 2015 following unanticipated global commodity and currency shocks, financial market turbulence and sudden reversal of capital flows.

Despite the global economic challenges, the country recorded a respectable growth of 5% in its gross domestic product ("GDP") in 2015, compared to 2014's stronger performance of 6%, supported mainly by steady domestic demand particularly the private sector expenditure. Private consumption was affected as households adjusted their spending to the higher cost of living following the implementation of Goods and Services Tax ("GST"), adjustments in administrative prices and the depreciation of Malaysian Ringgit.

Property sector had a lacklustre performance in 2015 with total transaction volume of 362,105 worth RM149.9 billion, down 5.7% in volume and 6% in value against 2014. Residential sub-sector led the overall property market in 2015 constituting 65.2% of total transacted volume.

## FINANCIAL RESULTS

Within the context of a volatile economic climate, the Group recorded revenues of RM156.65 million for the financial year ended 31 December 2015, derived largely from property, construction and manufacturing operations which contributed 52%, 32% and 12% respectively to the total revenue.

Revenue was lower than the previous financial year mainly because the Group's revenue of RM210.56 million in 2014 included contribution of RM33.0 million from disposal of land.

The Group's bottom-line was in the red for the financial year ended 31 December 2015 with a net loss after tax of RM27.72 million against profit after tax of RM6.17 million in the preceding year. Loss from manufacturing activities of RM13.24 million coupled with provision of termination benefits of RM3.31 million and other related costs of RM2.74 million for the manufacturing operation largely impacted the Group's bottom-line. Loss of RM8.05 million from construction activities further enhanced the losses.

PASDEC's net assets per share was RM1.48 while shareholders' fund stood at RM305.55 million as at 31 December 2015.

## OPERATIONS REVIEW

### Property Development

Property development remained the major contributor to the Group's revenue for the financial year 2015, bringing in RM82.04 million from the sales of development properties driven by continued progress and sales of various on-going projects.

Generally, the property market slowed down in 2015 impacted by uncertainties in the economy, inception of GST from April 2015 as well as the cooling measures and stringent lending policy by the Central Bank of Malaysia since 2013. Notwithstanding the market condition, the Group was able to leverage on sales of completed and on-going projects that provided a steady stream of income given that most of our projects are of medium range, strengthened by buyers' reliance on us as a responsible developer.

At the end of 2015, the Group had 14 residential and commercial development projects in-hand with total estimated gross development value ("GDV") of RM408.44 million. During the year, the Group successfully handed over keys to purchasers of 412 units of residential and commercial properties at 6 development projects.

# Chairman's Statement

The Group's on-going developments of linked houses and higher-end double storey and two-and-a-half storey semi-detached houses at Bandar Putra, Kuantan progressed steadily during the year. In view of the encouraging demand of the earlier phase, the second phase of Package 7A5 comprising of 65 units of medium range double storey linked houses and 6 units of higher category three storey linked houses commenced development in the first quarter of 2015. The Group expects more development activities at Bandar Putra soon when our chosen joint venture partner commences with the planned developments on approximately 154 acres of land there.

At Chendor, Kuantan, the construction and sales of Chendor Utama Phase 2B, a mixed residential development comprising of 166 units of single storey and 12 units of double storey linked houses as well as 46 units of semi-detached houses, continued to progress well. Progress of 34 units of shop office at Chendor Business Centre was encouraging albeit the slow sales in 2015.

Our on-going residential development at Balok Perdana in Gebeng, Kuantan has attracted high demand from buyers and leveraging on its success, we plan to launch several new phases of mid-range terraced and semi-detached houses there in 2016. We anticipate the demand for our shop office units at Balok Perdana to pick-up after the project attained certificate of fitness for occupation (CFO) in the first quarter of 2016.

Following the success of the first phase of Vista Verde, we proceeded with second phase of the development comprising of double storey terraced houses during the year. Demand for our Pasdec Idaman residential project in Temerloh improved after the devastating floods in December 2014 as the project was not affected by the floods.

## Construction

Construction sector's revenue moderated to RM19.17 million during the year compared with RM38.11 million achieved last year, contributing 12% to the Group's turnover for the financial year ended 31 December 2015. The reduction in revenue was a result of completion and hand over of a 9-storey specialist hospital in Kuantan during the year.

This sector incurred losses from cost escalation and project delays in 2015 due to various complications on site. Nevertheless, the Group is negotiating on variation orders and extension of time with the client.

Apart from secured in-house projects, our construction arm is actively seeking to replenish its order book by bidding for new Government and private sector contracts.

## Manufacturing

With the global economic outlook remaining uncertain on the back of a fragile Euro zone, weakened investor confidence in South Africa, and lower vehicle sales, revenue of our manufacturing segment under Pasdec Resources SA Limited group ("PRSA") declined by 13.3% to ZAR164.9 million from ZAR190.2 million in 2014. A significant portion of the decline in revenue can be attributed to declining demand from Nissan South Africa, which commenced during 2014 and was carried forward into 2015.

Operating profit declined to a loss of ZAR31.7 million for the year 2015 compared with profit of ZAR8.5 million in the previous year, attributed to the increase in operational costs of ZAR67.4 million mainly associated with the once-off relocation project costs of ZAR23.8 million and ZAR4.0 million forex losses on reinstatement as at 31 December 2015.

# Chairman's Statement

Despite the difficult trading conditions, we are proud to inform that PRSA's operating company Pasdec Automotive Technologies (Pty) Ltd. ("PAT") received 'Supplier of the Year' award from Volkswagen Germany in a ceremony held in Germany that recognised 26 suppliers selected from approximately 7000 globally for their ability to manufacture and supply world class electrical wiring harnesses. The collaboration between PAT and Volkswagen Group was further strengthened when PAT secured a new contract to manufacture and supply a complete range of electrical wiring harnesses to Volkswagen Group South Africa beginning from the third quarter of 2017 which will increase the current business with the automobile manufacturer in excess of ZAR1.3 billion over the next 7 years.

During the year too, PAT was chosen as the local manufacturing partner to support Sumitomo Wiring Systems and Nissan South Africa to manufacture and supply the complete range of electrical wiring harnesses that will be used in the production of H60 model in South Africa which will be introduced in the fourth quarter of 2018. This is a 10 year contract with volumes increasing by approximately 91% when compared to current volumes, and will require PAT to gear up for this new business by upgrading property, plant and equipment.

Against the backdrop of an extremely challenging and a competitive trading environment coupled with rising costs and lack of consumer confidence in the South African economy, PRSA has embarked on and concluded successful negotiations with the Botswana Development Corporation ("BDC") in terms of relocating its operational facilities from Brits, South Africa to Lobatse, Botswana in 2015/2016 with

the aim of positioning the company strategically to restore operational performance and profitability. Botswana is a politically stable and business-friendly country with a resilient economy and is devoid of many of the elements that adversely affect trade in South Africa.

For the relocation of our operations, a new subsidiary, Pasdec Automotive Technologies (Botswana) (Pty) Ltd. ("PAT BW") has been incorporated. BDC helped make the relocation as smooth as possible by providing easy access to legislation, funding and facilities. BDC has provided funding of BWP52,100,000 by subscribing for redeemable preference shares in PAT BW in June 2015 and later signed an Ordinary Share Subscription Agreement with PAT in December 2015 to enable BDC to utilise the proceeds received on the redemption of the preference shares for the subscription of up to 26% of the issued ordinary shares in PAT BW.

The Management team of PRSA has successfully negotiated the relocation from South Africa to Botswana with customers and local unions which resulted in zero labour disruptions or strikes. We expect the manufacturing operations to fully relocate to Botswana by the second quarter of 2016, leaving only a supply chain centre, engineering support and financial management operations in South Africa.

CRH Africa Automotive (Pty) Ltd., a joint venture company between PAT and Johnson Controls, the world's largest seat manufacturer, continued to flourish as the leading metal seat manufacturer within Africa and has secured contracts in excess of ZAR3.8 billion over the next 8 years from Volkswagen Group and BMW South Africa.

# Chairman's Statement

## Other Businesses and Initiatives

Our wholly owned subsidiaries, Kuantan Tembeling Resort Sdn. Bhd. ("KTRSB") and Prima Net Sdn. Bhd. involved in property management and maintenance, and UniFi installation respectively, continued with their business operations and contributed a small portion to the Group's turnover during the financial year.

KTRSB's management of Mahkota Square building was given recognition by the Kuantan Municipal Council (MPK) when it was named as first runner up for Best Strata Management of Commercial Building in November 2015. KTRSB also obtained a 3-star rating from the Construction Industry Development Board (CIDB) during the year.

The Group successfully obtained further extension on the feed-in-tariff commencement dates for our small hydro power projects from the Sustainable Energy Development Authority Malaysia (SEDA) in view of the anticipated delay in completing the plants due to site possession issues. Commencement date for the plant at Sungai Benus in Bentong and Sungai Sia in Raub has been extended to 15 September 2017 and 3 March 2018 respectively.

Work on site for the Sungai Benus plant had commenced in the first quarter of 2015 and is slated for completion in 2017 while timber clearance work at the Sungai Sia site is still in progress. Upon completion and commencement, the plants at Sungai Benus and Sungai Sia will generate and supply 5 Megawatt ("MW") and 2MW power to Tenaga Nasional Berhad (TNB) respectively for a period of 21 years, thus contributing sustainable income to the Group.

During the financial year, we continued with our efforts to secure the best possible funding option for our proposed National Halal Gelatine project since it is a greenfield project which requires high investment. Negotiations on the proposed strategic alliance with a party for the development of Cherating Holiday Resort, an integrated tourism related development that will boost the image of Cherating and Chendor, had taken a step back for the time being pending finalisation of the land area involved with the State Government.

## CORPORATE SOCIAL RESPONSIBILITY

For PASDEC, corporate social responsibility ("CSR") encompasses the economic, environmental and social aspects of our business and our interactions with our stakeholders. We believe that part of being a great company is being a responsible corporate citizen.

### Community Engagement

Every year, the Group undertakes several CSR initiatives that are initiated internally as well as in support of programs run by third parties, non-governmental organisations and social enterprises.

We gave out aid to various charitable bodies, voluntary organisations and schools to support their activities, among them the Sultanah Hajah Kalsom Orphanage Home and the Old Folks Home in Jabor and participated in the 'Feed The Homeless' program in collaboration with Food Aid Foundation.

# Chairman's Statement


PASDEC sponsored Utusan Malaysia newspapers with Tutor supplement as a learning aid for students of five selected secondary schools in Kuantan and Temerloh during the year as we believe that newspaper is an effective source of information and learning tool especially for those sitting for the Form 3 Assessment (PT3) and Sijil Pelajaran Malaysia (SPM) examinations. PRSA continued its collaboration with Happy Days Foundation to improve the lives of schoolgirls in rural communities by contributing sanitary pads to schoolgirls of two primary schools in Brits.

As part of our social engagement programme with the local community, we organised football, sepak takraw, badminton and netball tournaments with the locals in Rompin. The Group also conducts various programmes for the benefit of the community residing at the townships that we built, including annual Ramadhan feast and contributions to mosques and surau.

## Staff Engagement

At the core of our success is our people, and they are our focus. This past year, the Group continued to invest in our people by organising training and development programs to keep them abreast with the latest work knowledge and skills and enhance their leadership skills and competencies. On average, an employee is required to undergo at least 16 hours of training in a year.

We have an education assistance policy in place to encourage our employees to pursue higher qualification, professional or masters programmes in fields that are of relevance to their work.

We believe that taking care of staff wellbeing will translate into better motivation and productivity. Our employees enjoy benefits like personal accident coverage, medical benefits which include medical care for staff and their spouse and children and hospitalisation and surgical benefits, maternity and paternity leave and bereavement leave as well as access to company vehicles and drivers for outstation travel on work.

In 2015, we established Kelab Amal Pasdec made up of the employees and Directors of PASDEC in order for the social, recreational and CSR activities of the Group to be organised, carried-out and managed in a more effective manner. In all our efforts, we encourage the participation of our employees as we believe the spirit of caring that volunteerism activities promote translates into a greater sense of responsibility and team spirit in the workplace.

In order to promote healthy living and comradeship among employees, we encourage our staff to participate in futsal, bowling, golf and badminton matches arranged by our major shareholder, Perbadanan Kemajuan Negeri Pahang (PKNP). Our PASDEC Football Club (PASDEC FC) participated in various local tournaments and emerged as champion for Kuantan League Cup Division 1 and Kuantan FA Cup League in 2015.

## Environment

As part of our commitment to care for our people and assets, we have in place a Health, Safety and Environment (HSE) framework to promote safety at work and ensure the Group complies with our statutory duties in relation to health, safety and environmental legislation.

Focus is also given to preserving the natural surroundings within the townships that we develop and incorporating environmental friendly aspects in our product designs without compromising on the quality.

In line with our commitment in promoting environment sustainability, the Group gave its prime 2.17 acres of land by the riverside at Medan Pelancong to the State Government via a land swap for the area to be developed into a public park for the benefit of the community.

# Chairman's Statement

## LOOKING AHEAD

The year 2016 is expected to be another challenging year for the Malaysian economy with the Government budgeting a modest growth of 4% to 4.5% in view of the current projections of fluctuations in crude oil prices and increase in cost of living.

The property market is expected to remain soft but with areas of opportunities, particularly in the affordable homes sub-segment. We will continue to focus on our core strength in the property segment with emphasis on developing affordable homes of RM500,000 and below to further our growth in the near future.

We will also carry-on with our efforts to source for new landbank via direct acquisition and/or strategic alliance to enhance the Group's property development operations and maintain prospects for continued growth in shareholders' value. The Group recently acquired three parcels of land totalling approximately 142 acres in Gambang and Muadzam Shah from the Pahang State Government for future development.

We look to 2016 with guarded optimism and by being prudent and resilient, we strive to achieve an equitable performance for our shareholders.

## APPRECIATION

On behalf of the Board, I would like to extend our sincere appreciation to our valued shareholders, customers, business associates, financiers, and the regulatory authorities for your strong support and confidence in PASDEC Group. Our appreciation also goes to the State Government of Pahang for its continued support and trust in PASDEC.

We would like to take this opportunity to pay our respects to the late Dato' Mohamed Amin bin Haji Daud, an Independent Non-Executive Director, who passed away peacefully on 28 August 2015. We would also like to welcome on board Dato' Ir. Noor Azmi bin Jaafar who joined us as Independent Non-Executive Director in November 2015. Dato' Ir. Noor Azmi is a Professional Engineer with vast experience in automotive sector and we trust that his appointment will add further depth and strength to the Group.

To my fellow Board Members, thank you for your invaluable guidance and resolute support.

Lastly, to the management and staff, we value your dedication and loyalty to the Group especially amidst the challenges of 2015.

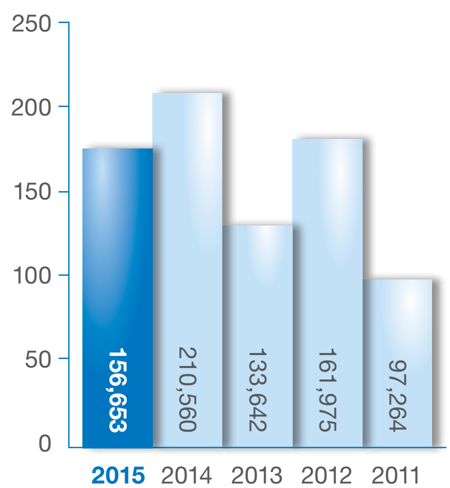
**DATO' SRI DIRAJA HAJI ADNAN BIN HAJI YAAKOB**
Chairman

# Group Financial Summary

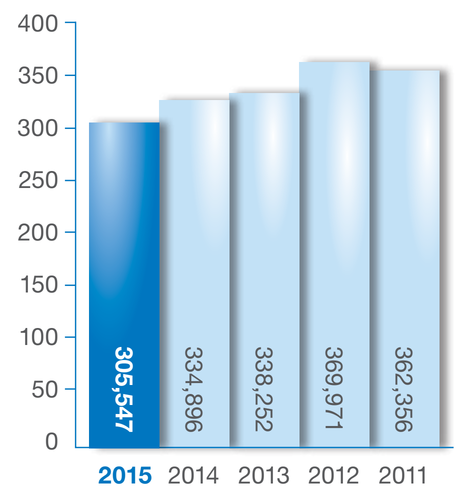
**Year Ended 31 December**

| | 2011 RM'000 | 2012 RM'000 | 2013 RM'000 | 2014 RM'000 | 2015 RM'000 |
|---|---|---|---|---|---|
| Turnover | 97,264 | 161,975 | 133,642 | 210,560 | **156,653** |
| (Loss)/Profit After Taxation | (4,178) | 10,060 | 12,941 | 6,171 | **(27,717)** |
| Net Assets | 362,356 | 369,971 | 338,252 | 334,896 | **305,547** |
| Net Assets/Share (RM) | 1.76 | 1.80 | 1.64 | 1.63 | **1.48** |
| (Loss)/Earning Per share (Sen) | (2.51) | 4.25 | 6.11 | 2.41 | **(12.01)** |

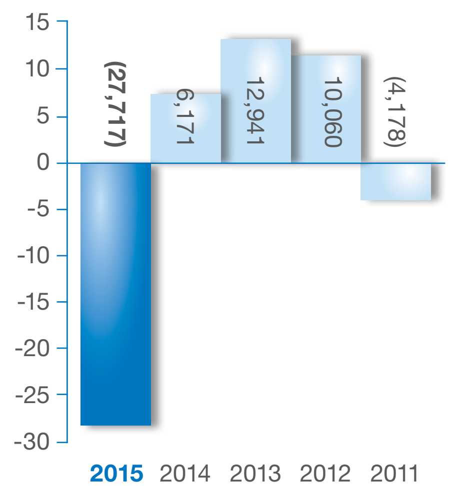
**Turnover**
(RM'000)



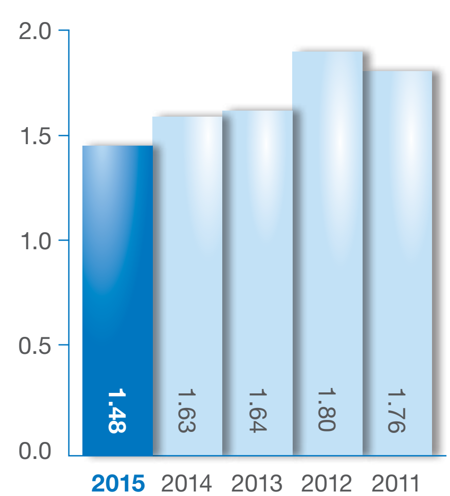

**Net Assets**
(RM'000)



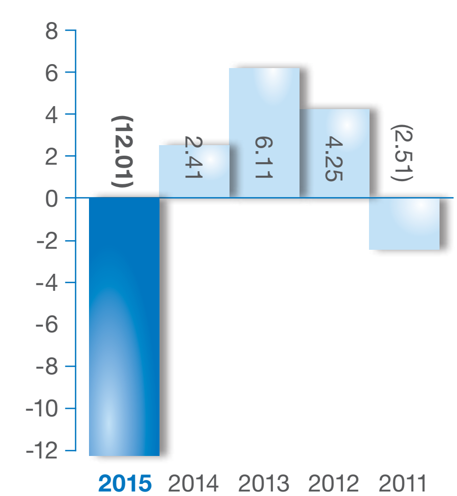

**(Loss)/Profit After Taxation**
(RM'million)




**Net Assets Per Share**
(RM)




**Earnings/(Loss) Per Share**
(SEN)



# Corporate Information

## BOARD OF DIRECTORS

**YAB DATO' SRI DIRAJA HAJI ADNAN BIN HAJI YAAKOB**
Non-Independent Non-Executive Chairman

**YH DATO' ABDUL GHANI BIN L. SULAIMAN**
Non-Independent Non-Executive Deputy Chairman

**YH DATO' MOHD KHAIRUDDIN HJ. ABDUL MANAN**
Group Managing Director

**YH DATO' HAJI ABDUL RAHIM BIN MOHD ALI**
Non-Independent Non-Executive Director

**YH DATO' DR. HAMDAN BIN JAAFAR**
Non-Independent Non-Executive Director

**YH DATO' HAJI MOHAMAD NOR BIN ALI**
Non-Independent Non-Executive Director

**YH DATO' SRI KHALID BIN MOHAMAD JIWA**
Independent Non-Executive Director

**YH DATO' ABDULLAH BIN A. RASOL**
Independent Non-Executive Director

**YH DATO' IR. NOOR AZMI BIN JAAFAR**
Independent Non-Executive Director

## COMPANY SECRETARY

**MISS SHAKERAH ENAYETALI**

## REGISTERED OFFICE

Tingkat 14, Menara Teruntum,
Jalan Mahkota, 25000 Kuantan,
Pahang Darul Makmur.
Telephone : 09-513 3888
Facsimile : 09-514 5988

## REGISTRAR

**Securities Services (Holdings) Sdn. Bhd.**
Level 7, Menara Milenium,
Jalan Damanlela, Pusat Bandar Damansara,
Damansara Heights, 50490 Kuala Lumpur.
Telephone : 03-2084 9000 / 03-2094 9940
Facsimile : 03-2095 0292
E-mail : info@sshsb.com.my

## AUDITORS

**Messrs. Hanafiah Raslan & Mohamad**
Public Accountants

## PRINCIPAL BANKERS

**CIMB Bank Berhad**
**Bank Islam Malaysia Berhad**
**HSBC Bank Malaysia Berhad**
**RHB Bank Berhad**
**AMBank Malaysia Berhad**

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock name : PASDEC
Stock code : 6912

## WEBSITE

www.pasdec.com.my

# Corporate Structure

PASDEC HOLDINGS BERHAD
(Company No. 367122-D)

- 100% Pasdec Corporation Sdn. Bhd.
  - 100% Pasdec Putra Sdn. Bhd.
  - 40% Pasdec Cempaka Sdn. Bhd.
  - 40% Genting View Resort Development Sdn. Bhd.
  - 30% Pahang Specialist Hospital Sdn. Bhd.
  - 20% Prima Prai Sdn. Bhd.
- 100% Kuantan Tembeling Resort Sdn. Bhd.
- 100% Pasdec Land Sdn. Bhd.
- 100% Pasdec Mega Sdn. Bhd.
- 100% Sumbangan Sakti Sdn. Bhd.
- 100% Mutiara Pasdec Sdn. Bhd.
  - 100% Pahang Aircraft Industries Sdn. Bhd.
  - 100% Pasdec Trading Sdn. Bhd.
  - 100% Pahang Off-Shore Sdn. Bhd.
    - 97% Pasdec Resources SA Ltd.
      - 100% Femcotec Finance (Pty) Ltd.
      - 70% Pasdec Automotive Technologies (Pty) Ltd.
        - 100% Pasdec Automotive Technologies (Botswana) (Pty) Ltd.
        - 31% CRH Africa Automotive (Pty) Ltd.
- 100% Pasdec Bina Sdn. Bhd.
- 70% Pasdec Pintas Sdn. Bhd.
- 100% Deep Sea Thermal Solutions Sdn. Bhd.
- 100% Kimdec Corporation Sdn. Bhd.
- 100% Prima Net Technologies Sdn. Bhd.
- 100% GELNAS Sdn. Bhd.
- 51% Pasdec Engineering Sdn. Bhd.
- 50% Pasdec Technology Centre & Services Sdn. Bhd.

# Board of Directors

Dato' Abdullah Bin A. Rasol

Dato' Haji Mohamad Nor Bin Ali

Dato' Mohd Khairuddin Hj Abdul Manan

**Dato' Sri DiRaja Haji Adnan Bin Haji Yaakob**

# Board of Directors

Dato' Haji Abdul Rahim Bin Mohd Ali

Dato' Sri Khalid Bin Mohamad Jiwa

Dato' Abdul Ghani Bin L. Sulaiman

Dato' Ir. Noor Azmi Bin Jaafar

Dato' Dr. Hamdan Bin Jaafar

# Profile of Directors

## Dato' Sri DiRaja Haji Adnan Bin Haji Yaakob

Chairman,
Non-Independent Non-Executive Director

Dato' Sri DiRaja Haji Adnan bin Haji Yaakob, a Malaysian, aged 66, was appointed as Chairman and Director of Pasdec Holdings Berhad on 21 January 2003. He also serves as Chairman of the Tender Committee.

He holds a B.A (Hons) and Diploma in Education from University of Malaya. In October 2010, he was conferred a degree of Honorary Doctorate in Education Administration by Yarmouk University, Jordan. Dato' Sri DiRaja Haji Adnan is the first ever Malaysian to receive such honour from the most prestigious and oldest university in Jordan as a recognition towards his contribution to education especially in providing opportunity to the financially less fortunate students of Pahang to pursue higher education locally and internationally. In the same month, he was also conferred the Honorary Doctorate in Technology Management by Universiti Malaysia Pahang.

Dato' Sri DiRaja Haji Adnan is the first recipient of the Darjah Sri DiRaja Sultan Ahmad Shah Pahang (SDSA) which was bestowed upon him by His Royal Highness The Sultan of Pahang on His Royal Highness' 80th birthday and carries the title Dato' Sri DiRaja.

A well-known politician, he is a member of the Pahang State Legislative Assembly representing the Pelangai Constituency since 1986. Dato' Sri DiRaja Haji Adnan has been the Chief Minister of Pahang since May 1999. He is also the Chairman of the State Executive Council of Pahang and holds portfolios in various committees.

Dato' Sri DiRaja Haji Adnan is the Chairman of Mentiga Corporation Berhad and state owned agencies such as Perbadanan Kemajuan Negeri Pahang (PKNP), Pahang State Foundation, Amanah Saham Pahang (ASPA), Kumpulan Permodalan Bumiputera Pahang (KUMIPA), Lembaga Kemajuan Perusahaan Pertanian (LKPP) and Perbadanan Perpustakaan Awam Pahang (PPAP).

## Dato' Abdul Ghani Bin L. Sulaiman

Deputy Chairman,
Non-Independent Non-Executive Director

Dato' Abdul Ghani bin L. Sulaiman, a Malaysian, aged 73, was appointed as Deputy Chairman and Director of Pasdec Holdings Berhad on 22 April 2003. He graduated with a degree in Bachelor of Arts (Honours) from the University of Malaya in 1968 and served as an Officer of the Malaysian Administrative and Diplomatic Service in various government agencies.

Subsequently, he obtained his Diploma in Development Administration from Manchester University, United Kingdom in 1976, after which he continued to hold various posts in government agencies including the post of Malacca State Financial Officer, Sarawak State Development Officer, General Manager of Penang Regional Development Authority (PERDA) and Director of Pay and Allowance Division, Public Services Department, Malaysia.

Dato' Abdul Ghani went on to serve as the State Secretary of Pahang in 1996 before retiring in 1998. Presently, he is the Chairman of Segi Perkasa (M) Sdn. Bhd. and the Chairman of the Remuneration Committee of Pasdec Holdings Berhad.

# Profile of Directors

## Dato' Mohd Khairuddin Hj Abdul Manan

Group Managing Director

Dato' Mohd Khairuddin Hj Abdul Manan, a Malaysian, aged 59, was appointed to the Board as Group Managing Director on 11 March 2015. Prior to his appointment as Group Managing Director, he served as the Chief Executive Officer of Pasdec Holdings Berhad since March 2009. He holds a B.A (Hons) in Strategic Environmental Planning Studies from Liverpool John Moores University, England.

Dato' Mohd Khairuddin started his career as a Forecaster/Demographer at Binafon Sdn. Bhd. after graduating in 1982 and went on to gain experience and in depth knowledge in the property development and construction industry while serving Rimman International Sdn. Bhd., Housecoff Sdn. Bhd. and Panji Timor Sdn. Bhd. as Project Manager and General Manager.

He ventured into his own property development and construction business in 1992 and has undertaken projects in Seremban, Klang Valley, Pahang and Kedah prior to joining Pasdec Holdings Berhad. Among the notable projects undertaken by Dato' Mohd Khairuddin are the Terminal One and Light Industrial Park in Seremban, Water Treatment Plant in Habu, Cameron Highland and Langkawi Hospital in Kuah, Langkawi.

Dato' Mohd Khairuddin is also a member of the Malay College Old Boys' Association (MCOBA) of the Malay College Kuala Kangsar and has been appointed as a member of the Main Committee (Management Committee) of MCOBA for the 2014 to 2016 term.

## Dato' Haji Abdul Rahim bin Mohd Ali

Non-Independent Non-Executive Director

Dato' Haji Abdul Rahim bin Mohd Ali, a Malaysian, aged 59, was appointed to the Board of Pasdec Holdings Berhad on 25 April 2014. He holds a B.A (Hons) in Economy (Public Administration) from University of Malaya.

Dato' Haji Abdul Rahim is the Chief Executive Officer of Perbadanan Kemajuan Negeri Pahang (PKNP). He started his career with PKNP in 1980 as Assistant Manager of Industrial Promotion & Development, moving up to the post of Industrial Development Manager in 1988. He went on to become the Deputy Chief Executive Officer of PKNP before being promoted to his present post on 1 April 2014. He also sits on the Board of Tioman Island Resort Berhad and Pascorp Paper Industries Berhad.

Dato' Haji Abdul Rahim is a member of the Nomination Committee and Tender Committee of Pasdec Holdings Berhad.

# Profile of Directors

## Dato' Dr. Hamdan Bin Jaafar

Non-Independent Non-Executive Director

Dato' Dr. Hamdan bin Jaafar, a Malaysian, aged 65, was appointed to the Board on 14 November 1995. He is an Economics Graduate from University of Malaya and joined Perbadanan Kemajuan Negeri Pahang (PKNP) as an Administrative Officer upon his graduation in 1974.

He served in various departments within the PKNP Group and went on to become the Deputy General Manager before being promoted to Chief Executive of PKNP, a post which he held from 1994 to 2001. He was appointed as an Executive Director of Pasdec Holdings Berhad in December 1996 and subsequently in November 2001, he was seconded to Pasdec Holdings Berhad as the Group Managing Director where he served until early January 2005 before being called back to serve PKNP until his retirement in 2007.

During his tenure with PKNP, he attended the Stanford Top Management Program at Stanford University, USA in 1986. Dato' Dr. Hamdan's quest for knowledge earned him a doctorate in Business Administration from the European-American University at Oxford Centre and a Fellowship with The Oxford Centre for Leadership, United Kingdom in 2011. He has also been awarded a Doctorate in Business Administration by The Oxford Association of Management in 2006 and has been a Fellow of the Oxford Centre for Leadership in Business Administration since 2007.

Presently, he is running his own business. His experience ranges from township and real estate development to major socio-economic development in Pahang. Dato' Dr. Hamdan is also a member of the Audit Committee and Remuneration Committee of Pasdec Holdings Berhad.

## Dato' Haji Mohamad Nor Bin Ali

Non-Independent Non-Executive Director

Dato' Haji Mohamad Nor bin Ali, a Malaysian, aged 70, was appointed to the Board on 22 August 2002. Having graduated from University of Malaya with a B.A (Hons) Sociology in 1969, Dato' Haji Mohamad Nor went on to take his Diploma in Management Science, and subsequently earned a Master in Business Administration (MBA) (Investments) and Master in Business Operations (MBO) from Northrop University, USA. He has been a Fellow of Canadian Comprehensive Auditing Foundation (CCAF) since 1986.

He has vast experience in the audit field having served in the Public Sector as Director of Audit in various states including Pahang, Terengganu, Johor and Selangor. He was the Assistant Auditor General in 1996 before being promoted to Deputy Auditor General, a post he held until his retirement in 2001.

He is a member of the Remuneration Committee and Tender Committee of Pasdec Holdings Berhad.

# Profile of Directors

## Dato' Sri Khalid Bin Mohamad Jiwa
Independent Non-Executive Director

Dato' Sri Khalid bin Mohamad Jiwa, a Malaysian, aged 57, was appointed to the Board of Pasdec Holdings Berhad on 30 April 1997. He serves as Chairman of the Nomination Committee and a member of the Audit Committee of Pasdec Holdings Berhad.

Dato' Sri Khalid is the Group Executive Chairman of K-Corporation Sdn. Bhd. and its group of companies dealing with construction, property management, cosmetic products, specialised trading, IT and media services and agricultural activities. He also sits on the Board of Asian Composite Manufacturing Sdn. Bhd. and United Industries Sdn. Bhd.

Dato' Sri Khalid is a business graduate and had previously worked in the financial sector after completing his studies in 1981. He then left the bank to start his own business with vast experience and knowledge in financial business. He is the Founder and Chairman of Yayasan Nurjiwa, a foundation that is actively involved in charity and social activities.

## Dato' Abdullah Bin A. Rasol
Independent Non-Executive Director

Dato' Abdullah bin A. Rasol, a Malaysian, aged 66, was appointed to the Board on 23 May 2002. Dato' Abdullah is a Fellow of the Chartered Association of Certified Accountants, United Kingdom and a Chartered Accountant with the Malaysian Institute of Accountants. He is presently an Executive Director of Eden Inc. Berhad in charge of Corporate Affairs.

Prior to joining Eden Inc. Berhad, he was the Executive Director and Chief Executive Officer of Amanah General Insurance Berhad. He served the Amanah Capital Group since 1984, initially serving as the Finance Manager of Amanah Merchant Bank Berhad (AMBB) and moving on towards corporate banking and subsequently as the General Manager of AMBB. His tasks whilst at AMBB include marketing and evaluation of credit facilities, management of assets, financial advisory, equity restructuring and project financing. He gained audit and accounting experience in Coopers & Lybrand, Guthrie Malaysia Holdings Bhd. and Pernas Construction Sdn. Bhd. prior to joining AMBB.

Dato' Abdullah serves as Chairman of the Audit Committee and a member of the Remuneration Committee of Pasdec Holdings Berhad.

# Profile of Directors

## Dato' Ir. Noor Azmi bin Jaafar

Independent Non-Executive Director

Dato' Ir. Noor Azmi bin Jaafar, a Malaysian, aged 61, was appointed to the Board on 9 November 2015. He serves as a member of the Audit Committee and Nomination Committee.

Dato' Ir. Noor Azmi graduated from University of Technology MARA (UiTM) with a Diploma in Mechanical Engineering and a Bachelor of Science in Mechanical Engineering. Subsequently he obtained a Master of Science in Mechanical Engineering from University of Miami Florida, USA. He is a member of the Institution of Engineers Malaysia and a registered Professional Engineer with the Board of Engineers Malaysia. He is also a Council member of the Institution of Engineers Malaysia.

Dato' Ir. Noor Azmi is presently the Managing Director of Automotive Parts Division of Delloyd Ventures Sdn. Bhd. and the Executive Director of Delloyd Ventures Sdn. Bhd. He started his career in 1979 as a lecturer in the Faculty of Mechanical Engineering, UiTM and his last position in UiTM was Head of Thermodynamics and Heat Transfer Division. In 1984, he joined PROTON (Perusahaan Otomobil Nasional Sdn. Bhd.) and assumed various capacities in Quality Control, Local Content, Localisation, Warranty & Technical Services and Procurement & Vendor Development. After seven and half years with PROTON, he joined Delloyd Industries (M) Sdn. Bhd. as Director and Advisor to the Managing Director. He was appointed as Manufacturing Director in 1995 and thereafter in August 2008 he was appointed as Chief Executive Officer of the Group's automotive parts division and redesignated to Managing Director with effect from 1 April 2013. This division comprises mainly of its subsidiaries including Delloyd Industries (M) Sdn. Bhd., Delloyd Electronics (M) Sdn. Bhd., Delloyd Auto Parts Manufacturing Sdn. Bhd., Delloyd R&D (M) Sdn. Bhd. and other overseas operations in Thailand and Indonesia.

Dato' Ir. Noor Azmi is an academic advisor to the Faculty of Mechanical Engineering Universiti Malaysia Pahang, Faculty of Mechanical Engineering UiTM and School of Mechanical Engineering Politeknik Sultan Salahuddin Abdul Aziz Shah, Shah Alam, Selangor. He also sits on the Board of Pascorp Paper Industries Berhad.

Dato' Ir. Noor Azmi is also a member of the Executive Committee of PROTON Vendors Association (PVA) wherein he was President of the PVA from 2011 to 2015.

None of the Directors:-

1. Have any family relationship with any other Director and/or major shareholder of Pasdec Holdings Berhad.
2. Have any conflict of interest with Pasdec Holdings Berhad.
3. Have been convicted of any offense within the past 10 years other than traffic offences.


*Our completed project at Tanjung Lumpur, Kuantan*
*- KPJ Pahang Specialist Hospital*

# Top Management

**Ir. Zulhkiple Bin A. Bakar**
Executive Director
Pasdec Engineering Sdn. Bhd.

**Haji Anwar Bin Matnor**
Acting Senior
Vice President Engineering

**Goh Song Han**
Senior Vice President
Finance & Corporate Services

**Dato' Mohd Khairuddin Hj Abdul Manan**
Group Managing Director

# Top Management

**Mohd Azman Sa'ad**
Senior Vice President
Project Development

**Ali Bin Md Mokhtar**
Senior Vice President
Business Development

**Shakerah Enayetali**
Group Company Secretary

**Dato' Kevin Pather**
Chief Executive Officer
Pasdec Resources SA Ltd

# Highlights of the Year 2015

FEB
08

## PASDEC's Community Outreach At Jabor Old Folk Home, Kuantan

PASDEC's volunteer team brought joy to the residence of Jabor Old Folk Home. The meaningful visit included painting the old building and cleaning the building areas.


FEB
09-11

## The Republic of Botswana Trade and Industry Minister and Delegates Official Visit to Pahang

The Minister and his delegates spent 2 days in Kuantan for an official visit to PASDEC and PKNP's office, DRB Hicom Berhad's manufacturing factory & International college of Automotive (ICAM) at Pekan. They also had a dinner event hosted by YAB Dato' Sri DiRaja Haji Adnan b. Haji Yaakob, Chief Minister of Pahang.


# Highlights of the Year 2015

APR 08

## The Honourable Mokgweetsi Eric Keabetswe Masisi, Vice President of The Republic of Botswana and Delegates Courtesy Visit to Malaysia

Pasdec has organized a private dinner with the honourable Vice President and his entourage from the Republic of Botswana at the Atmosphere360@KL Tower, Kuala Lumpur. This visit will surely further strengthened the relationship between Malaysia and The Republic of Botswana.

MAY 04

## Corporate Responsibility

PASDEC's together with Malaysia Aviation Training Academy ("MATA") has organized various sport tournaments in building a good relationship with the local community at Rompin, Pahang.

JUN 15

## 19th Annual General Meeting

PASDEC's 19th Annual General Meeting at Hyatt Regency Kuantan Resort, Teluk Chempedak, Kuantan.

# Highlights of the Year 2015

JUL 15

## Global Supplier Award from the Volkswagen Group Germany

Pasdec Automotives Technologies, one of South Africa's leading component manufacturers, was presented with the Volkswagen Group Award 2015 for its best suppliers.


AUG 10

## Launching of Kelab Amal Pasdec Pahang

Kelab Amal PASDEC's established to organise and manage the social, recreational and corporate social responsibility (CSR) events of PASDEC Group.

AUG 15

## PASDEC's Funwalk 2015 at Bandar Putra, Kuantan

PASDEC's Funwalk is a recreational activity which is part of our initiatives in promoting healthy lifestyle to the local community.

# Highlights of the Year 2015

SEPT
03-06

## PASDEC's Annual Sales Carnival 2015

This annual event was officiated by PASDEC's Group Managing Director, YH Dato' Mohd Khairuddin b. Haji Abdul Manan in Kuantan Parade, Kuantan.



SEPT
07

## Corporate Sponsorship

As one of our effort in supporting women's involvement in construction's world, PASDEC has become one of the sponsors during the 'Konvensyen Usahanita Binaan' ("KUBINA") event which was held at PWTC, Kuala Lumpur.


SEPT
18

## Newspaper Sponsorship

PASDEC sponsored Utusan Malaysia's education supplements to 5 schools in Kuantan and Temerloh, Pahang. This sponsorship practice is part of PASDEC CSR activity to help students in primary and secondary schools to prepare for their exam using the educational supplements.

# Highlights of the Year 2015

SEPT
19-20

## "Giving Back to the Community"

This is another CSR exercise by the Group. We have involved in contributing cattle for Hari Raya Aidiladha Program to the community of Simpang Pelangai, Bentong, Balok Perdana, Balok Permai, Bandar Putra and Pasdec Damansara in Kuantan.

SEPT
19-22

## Pasdec Junior Cup 2015

Pasdec has become a premier sponsor in this under-17 football carnival organized by First Touch Football Academy. The tournament was participated by 10 teams from Pahang and Terengganu, respectively. This is another initiative by Pasdec in supporting local sport's development.

OCT
08

## Appreciation to the Staff

During the staff gathering session, a total of 16 employees received the 'Employee Excellence Award' in recognition of their excellent performance in 2014.

OCT
24

## Community Service Involvement

PASDEC volunteer's team has joined a 'feed the homeless' programme organized by Food Aid Foundation and MCOBA in Kuala Lumpur. The packed food and drinks were distributed to the homeless individuals and family around Kuala Lumpur areas.

# Highlights of the Year 2015

AUG 19 to NOV 04

## Sports Involvement

PASDEC FC, the Group's football club has finished on top of Kuantan Division 1 League and also won the FA Cup for the 2015 championship.

DEC 11

## Signing Ceremony of Ordinary Share Subscription Agreement & Shareholders Agreement between PASDEC Automotive Technologies (Pty) Ltd & Botswana Development Corporation

YAB Dato' Sri Diraja Haji Adnan b. Haji Yaakob, Chief Minister of the Pahang State Government witnessing the signing and the exchange of documents between the Chairman of PASDEC Automotive Technologies (Pty) Ltd and the Managing Director of Botswana Development Corporation at Seri Pacific Hotel, Kuala Lumpur.








CRH
Africa

# Statement on Corporate Governance

The Board of Directors ("Board") of Pasdec Holdings Berhad ("PASDEC" or "Company") is committed to manage the Group in line with corporate governance practices recommended in the Malaysian Code on Corporate Governance 2012 ("Code") and to ensure that the highest standards of corporate governance are practiced throughout the Group. The Board believes that corporate accountability complements business practices that will facilitate the achievement of PASDEC Group's goals and objectives with the ultimate aim of enhancing shareholders' value whilst protecting the interests of other stakeholders.

Pursuant to Paragraph 15.25 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board is pleased to present this statement which describes how the Group has applied the principles and recommendations of the Code and the extent of compliance with the best practices provisions in the Code for the financial year 2015, including where applicable, reasons for not applying specific principles.

## 1. BOARD OF DIRECTORS

### Roles and Responsibility of the Board

*Overall Responsibility*

The Board is generally entrusted with the overall governance of the Group, the responsibility to exercise reasonable and proper care of the Company's resources for the best interests of its stakeholders as well as to safeguard the Company's assets.

The Board understands and is mindful of the key role it plays in discharging its fiduciary and leadership functions for PASDEC Group and in this regard, has assumed the following responsibilities as recommended in the Code:-

i) Reviews and adopts the strategic plan as well as annual business plan and budget.
ii) Oversees the conduct of business and evaluate whether the business is being properly managed.
iii) Identifies principal risks and ensure the implementation of appropriate internal controls and mitigation measures.
iv) Oversees the succession planning and appointment of senior management.
v) Oversees the development and implementation of an investor relations policy.
vi) Reviews the adequacy and integrity of the internal controls and management information systems, ensuring the establishment of a sound framework of internal controls and regulatory compliance.

The Board's functions are governed and regulated by the Memorandum and Articles of Association of the Company, the various applicable legislations, MMLR and other applicable regulations and codes.

In discharging their responsibilities, the Directors have established functions which are reserved for the Board, the Board Committees and those which are delegated to the Management. Key matters reserved for the Board's approval include overall strategic direction, business expansion and restructuring plans, material acquisitions and disposals, expenditure over certain limits, issuance of new securities and capital plans.

*Board Charter*

The Board has adopted a Board Charter which documents the strategic intent, duties, functions and roles and responsibilities of the Board including the division of responsibilities and powers between the Board and Management, the different committees established by the Board, and between the Chairman and the Managing Director and/or the Chief Executive Officer ("CEO"). The Board Charter shall be periodically reviewed and updated, as and when necessary. It was last revised on 25 February 2016 wherein a copy of the duly updated Board Charter is available on the Company's website.

# Statement on Corporate Governance

## 1. BOARD OF DIRECTORS (CONT'D)

### Roles and Responsibility of the Board (Cont'd)

*Code of Conduct*

The Board recognizes its role in establishing a corporate culture which stimulates ethical conduct within the Group. Towards this end, PASDEC has implemented a Code of Business Conduct and Work Ethics ("Code of Conduct") which sets out the standards of behaviour and ethical conduct to be observed by the Directors and employees in performance of their duties. The Code of Conduct shall be periodically reviewed and updated, as and when necessary. A copy of the Code of Conduct is available on the Company's website.

*Whistleblowing Policy*

The Company's Whistleblowing Policy provides an avenue for all employees and stakeholders to disclose any improper, unethical or unlawful conduct within PASDEC without fear of reprisal. The Whistleblowing Policy sets out the procedures for all employees and stakeholders to disclose any irregularities and the protection accorded to those who disclose such allegations in good faith. The identity of the whistleblower and the concerns raised will be treated with confidentiality. Any employee or stakeholder of the Company who has knowledge or is aware of any misconduct within the Group is encouraged to make disclosure by submitting their concerns in writing, by email, by telephone or in person to the Audit Committee Chairman or the Internal Audit Manager.

*Sustainability and Corporate Responsibility*

The Board is also mindful of the importance in promoting sustainability by balancing the environmental, social and governance aspects of Company's business with the interests of its stakeholders. The Group's activities in promoting sustainability are elaborated in the Corporate Social Responsibility section of the Chairman's Statement in this Annual Report.

*Strategic Plan*

The Board participates actively in the development of the Company's strategic plan and reviews and approves the annual operating plans and budgets for the ensuing year as well as sets the key performance indicators and targets of the Company. A periodic monitoring and reporting of the actual performance against budget is undertaken and any significant variances are highlighted to the Board.

*Board Meetings and Supply of Information*

Board meetings are held at quarterly intervals every financial year with additional meetings, including special meetings, convened whenever necessary. Eight (8) Board meetings were held during the financial year ended 31 December 2015. Details of attendance of the Directors to the Board meetings are as follows:-

| Director | Number of Meetings attended |
|---|---|
| Dato' Sri DiRaja Haji Adnan bin Haji Yaakob | 8/8 |
| Dato' Abdul Ghani bin L. Sulaiman | 7/8 |
| Dato' Mohd Khairuddin Haji Abdul Manan *(Appointed on 11 March 2015)* | 6/6 |
| Dato' Haji Abdul Rahim bin Mohd Ali | 8/8 |
| Dato' Dr. Hamdan bin Jaafar | 8/8 |
| Dato' Haji Mohamad Nor bin Ali | 8/8 |
| Dato' Mohamed Amin bin Haji Daud *(Demised on 28 August 2015)* | 6/6 |
| Dato' Sri Khalid bin Mohamad Jiwa | 7/8 |
| Dato' Abdullah bin A. Rasol | 6/8 |
| Dato' Ir. Noor Azmi bin Jaafar (*Appointed on 9 November 2015)* | 2/2 |

# Statement on Corporate Governance

## 1. BOARD OF DIRECTORS (CONT'D)

### Roles and Responsibility of the Board (Cont'd)

*Board Meetings and Supply of Information (Cont'd)*

The Directors are usually provided with agenda and Board papers covering the agenda items at least two (2) days in advance and in the appropriate quality prior to Board meetings to enable the Directors to have a good assessment of the subject matter in order to discharge their duties and responsibilities competently and to facilitate informed decision-making. However, Board papers may be circulated and distributed to Directors at the Board meeting itself in order to maintain confidentiality on issues presented or corporate proposals that are deemed highly confidential.

Meeting papers tabled to the Board include progress reports on business operations, financial reports, detailed information on business propositions and corporate proposals including where relevant, supporting documents such as risk evaluations and professional advice.

As and when necessary, Special Board meetings may be convened in order to consider urgent proposals or matters which require the Board's swift consideration or deliberation.

The Group Managing Director (previously CEO) leads the presentation of the Board papers and provides comprehensive explanation on pertinent issues. Board papers are presented in a consistent, concise and comprehensive format, and include, where relevant to the proposal put forward for the Board's deliberation, progress reports on the Group's operations and detailed information on corporate proposals, fund-raising exercises and significant acquisitions and disposals. Senior Management staff may be called to participate at the Board meetings to provide detailed explanation and clarifications, particularly in relation to complex and technical issues that are being deliberated. Where necessary or prudent, professional advisers may be invited to provide further information and respond directly to Directors' queries.

The Board has direct access to the Senior Management and has unrestricted and immediate access to any information relating to the Group's business and affairs in the discharge of their duties. In addition, the Board and the Board Committees may seek independent professional advice at the Company's expense, if necessary, in the furtherance of their respective duties.

The Directors are fully aware of their responsibilities to disclose and declare any potential or actual conflicts of interest which may arise in relation to transactions and matters that are brought to the Board and will disclose any direct or indirect interests or conflict of interests in such transactions or matters, as and when they arise, in accordance with the applicable laws and regulations. An interested Director is required to refrain from deliberations and decisions of the Board on the transaction and he does not exercise any influence over the Board with regards to the transaction.

### Board Balance and Independence

The Board currently has nine (9) members comprising of a Non-Independent Non-Executive Chairman, a Non-Independent Non-Executive Deputy Chairman, an Executive Director (Group Managing Director), three (3) Independent Non-Executive Directors and three (3) Non-Independent Non-Executive Directors.

The current composition of the Board is in compliance with Paragraph 15.02 of the MMLR as one-third (1/3rd) of its members are Independent Directors.

With regards to the recommendation of the Code that the Board must comprise a majority of independent directors where the Chairman of the Board is not an independent director, the Board is of the opinion that the present Chairman is the most appropriate person for the role given the Company's synergistic business and operational integration with Perbadanan Kemajuan Negeri Pahang ("PKNP") Group and the current number of Independent Directors is sufficient to ensure balance of power and authority on the Board.

# Statement on Corporate Governance

## 1. BOARD OF DIRECTORS (CONT'D)

### Board Balance and Independence (Cont'd)

The Board's composition represents a mix of knowledge, skills, experience and expertise relevant to the Company's operations to provide a strong, effective and competent leadership and control of the Group. A brief profile of each Director is presented on pages 14 to 18 of this Annual Report.

The roles of the Chairman and the Group Managing Director are separate and clearly defined to ensure a balance of power and authority. The Chairman is primarily responsible for the orderly conduct, smooth functioning and effectiveness of the Board and leads the Directors in the performance of the responsibilities and governance of the Board.

The Group Managing Director who is accountable to the Board, has the overall responsibility for the day-to-day running of the business, operational decision-making and implementation of Board policies and decisions in accordance with the powers and authority delegated to him by the Board. He is accountable for leading the Management team and building a dynamic corporate culture with the requisite skills and competency.

The Non-Executive Directors bring a wide range of business and financial experience and have proven track record in the private and public service sectors that are vital for the success of the Group. They have the necessary expertise and skills to ensure that the strategies proposed by the Management are properly deliberated and evaluated, taking into account the interest of the shareholders and stakeholders. The Non-Executive Directors also contribute to policy formulation and are actively involved in decision-making and act in the Group's best interest by providing objective views, advice and judgement.

The Directors who are nominated as the representatives of PKNP always act in the best interest of the Company when making any decision, in line with Section 132(1E) of the Malaysian Companies Act, 1965.

The Board recognises the importance and contribution of its Independent Directors where they provide unbiased and independent views, advice and judgement and ensure there is adequate check and balance at the Board. The concept of independence adopted by the Board is in accordance with the definition of an independent director in Paragraph 1.01 of the MMLR.

The Code recommends that an independent director who has served the board for a cumulative period exceeding nine (9) years may continue to serve the Board subject to re-designation to a non-independent director. However, the Board can retain the director as an independent director by seeking shareholders' approval in a general meeting.

Currently, two (2) out of the Company's three (3) Independent Directors have served the Board as independent directors for a cumulative term of more than 9 years. The Board holds the view that the ability of an Independent Director to exercise independence is not dependent on his length of service as an Independent Director. The suitability and ability of an Independent Director to carry out his roles and responsibilities is very much a function of his calibre, experience, qualifications and personal qualities.

In view of that, the Board will seek the approval of the shareholders at the Company's forthcoming Twentieth (20th) Annual General Meeting ("AGM") for Dato' Sri Khalid bin Mohamad Jiwa and Dato' Abdullah bin A. Rasol who have served the Company for more than 9 years to continue serving as Independent Directors. Justifications on the continuation of Dato' Sri Khalid bin Mohamad Jiwa and Dato' Abdullah bin A. Rasol as Independent Directors are as follows:-

<u>Dato' Sri Khalid bin Mohamad Jiwa</u>

i) He fulfils the criteria as an Independent Director as defined in the MMLR.
ii) He provides the Board with a mix set of skills, experience and competence in view of his vast experience in banking and construction industry and his business acumen.
iii) As a long serving Independent Director, he has developed deeper understanding of the Group's diversified business and is able to perform his duty diligently and in the best interest of the Company.
iv) He understands the Company's operations which allows him to provide effective check and balance in the proceedings of the Board and the Board Committees.

# Statement on Corporate Governance

## 1. BOARD OF DIRECTORS (CONT'D)

### Board Balance and Independence (Cont'd)

Dato' Abdullah bin A. Rasol

i) He fulfils the criteria as an Independent Director as defined in the MMLR.
ii) He provides the Board with a mix set of skills, experience and competence in view of his vast experience in the corporate finance and banking industry and his background as a Chartered Accountant.
iii) As a long serving Independent Director, he has developed deeper understanding of the Group's diversified business and is able to perform his duty diligently and in the best interest of the Company.
iv) He understands the Company's operations which allows him to provide effective check and balance in the proceedings of the Board and the Board Committees.

### Company Secretary

The Board is supported by a qualified and competent Company Secretary who is accountable to the Board. All Directors have access to the advice and support of the Company Secretary, whose appointment and removal is a matter for the Board as a whole.

The Company Secretary consistently ensures that Board procedures are adhered to at all times during meetings and advices the Board on statutory and regulatory compliance and development, corporate governance matters and other compliance matters applicable to PASDEC Group. The Company Secretary ensures that resolutions are properly recorded and minutes of proceedings of meetings are circulated to Directors for comments before they are confirmed. All confirmed minutes of the Board and Committee meetings are properly maintained by the Company Secretary and kept at the registered office of the Company. The Company Secretary also facilitates timely communication of key decisions and policies between the Board, Board Committees and Senior Management.

### Appointments to the Board

The Board decides on appointment of new directors to the Board based on the recommendation of the Nomination Committee. In considering appointments to the Board, due regard would be given to the skills, experience, contribution and commitment that a person would bring to the Board.

Selection of candidates to be considered for appointment as director is facilitated through recommendations from the Directors, Management or external parties in related industries. The Nomination Committee will then assess the candidates shortlisted before recommending new appointment to the Board. In making recommendation to the Board, Nomination Committee shall have regard to inter alia, the size, balance, composition, mix of skills, experience, core competencies and other qualities of the existing Board as well as level of commitment, resources and time that the recommended candidate can contribute to the existing Board. New appointment of independent directors should be persons of calibre, credibility and have the necessary skills and experience to bring an independent and objective judgment on issues considered by the Board.

Whilst the Board recognises the contribution that women could bring to the Board, it does not have a specific policy on gender diversity.

All Directors are required to notify the Chairman before accepting any new board appointment in other listed companies and their commitment expected under the said appointment.

# Statement on Corporate Governance

## 1. BOARD OF DIRECTORS (CONT'D)

### Board Evaluation

During the year, the Board carried out a formal and thorough annual evaluation of its own performance as a whole and the individual Directors. The Board Evaluation comprised of the followings:-

i) Self Evaluation & Board Evaluation
The assessment is done by each individual Director wherein the evaluation is based on specific criteria including the Director's abilities, skills and knowledge and his participation at Board and Committee meetings.

ii) Peer Assessment
The assessment of fellow Directors by each Director covering, inter alia, the individual Directors' contribution to the Board, level of professionalism and integrity, competence and knowledge, adherence to laws and regulations, relationship with other Directors and Management and discharge of his roles and responsibilities.

iii) Assessment of Independence of Independent Directors
The evaluation criteria include the relationship between the Independent Director and the Group and his involvement in any significant transaction with the Group.

### Re-election

In accordance with Article 82 of the Company's Articles of Association, all Directors who are appointed by the Board are subjected to re-election by the shareholders in the next AGM subsequent to their appointment while at least one-third (1/3rd) of the remaining Directors are required to submit themselves for re-election at least once in every three years in the AGM pursuant to Article 83. Directors who have attained the age of 70 years and above are required to submit themselves for re-appointment annually in accordance with Section 129 of the Malaysian Companies Act, 1965.

In the forthcoming 20$^{th}$ AGM of the Company, the following Directors will be standing for re-election and re-appointment:-

i) Dato' Sri DiRaja Haji Adnan bin Haji Yaakob and Dato' Abdullah bin A. Rasol pursuant to Article 83;
ii) Dato' Ir. Noor Azmi bin Jaafar pursuant to Article 82; and
iii) Dato' Abdul Ghani bin L. Sulaiman and Dato' Haji Mohamad Nor bin Ali pursuant to Section 129.

All the Directors involved had expressed their intention to seek re-election and re-appointment at the forthcoming AGM.

### Directors' Training

All the Directors have attended the Mandatory Accreditation Programme (MAP) prescribed by Bursa Securities.

New directors appointed to the Board are provided with the relevant information of the Company, including its Board Charter and Memorandum and Articles of Association, and will be given regular briefings and updates on the Group's business plan, operations, financial performance and activities.

# Statement on Corporate Governance

## 1. BOARD OF DIRECTORS (CONT'D)

### Directors' Training (Cont'd)

All Directors are encouraged to attend seminars, briefings, courses and training programmes to keep abreast with the latest developments in the industry and business environment, regulatory updates or changes as well as to enhance their skills and knowledge. In order to ensure that the Board has sufficient knowledge to discharge its duties, the Company Secretary coordinates and notifies the Board members of training programmes from time to time. During the financial year, the Directors attended, either individually or collectively, training programmes and seminars organised by various agencies, details of which are as follows:-

| Month | Topic/Programme | Organiser |
|---|---|---|
| February 2015 | • Meeting of the Minds Programme | Ministry of Finance |
| May 2015 | • Strategic Review 2015-2020 | PKNP |
| September 2015 | • Business Excellence CEO Forum | Malaysian Productivity Corporation |
| | • Synergy of Malaysia and Thailand Auto Parts Maker To Drive Beyond ASEAN Boarder | Federation of Malaysian Manufacturers ("FMM") |
| | • Conference On ASEAN Economic Community (AEC) Impact and Opportunities for SMIs | FMM |
| November 2015 | • Finance For Non-Financial Directors | Smart Focus |
| December 2015 | • National Seminar On Trans Pacific Partnership Agreement | Federation of Public Listed Companies Bhd |
| | • A Practical Insight and Managing Shareholders' Expectations | Bursatra Sdn. Bhd. |

## 2. BOARD COMMITTEES

The Board has established the following Board Committees in order to effectively discharge its duties:-

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Tender Committee

All Board committees have their respective written terms of reference outlining their duties, responsibilities and authority. The terms of reference of the Committees are reviewed from time to time to ensure that they are relevant and up-to-date.

### Audit Committee

The composition of the Audit Committee complies with the provisions of the MMLR. The key functions and responsibilities of the Audit Committee, its activities and number of meetings held during the financial year 2015 as well as details of attendance of each member are set out in the Audit Committee Report on pages 41 to 44 of this Annual Report.

# Statement on Corporate Governance

## 2. BOARD COMMITTEES (CONT'D)

### Nomination Committee

The Nomination Committee comprises entirely of Non-Executive Directors, the majority of whom are Independent. The Committee is chaired by an Independent Director. Members of the Nomination Committee are as follows:-

- Dato' Sri Khalid bin Mohamad Jiwa (Chairman)
- Dato' Haji Abdul Rahim bin Mohd Ali
- Dato' Mohamed Amin bin Haji Daud *(Demised on 28 August 2015)*
- Dato' Ir. Noor Azmi bin Jaafar *(Appointed on 9 November 2015)*

The Nomination Committee is primarily responsible for proposing and recommending new nominees to the Board as well as Directors to fill seats on Board committees, assessing the effectiveness of the Board and the Board committees and reviewing the required mix of skills, experience, core competencies and other qualities which Directors should bring to the Board. The final decision on the appointment of Director shall be the responsibility of the full Board. The Committee is also responsible for assessing and considering the appointment and renewal of service contracts of key Senior Management of the Group to ensure all candidates appointed to the designated positions are of satisfactory quality.

The Terms of Reference of the Nomination Committee include:

- To assess and recommend to the Board candidates for directorship on the Board of the Company as well as membership of the Board Committees.
- To review and assess annually the overall composition of the Board in terms of appropriate size, required mix of skills, experience and core competencies, and the adequacy of balance between Executive Directors, Non-Executive Directors and Independent Directors.
- To establish the mechanism for the formal assessment of the effectiveness of individual Director, and to annually appraise the performance of the Group Managing Director and/or CEO based on performance criteria approved by the Board.

The Nomination Committee met twice in the year 2015 and activities of the Nomination Committee for the financial year included, among others, the following:

a) The Nomination Committee assessed the potential candidate recommended to fulfil the vacancy as Independent Director pursuant to the demise of Dato' Mohamed Amin bin Haji Daud on 28 August 2015. Based on the established criteria, the Nomination Committee had in October 2015 reviewed and recommended to the Board the candidacy of Dato' Ir. Noor Azmi bin Jaafar as Independent Director of the Company. The Board, having considered the recommendation, had appointed him as Independent Director on 9 November 2015.

b) The Nomination Committee recommended to the Board to consider the candidates who were seeking for re-election and re-appointment in the 19th AGM wherein all the Directors who were subject to retirement by rotation and retirement due to first year appointment pursuant to the Articles of Association as well as those who were subject to annual appointment in accordance with Section 129 of the Malaysian Companies Act, 1965 were recommended for re-appointment in the AGM.

c) The Nomination Committee carried out the assessment of the independence of Independent Directors pursuant to the recommendation of the Code. During the year 2015, the Nomination Committee was satisfied of the independence of all the Independent Directors of the Company and reported the same to the Board.

d) The Nomination Committee considered the appointment of a Senior Management personnel recommended by the GMD on contract basis.

## 2. BOARD COMMITTEES (CONT'D)

### Remuneration Committee

The Remuneration Committee comprises entirely of Non-Executive Directors, one of whom is Independent. The members of the Remuneration Committee are as follows:-

- Dato' Abdul Ghani bin L. Sulaiman (Chairman)
- Dato' Dr. Hamdan bin Jaafar
- Dato' Haji Mohamad Nor bin Ali
- Dato' Abdullah bin A. Rasol

The Remuneration Committee reviews the remuneration package, terms of employment, benefits and reward structure of the Executive Directors, the Managing Director and/or CEO and makes the necessary recommendations for the decision of the Board. The Remuneration Committee also recommends to the Board the proposed performance bonus and salary increment to the Senior Management and employees after reviewing the Company's actual performance against the key performance indicators approved earlier during the year.

Meetings of the Remuneration Committee are held as and when necessary at least once a year.

The Remuneration Committee met twice in the financial year 2015 and the activities of the Remuneration Committee for the financial year included, among others, the following:

a) Made recommendation to the Board on the remuneration package of the Group Managing Director;
b) Reviewed the key performance indicators, bonus and salary increment proposed for the year; and
c) Reviewed the results of the actual achievement of the Group in 2014 against the set key performance indicators and recommended to the Board the quantum of bonus and percentage of salary increment to be paid to employees of the Group.

### Other Committee

The Board has also established a Tender Committee to ensure control over award of property development consultancy works and contracts. The members of the Tender Committee are as follows:-

- Dato' Sri DiRaja Haji Adnan bin Haji Yaakob (Chairman)
- Dato' Haji Abdul Rahim bin Mohd Ali
- Dato' Haji Mohamad Nor bin Ali

Meetings of the Tender Committee are held as and when necessary and at least once a year.

# Statement on Corporate Governance

## 3. DIRECTORS' REMUNERATION

The Board as a whole reviews the level of remuneration of the Directors to ensure that it is sufficient to attract and retain the Directors needed to lead the Company to growth and success. The Managing Director's remuneration comprise of basic salary, bonus and other emoluments. The level of remuneration of the Non-Executive Directors is structured to be aligned to the market and their duties and responsibilities. The individual Director does not participate in decision regarding his own remuneration package. The aggregate amount of Directors' fees to be paid is subject to approval by the shareholders at the AGM.

The aggregate remuneration of Directors of the Company in the financial year ended 31 December 2015 categorised into the appropriate components and range of remuneration and distinguished between Managing (Executive) Director and Non-Executive Directors are as follows:-

| Directors | Fees (RM) | Salaries & Bonus (RM) | Other emoluments (RM) | Benefits-in-kind (RM) | Total (RM) |
|---|---|---|---|---|---|
| Executive | 29,032 | 353,761 | 86,502 | 18,300 | 487,595 |
| Non-Executive | 494,200 | - | 131,450 | - | 625,650 |
| Total (RM) | 523,232 | 353,761 | 217,952 | 18,300 | 1,113,245 |

The remuneration paid to the Directors within bands of RM50,000 is as follows:-

| Range of Remuneration | Number of Directors | |
|---|---|---|
| | Executive | Non-Executive |
| Up to RM 50,000 | - | 1 |
| RM 50,001 – RM100,000 | - | 7 |
| RM100,001 – RM150,000 | - | 1 |
| RM450,001 – RM500,000 | 1 | - |

The Board is aware of the recommendation in the Code for the disclosure of details of the remuneration of each Director. With the disclosure of Directors' Remuneration by applicable bands of RM50,000, the Board believes that the transparency and accountability aspects of corporate governance are appropriately served.

## 4. RELATIONSHIP AND COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

### Corporate Disclosures

The Board recognises the importance of timely dissemination of information to its shareholders and other stakeholders, and in line with its commitment to transparency and accountability, the Company observes strictly to the disclosure requirements under the MMLR and other applicable laws.

The Company announces its quarterly financial results and year-end financial results within the mandatory period after the Board has reviewed and approved the results. The financial statements and other material and price-sensitive information are disseminated and released to the public via Bursa LINK on a timely manner to ensure effective dissemination of information.

# Statement on Corporate Governance

## 4. RELATIONSHIP AND COMMUNICATION WITH SHAREHOLDERS AND INVESTORS (CONT'D)

### Corporate Disclosures (Cont'd)

Information on the Group's performance, operations and major developments are communicated to shareholders and investors through annual report, quarterly financial results, various announcements and disclosures made to Bursa Securities and the Company's website (www.pasdec.com.my). The Company's website allows shareholders and the general public access to information such as corporate profile, contact details of designated persons, relevant policies and announcements made to Bursa Securities.

The Company has established an internal Corporate Disclosure Policy to facilitate disclosure of information based on the requirements set out in the MMLR. It sets out the policies and procedures for disclosure of material information of the Group and communication with the media in a responsible, productive and positive manner whilst keeping the integrity of PASDEC Group in mind. The said policy is applicable to all Directors, those authorised to speak on the Group's behalf as well as the employees of the Group.

### AGM

The AGM serves as a primary channel in shareholders' communication. It gives an opportunity to all shareholders to engage directly with the Company's Directors and Senior Management as well as raise questions or seek clarification on the resolutions proposed at the AGM, corporate developments and businesses of PASDEC Group. Shareholders are encouraged to attend the AGM and actively participate in the proceedings.

The Notice of the AGM and circular to shareholders, if applicable, are sent to shareholders at least 21 days prior to the AGM in accordance with the MMLR and the Companies Act, 1965 to enable shareholders to review the Group's financial and operational performance for the year and evaluate the resolutions being proposed. The Notice is also advertised in the press and released via Bursa LINK.

Pursuant to the Articles of Association of the Company, all resolutions put to vote at a general meeting of the Company shall be decided on a show of hands unless a request for poll is put forward. As and when necessary, a press conference is held immediately after the AGM and the Chairman will brief the members of the media on the resolutions passed and answer questions relating to the development and operations of the Group.

## 5. ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Board is responsible to present a balanced and comprehensive assessment of the Group's financial position and prospects to shareholders by means of its annual and quarterly financial reports. In this regard, the Board is responsible for the preparation of the financial statements that present true and fair view of the Group's financial state of affairs.

The Board has delegated to the Audit Committee the responsibility of reviewing and ensuring that the financial statements of the Group comply with the applicable financial reporting standards.

# Statement on Corporate Governance

## 5. ACCOUNTABILITY AND AUDIT (CONT'D)

### Related Party Transaction

All related party transactions are reviewed as part of the annual internal audit plan. The Audit Committee reviews any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that causes questions of Management integrity to arise.

### Risk Management and Internal Control

The Board acknowledges its responsibility to maintain a sound system of risk management and internal control to safeguard shareholders' investment and the Group's assets. The Board has established a framework to formulate and review risk management policies and risk strategies. The Statement on Risk Management and Internal Control, which provides an overview of the management of risks and state of internal controls within the Group, is set out on pages 45 to 47 of this Annual Report.

### Relationship with External Auditors

The Audit Committee has established formal and professional arrangements for maintaining a transparent and appropriate relationship with the Company's external auditors. The relationship of the Audit Committee with the external auditors is described in the Audit Committee Report of this Annual Report. The external auditors are invited to attend Audit Committee meetings as and when deemed necessary. The external auditors are also invited to attend the AGM and are available to answer shareholders' questions pertaining to the audited financial statements.

The Company constantly reviews and assess the suitability and independence of the external auditors. The Audit Committee obtains assurance from the external auditors on their independence in discharging their duties.

This statement is made in accordance with the resolution of the Board of Directors dated 25 April 2016.

# Audit Committee Report

The Audit Committee ("the Committee") was established on 12 June 1997 to act as a Committee of the Board of Directors.

## MEMBERS AND MEETINGS

A total of six (6) meetings were held during the year. Details of the composition of the Committee and attendance by each member at the Committee meetings are set out below:

| | Name of Director | Directorship | Attendance to Meetings | % |
|---|---|---|---|---|
| 1 | **Dato' Abdullah bin A. Rasol**<br>Chairman of the Committee | Independent Non-Executive Director | 6/6 | 100 |
| 2 | **Dato' Mohamed Amin bin Haji Daud**<br>Member of the Committee | Independent Non-Executive Director<br>*(demised on 28 August 2015)* | 5/5 | 100 |
| 3 | **Dato' Sri Khalid bin Mohamad Jiwa**<br>Member of the Committee | Independent Non-Executive Director | 6/6 | 100 |
| 4 | **Dato' Dr. Hamdan bin Jaafar**<br>Member of the Committee | Non-Independent Non-Executive Director | 6/6 | 100 |
| 5 | **Dato' Ir. Noor Azmi bin Jaafar**<br>Member of the Committee | Independent Non-Executive Director<br>*(appointed on 9 November 2015)* | 1/1 | 100 |

The Group Managing Director ("GMD"), the Head of Group Internal Audit and other members of senior management attend meetings of the Committee as and when required by the Committee Members. The Company Secretary is the Secretary of the Committee.

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee. The Committee is authorised by the Board to obtain such outside legal or other independent professional advice and to secure the attendance of such outsiders with relevant experience and expertisae as it may consider necessary. The Committee is able to convene meetings with external auditors, the internal auditors or both, excluding the attendance of other Directors and management, whenever deemed necessary.

## RESPONSIBILITIES AND DUTIES

The Committee shall undertake the following responsibilities and duties:

1. To review with the external auditors, the audit plan, the scope of audit and their audit report.
2. To review the evaluation of the system of internal control with the internal and external auditors.
3. To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work.
4. To review the internal audit plan and review the results of the internal audit plan or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
5. To review the quarterly results and the year-end financial statements of the Group prior to the approval by Board of Directors, focusing particularly on:
   - Changes in or implementation of major accounting policies;
   - Significant and unusual events; and
   - Compliance with accounting standards and other regulatory requirements.
6. To review the procedures of recurrent related party transactions undertaken by the Company and the Group.
7. To review related party transactions entered into by the Company and the Group to ensure that they are in the best interest of the Group; fair, reasonable and on normal commercial terms; and not detrimental to minority interest.
8. To review with the external auditors with regards to problems and reservations arising from their interim and final audits.
9. To recommend the nomination of a person or persons as external auditors.

# Audit Committee Report

## RESPONSIBILITIES AND DUTIES (CONT'D)

The Committee shall undertake the following responsibilities and duties: (Cont'd)

10. To assess the performance of the external auditors and make recommendations to the Board of Directors on their appointment and removal.
11. To review any letter of resignation from the external auditors and any questions of resignation or dismissal.
12. To monitor the Group's compliance to the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Malaysian Code of Corporate Governance from assurances by the Company Secretary and the results of review by the external and internal audits.
13. To report to Bursa Securities, any breaches of the MMLR which have not been satisfactory resolved.
14. To undertake such other functions as may be agreed by the Committee and the Board of Directors.

## ACTIVITIES DURING THE FINANCIAL YEAR

During the year, the Committee carried out its duties as set out in its terms of reference. The main activities undertaken by the Committee were as follows:

**Activities with regards to external audit:**

1. Review of external audit scope and audit plans based on the external auditors' presentation of audit strategy and plan;
2. Review of external audit results, audit reports, management letter and the response from the Management Team; and
3. Review and evaluate factors relating to the independence of the external auditors and recommend the re-appointment of the Group's external auditors.

The Audit Committee worked closely with the external auditors in establishing procedures to assess the suitability, objectivity, independence and quality of service of the external auditors, in confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Group in accordance with the independence criteria set out by the International Federation of Accountants, and the Malaysian Institute of Accountants. The Audit Committee took into consideration the criteria stipulated under Paragraph 15.21 of the MMLR when deciding on the external auditors.

Pasdec Holdings Berhad ("PASDEC") generally engages the external auditors only for audit purposes. However, as and when their non-audit expertise is required, the Company also engages its external auditors for the provision of non-audit activities. For the financial year ended 2015, the Company incurred approximately RM149,000 on Non-Audit Fees to the external auditors or their associates/affiliates.

**Activities with regards to internal audit:**

1. Review of internal audit's resource requirements, scope, adequacy and function;
2. Review of internal audit's plan and programmes;
3. Review of internal audit reports, recommendations and Management responses;
4. Review of implementation of these recommendations through follow-up audit reports;
5. suggested additional improvement opportunities in the areas of governance, internal control, systems and efficiency improvement; and
6. Highlight to Board of Directors on issues that require attention of the Board.

## ACTIVITIES DURING THE FINANCIAL YEAR (CONT'D)

**Activities with regards to financial statements:**

1. Review of annual report and the audited financial statements of the Company prior to submission to the Board for its perusal and approval. This is to ensure compliance of the financial statements with the provisions of the Companies Act 1965 and the applicable approved accounting standards as per the Malaysian Accounting Standards Board (MASB);
2. Review of the Group's compliance with the MMLR, MASB and other relevant legal and regulatory requirements with regards to the quarterly and year-end financial statements; and
3. Review of the unaudited financial results announcements before recommending them for Board's approval.

**Activities with regards to risk management:**

1. Review of risk management's resource requirements, scope, adequacy and activities;
2. Review of the Group strategic risks and provide feedback to Management on risks mitigation strategy and improvement on quarterly basis;
3. Review of the Group's divisional risk report and provision of feedback on the mitigation strategy and improvement on quarterly basis; and
4. Present any risks that require Board's attention in the Board of Directors' meetings.

**Other activities:**

1. Discuss with the external auditors any problems/issues arising from the final audit (in the absence of the Management);
2. Review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises questions of Management integrity; and
3. Review of the Statement of Internal Control and Risk Management in compliance with the MMLR and the Malaysian Code on Corporate Governance.

## INTERNAL AUDIT FUNCTION

The function of internal audit is managed in-house by the Internal Audit Department of PASDEC which is governed by an approved Internal Audit Charter.

PASDEC's Internal Audit Department is responsible for providing assurance services on the risk management process, internal controls and governance within the Group. It provides to the Board, through the Audit Committee, an independent opinion on the processes, risk exposures and systems of internal controls of the Group.

The key objectives of the Group's Internal Audit Department are:

1. Safeguarding PASDEC's assets and investment;
2. Assessing the internal controls system in place and ensuring it is effectively managed;
3. Reviewing the adequacy of risks management system and ensuring risks are identified, assessed, treated, communicated and continuously monitored;
4. Reviewing the reliability, integrity and confidentiality of information;
5. Assessing and reporting on the operational efficiency of various business units and departments within the Group;
6. Reviewing compliance with the Group policies, circular and guidelines, and applicable laws and regulations; and
7. Undertaking any ad-hoc, consulting or investigation assignment as and when required.

# Audit Committee Report

## INTERNAL AUDIT FUNCTION (CONT'D)

Annually, the Internal Audit Department presents to the Audit Committee three (3) years audit plan and annual plan for the coming year. The Department adopts risk based approached in planning and performing the audits.

In the financial year 2015, nine (9) audits were conducted with main focus on project audits in line with PASDEC's core business of property development. Four (4) project audits, two (2) special reviews, one (1) business unit audit and two (2) support function audits were conducted in 2015.

The results of internal audits are reported on a quarterly basis to the Audit Committee. The Management Team's response on each internal audit recommendation and action plans are regularly reviewed and followed-up by the Internal Audit Department and all high risks issues are reported to the Audit Committee on quarterly basis.

During the financial year, the Group Internal Audit function had undertaken the following activities:

1. Prepared long term, three (3) years audit plan and strategy for approval of Audit Committee.
2. Prepared annual audit plan for approval of the Committee.
3. Performed audit review based on the annual audit plan.
4. Performed two (2) special assignments upon request by the Management.
5. Performed follow-up audit review from previous audit reports.
6. Issued internal audit reports to the Management on issues identified from the risk based audits together with recommendations for improvement on these processes.
7. Prepared annual department budget and ensure spending are within budget.
8. Conducted briefing on Internal Audit Department function to new employees.

The total cost incurred for the Group Internal Audit function in respect of the financial year ended 31 December 2015 amounted to RM345,205 (2014: RM402,562).

# Statement on Risk Management and Internal Control

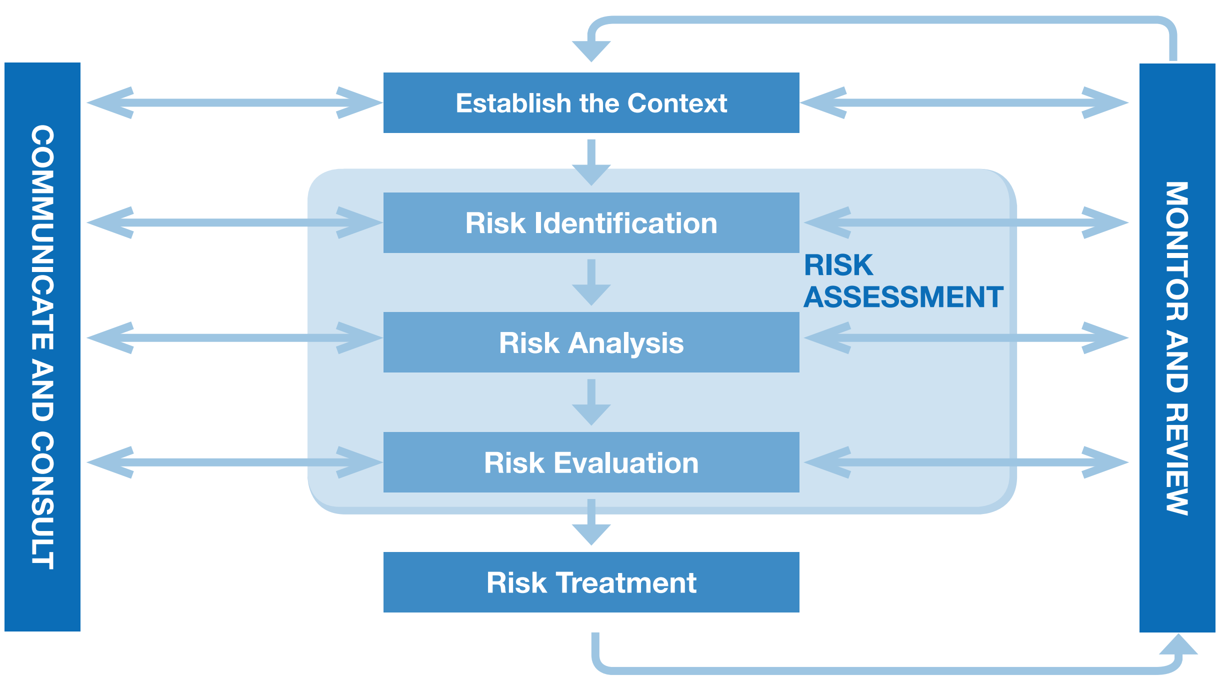
## RISK MANAGEMENT

The Group has formalised the Risk Management Framework in early 2013. The Risk Management Framework involves all level of management and employees within the Group.

| LEVEL | ROLES |
| --- | --- |
| AUDIT COMMITTEE ("AC") | OVERSIGHT |
| RISK MANAGEMENT WORKING COMMITTEE ("RMWC") | STRATEGIC LEVEL |
| HEAD OF DEPARTMENTS ("HOD") | TACTICAL LEVEL |
| RISK CHAMPIONS | WORKING LEVEL |
| RISK AWARENESS FOR ALL EMPLOYEES | |

**RISK MANAGEMENT UNIT ("RMU"):** Monitor, Review, Communication, Consultation

RMWC which consists of GMD/CEO and Senior Management are overall responsible for implementation of PASDEC's risk management. They are reporting to AC on quarterly basis. RMU assists Senior Management to monitor, review, communicate and provide consultation and training for PASDEC's risk management. The Group's risk management process is depicted below:




The RMU conducted a Risk Awareness Training to existing and new employees in March 2015.

# Statement on Risk Management and Internal Control

## Risk Assessment

Risk Assessment is a process of risk identification, analysis and evaluation of risks before relevant treatments are implemented.

In each Business Units and Departments, Risk Champions were identified and appointed by respective Heads. The Risk Champions work hand in hand with respective Heads to conduct risks assessment on their areas of responsibilities. The Risk Champions have attended an in-house workshop conducted by RMU on risk assessment and continuously in consultation with RMU to identify, analyse and evaluate those risks.

All the risks and treatment plans are registered in risk registers. The Group High Level Risks Register is maintain by RMU. Quarterly, RMU will review the risks registers and prepare a summary for presentation to RMWC. In the RMWC meetings, the risks are further deliberated before the risks registers are presented to AC that acts as Board Risk Committee in PASDEC.

PASDEC key risks correlated with current economic condition, property industry climate and funding. The treatments of risks are continuous on-going process. Partnership and joint venture are part of key strategic actions that are being taken by the Group to cushion the key risks impact.

## INTERNAL CONTROL

Internal controls are embedded in the Group's decision making and operations. The following have been in place and implemented;

1. Clear organization structure with defined reporting lines.

2. Defined level of authorities and lines of responsibilities from operating units up to the Board of Directors ("BOD") level to ensure accountabilities for risk management and control activities.

3. A detailed budgeting process for each business which is approved by both operating level and the BOD.

4. Periodic reporting of actual results and review against the budget.

5. Regular information provided by Management to the BOD and its committees, covering financial performance and key performance indicators including staff utilization and cash flow.

6. Review and award of contracts by Tender Committee. A minimum of three quotations is called for and tenders are awarded based on criteria such as pricing, quality, track record and speed of delivery.

7. Clearly documented standard operating procedures manuals which set out policies and procedures for day to day operations to be carried out. Regular reviews are performed to ensure that documentation remains current and relevant. PASDEC is an ISO 9001:2008 certified company.

8. Periodic examination of business processes and the state of internal control by the internal audit function. Reports on the reviews carried out by the internal audit function are submitted on a regular basis to the Audit Committee.

In order to strengthen internal controls and in view of good governance, the Group has put in place a whistleblowing policy, code of ethics and business conduct and an internal control manual. On 11 March 2015, a briefing to employees was held to provide in depth understanding on the code of ethics and business conduct as well as whistleblowing policy.

The BOD acknowledges its responsibility of ensuring the effectiveness of risk management system and adequacy of the internal control system, financial, operational and compliance controls within the Group. The BOD shall also periodically review all internal control mechanism as to ensure its strengths are being maintained and weaknesses are being remedied.

# Statement on Risk Management and Internal Control

## FORENSIC REVIEW

On 25 February 2016, the BOD called for an internal audit in relation to a mining activity on a land belonging to a subsidiary, Pasdec Corporation Sdn. Bhd., after learning from the newspapers and the Malaysian Anti-Corruption Commission's investigation that such activity has been carried-out.

Based on the Internal Audit Report, on 8 April 2016, the Company appointed a firm of Chartered Accountants to perform a forensic review on the mining activity.

On 25 April 2016, based on an interim report by the firm of Chartered Accountants, the Company appointed a firm of Advocates and Solicitors to advise the Board on the legal implications of the findings of the forensic review and on legal avenues to protect the interests of the Company relating to the mining activity.

## THE REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report of the Group for the financial year ended 31 December 2015 and reported to the Board that nothing has come to their attention that cause them to believe that the Statement of Risk Management and Internal Control intended to be included in the Annual Report of the Group, in all material respects: (a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or (b) is factually inaccurate, except for the possible effects of the matter described in the basis for qualified opinion paragraph in the independent auditors' report to the members of PASDEC.

This statement is made in accordance with the resolution of the Board of Directors dated 25 April 2016.

# Additional Compliance Information

The information set out below is disclosed in compliance with Appendix 9C, Part A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad:-

**1. Utilisation of Proceeds**

No proceeds were raised by the Company from any corporate proposal.

**2. Share Buybacks**

The Company did not carry out any share buyback during the financial year.

**3. Options, Warrants or Convertibles Securities**

The Company did not issue any option, warrant or convertible securities during the financial year.

**4. American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme**

The Company did not sponsor any ADR or GDR programme during the financial year.

**5. Sanctions/Penalties**

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors and Management by the relevant regulatory bodies during the financial year.

**6. Variation In Results**

The Company did not make any release on the profit estimate, forecast or projection for the financial year. There is no material variance between the results for the financial year and the unaudited results previously released by the Company.

**7. Profit Guarantee**

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

**8. Material Contracts Involving Directors and Major Shareholders**

There were no material contracts including contracts relating to loans (not being contracts entered into in the ordinary course of business) entered into by the Company and its subsidiaries which involved Directors' and major shareholders' interests either still subsisting at the end of the financial year ended 31 December 2015 or entered into since the end of the previous financial year:

**9. Recurrent Related Party Transactions of a Revenue or Trading Nature**

The Company will not be seeking shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("Recurrent Transactions") entered or to be entered into by the Company and/or its subsidiaries ("the Group") as required under Paragraph 10.09 of the Main Market Listing Requirements and Practice Note 12 of Bursa Malaysia Securities Berhad since the Group does not expect the yearly aggregate value of the Recurrent Transactions entered or to be entered into with any related party to exceed the prescribed threshold limit.

# Statement of Directors' Responsibilities
## In relation to the Financial Statements

The Directors are responsible to ensure that the annual audited financial statements of the Group and of the Company are properly drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2015, and of the results of their operations and cash flows for the year ended on that date.

In ensuring the preparation of these financial statements, the Directors have:-

1. ensured compliance with applicable approved accounting standards;

2. adopted suitable accounting policies that are applied consistently; and

3. made reasonable and prudent judgments and estimates.

The Directors are responsible for ensuring that the accounting and other records and registers required by the Companies Act, 1965 to be retained by the Company and its subsidiaries have been properly kept in accordance with the provisions of the said Act.

The Directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities.

# Financial Statements

# Directors' Report

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

## Principal activities

The principal activities of the Company are those of investment holding and provision of management services to the subsidiaries.

The principal activities of the subsidiaries are described in Note 17 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

## Results

| | Group RM | Company RM |
|---|---|---|
| (Loss)/profit net of tax | (27,717,772) | 12,039,597 |
| (Loss)/profit attributable to: | | |
| Owners of the parent | (24,736,697) | 12,039,597 |
| Non-controlling interests | (2,981,075) | - |
| | (27,717,772) | 12,039,597 |

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

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

## Dividends

No dividend has been declared or paid since the end of the previous financial year. The directors do not recommend the payment of any dividend for the current financial year.

## Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Sri DiRaja Haji Adnan bin Haji Yaakob
Dato' Abdul Ghani bin L. Sulaiman
Dato' Dr. Hamdan bin Jaafar
Dato' Abdullah @ Mohamad Nor bin Ali
Dato' Sri Khalid bin Mohamad Jiwa
Dato' Abdullah bin A. Rasol
Dato' Haji Abdul Rahim bin Mohd Ali
Dato' Mohd Khairuddin bin Haji Abdul Manan
Dato' Ir Noor Azmi bin Jaafar (Appointed on 9 November 2015)
Dato' Mohamed Amin bin Haji Daud (Deceased on 28 August 2015)

# Directors' Report

## Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial 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 or the fixed salary of a full-time employee of the Company as shown in Note 11 to the financial statements) 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.

## Directors' interest

According to the register of directors' shareholdings, the interests of director in office at the end of the financial year in shares in the Company during the financial year were as follows:

| | Number of ordinary shares of RM1 each | | | |
|---|---|---|---|---|
| | 1 January 2015 | Acquired | Sold | 31 December 2015 |
| Direct interest: | | | | |
| Ordinary shares of the Company: | | | | |
| Dato' Haji Abdul Rahim bin Mohd Ali | 10,000 | - | - | 10,000 |

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

## Other statutory information

(a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

   (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;

   (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) 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.

(d) 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, other than as disclosed in subsequent events below.

**Other statutory information (cont'd.)**

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

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

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

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made, other than as disclosed in subsequent events below.

**Significant events**

Details of the significant events are disclosed in Note 40 to the financial statements.

**Subsequent events**

On 25 February 2016, the Board of Directors ("the Board") called for an internal audit investigation in relation to mining activity on land belonging to a subsidiary, Pasdec Corporation Sdn. Bhd. after learning from newspapers and Malaysian Anti-Corruption Commission's investigation that such activity has been carried out.

Based on the Internal Audit Report, on 8 April 2016, the Company appointed a firm of Chartered Accountants to perform a forensic review on the mining activity.

On 25 April 2016, based on an interim report by the firm of Chartered Accountants, the Company appointed a firm of Advocates and Solicitors to advise the Board on the legal implications of the findings of the forensic review and on legal avenues to protect the interests of the Company relating to the mining activity.

**Auditors**

The auditors, Hanafiah Raslan & Mohamad, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 April 2016.

**Dato' Mohd Khairuddin bin Haji Abdul Manan**

**Dato' Abdul Ghani bin L. Sulaiman**

# Statement by Directors

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

We, Dato' Mohd Khairuddin bin Haji Abdul Manan and Dato' Abdul Ghani bin L. Sulaiman, being two of the directors of Pasdec Holdings Berhad, do hereby state that, in the opinion of the directors, except for the possible effects of the matter described in Note 41 to the financial statements, the accompanying financial statements set out on pages 57 to 135 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended.

The information set out in Note 44 to the financial statements have been prepared in accordance with the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 April 2016.

**Dato' Mohd Khairuddin bin Haji Abdul Manan**

**Dato' Abdul Ghani bin L. Sulaiman**

# Statutory Declaration

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

I, Goh Song Han, (NRIC No.: 621218-06-5483) being the officer primarily responsible for the financial management of Pasdec Holdings Berhad, do solemnly and sincerely declare that, except for the possible effects of the matter described in Note 41 to the financial statements, the accompanying financial statements set out on pages 57 to 136 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 abovenamed Goh Song Han at
Kuantan in the state of Pahang Darul Makmur
on 28 April 2016

**Goh Song Han**

Before me,

PESURUHJAYA SUMPAH
No: C082
Nama: MUDA BIN ISMAIL
PJB, PPB
MALAYSIA

203, Tingkat 2, Blok A, Kuantan Centre Point
25000 Kuantan, Pahang

# Independent Auditors' Report
to the members of Pasdec Holdings Berhad
(Incorporated in Malaysia)

## Report on the financial statements

We have audited the financial statements of Pasdec Holdings Berhad, which comprise statements of financial position as at 31 December 2015 of the Group and the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 57 to 135.

*Directors' responsibility for the financial statements*

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

*Auditors' responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

*Basis for qualified opinion*

As disclosed in Note 41 to the financial statements, unauthorised mining activity was carried out on land belonging to a subsidiary, Pasdec Corporation Sdn. Bhd.. Management is still in the process of determining the legal and financial implications of the matter, if any, to the subsidiary and the Group. Consequently, we are unable to determine whether any adjustment arising from this matter is necessary.

*Qualified opinion*

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

# Independent Auditors' Report

to the members of Pasdec Holdings Berhad
(Incorporated in Malaysia)

**Report on other legal and regulatory requirements**

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

(a) In our opinion, except for the matter as described in the basis for qualified opinion paragraph affecting Pasdec Corporation Sdn. Bhd., the accounting and other records required by the Act to be kept by the Company and its other subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act. However, the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provision of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 17 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) Except for the matters described in the basis for qualified opinion paragraph, we are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) Except for the auditors' report of Pasdec Corporation Sdn. Bhd., the auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

**Other reporting responsibilities**

The supplementary information set out in Note 44 on page 136 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**Other matters**

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

Hanafiah Raslan & Mohamad

**Hanafiah Raslan & Mohamad**
AF: 0002
Chartered Accountants

**Sandra Segaran a/l Muniandy@Krishnan**
No. 2882/01/17 (J)
Chartered Accountant

Kuantan, Pahang Darul Makmur, Malaysia
28 April 2016

# Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2015

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| **Revenue** | 4 | 156,652,684 | 210,559,756 | 32,503,523 | 44,416,755 |
| Cost of sales | 5 | (124,549,544) | (160,498,483) | - | - |
| **Gross profit** | | 32,103,140 | 50,061,273 | 32,503,523 | 44,416,755 |
| Other items of income: | | | | | |
| Interest income | 6 | 593,505 | 436,825 | 1,056,016 | 2,882,386 |
| Other income | 7 | 2,437,962 | 6,839,800 | - | - |
| Other items of expense: | | | | | |
| Administrative expenses | | (19,265,016) | (19,607,571) | (5,015,912) | (4,365,867) |
| Other expenses | | (34,435,141) | (22,273,836) | (15,526,551) | (38,940,869) |
| Finance costs | 8 | (6,020,281) | (5,578,137) | (977,479) | (4,859,201) |
| Share of loss of associates | | (153,787) | (101,427) | - | - |
| **(Loss)/profit before tax** | 9 | (24,739,618) | 9,776,927 | 12,039,597 | (866,796) |
| Income tax (expense)/benefit | 12 | (2,978,154) | (3,605,719) | - | 893,387 |
| **(Loss)/profit net of tax** | | (27,717,772) | 6,171,208 | 12,039,597 | 26,591 |
| **(Loss)/profit attributable to:** | | | | | |
| Owners of the parent | | (24,736,697) | 4,966,767 | 12,039,597 | 26,591 |
| Non-controlling interests | | (2,981,075) | 1,204,441 | - | - |
| | | (27,717,772) | 6,171,208 | 12,039,597 | 26,591 |
| **(Loss)/earning per share attributable to equity holders of the Company (sen):** | | | | | |
| Basic (loss)/earning per share | 13 | (12.01) | 2.41 | | |

# Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2015

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| **Other comprehensive loss** | | | | | |
| *Other comprehensive loss to be reclassified to profit or loss in subsequent periods:* | | | | | |
| Net loss on available-for-sale financial assets | | | | | |
| Loss on fair value changes | 31 | (20,628) | (82,616) | - | - |
| Foreign currency translation | 31 | (851,967) | (1,205,412) | - | - |
| **Net other comprehensive loss to be reclassified to profit or loss in subsequent periods, representing total comprehensive loss for the year, net of tax** | | (872,595) | (1,288,028) | - | - |
| **Total comprehensive (loss)/income for the year** | | (28,590,367) | 4,883,180 | 12,039,597 | 26,591 |
| **Total comprehensive (loss)/income attributable to:** | | | | | |
| Owners of the parent | | (25,359,327) | 2,336,184 | 12,039,597 | 26,591 |
| Non-controlling interests | | (3,231,040) | 2,546,996 | - | - |
| | | (28,590,367) | 4,883,180 | 12,039,597 | 26,591 |

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

# Statements of Financial Position
## As at 31 December 2015

| | Note | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 14 | 19,373,306 | 19,160,710 | 1,199,334 | 1,102,594 |
| Land held for property development | 15(a) | 134,159,192 | 130,323,613 | - | - |
| Investment properties | 16 | 23,892,664 | 7,794,478 | - | - |
| Investments in subsidiaries | 17 | - | - | 157,278,317 | 157,288,978 |
| Investments in associates | 18 | 18,773,205 | 20,357,458 | - | - |
| Marketable securities | 23 | 485,981 | 506,609 | - | - |
| Deferred tax assets | 32 | 5,631,591 | 5,957,746 | - | - |
| | | 202,315,939 | 184,100,614 | 158,477,651 | 158,391,572 |
| **Current assets** | | | | | |
| Property development costs | 15(b) | 144,646,399 | 162,136,536 | - | - |
| Inventories | 19 | 65,570,535 | 69,660,205 | - | - |
| Trade and other receivables | 20 | 67,405,658 | 83,969,996 | 121,594,735 | 107,057,553 |
| Other current assets | 21 | 16,686,531 | 17,650,850 | 111,429 | 191,378 |
| Cash and bank balances | 24 | 31,314,222 | 17,311,746 | 332,800 | 1,013,621 |
| Tax recoverable | | 2,020,447 | 3,802,717 | 1,226,892 | 3,037,020 |
| | | 327,643,792 | 354,532,050 | 123,265,856 | 111,299,572 |
| **Total assets** | | 529,959,731 | 538,632,664 | 281,743,507 | 269,691,144 |
| **Equity and liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Retirement benefit obligations | 25 | 674,954 | 358,823 | 535,914 | 89,549 |
| Loans and borrowings | 26 | 50,851,949 | 57,005,713 | 151,324 | 88,325 |
| Trade and other payables | 28 | 99,120,653 | 89,882,439 | 7,427,002 | 7,599,683 |
| Deferred capital grant | 29 | - | - | - | - |
| Tax payable | | 168,341 | 80,587 | - | - |
| | | 150,815,897 | 147,327,562 | 8,114,240 | 7,777,557 |
| **Net current assets** | | 176,827,895 | 207,204,488 | 115,151,616 | 103,522,015 |

# Statements of Financial Position

As at 31 December 2015

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| **Non-current liabilities** | | | | | |
| Retirement benefit obligations | 25 | 5,078,078 | 5,373,246 | 4,526,699 | 4,948,694 |
| Loans and borrowings | 26 | 60,652,288 | 42,877,957 | 575,531 | 477,453 |
| Other payables | 28 | 7,866,188 | 8,157,693 | - | - |
| | | 73,596,554 | 56,408,896 | 5,102,230 | 5,426,147 |
| **Total liabilities** | | 224,412,451 | 203,736,458 | 13,216,470 | 13,203,704 |
| Net assets | | 305,547,280 | 334,896,206 | 268,527,037 | 256,487,440 |
| **Equity attributable to owners of the parent** | | | | | |
| Share capital | 30 | 205,978,000 | 205,978,000 | 205,978,000 | 205,978,000 |
| Share premium | | 43,007,997 | 43,007,997 | 45,515,750 | 45,515,750 |
| Other reserves | 31 | (20,845,296) | (20,222,666) | - | - |
| Retained earnings | 36 | 76,276,652 | 101,771,908 | 17,033,287 | 4,993,690 |
| | | 304,417,353 | 330,535,239 | 268,527,037 | 256,487,440 |
| Non-controlling interests | | 1,129,927 | 4,360,967 | - | - |
| **Total equity** | | 305,547,280 | 334,896,206 | 268,527,037 | 256,487,440 |
| **Total equity and liabilities** | | 529,959,731 | 538,632,664 | 281,743,507 | 269,691,144 |

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

# Statements of Changes in Equity
## For the financial year ended 31 December 2015

| | | Attributable to owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Non-distributable | | Distributable | Non-distributable | | | | |
| | Total equity RM | Total equity attributable to owners of the parent RM | Share capital (Note 30) RM | Share premium RM | Retained earnings RM | Total other reserves (Note 31) RM | Fair value adjustment reserve RM | Foreign currency translation deficit RM | Premium paid on acquisition of non-controlling interests RM | Non-controlling interests RM |
| **2015** | | | | | | | | | | |
| **Group** | | | | | | | | | | |
| **Opening balance at 1 January 2015** | 334,896,206 | 330,535,239 | 205,978,000 | 43,007,997 | 101,771,908 | (20,222,666) | 57,633 | (10,382,028) | (9,898,271) | 4,360,967 |
| Loss for the year | (27,717,772) | (24,736,697) | - | - | (24,736,697) | - | - | - | - | (2,981,075) |
| Other comprehensive loss | (872,595) | (622,630) | - | - | - | (622,630) | (20,628) | (602,002) | - | (249,965) |
| **Total comprehensive loss** | (28,590,367) | (25,359,327) | - | - | (24,736,697) | (622,630) | (20,628) | (602,002) | - | (3,231,040) |
| **Transactions with owners** | | | | | | | | | | |
| Dividends paid | (758,559) | (758,559) | - | - | (758,559) | - | - | - | - | - |
| **Closing balance at 31 December 2015** | 305,547,280 | 304,417,353 | 205,978,000 | 43,007,997 | 76,276,652 | (20,845,296) | 37,005 | (10,984,030) | (9,898,271) | 1,129,927 |
| **2014** | | | | | | | | | | |
| **Group** | | | | | | | | | | |
| **Opening balance at 1 January 2014** | 338,252,150 | 336,438,179 | 205,978,000 | 43,007,997 | 105,044,265 | (17,592,083) | 140,249 | (7,834,061) | (9,898,271) | 1,813,971 |
| Profit for the year | 6,171,208 | 4,966,767 | - | - | 4,966,767 | - | - | - | - | 1,204,441 |
| Other comprehensive loss | (1,288,028) | (2,630,583) | - | - | - | (2,630,583) | (82,616) | (2,547,967) | - | 1,342,555 |
| **Total comprehensive income/(loss)** | 4,883,180 | 2,336,184 | - | - | 4,966,767 | (2,630,583) | (82,616) | (2,547,967) | - | 2,546,996 |
| **Transaction with owners** | | | | | | | | | | |
| Dividends paid | (8,239,124) | (8,239,124) | - | - | (8,239,124) | - | - | - | - | - |
| **Closing balance at 31 December 2014** | 334,896,206 | 330,535,239 | 205,978,000 | 43,007,997 | 101,771,908 | (20,222,666) | 57,633 | (10,382,028) | (9,898,271) | 4,360,967 |

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

# Statements of Chages in Equity

For the financial year ended 31 December 2015

| | ← Non-Distributable | → | Distributable | |
|---|---|---|---|---|
| | Share capital (Note 30) RM | Share premium RM | Retained earnings RM | Total RM |
| **Company** | | | | |
| **At 1 January 2015** | 205,978,000 | 45,515,750 | 4,993,690 | 256,487,440 |
| Total comprehensive income | - | - | 12,039,597 | 12,039,597 |
| **Closing balance at 31 December 2015** | 205,978,000 | 45,515,750 | 17,033,287 | 268,527,037 |
| **At 1 January 2014** | 205,978,000 | 45,515,750 | 13,206,223 | 264,699,973 |
| Total comprehensive income | - | - | 26,591 | 26,591 |
| **Transaction with owners** | | | | |
| Dividends paid | - | - | (8,239,124) | (8,239,124) |
| **Closing balance at 31 December 2014** | 205,978,000 | 45,515,750 | 4,993,690 | 256,487,440 |

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

# Statements of Cash Flows
For the financial year ended 31 December 2015

| | Note | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| (Loss)/profit before taxation | | (24,739,618) | 9,776,927 | 12,039,597 | (866,796) |
| Adjustments for: | | | | | |
| Reversal of allowance for impairment of trade and other receivables | 9 | (767,099) | (902,310) | (212,434) | (684,180) |
| Depreciation of property, plant and equipment | 9 | 1,448,030 | 1,494,713 | 287,368 | 242,181 |
| Depreciation of investment properties | 9 | 314,150 | 173,325 | - | - |
| Gain on disposal of investment properties | 7 | (84,857) | (53,633) | - | - |
| Amortisation of deferred capital grant | 7 | - | (449,840) | - | - |
| Unrealised loss/(gain) on foreign exchange | 9 | 1,303,138 | (62,675) | 43,089 | 41,546 |
| Provision for liquidated ascertained damages | 9 | 2,999,423 | 374,056 | - | - |
| Property development costs written off | 9 | 208,810 | 609,831 | - | - |
| Gain on disposal of property, plant and equipment | 7 | (1,339,068) | (878,389) | - | - |
| Reversal of written down in inventories | 9 | (189,569) | (50,829) | - | - |
| Provision for impairment losses in investments in subsidiaries | 9 | - | - | 7,920,661 | 29,347,710 |
| Waiver of other payables | 7 | - | (51,066) | - | - |
| Share of loss of associates | | 153,787 | 101,427 | - | - |
| Provision for retirement benefits | 10 | 621,306 | 669,979 | 253,516 | 266,377 |
| Overprovision of short-term accumulated compensated absences in prior years | 10 | (26,060) | (645,289) | - | (645,289) |
| Impairment losses on trade and other receivables | 9 | 5,997,067 | 4,856,276 | 3,133,687 | 5,497,945 |
| Interest expense | 8 | 6,020,281 | 5,578,137 | 977,479 | 4,859,201 |
| Interest income | 6 | (593,505) | (436,825) | (1,056,016) | (2,882,386) |
| Dividend income | 4 | (30,834) | (46,430) | (21,050,000) | (20,000,000) |
| Total adjustments | | 16,035,000 | 10,280,458 | (9,702,650) | 16,043,105 |
| Operating cash flows before changes in working capital carried forward | | (8,704,618) | 20,057,385 | 2,336,947 | 15,176,309 |
| Changes in working capital | | | | | |
| Decrease/(increase) in trade and otherreceivables | | 10,031,232 | (24,151,360) | 3,548,476 | (3,865,433) |
| Decrease/(increase) in other current assets | | 964,319 | (4,448,468) | 79,949 | (34,960) |
| (Increase)/decrease in inventories | | (10,334,859) | 365,656 | - | - |
| Increase in land held for development | | (3,835,579) | (4,407,579) | - | - |
| Decrease/(increase) in property development costs | | 17,281,327 | (672,206) | - | - |
| Increase in trade and other payables | | 7,798,761 | 26,521,805 | (172,681) | 22,685,948 |
| Total changes in working capital | | 21,905,201 | (6,792,152) | 3,455,744 | 18,785,555 |
| Income taxes paid | | (3,960,204) | (2,637,046) | (270,872) | (22,493) |
| Income taxes refunded | | 2,656,691 | - | 2,081,000 | - |
| Retirement benefits paid | 25 | (600,343) | (372,582) | (229,146) | (51,406) |
| Net cash flows generated from operating activities | | 11,296,727 | 10,255,605 | 7,373,673 | 33,887,965 |

# Statements of Cash Flows
For the financial year ended 31 December 2015

| | Note | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|---|
| **Investing activities** | | | | | |
| Purchase of property, plant and equipment | 14 | (2,635,232) | (2,545,497) | (42,591) | (99,629) |
| Proceeds from disposal of property, plant and equipment | | 3,104,873 | 2,307,922 | - | - |
| Additional investment in a subsidiary | 17 | - | - | (7,910,000) | (22,488,221) |
| Purchase of an investment property | 16 | (2,112,188) | - | - | - |
| Proceeds from disposal of investment properties | | 398,807 | 376,103 | - | - |
| Interest received | | 593,505 | 436,825 | 1,056,016 | 2,882,386 |
| Dividends received | | 230,834 | 146,430 | - | - |
| Dividends paid | | (758,559) | (8,239,124) | - | (8,239,124) |
| Withdrawal/(placement) of deposits with licensed banks | | 873 | (179,808) | - | - |
| Net cash flows used in investing activities | | (1,177,087) | (7,697,149) | (6,896,575) | (27,944,588) |
| **Financing activities** | | | | | |
| Drawdown of term loans | | 11,863,376 | 22,221,419 | - | - |
| Proceed from redeemable preference shares | | 20,867,927 | - | - | - |
| Repayments of term loans | | (21,037,709) | (18,922,344) | - | - |
| (Repayment of)/proceed from bankers'acceptances | | (725,673) | 1,365,673 | - | - |
| Repayments of obligations under finance leases | | (1,685,306) | (1,089,936) | (180,440) | (85,110) |
| Interest paid | | (6,020,281) | (5,578,137) | (977,479) | (4,859,201) |
| Deposits placed for loans and borrowings securities | | (522,711) | (4,619,102) | - | - |
| Net cash flows generated from/(used in) financing activities | | 2,739,623 | (6,622,427) | (1,157,919) | (4,944,311) |
| **Net increase/(decrease) in cash and cash equivalents** | | 12,859,263 | (4,063,971) | (680,821) | 999,066 |
| Cash and cash equivalents at 1 January | | (17,594,038) | (13,530,067) | 1,013,621 | 14,555 |
| Cash and cash equivalents at 31 December | 24 | (4,734,775) | (17,594,038) | 332,800 | 1,013,621 |

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Bursa Malaysia Securities Berhad. The registered office of the Company is located at Tingkat 14, Menara Teruntum, Jalan Mahkota, 25000 Kuantan, Pahang Darul Makmur.

The holding corporation of the Company is Perbadanan Kemajuan Negeri Pahang, a statutory body incorporated in Malaysia under the Pahang State Enactment No. 12, 1965.

The principal activities of the Company are those of investment holding and provision of management services to the subsidiaries. The principal activities of the subsidiaries are described in Note 17. There have been no significant changes in the nature of the principal activities during the financial year.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS") in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2015 as described fully in Note 2.2.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

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

### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2015, the Group and the Company adopted the following amended FRS and annual improvements to FRS mandatory for annual financial periods beginning on or after 1 January 2015.

| Description | Effective for annual periods beginning on or after |
|---|---|
| Amendments to FRS 119: *Defined Benefit Plans: Employee Contributions* | 1 July 2014 |
| Annual Improvements to FRS 2010-2012 Cycle | 1 July 2014 |
| Annual Improvements to FRS 2011-2013 Cycle | 1 July 2014 |

The nature and impact of the new and amended FRS and annual improvements to FRS are described below:

<u>Amendments to FRS 119 Defined Benefit Plans: Employee Contributions</u>

The Amendments to FRS 119 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. For contributions that are independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. For contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Group and the Company do not anticipate that the application of these amendments will have a significant impact on the Group's and the Company's financial statements.

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 2. Summary of significant accounting policies (cont'd.)

### 2.2 Changes in accounting policies (cont'd.)

Annual Improvements to FRS 2010–2012 Cycle

The Annual Improvements to FRS 2010-2012 Cycle include a number of amendments to various FRS, which are summarised below.

| Standards | Descriptions |
|---|---|
| **FRS 2 Share-based Payment** | This improvement clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:<br><br>• A performance condition must contain a service condition;<br>• A performance target must be met while the counterparty is rendering service;<br>• A performance target may relate to the operations or activities of an entity, or those of another entity in the same group;<br>• A performance condition may be a market or non-market condition; and<br>• If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.<br><br>This improvement is effective for share-based payment transactions for which the grant date is on or after 1 July 2014. This amendment is not applicable to the Group and the Company. |
| **FRS 3 Business Combinations** | The amendments to FRS 3 clarify that contingent consideration classified as liabilities (or assets) should be measured at fair value through profit or loss at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of FRS 9 or FRS 139. The amendments are effective for business combinations for which the acquisition date is on or after 1 July 2014. This is consistent with the Group's current accounting policy and thus, this amendment did not impact the Group. |
| **FRS 8 Operating Segments** | The amendments are to be applied retrospectively and clarify that:<br><br>• an entity must disclose the judgements made by management in applying the aggregation criteria in FRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar; and<br><br>• the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.<br><br>The Group has not applied the aggregation criteria as mentioned above. The Group continues to present the reconciliation of segment assets to total assets. |

## 2. Summary of significant accounting policies (cont'd.)

### 2.2 Changes in accounting policies (cont'd.)

Annual Improvements to FRS 2010–2012 Cycle (cont'd.)

| Standards | Descriptions |
|---|---|
| **FRS 116 Property, Plant and Equipment and FRS 138 Intangible Assets** | The amendments remove inconsistencies in the accounting for accumulated depreciation or amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amendments clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses. This amendment is not applicable to the Group and the Company. |
| **FRS 124 Related Party Disclosures** | The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. The reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. The amendments are not applicable to the Group as the Group does not receive any management services from other entities. |

Annual Improvements to FRS 2011–2013 Cycle

The Annual Improvements to FRS 2011-2013 Cycle include a number of amendments to various FRS, which are summarised below.

| Standards | Descriptions |
|---|---|
| **FRS 3 Business Combinations** | The amendments to FRS 3 clarify that the standard does not apply to the accounting for formation of all types of joint arrangement in the financial statements of the joint arrangement itself. This amendment is to be applied prospectively. The Group is not a joint arrangement and thus this arrangement is not relevant to the Group. |
| **FRS 13 Fair Value Measurement** | The amendments to FRS 13 clarify that the portfolio exception in FRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of FRS 9 (or FRS 139 as applicable). The Group does not apply the portfolio exception. |
| **FRS 140 Investment Property** | The amendments to FRS 140 clarify that an entity acquiring investment property must determine whether:<br><br>• the property meets the definition of investment property in terms of FRS 140; and<br>• the transaction meets the definition of a business combination under FRS 3,<br><br>to determine if the transaction is a purchase of an asset or is a business combination. In previous financial years, the Group has applied MFRS 3 and not MFRS 140 in determining whether an acquisition is of an asset or is a business combination. Accordingly, this amendment did not have any impact to the Group. |

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 2. Summary of significant accounting policies (cont'd.)

### 2.3 Standards issued but not yet effective

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

| Description | Effective for annual periods beginning on or after |
|---|---|
| Annual Improvements to FRSs 2012-2014 Cycle | 1 January 2016 |
| Amendments to FRS 116 and FRS 138: *Clarification of Acceptable Methods of Depreciation and Amortisation* | 1 January 2016 |
| Amendments to FRS 10 and FRS 128: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | Deferred |
| Amendments to FRS 11: *Accounting for Acquisitions of Interests in Joint Operations* | 1 January 2016 |
| Amendments to FRS 127: *Equity Method in Separate Financial Statements* | 1 January 2016 |
| Amendments to FRS 101: *Disclosure Initiatives* | 1 January 2016 |
| Amendments to FRS 10, FRS 12 and FRS 128: *Investment Entities: Applying the Consolidation Exception* | 1 January 2016 |
| FRS 14 Regulatory Deferral Accounts | 1 January 2016 |
| Amendments to FRS 112: *Recognition of Deferred Tax Assets for Unrealised Losses* | 1 January 2017 |
| Amendments to FRS 107: *Disclosure Initiative* | 1 January 2017 |
| FRS 9 Financial Instruments | 1 January 2018 |

<u>Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation</u>

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group and the Company as the Group and the Company do not used a revenue-based method to depreciate its non-current assets.

<u>Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</u>

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 1 January 2016. Earlier application is permitted. These amendments are not expected to have any impact on the Group.

## 2. Summary of significant accounting policies (cont'd.)

### 2.3 Standards issued but not yet effective (cont'd.)

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

The Amendments to FRS 11 require that a joint operator which acquires an interest in a joint operations which constitute a business to apply the relevant FRS 3 Business Combinations principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to FRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Amendments to FRS 127: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Entities already applying FRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of FRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to FRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's and the Company's financial statements.

Amendments to FRS 101: Disclosure Initiatives

The amendments to FRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's and the Company's financial statements.

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

The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. In addition, the amendments also provides that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

The amendments are to be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's and the Company's financial statements.

# Notes to the Financial Statements
For the financial year ended 31 December 2015

**2. Summary of significant accounting policies (cont'd.)**

**2.3 Standards issued but not yet effective (cont'd.)**

FRS 9 Financial Instruments

In November 2014, MASB issued the final version of FRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 139 Financial Instruments: Recognition and Measurement and all previous versions of FRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. FRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of FRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

Annual Improvements to FRS 2012–2014 Cycle

The Annual Improvements to FRS 2012-2014 Cycle include a number of amendments to various FRS, which are summarised below. The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Group's and the Company's financial statements.

| Standards | Descriptions |
|---|---|
| **FRS 5 Non-current Assets Held for Sale and Discontinued Operations** | The amendment to FRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in FRS 5.<br><br>The amendment also clarifies that changing the disposal method does not change the date of classification. This amendment is to be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with earlier application permitted. |
| **FRS 7 Financial Instruments: Disclosures** | The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in FRS 7 in order to assess whether the disclosures are required.<br><br>In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report. |
| **FRS 119 Employee Benefits** | The amendment to FRS 119 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. |
| **FRS 134 Interim Financial Reporting** | FRS 134 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'.<br><br>The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. |

## 2. Summary of significant accounting policies (cont'd.)

### 2.3 Standards issued but not yet effective (cont'd.)

**Malaysian Financial Reporting Standards (MFRS Framework)**

On 8 September 2015, the Malaysian Accounting Standards Board ("MASB") confirmed that the effective date of MFRS 15 Revenue from Contracts with Customers will be deferred to annual periods beginning on or after 1 January 2018, following the recent press release by the International Accounting Standards Board (IASB) confirming a one-year deferral of IFRS 15 Revenue from Contracts with Customers. However, early application of MFRS 15 is still permitted. As a result, the effective date for Transitioning Entities (TEs) to apply the Malaysian Financial Reporting Standards (MFRS) will also be deferred to annual periods beginning on or after 1 January 2018. The TEs are entities within the scope of MFRS 141 Agriculture and/or IC Interpretation 15 Agreements for the Construction of Real Estate, including their parents, significant investors and joint ventures. Generally, the TEs are entities in the real estate and agriculture industries that have been given the option to continue applying the Financial Reporting Standards Framework, the predecessor of the MFRS Framework.

The MASB has consistently used the effective date of MFRS 15 as the basis for setting the effective date for the TEs to apply the MFRS. In the light of the IASB's deferral of IFRS 15, the effective date for the TEs to apply the MFRS will also be deferred to 1 January 2018.

The Group falls within the scope definition of TE and accordingly, will be required to prepare financial statements using MFRS Framework in its first MFRS financial statements for the year ending 31 December 2018. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made retrospectively.

The major differences between FRS framework and MFRS framework are as follows:

**A. Agreement for the Construction of Real Estates**

(i) Revenue recognition for property under development

Under the FRS framework, under FRS 201, when the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised using the stage of completion method.

Under the MFRS framework, in accordance to MFRS 15 Revenue from Contracts with Customers, it establishes a new five-step models that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 2. Summary of significant accounting policies (cont'd.)

### 2.3 Standards issued but not yet effective (cont'd.)

**Malaysian Financial Reporting Standards (MFRS Framework) (cont'd.)**

**A. Agreement for the Construction of Real Estates (cont'd)**

(ii) Land held for development

Under the FRS framework, land held for future development is classified as a non-current asset and stated at cost less any accumulated losses.

Upon transition to the MFRS framework, FRS 201 is withdrawn and entities would have to classify land held for future development appropriately based on the relevant facts and circumstances, such as, inventory in accordance with MFRS 102 Inventories (e.g. when development activities with a view to sale have commenced and where it can be demonstrated that development activities can be completed within the normal operating cycle). If the land is to be accounted as inventory under MFRS 102, the land will have to be stated at the lower of cost and net realisable value.

**B. Agriculture**

Under the MFRS framework, MFRS 141 Agriculture (MFRS 141) , requires biological assets to be measured at fair value less costs to sell unless it is not possible to measure fair value reliably, in which case they are measured at cost. Gains and losses from changes in fair value less costs to sell are recognised in profit or loss. Agricultural produce harvested from a biological asset are measured at fair value less costs to sell at the point of harvest. Thereafter, the standard on inventories generally applies. However this MFRS is not applicable to the Group.

At the date of these financial statements, the Group has not completed its quantification of the financial effects on the financial statements of the differences arising from the change from FRS to MFRS. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the financial years ended 31 December 2014 and 31 December 2015 could be different if prepared under the MFRS Framework.

### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
(ii) Potential voting rights held by the Company, other vote holders or other parties;
(iii) Rights arising from other contractual arrangements; and
(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

## 2. Summary of significant accounting policies (cont'd.)

### 2.4 Basis of consolidation (cont'd.)

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

**Business combinations**

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of FRS 139, it is measured in accordance with the appropriate FRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. The accounting policy for goodwill is set out in Note 2.9.

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 2. Summary of significant accounting policies (cont'd.)

### 2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

### 2.6 Foreign currency

#### a) Functional and presentation currency

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

#### b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

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

#### c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

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

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 2. Summary of significant accounting policies (cont'd.)

### 2.7 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation of property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful lives as follows:

| | |
|---|---|
| Leasehold improvement | 10 years |
| Buildings | 20 years |
| Plant and machinery | 5 to 10 years |
| Motor vehicles | 5 to 10 years |
| Office equipment | 5 to 10 years |
| Office renovation | 10 to 12.5 years |
| Furniture and fittings | 5 to 10 years |

Work-in-progress is not depreciated as this asset is not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumtances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

### 2.8 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation, or for both. Such properties are measured initially at cost including transaction costs. Following initial recognition, investment properties are carried at cost less any accumulated depreciation and accumulated impairment losses. The buildings are depreciated at 2% per annum on a straight line method.

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

Transfers are made to or from investment property only when there is a change in use.

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 2. Summary of significant accounting policies (cont'd.)

### 2.9 Intangible assets

**Goodwill**

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

### 2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 2. Summary of significant accounting policies (cont'd.)

### 2.11 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

### 2.12 Investments in associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

On acquisition of an investment in associate, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's or joint venture's profit or loss for the period in which the investment is acquired.

An associate is equity accounted for from the date on which the investee becomes an associate.

Under the equity method, on initial recognition the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate after the date of acquisition. When the Group's share of losses in an associate equal or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group applies FRS 139 Financial Instruments: Recognition and Measurement to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with FRS 136 Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

In the Company's separate financial statements, investments in associates are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 2. Summary of significant accounting policies (cont'd.)

### 2.13 Land held for property development and property development costs

#### a) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

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

#### b) Property development costs

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

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

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

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

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

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the profit or loss is classified as progress billings within trade payables.

### 2.14 Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

## 2. Summary of significant accounting policies (cont'd.)

### 2.14 Construction contracts (cont'd.)

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

### 2.15 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### a) Financial assets

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group and the Company classified their financial assets as loans and receivables and available-for-sale.

**Subsequent measurement**

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ("EIR") method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

**Available-for-sale ("AFS") financial assets**

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 2. Summary of significant accounting policies (cont'd.)

### 2.15 Financial instruments – initial recognition and subsequent measurement (cont'd.)

#### a) Financial assets (cont'd.)

**Available-for-sale ("AFS") financial assets (cont'd.)**

The Group and the Company evaluate whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group and the Company are unable to trade these financial assets due to inactive markets, the Group and the Company may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

**Derecognition**

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or

- The Group and the Company have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Group and Company have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

**Impairment of financial assets**

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Group and the Company first assess whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group and the Company determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

# Notes to the Financial Statements
For the financial year ended 31 December 2015

**2. Summary of significant accounting policies (cont'd.)**

**2.15 Financial instruments – initial recognition and subsequent measurement (cont'd.)**

**a) Financial assets (cont'd.)**

**Impairment of financial assets (cont'd.)**

**Financial assets carried at amortised cost (cont'd.)**

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

**AFS financial assets**

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in other operating income.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 2. Summary of significant accounting policies (cont'd.)

### 2.15 Financial instruments – initial recognition and subsequent measurement (cont'd.)

#### b) Financial liabilities

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

**Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

The Group does not have any derivative liability as at 31 December 2015.

**Loans and borrowings**

This is the category most relevant to the Group and the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 2. Summary of significant accounting policies (cont'd.)

### 2.15 Financial instruments – initial recognition and subsequent measurement (cont'd.)

#### c) Offsetting of financial instruments

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

### 2.16 Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash in hand and at banks and deposits at call which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

### 2.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a first-in first-out basis.
- Finished goods and work-in-progress: costs of raw materials, direct labour, other direct costs and appropriate proportions of production overheads.

The cost of unsold properties comprises cost associated with the purchase of land, direct costs and appropriate proportions of common costs.

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

### 2.18 Provisions

Provisions are recognised when the Group and the Company have 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.

Provisions are reviewed at each reporting date 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.

### 2.19 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments.

The Group has elected to present the grant in the statement of financial position as deferred income, which is recognised in profit or loss on a systematic and rational basis over the useful life of the asset.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 2. Summary of significant accounting policies (cont'd.)

### 2.20 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

### 2.21 Employee benefits

#### a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

#### b) Defined contribution plans

The Group and the Company participate in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

#### c) Defined benefit plans

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

## 2. Summary of significant accounting policies (cont'd.)

### 2.21 Employee benefits (cont'd.)

#### c) Defined benefit plans (cont'd.)

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods. The actuarial valuation was carried out once every three years.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognised as a separate asset at fair value when and only when reimbursement is virtually certain.

### 2.22 Leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

### 2.23 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

#### a) Sale of properties

Revenue from sale of properties is accounted for by the stage of completion method as described in Note 2.13(b).

#### b) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.14.

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 2. Summary of significant accounting policies (cont'd.)

### 2.23 Revenue (cont'd.)

#### c) Sale of goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

#### d) Revenue from services

Revenue from services is recognised net of service taxes and discounts as and when the services are performed.

#### e) Dividend income

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

#### f) Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease.

#### g) Interest income

Interest income is recognised using the effective interest method.

#### h) Management fees

Management fees are recognised when services are rendered.

### 2.24 Income taxes

#### a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current 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.

#### b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or 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; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## 2. Summary of significant accounting policies (cont'd.)

### 2.24 Income taxes (cont'd.)

#### b) Deferred tax (cont'd.)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, 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 except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or 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; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

The net amount of GST being the difference between output and input of GST, payable to or receivable from the respective authorities at the reporting date, is included in trade and other payables or trade and other receivables in the statement of financial position.

### 2.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 39, including the factors used to identify the reportable segments and the measurement basis of segment information.

## 2. Summary of significant accounting policies (cont'd.)

### 2.26 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

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

### 2.27 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and the Company.

### 2.28 Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

#### a) Financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

#### b) Non-financial instruments

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

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

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

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

## 2. Summary of significant accounting policies (cont'd.)

### 2.29 Related parties

A related party is defined as follows:

a) A person or a close member of that person's family is related to the Company if that person:

   i) has control or joint control over the Company;
   ii) has significant influence over the Company; or
   iii) is a member of the key management personnel of the Company or of a parent of the Company.

b) An entity is related to the Company if any of the following conditions applies:

   i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   iii) both entities are joint ventures of the same third party.
   iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
   vi) the entity is controlled or jointly controlled by a person identified in (a);
   vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

## 3. Significant accounting judgements and estimates

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

### 3.1 Judgements made in applying accounting policies

In the process of applying the Group's and the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### a) Impairment of available-for-sale investments

The Group reviews its securities classified as available-for-sale investments at each reporting date to assess whether they are impaired. The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

# Notes to the Financial Statements
For the financial year ended 31 December 2015

**3. Significant accounting judgements and estimates (cont'd.)**

**3.1 Judgements made in applying accounting policies (cont'd.)**

**b) Revenue recognition**

When a contract for the sale of a property upon completion of construction is judged to be a construction contract (see revenue recognition policy for sales of property under development in Note 2.23(a)), revenue is recognised using the percentage-of-completion method as construction progresses. The Group considers the terms and conditions of the contract, including how the contract was negotiated and the structural elements that the customer specifies when identifying individual projects as construction contracts. The percentage of completion is estimated by reference to the stage of the projects and contracts determined based on the proportion of contract costs incurred to date and the estimated costs to complete.

**c) Classification of property**

The Group determines whether a property is classified as investment property or inventory property.

Investment property comprises land and buildings (principally offices, commercial warehouse and retail property) that are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business.

Inventory property comprises property that is held for sale in the ordinary course of business. Principally, these are residential and commercial properties that the Group develops and intends to sell before or on completion of construction.

**3.2 Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**a) Useful lives of plant and machinery**

The cost of plant and machinery is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these plant and machinery to be 5 to 10 years. These are common life expectancies applied in the automotive and construction industries. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and machinery at the reporting date is disclosed in Note 14.

**b) Impairment of loans and receivables**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 20.

## 3. Significant accounting judgements and estimates (cont'd.)

### 3.2 Key sources of estimation uncertainty (cont'd.)

#### c) Property development and construction contracts

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

Significant judgement is involved in determining the stage of completion, the extent of the contract or property development costs incurred, the estimated total contract or property development revenue and costs, as well as the recoverability of the contracts or development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

The carrying amounts of assets and liabilities of the Group arising from property development activities and construction activities are disclosed in Note 15(b) and Note 22 respectively.

#### d) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depends on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

## 4. Revenue

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Sale of properties | 77,808,642 | 108,893,882 | - | - |
| Construction contracts | 19,061,270 | 34,918,946 | - | - |
| Sale of goods | 50,178,844 | 57,401,076 | - | - |
| UniFi installation services | 5,017,107 | 4,849,833 | - | - |
| Management fees | 173,515 | 180,000 | 3,543,523 | 3,928,534 |
| Rental income | 4,382,472 | 4,269,589 | - | - |
| Dividend income | 30,834 | 46,430 | 21,050,000 | 20,000,000 |
| Deemed distribution income | - | - | 7,910,000 | 20,488,221 |
| | 156,652,684 | 210,559,756 | 32,503,523 | 44,416,755 |

**Deemed distribution income**

Deemed distribution income represents waiver of debt of amount due from Pasdec Corporation Sdn. Bhd., a subsidiary, by its related companies of RM7,910,000 (2014: RM20,488,221). The waiver of debt was classified as equity-distribution to parent and therefore has been recognised as revenue in the Company.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 5. Cost of sales

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | RM | RM |
| Property development costs (Note 15(b)) | 47,716,800 | 42,417,244 |
| Additional/(reversal of) costs for completed projects | 3,906,174 | (231,533) |
| Cost of land held for property development sold (Note 15(a)) | 1,167,833 | 2,994,945 |
| Cost of property development sold (Note 15(b)) | 768,392 | 22,968,703 |
| Cost of inventories sold | 43,619,855 | 48,793,810 |
| Cost of services rendered | 3,993,784 | 5,799,903 |
| Cost of construction contracts | 21,892,002 | 33,760,837 |
| Value engineering and consultancy services | 1,484,704 | 3,994,574 |
| | 124,549,544 | 160,498,483 |

## 6. Interest income

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | RM | RM | RM | RM |
| Interest income from: | | | | |
| Loans and receivables | - | 120,741 | 1,056,016 | 2,882,386 |
| Deposits with licensed banks | 593,505 | 316,084 | - | - |
| | 593,505 | 436,825 | 1,056,016 | 2,882,386 |

## 7. Other income

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | RM | RM | RM | RM |
| Rental income | 69,300 | 124,950 | - | - |
| Net gain on disposal of property, plant and equipment | 1,339,068 | 878,389 | - | - |
| Duty drawback | 316,252 | 713,265 | - | - |
| Gain on disposal of investment properties | 84,857 | 53,633 | - | - |
| Waiver of other payables | - | 51,066 | - | - |
| Recovery of land held for property development written off | - | 1,964,771 | - | - |
| Amortisation of deferred capital grant (Note 29) | - | 449,840 | - | - |
| Miscellaneous | 628,485 | 2,603,886 | - | - |
| | 2,437,962 | 6,839,800 | - | - |

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 8. Finance costs

| | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|
| Interest expense on: | | | | |
| Hire purchase | 103,732 | 94,878 | 38,727 | 29,873 |
| Term loans | 2,979,815 | 2,353,663 | - | - |
| Overdrafts | 2,510,310 | 2,387,924 | - | - |
| Revolving credits | 176,424 | 179,134 | - | - |
| Other interests | 250,000 | 562,538 | 938,752 | 4,829,328 |
| | 6,020,281 | 5,578,137 | 977,479 | 4,859,201 |

## 9. (Loss)/profit before tax

The following items have been included in arriving at (loss)/profit before tax:

| | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|
| Auditors' remuneration | 494,617 | 394,647 | 30,000 | 30,000 |
| Employee benefits expense (Note 10) | 23,155,236 | 17,755,400 | 4,456,323 | 3,657,082 |
| Non-executive directors' remuneration | 1,004,145 | 1,048,905 | 625,650 | 625,800 |
| Depreciation of property, plant and equipment (Note 14) | 1,448,030 | 1,494,713 | 287,368 | 242,181 |
| Unrealised loss/(gain) on foreign exchange | 1,303,138 | (62,675) | 43,089 | 41,546 |
| Property development costs written off (Note 15(b)) | 208,810 | 609,831 | - | - |
| Depreciation of investment properties (Note 16) | 314,150 | 173,325 | - | - |
| Provision for impairment losses in investments in subsidiaries | - | - | 7,920,661 | 29,347,710 |
| Reversal of write down in inventories | (189,569) | (50,829) | - | - |
| Impairment loss on financial assets | 5,997,067 | 4,856,276 | 3,133,687 | 5,497,945 |
| - Trade receivables (Note 20(a)) | 5,588,863 | 4,841,170 | - | - |
| - Other receivables (Note 20(b)) | 408,204 | 15,106 | 3,133,687 | 5,497,945 |
| Rental expenses: | 1,452,755 | 1,445,588 | 252,387 | 746,846 |
| - Third parties | 125,356 | 43,926 | - | - |
| - Related parties | 1,327,399 | 1,401,662 | 252,387 | 746,846 |
| Provision for liquidated ascertained damages | 2,999,423 | 374,056 | - | - |
| Reversal of allowance for impairment of trade and other receivables (Note 20 (a) and (b)) | (767,099) | (902,310) | (212,434) | (684,180) |

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 10. Employee benefits expense

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Wages and salaries | 17,032,028 | 13,921,006 | 2,991,785 | 2,791,404 |
| Social security contributions | 116,995 | 110,436 | 40,871 | 39,244 |
| Short-term accumulated compensated absences | 190,548 | 537,771 | 166,866 | 2,370 |
| Overprovision of short-term accumulated compensated absences in prior years | (26,060) | (645,289) | - | (645,289) |
| Contributions to defined contribution plan | 1,134,700 | 1,256,239 | 451,969 | 508,404 |
| Pension costs - defined benefit plan (Note 25) | 621,306 | 669,979 | 253,516 | 266,377 |
| Termination benefits | 3,309,450 | - | - | - |
| Other staff related expenses | 776,269 | 1,905,258 | 551,316 | 694,572 |
| | 23,155,236 | 17,755,400 | 4,456,323 | 3,657,082 |

Included in employee benefits expense of the Group and the Company are executive directors' remuneration amounting to RM1,714,905 (2014: RM1,292,531) and RM487,595 (2014: RM Nil).

## 11. Directors' remuneration

The details of remuneration receivable by directors of the Company during the year are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Executive: | | | | |
| Salaries and other emoluments, representing total executive director's remuneration (excluding benefits-in-kind) | 470,295 | - | 469,295 | - |
| Estimated money value of benefits-in-kind | 18,300 | - | 18,300 | - |
| Total executive director's remuneration (including benefits-in-kind) | 488,595 | - | 487,595 | - |
| Non-executive: | | | | |
| Fees | 494,200 | 513,100 | 494,200 | 501,100 |
| Other emoluments | 132,700 | 248,797 | 131,450 | 124,700 |
| Total non-executive directors' remuneration | 626,900 | 761,897 | 625,650 | 625,800 |
| Total directors' remuneration | 1,115,495 | 761,897 | 1,113,245 | 625,800 |

The number of directors of the Company whose total remuneration during the financial year fall within the following bands is analysed below:

| | Number of directors | |
|---|---|---|
| | 2015 | 2014 |
| Executive director: | | |
| RM450,001 – RM500,000 | 1 | - |
| Non-executive directors: | | |
| Up to RM50,000 | 1 | - |
| RM50,001 – RM100,000 | 7 | 8 |
| RM100,001 – RM150,000 | 1 | 1 |

## 12. Income tax expense/(benefit)

Major components of income tax expense/(benefit)

The major components of income tax expense/(benefit) for the years ended 31 December 2015 and 2014 are:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Statement of profit or loss and other comprehensive income: | | | | |
| Current income tax: | | | | |
| Malaysian income tax | 3,489,886 | 3,481,771 | - | - |
| Over provision in prior years | (316,349) | (183,948) | - | (893,387) |
| | 3,173,537 | 3,297,823 | - | (893,387) |
| Deferred income tax (Note 32): | | | | |
| Relating to originating and reversal of temporary differences | (195,383) | 307,896 | - | - |
| Income tax expense/(benefit) for the year | 2,978,154 | 3,605,719 | - | (893,387) |

Reconciliation between tax expense/(benefit) and accounting profit

The reconciliation between tax expense/(benefit) and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2015 and 2014 are as follows:

| | 2015 RM | 2014 RM |
|---|---|---|
| **Group** | | |
| (Loss)/profit before taxation | (24,739,618) | 9,776,927 |
| Tax at Malaysian statutory tax rate of 25% (2014: 25%) | (6,184,905) | 2,444,232 |
| Different tax rate in another country | (387,276) | (18,129) |
| Utilisation of Group relief | (1,811,845) | (121,341) |
| Effect of income not subject to tax | (7,653,885) | (10,710,047) |
| Effect of expenses not deductible for tax purposes | 13,206,427 | 6,880,706 |
| Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances | (357,454) | (1,385,987) |
| Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances | 6,455,397 | 6,674,876 |
| Over provision of income tax in prior years | (316,349) | (183,948) |
| Share of tax of associate | 38,447 | 25,357 |
| Income tax expense for the year | 2,978,154 | 3,605,719 |

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 12. Income tax expense/(benefit) (cont'd.)

Reconciliation between tax expense/(benefit) and accounting profit (cont'd.)

| | 2015 RM | 2014 RM |
|---|---|---|
| **Company** | | |
| Profit/(loss) before taxation | 12,039,597 | (866,796) |
| Tax at Malaysian statutory tax rate of 25% (2014: 25%) | 3,009,899 | (216,699) |
| Effect of income not subject to tax | (7,240,000) | (10,122,055) |
| Effect of expenses not deductible for tax purposes | 3,343,620 | 4,618,354 |
| Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances | 886,481 | 5,720,400 |
| Over provision of income tax in prior years | - | (893,387) |
| Income tax benefit for the year | - | (893,387) |

Domestic income tax is calculated at statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 24% from the current year's rate of 25%, effective from year of assessment 2016. The computation of deferred tax as at 31 December 2015 has reflected these changes.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

Tax savings during the financial year arising from:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Utilisation of previously unrecognised tax losses and unabsorbed capital allowances | 357,454 | 1,385,987 | - | - |

## 13. (Loss)/earning per share

### (a) Basic

Basic (loss)/earnings per share amounts are calculated by dividing (loss)/profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| (Loss)/profit attributable to ordinary equity holders of the Company (RM) | (24,736,697) | 4,966,767 |
| Weighted average number of ordinary sharesin issue (units) | 205,978,000 | 205,978,000 |
| Basic (loss)/earning per share (sen) | (12.01) | 2.41 |

### (b) Diluted

No diluted earnings per share were presented as there were no potential dilutive ordinary shares outstanding as at 31 December 2015 and 31 December 2014.

## 14. Property, plant and equipment

| | Leasehold improvement RM | Buildings RM | Plant and machinery RM | Work-in -progress RM | Other assets* RM | Total RM |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **Cost:** | | | | | | |
| **At 1 January 2014** | 438,575 | 7,323,049 | 10,189,577 | 493,384 | 9,624,948 | 28,069,533 |
| Additions | - | 519,321 | 1,070,913 | 1,643,808 | 294,883 | 3,528,925 |
| Disposals | - | (1,704,346) | - | - | (137,415) | (1,841,761) |
| Exchange differences | (13,210) | - | (288,326) | - | (39,440) | (340,976) |
| **At 31 December 2014 and 1 January 2015** | 425,365 | 6,138,024 | 10,972,164 | 2,137,192 | 9,742,976 | 29,415,721 |
| Additions | 84,705 | - | 1,378,898 | 1,828,486 | 1,059,720 | 4,351,809 |
| Disposals | - | (2,083,579) | - | - | (234,620) | (2,318,199) |
| Exchange differences | (43,842) | - | (1,007,208) | - | (162,036) | (1,213,086) |
| **At 31 December 2015** | 466,228 | 4,054,445 | 11,343,854 | 3,965,678 | 10,406,040 | 30,236,245 |
| **Accumulated depreciation:** | | | | | | |
| **At 1 January 2014** | 109,785 | 1,225,440 | 1,620,556 | - | 6,274,143 | 9,229,924 |
| Charge for the year (Note 9) | 40,449 | 139,880 | 589,779 | - | 724,605 | 1,494,713 |
| Disposals | - | (274,815) | - | - | (137,413) | (412,228) |
| Exchange differences | (3,120) | - | (45,736) | - | (8,542) | (57,398) |
| **At 31 December 2014 and 1 January 2015** | 147,114 | 1,090,505 | 2,164,599 | - | 6,852,793 | 10,255,011 |
| Charge for the year (Note 9) | 41,015 | 95,755 | 604,491 | - | 706,769 | 1,448,030 |
| Disposals | - | (373,938) | - | - | (178,456) | (552,394) |
| Exchange differences | (16,205) | - | (218,085) | - | (53,418) | (287,708) |
| **At 31 December 2015** | 171,924 | 812,322 | 2,551,005 | - | 7,327,688 | 10,862,939 |
| **Net carrying amount:** | | | | | | |
| At 31 December 2014 | 278,251 | 5,047,519 | 8,807,565 | 2,137,192 | 2,890,183 | 19,160,710 |
| At 31 December 2015 | 294,304 | 3,242,123 | 8,792,849 | 3,965,678 | 3,078,352 | 19,373,306 |

* Other assets consist of office renovation, furniture and fittings, office equipment and motor vehicles.

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 14. Property, plant and equipment (cont'd.)

| | Office equipment RM | Motor vehicles RM | Furniture & fittings RM | Office renovation RM | Total RM |
|---|---|---|---|---|---|
| **Company** | | | | | |
| **Cost:** | | | | | |
| **At 1 January 2014** | 557,457 | 1,110,465 | 42,394 | 77,649 | 1,787,965 |
| Additions | 91,531 | - | 8,098 | - | 99,629 |
| **At 31 December 2014 and 1 January 2015** | 648,988 | 1,110,465 | 50,492 | 77,649 | 1,887,594 |
| Additions | 36,877 | 341,517 | 5,714 | - | 384,108 |
| **At 31 December 2015** | 685,865 | 1,451,982 | 56,206 | 77,649 | 2,271,702 |
| **Accumulated depreciation:** | | | | | |
| **At 1 January 2014** | 237,463 | 280,457 | 4,625 | 20,274 | 542,819 |
| Charge for the year (Note 9) | 118,607 | 111,046 | 4,764 | 7,764 | 242,181 |
| **At 31 December 2014 and 1 January 2015** | 356,070 | 391,503 | 9,389 | 28,038 | 785,000 |
| Charge for the year (Note 9) | 131,721 | 142,807 | 5,075 | 7,765 | 287,368 |
| **At 31 December 2015** | 487,791 | 534,310 | 14,464 | 35,803 | 1,072,368 |
| **Net carrying amount:** | | | | | |
| At 31 December 2014 | 292,918 | 718,962 | 41,103 | 49,611 | 1,102,594 |
| At 31 December 2015 | 198,074 | 917,672 | 41,742 | 41,846 | 1,199,334 |

During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate costs of RM1,716,577 (2014: RM983,428) and RM341,517 (2014: RM Nil) respectively by means of hire purchase. The cash outflow on acquisition of property, plant and equipment by the Group and the Company amounted to RM2,635,232 (2014: RM2,545,497) and RM42,591 (2014: RM99,629) respectively. Net carrying amounts of property, plant and equipment held under hire purchase arrangements are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Motor vehicles | 1,665,917 | 997,826 | 917,672 | 718,962 |
| Plant and machinery | 722,496 | 621,563 | - | - |
| | 2,388,413 | 1,619,389 | 917,672 | 718,962 |

In addition to assets held under finance leases, the Group's property, plant and equipment, with carrying amount of RM994,634 (2014: RM2,854,565) are pledged to secure the Group's bank borrowings (Note 26).

## 15. Land held for property development and property development costs

### (a) Land held for property development

| | Freehold land RM | Leasehold land RM | Total RM |
|---|---|---|---|
| **Group** | | | |
| **At 31 December 2015** | | | |
| **Cost** | | | |
| **At 1 January 2015** | 69,407,255 | 60,916,358 | 130,323,613 |
| Additions | 3,308,149 | 1,936,225 | 5,244,374 |
| Disposals (Note 5) | - | (1,167,833) | (1,167,833) |
| Reclassification | (25,610,217) | 25,610,217 | - |
| Transfer to property development costs (Note 15(b)) | - | (240,962) | (240,962) |
| **At 31 December 2015** | 47,105,187 | 87,054,005 | 134,159,192 |
| **Carrying amount at 31 December 2015** | 47,105,187 | 87,054,005 | 134,159,192 |
| **At 31 December 2014** | | | |
| **Cost** | | | |
| **At 1 January 2014** | 55,023,663 | 91,008,738 | 146,032,401 |
| Disposals (Note 5) | (2,594,015) | (400,930) | (2,994,945) |
| Transfer from/(to) property development costs (Note 15(b)) | 16,977,607 | (9,575,083) | 7,402,524 |
| **At 31 December 2014 (As previously stated)** | 69,407,255 | 81,032,725 | 150,439,980 |
| Written off | - | (20,116,367) | (20,116,367) |
| **At 31 December 2014 (As restated)** | 69,407,255 | 60,916,358 | 130,323,613 |
| **Accumulated impairment losses** | | | |
| At 1 January 2014 (As previously stated) | - | (20,116,367) | (20,116,367) |
| Written off | - | (20,116,367) | (20,116,367) |
| **At 31 December 2014 (As restated)** | - | - | - |
| **Carrying amount at 31 December 2014** | 69,407,255 | 60,916,358 | 130,323,613 |

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 15. Land held for property development and property development costs (cont'd.)

### (b) Property development costs

| | Freehold land RM | Leasehold land RM | Development costs RM | Total RM |
|---|---|---|---|---|
| **Group** | | | | |
| **At 31 December 2015** | | | | |
| **Cumulative property development costs** | | | | |
| At 1 January 2015 | 17,551,185 | 16,888,985 | 199,576,536 | 234,016,706 |
| Costs incurred during the year | - | 511,313 | 45,444,888 | 45,956,201 |
| Transfer from land held for property development (Note 15(a)) | - | 240,962 | - | 240,962 |
| Disposals (Note 5) | - | - | (768,392) | (768,392) |
| Reversal of completed projects | (1,755,041) | (605,232) | (68,029,371) | (70,389,644) |
| Unsold units transferred to inventories | - | (70,738) | (14,951,874) | (15,022,612) |
| Written off (Note 9) | - | - | (208,810) | (208,810) |
| **At 31 December 2015** | 15,796,144 | 16,965,290 | 161,062,977 | 193,824,411 |
| **Accumulated impairment losses** | | | | |
| At 1 January 2015 | - | - | (3,591,013) | (3,591,013) |
| Written off | - | - | 29,314 | 29,314 |
| **At 31 December 2015** | - | - | (3,561,699) | (3,561,699) |
| **Cumulative costs recognised in profit or loss** | | | | |
| **At 1 January 2015** | - | (70,912) | (68,218,245) | (68,289,157) |
| Recognised during the year (Note 5) | - | (898,537) | (46,818,263) | (47,716,800) |
| Reversal of completed projects | - | 605,232 | 69,784,412 | 70,389,644 |
| **At 31 December 2015** | - | (364,217) | (45,252,096) | (45,616,313) |
| **Property development costs at 31 December 2015** | 15,796,144 | 16,601,073 | 112,249,182 | 144,646,399 |
| **At 31 December 2014** | | | | |
| **Cumulative property development costs** | | | | |
| **At 1 January 2014** | 45,766,743 | 6,999,719 | 161,830,565 | 214,597,027 |
| Costs incurred during the year | - | 622,096 | 80,050,215 | 80,672,311 |
| Transfer (to)/from land held for property development (Note 15(a)) | (16,977,607) | 9,575,083 | - | (7,402,524) |
| Reclassification | (989,693) | - | 989,693 | - |
| Disposals (Note 5) | (8,840,727) | - | (14,127,976) | (22,968,703) |
| Reversal of completed projects | - | (237,001) | (22,822,939) | (23,059,940) |
| Unsold units transferred to inventories | (319,600) | (70,912) | (5,733,191) | (6,123,703) |
| Transfer to sundry receivables * | (1,087,931) | - | - | (1,087,931) |
| Written off (Note 9) | - | - | (609,831) | (609,831) |
| **At 31 December 2014** | 17,551,185 | 16,888,985 | 199,576,536 | 234,016,706 |

* Refundable deposit for purchase of land upon cancellation of project.

## 15. Land held for property development and property development costs (cont'd.)

### (b) Property development costs (cont'd.)

| | Freehold land RM | Leasehold land RM | Development costs RM | Total RM |
|---|---|---|---|---|
| **Group (cont'd.)** | | | | |
| **At 31 December 2014** | | | | |
| **Accumulated impairment losses** | | | | |
| At 1 January 2014 / 31 December 2014 | - | - | (3,591,013) | (3,591,013) |
| **Cumulative costs recognised in profit or loss** | | | | |
| **At 1 January 2014** | - | (290,253) | (48,641,600) | (48,931,853) |
| Recognised during the year (Note 5) | - | (17,660) | (42,399,584) | (42,417,244) |
| Reversal of completed projects | - | 237,001 | 22,822,939 | 23,059,940 |
| At 31 December 2014 | - | (70,912) | (68,218,245) | (68,289,157) |
| **Property development costs at 31 December 2014** | 17,551,185 | 16,818,073 | 127,767,278 | 162,136,536 |

The freehold land and leasehold land of certain subsidiaries with a carrying value of RM40,243,416 (2014: RM38,177,961) have been charged as security for short term borrowings (Note 27).

The title of leasehold land held for development of a subsidiary with a carrying value of RM18,187,229 (2014: RM18,401,524) is still pending transfer to the subsidiary's name from the ultimate holding corporation, Perbadanan Kemajuan Negeri Pahang.

The title of freehold land and leasehold land held for development of a subsidiary with carrying value of RM Nil (2014: RM30,667,936) and RM25,610,217 (2014: RM25,610,217) respectively are still pending transfer to the subsidiary's name from the owners.

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 16. Investment properties

| | Group 2015 RM | Group 2014 RM |
|---|---|---|
| **Buildings** | | |
| **Cost** | | |
| At 1 January | 9,933,261 | 10,265,956 |
| Addition | 2,112,188 | - |
| Transferred from inventories | 14,614,098 | - |
| Disposals | (332,695) | (332,695) |
| At 31 December | 26,326,852 | 9,933,261 |
| **Accumulated depreciation** | | |
| At 1 January | 2,138,783 | 1,975,683 |
| Charge for the year (Note 9) | 314,150 | 173,325 |
| Disposals | (18,745) | (10,225) |
| At 31 December | 2,434,188 | 2,138,783 |
| **Net carrying amount** | | |
| At 31 December | 23,892,664 | 7,794,478 |

Fair value information

As at 31 December 2015 and 2014, the fair values of the properties are based on valuations performed by accredited independent valuers. A valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied. Fair value of investment property is based on Level 2 of RM39,361,928 (2014: RM9,501,378).

Level 2 fair value

Level 2 fair value of buildings have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size, location and accessibility, topographical factors, land use zoning, time factor, improvements and surrounding land uses. The most significant input into this valuation approach is price per square foot of comparable properties.

Certain investment properties with carrying amount of RM14,583,901 (2014: RM121,172) are pledged to a financial institution for credit facilities granted to a subsidiary (Note 26).

The following are recognised in profit or loss in respect of investment properties:

| | Group 2015 RM | Group 2014 RM |
|---|---|---|
| Rental income | 4,451,772 | 4,394,539 |
| Direct operating expenses | 314,150 | 173,325 |

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 17. Investments in subsidiaries

| | Company 2015 RM | Company 2014 RM |
|---|---|---|
| Unquoted shares at cost | 287,741,082 | 265,252,861 |
| Add: Addition during the year | 7,910,000 | 22,488,221 |
| | 295,651,082 | 287,741,082 |
| Less: Accumulated impairment losses | (138,372,765) | (130,452,104) |
| | 157,278,317 | 157,288,978 |

Details of the subsidiaries are as follows:

| Name | Country of incorporation/ Principal place of business | Principal activities | % of ownership interest held by the Group 2015 | % of ownership interest held by the Group 2014 | % of ownership interest held by non-controlling interest 2015 | % of ownership interest held by non-controlling interest 2014 |
|---|---|---|---|---|---|---|
| *Held by the Company:* | | | | | | |
| Pasdec Corporation Sdn. Bhd. | Malaysia | Property development and project management | 100 | 100 | - | - |
| Kuantan Tembeling Resort Sdn. Bhd. | Malaysia | Property management and maintenance | 100 | 100 | - | - |
| Pasdec Land Sdn. Bhd. | Malaysia | Property development | 100 | 100 | - | - |
| Pasdec Bina Sdn. Bhd. # | Malaysia | Building and civil construction | 100 | 100 | - | - |
| Kimdec Corporation Sdn. Bhd. | Malaysia | Property development | 100 | 100 | - | - |
| Sumbangan Sakti Sdn. Bhd. # | Malaysia | Property development and renewable energy | 100 | 100 | - | - |
| Pasdec Mega Sdn. Bhd. # | Malaysia | Property development and renewable energy | 100 | 100 | - | - |
| Pasdec Pintas Sdn. Bhd. | Malaysia | Dormant | 70 | 70 | 30 | 30 |
| Mutiara Pasdec Sdn. Bhd. # | Malaysia | Investment holding | 100 | 60 | 100 | - |
| Deep Sea Thermal Solutions Sdn. Bhd. # | Malaysia | Dormant | 100 | 100 | - | - |
| Pasdec Engineering Sdn. Bhd. | Malaysia | Value engineering and consultancy services | 51 | 51 | 49 | 49 |
| GELNAS Sdn. Bhd. # | Malaysia | Manufacturing and supply of halal gelatine and gelatine based products | 100 | 100 | - | - |
| Prima Net Technologies Sdn. Bhd. | Malaysia | UniFi installation services and Information and Communication Technologies related business | 100 | 100 | - | - |

# Notes to the Financial Statements
For the financial year ended 31 December 2015

### 17. Investments in subsidiaries (cont'd.)

| Name | Country of incorporation/ Principal place of business | Principal activities | % of ownership interest held by the Group | | % of ownership interest held by non-controlling interest | |
|---|---|---|---|---|---|---|
| | | | 2015 | 2014 | 2015 | 2014 |
| *Held through Pasdec Corporation Sdn. Bhd.:* | | | | | | |
| Pasdec Putra Sdn. Bhd. | Malaysia | Property development | 100 | 100 | - | - |
| *Held through Mutiara Pasdec Sdn. Bhd.:* | | | | | | |
| Pahang Aircraft Industries Sdn. Bhd. # | Malaysia | Dormant | 100 | 100 | - | - |
| Pasdec Trading Sdn. Bhd. # | Malaysia | Dormant | 100 | 100 | - | - |
| Pahang Off-Shore Sdn. Bhd. ** | Malaysia | Investment holding | 100 | 100 | - | - |
| *Held through Pahang Off-Shore Sdn. Bhd.:* | | | | | | |
| Pasdec Resources S.A. Limited * | South Africa | Investment holding | 97 | 97 | 3 | 3 |
| *Held through Pasdec Resources S.A. Limited:* | | | | | | |
| Pasdec Automotive Technologies (Pty) Ltd. * | South Africa | Manufacturing and supply of automotive wiring harnesses | 70 | 70 | 30 | 30 |
| Femcotec Finance (Proprietary) Ltd. * | South Africa | Dormant | 100 | 100 | - | - |
| *Held through Pasdec Automotive Technologies (Pty) Ltd.:* | | | | | | |
| Pasdec Automotive Technologies (Botswana) (Pty) Ltd. * | Botswana | Manufacturing and supply of automotive wiring harnesses | 100 | - | - | - |

(a) * Audited by a firm of chartered accountants other than Hanafiah Raslan & Mohamad.

(b) ** Audited by Ernst & Young, Malaysia.

(c) @ The auditors' report on the financial statements of Pasdec Corporation Sdn. Bhd. was qualified on an "except for" basis as we were unable to obtain sufficient appropriate audit evidence relating to an unauthorised mining activity as disclosed in Note 41.

(d) # The auditors' reports on the financial statements of these subsidiaries were not subject to any qualification. The ability to continue as a going concern is dependent on the success of their future operations and the continued financial support from their holding company.

The Group had pledged the equity interest in Pasdec Automotive Technologies (Pty) Ltd. with carrying value of RM5,112,521 (2014: RM13,358,946) as a security for borrowings granted to the Group amounting to RM3,040,718 (2014: RM4,953,927) (Note 26).

On 15 May 2015, a wholly-owned subsidiary held through Pasdec Automotive Technologies (Pty) Ltd. ("PAT"), Pasdec Automotive Technologies (Botswana) (Pty) Ltd. ("PAT BW") was incorporated in Botswana under Botswana Companies Act, 2007. PAT acquired 100 ordinary shares representing 100% equity interest in PAT BW, for a total cash consideration of BWP100.00 (approximately RM37.60).

## 18. Investments in associates

| | Group 2015 RM | Group 2014 RM |
|---|---|---|
| Unquoted shares, at cost | 23,290,750 | 23,290,750 |
| Share of post-acquisition reserves | 2,227,077 | 2,580,864 |
| | 25,517,827 | 25,871,614 |
| Exchange differences | (6,674,622) | (5,444,156) |
| | 18,843,205 | 20,427,458 |
| Less: Accumulated impairment losses | (70,000) | (70,000) |
| | 18,773,205 | 20,357,458 |

(a) Details of the associates are as follows:

| Name | Country of incorporation/ Principal place of business | Principal activities | % of ownership interest held by the Group 2015 | % of ownership interest held by the Group 2014 | Accounting model applied |
|---|---|---|---|---|---|
| *Held by the Company:* | | | | | |
| Pasdec Technology Centre and Services Sdn. Bhd. * | Malaysia | Operations maintenance of high end data centre. | 50 | 50 | Equity method |
| *Held through subsidiaries:* | | | | | |
| Prima Prai Sdn. Bhd. * | Malaysia | Property development | 20 | 20 | Equity method |
| Genting View Resort Development Sdn. Bhd. * | Malaysia | Ceased operations | 40 | 40 | Equity method |
| Pasdec Cempaka Sdn. Bhd. * | Malaysia | Dormant | 40 | 40 | Equity method |
| CRH Africa Automotive (Pty) Ltd. * | South Africa | Manufacturing of automobile seat components and catalytic converters | 30.87 | 30.87 | Equity method |
| Pahang Specialist Hospital Sdn. Bhd | Malaysia | Dormant | 30 | 30 | Equity method |

* Audited by a firm of chartered accountants other than Hanafiah Raslan & Mohamad.

The financial statements of the above associates are coterminous with those of the Group, except for Prima Prai Sdn. Bhd. and Genting View Resort Development Sdn. Bhd. which have financial years end on 31 March and 30 June respectively. For the purpose of applying the equity method of accounting, the management accounts of Prima Prai Sdn. Bhd. and Genting View Resort Development Sdn. Bhd. for the respective year and period ended 31 December 2015 have been used.

# Notes to the Financial Statements
For the financial year ended 31 December 2015

**18. Investments in associates (cont'd.)**

(b) Summarised financial information of CRH Automotive (Pty) Ltd. which represent an associate that is material to the Group is set out below. The summarised financial information represents the amounts in the FRS financial statements of the associate and not the Group's share of those amounts. Other associates are not material to the Group.

(i) Summarised statement of financial position

| | CRH Automotive (Pty) Ltd. | |
|---|---|---|
| | **2015** | **2014** |
| | **RM** | **RM** |
| Non-current assets | 37,355,564 | 40,456,985 |
| Current assets | 53,635,788 | 61,553,414 |
| Total assets | 90,991,352 | 102,010,399 |
| Non-current liabilities | 4,795,281 | 5,465,363 |
| Current liabilities | 34,837,663 | 41,797,975 |
| Total liabilities | 39,632,944 | 47,263,338 |
| Net assets | 51,358,408 | 54,747,061 |

(ii) Summarised statement of profit or loss and other comprehensive income

| | CRH Automotive (Pty) Ltd. | |
|---|---|---|
| | **2015** | **2014** |
| | **RM** | **RM** |
| Revenue | 221,053,411 | 207,547,517 |
| Profit before tax | 1,792,793 | 2,102,422 |
| Profit for the year | 1,363,567 | 1,413,016 |
| Total comprehensive income | 1,363,567 | 1,413,016 |

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associates

| | CRH Automotive (Pty) Ltd. | |
|---|---|---|
| | **2015** | **2014** |
| | **RM** | **RM** |
| Net assets at 1 January | 54,747,061 | 54,984,279 |
| Profit for the year | 1,363,567 | 1,413,016 |
| Foreign currency translation reserve | (4,752,223) | (1,650,234) |
| Net assets at 31 December | 51,358,405 | 54,747,061 |
| Interest in associates | 30.87% | 30.87% |
| Carrying value of Group's interest in associates | 15,854,340 | 16,900,418 |

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 18. Investments in associates (cont'd.)

(c) Aggregate information of associates that are not individually material

| | 2015<br>RM | 2014<br>RM |
|---|---|---|
| The Group's share of loss before tax | (529,570) | (542,110) |
| The Group's share of loss after tax | (478,048) | (422,962) |
| The Group's share of total comprehensive loss | (478,048) | (422,962) |

(d) Significant restrictions

The Group had pledged the equity interest in CRH Africa Automotive (Pty) Ltd. with carrying value of RM15,854,341 (2014: RM16,900,418) as a security for borrowings granted to the Group amounting to RM1,664,496 (2014: RM3,636,168) (Note 26).

## 19. Inventories

| | Group | |
|---|---|---|
| | 2015<br>RM | 2014<br>RM |
| **Cost** | | |
| Properties held for sale | 49,632,152 | 56,101,897 |
| Raw materials | 8,298,290 | 9,123,347 |
| Work-in-progress | 4,021,568 | 3,023,052 |
| | 61,952,010 | 68,248,296 |
| **Net realisable value** | | |
| Properties held for sale | 659,176 | 659,176 |
| Finished goods | 2,959,349 | 752,733 |
| | 3,618,525 | 1,411,909 |
| | 65,570,535 | 69,660,205 |

The Group has pledged the properties held for sale amounting to RM24,936,240 (2014: RM41,598,222), as security for bank facilities (Note 26).

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 20. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| **Current** | | | | |
| Trade receivables | 70,963,289 | 79,679,745 | - | - |
| Construction contracts: | | | | |
| Retention sum receivable (Note 22) | 4,342,314 | 4,674,884 | - | - |
| | 75,305,603 | 84,354,629 | - | - |
| Less: Allowance for impairment | (14,403,880) | (10,165,777) | - | - |
| | 60,901,723 | 74,188,852 | - | - |
| **Other receivables** | | | | |
| Amounts due from related parties: | | | | |
| Subsidiaries | - | - | 132,695,085 | 115,244,650 |
| Holding corporation | 17,065,320 | 17,065,320 | 17,065,320 | 17,065,320 |
| | 17,065,320 | 17,065,320 | 149,760,405 | 132,309,970 |
| Deposits | 2,181,560 | 2,573,687 | - | - |
| Sundry receivables | 11,531,231 | 14,146,873 | 8,000 | - |
| Goods and Services Tax (“GST”) receivable | 58,897 | - | - | - |
| | 30,837,008 | 33,785,880 | 149,768,405 | 132,309,970 |
| Less: Allowance for impairment | | | | |
| Third parties | (8,556,909) | (8,228,572) | - | - |
| Subsidiaries | - | - | (12,397,506) | (9,476,253) |
| Holding corporation | (15,776,164) | (15,776,164) | (15,776,164) | (15,776,164) |
| | (24,333,073) | (24,004,736) | (28,173,670) | (25,252,417) |
| | 6,503,935 | 9,781,144 | 121,594,735 | 107,057,553 |
| Total trade and other receivables | 67,405,658 | 83,969,996 | 121,594,735 | 107,057,553 |
| Add: Cash and bank balances (Note 24) | 31,314,222 | 17,311,746 | 332,800 | 1,013,621 |
| Less: GST receivable | (58,897) | - | - | - |
| Total loans and receivables | 98,660,983 | 101,281,742 | 121,927,535 | 108,071,174 |

## 20. Trade and other receivables (cont'd.)

### (a) Trade receivables

Trade receivables are non-interest bearing and are generally on 7 to 90 day (2014: 7 to 90 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

| | Group | |
|---|---|---|
| | 2015 RM | 2014 RM |
| Neither past due nor impaired | 18,706,481 | 38,769,435 |
| 1 to 30 days past due not impaired | 2,208,010 | 3,915,846 |
| 31 to 60 days past due not impaired | 3,322,729 | 2,976,419 |
| 61 to 90 days past due not impaired | 2,084,788 | 3,491,413 |
| More than 91 days past due not impaired | 34,579,715 | 25,035,739 |
| | 42,195,242 | 35,419,417 |
| Impaired | 14,403,880 | 10,165,777 |
| | 75,305,603 | 84,354,629 |

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM42,195,242 (2014: RM35,419,417) that are past due at the reporting date but not impaired.

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience and no adverse information to date, the directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered fully recoverable.

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 20. Trade and other receivables (cont'd.)

### (a) Trade receivables (cont'd.)

Trade receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

| | Individually impaired | |
|---|---|---|
| | 2015 RM | 2014 RM |
| **Group** | | |
| Trade receivables - nominal amounts | 14,403,880 | 10,165,777 |
| Less: Allowance for impairment | (14,403,880) | (10,165,777) |
| | - | - |

Movement in allowance accounts:

| | Group | |
|---|---|---|
| | 2015 RM | 2014 RM |
| At 1 January | 10,165,777 | 5,740,545 |
| Charge for the year (Note 9) | 5,588,863 | 4,841,170 |
| Reversal (Note 9) | (687,232) | (373,665) |
| Written off | (663,528) | (42,273) |
| At 31 December | 14,403,880 | 10,165,777 |

Included in impairment loss for the year of RM5,588,863 above is an amount of RM2,856,755, being advances given to sub-contractors of a subsidiary, Pasdec Bina Sdn. Bhd. whose contracts have been terminated.

### (b) Other receivables

The amounts due from subsidiaries bear interest at 3.0% (2014: 3.0%) per annum. These amounts are unsecured, repayable on demand and to be settled in cash.

The amount due from holding corporation is unsecured, non-interest bearing, repayable on demand and to be settled in cash.

Other receivables that are impaired

The Group's and Company's other receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

| | Individually impaired | | | |
|---|---|---|---|---|
| | Group | | Company | |
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| **Group** | | | | |
| Other receivables - nominal amounts | 24,671,653 | 25,793,453 | 30,992,198 | 28,653,906 |
| Less: Allowance for impairment | (24,333,073) | (24,004,736) | (28,173,670) | (25,252,417) |
| | 338,580 | 1,788,717 | 2,818,528 | 3,401,489 |

## 20. Trade and other receivables (cont'd.)

### (b) Other receivables (cont'd.)

Movement in allowance accounts:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| At 1 January | 24,004,736 | 25,390,557 | 25,252,417 | 20,438,652 |
| Charge for the year (Note 9) | 408,204 | 15,106 | 3,133,687 | 5,497,945 |
| Reversal (Note 9) | (79,867) | (528,645) | (212,434) | (684,180) |
| Written off | - | (872,282) | - | - |
| At 31 December | 24,333,073 | 24,004,736 | 28,173,670 | 25,252,417 |

## 21. Other current assets

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Prepaid operating expenses | 3,410,105 | 1,539,865 | 111,429 | 191,378 |
| Accrued billings in respect of property development costs | 10,529,428 | 13,123,757 | - | - |
| Amount due from customers for contract (Note 22) | 2,746,998 | 2,987,228 | - | - |
| | 16,686,531 | 17,650,850 | 111,429 | 191,378 |

## 22. Gross amount due from customers

| | Group | |
|---|---|---|
| | 2015 RM | 2014 RM |
| Construction contract costs incurred todate | 7,264,594 | 44,291,745 |
| Attributable profits | 598,880 | 1,403,987 |
| | 7,863,474 | 45,695,732 |
| Less : Progress billings | (5,116,476) | (42,708,504) |
| | 2,746,998 | 2,987,228 |
| *Presented as:* | | |
| Gross amount to customers for contract work (Note 21) | 2,746,998 | 2,987,228 |
| Retention sum on contracts, included within trade receivables (Note 20) | 4,342,314 | 4,674,884 |

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 23. Marketable securities

| | 2015 RM | 2014 RM |
|---|---|---|
| *Available-for-sale financial assets* | | |
| At fair value: | | |
| Shares quoted in Malaysia | 14,944 | 16,299 |
| Unit trusts quoted in Malaysia | 471,037 | 490,310 |
| | 485,981 | 506,609 |

## 24. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Cash in hand and at banks | 25,210,281 | 11,743,748 | 332,800 | 1,013,621 |
| Deposits with licensed banks | 6,103,941 | 5,567,998 | - | - |
| Cash and bank balances | 31,314,222 | 17,311,746 | 332,800 | 1,013,621 |

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between 1 day and 365 day depending on the immediate cash requirements of the Group and earn interests at the respective short-term deposit rates. The weighted average effective interest rate as at 31 December 2015 for the Group was 3.15% (2014: 3.20%) per annum.

Included in cash at banks of the Group is an amount of RM4,210,531 (2014: RM4,003,328) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966 and therefore restricted from use in other operations.

Deposits with licensed banks of the Group amounting to RM5,141,813 (2014: RM4,619,102) are pledged to banks for credit facilities granted to certain subsidiaries (Note 26)

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Cash and bank balances | 31,314,222 | 17,311,746 | 332,800 | 1,013,621 |
| Less: | | | | |
| Bank overdrafts (Note 26) | (30,728,249) | (30,106,874) | - | - |
| Deposits pledged as securities for bank borrowing | (5,141,813) | (4,619,102) | - | - |
| Deposits with licensed banks for a period of more than 90 days | (178,935) | (179,808) | - | - |
| Cash and cash equivalents | (4,734,775) | (17,594,038) | 332,800 | 1,013,621 |

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 25. Retirement benefit obligations

The Group operates an unfunded, defined benefit Retirement Benefit Scheme ("the Scheme") for its eligible employees. Under the Scheme, eligible employees are entitled to retirement benefits with 7.5% of final salary multiplied with plan service with maximum of 300 months payable on attainment of the retirement age of 40 upon completion of 10 or more years of plan service or retirement age of 56.

The following tables summarise the components of net benefit expense recognised in profit or loss and the unfunded status and amounts recognised in the statements of financial position for the plans:

| | Group | | Company | |
|---|---|---|---|---|
| | **2015 RM** | **2014 RM** | **2015 RM** | **2014 RM** |
| **Net benefit expense** | | | | |
| Current service costs | 365,406 | 419,503 | 148,839 | 46,219 |
| Interest cost on benefit obligation | 255,900 | 250,476 | 104,677 | 220,158 |
| Net benefit expense, included in employee benefits expense (Note 10) | 621,306 | 669,979 | 253,516 | 266,377 |
| **Benefit liability** | | | | |
| Defined benefit obligation represents total benefit liability | 5,753,032 | 5,732,069 | 5,062,613 | 5,038,243 |
| Changes in present value of defined benefit obligations are as follows: | | | | |
| At 1 January | 5,732,069 | 5,434,672 | 5,038,243 | 4,823,272 |
| Current service costs | 365,406 | 419,503 | 148,839 | 46,219 |
| Interest cost | 255,900 | 250,476 | 104,677 | 220,158 |
| Benefits paid | (600,343) | (372,582) | (229,146) | (51,406) |
| At 31 December | 5,753,032 | 5,732,069 | 5,062,613 | 5,038,243 |
| Analysed as: | | | | |
| Current | 674,954 | 358,823 | 535,914 | 89,549 |
| Non-current | 5,078,078 | 5,373,246 | 4,526,699 | 4,948,694 |
| | 5,753,032 | 5,732,069 | 5,062,613 | 5,038,243 |

The principal assumptions used in determining defined benefit plans are shown below:

| | **2015 %** | **2014 %** |
|---|---|---|
| Discount rate | 4.75 | 4.75 |
| Future salary increases | 5.00 | 5.00 |

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 25. Retirement benefit obligations (cont'd.)

The Retirement Benefit Scheme was revalued on 13 October 2013. As at that date, the valuation showed that the Group's provision for retirement benefits was sufficient to meet the actuarially determined value of vested benefits.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

| | Group | | Company | |
|---|---|---|---|---|
| | Increase RM | Decrease RM | Increase RM | Decrease RM |
| **2015** | | | | |
| Discount rate (1% of movement) | (2,733) | 2,733 | (2,405) | 2,405 |
| Future salary (1% of movement) | 2,877 | (2,877) | 2,531 | (2,531) |
| **2014** | | | | |
| Discount rate (1% of movement) | (2,723) | 2,723 | (2,393) | 2,393 |
| Future salary (1% of movement) | 2,866 | (2,866) | 2,519 | (2,519) |

## 26. Loans and borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| **Current** | | | | |
| Secured: | | | | |
| Bank overdrafts | 30,728,249 | 30,106,874 | - | - |
| Revolving credits | 2,000,000 | 2,000,000 | - | - |
| Bankers' acceptances | 640,000 | 1,365,673 | - | - |
| Term loans | | | | |
| - Loan at Based Funding Rate ("BFR") + 0.50% per annum | 1,973,369 | 3,202,100 | - | - |
| - Loan at BFR + 1.00% per annum | 750,029 | - | - | - |
| - Loan at BFR + 1.35% per annum | 2,666,664 | 3,097,010 | - | - |
| - Loan at BFR + 1.50% per annum | 2,174,210 | 5,527,858 | - | - |
| - Loan at BFR - 1.50% per annum | 386,374 | 368,680 | - | - |
| - Loan at BFR - 1.90% per annum | 2,256,674 | 2,121,513 | - | - |
| - Loan at Based Lending Rate ("BLR") + 1.25% per annum | 3,765,900 | 3,764,923 | - | - |
| - Loan at BLR + 1.50% per annum | - | 289,684 | - | - |
| - Loan at BLR - 2.00% per annum | - | 1,348,435 | - | - |
| - Loan at prime + 2.0% per annum | 1,664,496 | 1,818,084 | - | - |
| - Loan at prime overdraft - 0.7% per annum | 1,371,994 | 1,498,592 | - | - |
| Obligations under finance leases (Note 27(b)) | 473,990 | 496,287 | 151,324 | 88,325 |
| | 50,851,949 | 57,005,713 | 151,324 | 88,325 |

## 26. Loans and borrowings (cont'd.)

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| **Non-current** | | | | |
| Secured: | | | | |
| Term loans | | | | |
| - Loan at BFR + 1.00% per annum | 4,249,971 | - | - | - |
| - Loan at BFR + 1.35% per annum | 4,000,004 | - | - | - |
| - Loan at BFR + 1.50% per annum | 8,339,287 | 10,511,917 | - | - |
| - Loan at BFR - 1.50% per annum | 2,240,615 | 2,633,736 | - | - |
| - Loan at BFR - 1.90% per annum | 15,321,693 | 17,992,740 | - | - |
| - Loan at BLR + 1.25% per annum | 3,105,392 | 5,016,327 | - | - |
| - Loan at BLR + 1.50% per annum | - | 644,711 | - | - |
| - Loan at prime + 2.0% per annum | - | 1,818,084 | - | - |
| - Loan at prime overdraft - 0.7% per annum | 1,668,724 | 3,455,335 | - | - |
| Obligations under finance leases (Note 27(b)) | 858,675 | 805,107 | 575,531 | 477,453 |
| Redeemable preference shares | 20,867,927 | - | - | - |
| | 60,652,288 | 42,877,957 | 575,531 | 477,453 |
| Total loans and borrowings | 111,504,237 | 99,883,670 | 726,855 | 565,778 |

The remaining maturities of the loans and borrowings as at 31 December 2015 are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| On demand or within one year | 50,851,949 | 57,005,713 | 151,324 | 88,325 |
| More than 1 year and less than 2 years | 8,186,654 | 14,538,400 | 159,648 | 88,325 |
| More than 2 years and less than 5 years | 34,282,777 | 14,653,499 | 364,026 | 296,305 |
| 5 years or more | 18,182,857 | 13,686,058 | 51,857 | 92,823 |
| | 111,504,237 | 99,883,670 | 726,855 | 565,778 |

Bank overdrafts

The bank overdrafts of the Group are secured against the land registered under the name of the holding corporation, first legal charge over long term leasehold land (Note 15) certain subsidiaries, fixed and floating charges over certain assets of subsidiaries, joint and several guarantee by the directors of a corporate shareholder of a subsidiary and corporate guarantee by a subsidiary and the Company. The weighted average effective interest as at 31 December 2015 for the Group was 8.17% (2014: 7.59%) per annum.

Revolving credits

The secured revolving credits of the Group are for a period of six months and are secured against fixed legal charge over certain leasehold land (Note 15) of a subsidiary and corporate guarantee by the Company. The weighted average effective interest as at 31 December 2015 for the Group was 8.82% (2014: 8.96%) per annum.

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 26. Loans and borrowings (cont'd.)

Bankers' acceptances

The secured bankers' acceptances of the Group are secured by certain assets of a subsidiary and is guaranteed by the Company. The weighted average effective interest as at 31 December 2015 for the Company is 6.38% (2014: 6.38%) per annum.

Term loans

- Loan at BFR + 0.50% per annum
- Loan at BFR + 1.00% per annum
- Loan at BFR + 1.35% per annum
- Loan at BFR + 1.50% per annum
- Loan at BFR - 1.50% per annum
- Loan at BFR - 1.90% per annum
- Loan at BLR + 1.25% per annum
- Loan at BLR + 1.50% per annum
- Loan at BLR - 2.00% per annum

The term loans are secured by the following:

(a) First legal charge over the freehold land and leasehold land of certain subsidiaries;
(b) Fixed and floating charges over certain assets (Note 14, Note 15 and Note 16) of subsidiaries;
(c) Joint and several guarantee by the directors of a corporate shareholder of the respective subsidiary; and
(d) Corporate guarantee by a subsidiary and the Company.

- Loan at prime + 2.0% per annum

The loan is secured by the following:

(a) Corporate guarantee from the Company; and
(b) 30.87% of ordinary shares held in CRH Africa Automotive (Pty) Ltd.

- Loan at prime overdraft rate - 0.7% per annum

The loan is secured by fixed and floating charges over certain assets of subsidiaries.

The weighted average effective interest as at 31 December 2015 for the Group was 8.16% (2014: 8.35%) per annum. The repayment periods of the Group's term loans are ranging from 2 years to 8 years.

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 14). The weighted average effective interest as at 31 December 2015 for the Group and the Company were 7.78% (2014: 7.29%) per annum and 5.33% (2014: 5.28%) per annum respectively.

Redeemable preference shares

On 26 June 2015, a redeemable preference share ("RPS") subscription agreement between Botswana Development Corporation ("BDC") and Pasdec Automotive Technologies (Botswana) Pty. Ltd. ("PAT BW") has been signed to provide funding to PAT BW of BWP52,100,000.

## 26. Loans and borrowings (cont'd.)

Redeemable preference shares (cont'd.)

| | Group | | | |
|---|---|---|---|---|
| | Number of RPS RM0.40 each | | Amount | |
| | 2015 | 2014 | 2015 RM | 2014 RM |
| **Authorised** | | | | |
| At 1 January | - | - | - | - |
| Created during the year | 52,100,000 | - | 20,867,927 | - |
| At 31 December | 52,100,000 | - | 20,867,927 | - |

The amounts recognised in the statement of financial position of the Company may be analysed as follows:

| | Group | | | |
|---|---|---|---|---|
| | Number of RPS RM0.40 each | | Amount | |
| | 2015 | 2014 | 2015 RM | 2014 RM |
| **Nominal value - issued and fully paid** | | | | |
| At 1 January | - | - | - | - |
| Issued and paid up during the year | 52,100,000 | - | 20,867,927 | - |
| At 31 December | 52,100,000 | - | 20,867,927 | - |

The salient features of the RPS issued by PAT BW are as follows:

(i) The Company provides irrevocable corporate guarantee to PAT BW in favour of BDC.
(ii) The redemption amount is the subscribe price aggregate multiplied by 110% and cumulative dividend at 4.0% per annum at the earlier of an event of default or third anniversary of issuance of RPS.
(iii) Financial covenant which stated that the net assets value of the Company shall be at least 2 times redemption amount.
(iv) Plant leasing which is located at Lobatse Clay Works by PAT BW from Western Industrial Estates (Proprietary) Limited ("WIEPL") (BDC's wholly owned subsidiary), for a ten years lease. WIEPL will fund the refurbishment of the Lobatse Clay Works property and customise it to PAT BW's requirements. In the event that PAT BW relocates or vacates the premises within 10 years of the date of occupation, it will be liable to pay all all the rentals payable for the remaining lease period.

## 27. Commitments

### (a) Operating lease commitments – as lessee

The Group has entered into commercial lease on office properties. Leases are negotiated for an average term of seven years. Rentals are fixed for an average of three years.

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

| | Group | |
|---|---|---|
| | 2015 RM | 2014 RM |
| Not later than 1 year | 789,392 | 809,449 |
| Later than 1 year but not later than 5 years | 1,546,121 | 2,551,018 |
| | 2,335,513 | 3,360,467 |

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 27. Commitments (cont'd.)

### (b) Finance lease commitments

The Group has finance leases for certain items of plant and equipment and furniture and fixtures (Note 14). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| **Minimum lease payments:** | | | | |
| Not later than 1 year | 626,937 | 660,707 | 183,348 | 114,984 |
| Later than 1 year and not later than 5 years | 861,635 | 835,253 | 573,875 | 419,037 |
| Later than 5 years | 116,675 | 113,033 | 53,881 | 113,033 |
| | 1,605,247 | 1,608,993 | 811,104 | 647,054 |
| Less: Future finance charges | (272,582) | (307,599) | (84,249) | (81,276) |
| Present value of lease liabilities | 1,332,665 | 1,301,394 | 726,855 | 565,778 |
| **Analysed as:** | | | | |
| Secured | | | | |
| Current (Note 26) | 473,990 | 496,287 | 151,324 | 88,325 |
| Non-current (Note 26) | 858,675 | 805,107 | 575,531 | 477,453 |
| | 1,332,665 | 1,301,394 | 726,855 | 565,778 |

### (c) Capital commitments

| | Group | |
|---|---|---|
| | 2015 RM | 2014 RM |
| Capital expenditure | | |
| Approved and contracted for: | | |
| Property plant and equipment | 70,502,099 | 74,467,779 |

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 28. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| **Current** | | | | |
| **Trade payables** | | | | |
| Third parties | 56,615,957 | 55,523,640 | - | - |
| **Other payables** | | | | |
| Amounts due to related parties: | | | | |
| Due to a director | - | 12,833 | - | - |
| Due to holding corporation | 8,545,990 | 8,057,908 | 5,895,369 | 5,865,029 |
| | 8,545,990 | 8,070,741 | 5,895,369 | 5,865,029 |
| Sundry payables | 21,352,831 | 22,252,859 | 865,600 | 1,219,072 |
| Goods and Services Tax ("GST") payable | 260,459 | - | 11,086 | - |
| Accruals | 10,549,671 | 4,035,199 | 654,947 | 515,582 |
| Accruals in respect of property development costs | 1,795,745 | - | - | - |
| | 42,504,696 | 34,358,799 | 7,427,002 | 7,599,683 |
| | 99,120,653 | 89,882,439 | 7,427,002 | 7,599,683 |
| **Non-current** | | | | |
| Other payables | 7,866,188 | 8,157,693 | - | - |
| Total trade and other payables | 106,986,841 | 98,040,132 | 7,427,002 | 7,599,683 |
| Add: Loans and borrowings (Note 26) | 111,504,237 | 99,883,670 | 726,855 | 565,778 |
| Less: GST payable | (260,459) | - | (11,086) | - |
| Total financial liabilities carried at amortised cost | 218,230,619 | 197,923,802 | 8,142,771 | 8,165,461 |

### (a) Trade payables

Trade payables are non-interest bearing and the normal trade credit term granted to the Group ranges from 30 to 90 days (2014: 30 to 90 days).

### (b) Amounts due to related parties

The amounts due to related parties are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

### (c) Other payables

Current

These amounts are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

Non-current

Other payables amounting to RM5,000,000 (2014: RM5,000,000) bear interest of 5.0% (2014: 5.0%) per annum and are secured by way of RM5,000,000 face value of shares in Pasdec Resources S.A. Limited ("PRSA"). The amount is repayable on the fifth year from 29 April 2013, the date of agreement. The remaining other payable is non-interest bearing and secured by an equity interest in a subsidiary of PRSA.

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 29. Deferred capital grant

| | Group 2014 RM |
|---|---|
| **Cost:** | |
| **At 1 January** | 1,159,265 |
| Exchange differences | (34,916) |
| **At 31 December** | 1,124,349 |
| **Accumulated amortisation:** | |
| **At 1 January** | 673,791 |
| Amortisation (Note 7) | 449,840 |
| Exchange differences | 718 |
| **At 31 December** | 1,124,349 |
| **Net carrying amount:** | |
| Current | - |

In prior year, deferred capital grant relates to government grant received for the acquisition of equipment for research activities undertaken by the Group's subsidiary in South Africa to promote technology advancement and transfer. There were no unfulfilled conditions or contingencies attached to the grant. The deferred capital grant has been fully redeemed.

## 30. Share capital

| | Number of ordinary shares of RM1 each | | Amount | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 RM | 2014 RM |
| **Authorised** | | | | |
| 1 January/31 December | 500,000,000 | 500,000,000 | 500,000,000 | 500,000,000 |
| **Issued and fully paid** | | | | |
| 1 January/31 December | 205,978,000 | 205,978,000 | 205,978,000 | 205,978,000 |

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 general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

## 31. Other reserves

| | Fair value adjustment reserve RM | Foreign currency translation deficit RM | Premium paid on acquisition of non-controlling interest RM | Total RM |
|---|---|---|---|---|
| **Group** | | | | |
| **At 1 January 2015** | 57,633 | (10,382,028) | (9,898,271) | (20,222,666) |
| **Other comprehensive income:** | | | | |
| Available-for-sale financial assets: | | | | |
| Loss on fair value changes | (20,628) | - | - | (20,628) |
| Foreign currency translation | - | (851,967) | - | (851,967) |
| Less: Non-controlling interest | - | 249,965 | - | 249,965 |
| | (20,628) | (602,002) | - | (622,630) |
| **At 31 December 2015** | 37,005 | (10,984,030) | (9,898,271) | (20,845,296) |
| **At 1 January 2014** | 140,249 | (7,834,061) | (9,898,271) | (17,592,083) |
| **Other comprehensive income:** | | | | |
| Available-for-sale financial assets: | | | | |
| Loss on fair value changes | (82,616) | - | - | (82,616) |
| Foreign currency translation | - | (1,205,412) | - | (1,205,412) |
| Less: Non-controlling interest | - | (1,342,555) | - | (1,342,555) |
| | (82,616) | (2,547,967) | - | (2,630,583) |
| **At 31 December 2014** | 57,633 | (10,382,028) | (9,898,271) | (20,222,666) |

**Fair value adjustment reserve**

Fair value adjustment reserve represents the cumulative fair value changes of available-for-sale financial assets until they are disposed or impaired.

**Foreign currency translation reserve**

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

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 32. Deferred tax

Deferred income tax as at 31 December relates to the following:

**Group**

| | As at 1 January 2014 RM | Recognised in profit or loss RM (Note 12) | Exchange differences RM | As at 31 December 2014 RM | Recognised in profit or loss RM (Note 12) | Exchange differences RM | As at 31 December 2015 RM |
|---|---|---|---|---|---|---|---|
| **Deferred tax liabilities:** | | | | | | | |
| Property, plant and equipment | 1,380,282 | 249,095 | (127,690) | 1,501,687 | (69,428) | (108,618) | 1,323,641 |
| **Deferred tax assets:** | | | | | | | |
| Provision and others | (554,892) | (106,313) | 105,553 | (555,652) | (49,633) | 46,939 | (558,346) |
| Retirement benefit obligations | (91,898) | 91,898 | - | - | - | - | - |
| Unutilised tax losses and unabsorbed capital allowances | (7,193,978) | 73,216 | 216,981 | (6,903,781) | (76,322) | 583,217 | (6,396,886) |
| | (7,840,768) | 58,801 | 322,534 | (7,459,433) | (125,955) | 630,156 | (6,955,232) |
| | (6,460,486) | 307,896 | 194,844 | (5,957,746) | (195,383) | 521,538 | (5,631,591) |

Deferred tax assets have not been recognised in respect of the following items:

| | Group | |
|---|---|---|
| | 2015 RM | 2014 RM |
| Unrecognised tax losses | 60,671,216 | 37,654,034 |
| Unabsorbed capital allowances | 326,968 | 409,340 |
| Provisions and others | 2,842,779 | - |
| | 63,840,963 | 38,063,374 |

Deferred tax assets have not been recognised in respect of these items as they have arisen in companies that have a recent history of losses or in companies where future taxable profits may be insufficient to trigger the utilisation of these items.

## 33. Contingent liabilities

As at 31 December 2015, the Group's total amount of bank guarantees to third parties was RM4,847,100 (2014: RM4,847,100).

## 34. Related party transactions

### (a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Holding corporation | | | | |
| - office rental and service charge | 510,076 | 633,988 | 252,387 | 622,646 |
| Subsidiaries | | | | |
| - interest income | - | - | (1,056,016) | (2,882,386) |
| - management fee income | - | - | (3,543,523) | (3,928,534) |
| Rental paid to a shareholder of subsidiary | 197,071 | 185,100 | - | - |
| Rental paid to a related party | 620,252 | 582,574 | - | - |

### (b) Compensation of key management personnel

The remuneration of directors and other members of key management of the Group and of the Company during the year was as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Short-term employee benefits | 3,529,215 | 3,548,625 | 1,923,410 | 1,449,728 |
| Post-employment benefits | | | | |
| - Defined contribution plan | 96,672 | 119,448 | 96,672 | 85,656 |
| - Defined benefit plan | 12,952 | 16,191 | 12,952 | 9,715 |
| | 3,638,839 | 3,684,264 | 2,033,034 | 1,545,099 |

Included in the total key management personnel are:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Directors' remuneration | 2,719,050 | 2,409,331 | 1,113,245 | 625,800 |

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 35. Fair value of financial instruments

### A. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | Carrying amount RM | Fair value RM | Carrying amount RM | Fair value RM |
| **2015** | | | | | |
| **Financial liabilities:** | | | | | |
| Loans and borrowings (non-current) | | | | | |
| - Obligations under finance leases | 26 | 858,675 | 747,591 | 575,531 | 449,982 |
| - Redeemable preference shares | 26 | 20,867,927 | 18,551,511 | - | - |
| Other payables (non-current) | 28 | 7,866,188 | 6,975,608 | - | - |
| **2014** | | | | | |
| **Financial liabilities:** | | | | | |
| Loans and borrowings (non-current) | | | | | |
| - Obligations under finance leases | 26 | 805,107 | 700,953 | 477,453 | 373,299 |
| Other payables (non-current) | 28 | 8,157,693 | 7,234,110 | - | - |

### B. Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

| | Note |
|---|---|
| Trade and other receivables | 20 |
| Trade and other payables | 28 |
| Loans and borrowings (current) | 26 |

The carrying amounts of these financial assets and liabilities are reasonable approximations of fair values due to their short term nature.

The carrying amounts of current loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

Financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair values of non-current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Amounts due from/to subsidiaries

The carrying amounts of amounts due from/to subsidiaries are reasonable approximations of fair values due to the insignificant impact of discounting and short term nature.

## 35. Fair value of financial instruments (cont'd.)

### B. Determination of fair value (cont'd.)

Quoted equity instruments

Fair value is determined directly by reference to their published market bid price at the reporting date.

| | Note | Level 1 RM |
|---|---|---|
| **31 December 2015** | | |
| **Financial asset:** | | |
| Equity instruments available-for-sale (quoted) | 23 | 485,981 |
| **31 December 2014** | | |
| **Financial asset:** | | |
| Equity instruments available-for-sale (quoted) | 23 | 506,609 |

## 36. Retained earnings

As at 31 December 2015, the Company may distribute dividends out of its entire retained earnings under the single tier system.

## 37. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, market price risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Group Managing Director, Senior Vice President Finance and Corporate Services, Senior Vice President Business Development, Senior Vice President Project Development and Senior Vice President Engineering. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

### (a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, cash and bank balances and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

## 37. Financial risk management objectives and policies (cont'd.)

### (a) Credit risk (cont'd.)

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Senior Vice President Corporate Resources. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group at the reporting date is as follows:

| | Group | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | RM | % of total | RM | % of total |
| **By industry sectors:** | | | | |
| Property development | 47,446,123 | 76.2% | 53,310,520 | 71.9% |
| Manufacturing | 256,447 | 0.4% | 546,705 | 0.7% |
| Construction | 10,475,165 | 21.3% | 18,440,025 | 24.9% |
| Others | 2,723,988 | 2.1% | 1,891,602 | 2.5% |
| | 60,901,723 | 100.0% | 74,188,852 | 100.0% |
| **By country:** | | | | |
| Malaysia | 60,645,276 | 99.6% | 73,642,147 | 99.3% |
| South Africa | 256,447 | 0.4% | 546,705 | 0.7% |
| | 60,901,723 | 100.0% | 74,188,852 | 100.0% |

At the reporting date, approximately 2% (2014: 2%) of the Group's trade and other receivables were due from related parties while almost all of the Company's receivables were balances with related parties.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 20. Deposits with banks and other financial institutions and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 20.

## 37. Financial risk management objectives and policies (cont'd.)

### (b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

At the reporting date, approximately 56% (2014: 57%) of the Group's loans and borrowings (Note 26) will mature in less than one year based on the carrying amount reflected in the financial statements. 21% (2014: 16%) of the Company's loans and borrowings will mature in less than one year at the reporting date.

**Analysis of financial instruments by remaining contractual maturities**

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

| | 2015 | | | |
|---|---|---|---|---|
| | On demand or within one year RM | One to five years RM | Over five years RM | Total RM |
| **Group** | | | | |
| **Financial liabilities:** | | | | |
| Trade and other payables | 99,120,653 | 8,116,188 | - | 107,236,841 |
| Loans and borrowings | 52,763,019 | 47,463,830 | 22,324,836 | 122,551,685 |
| Total undiscounted financial liabilities | 151,883,672 | 55,580,018 | 22,324,836 | 229,788,526 |

| | 2014 | | | |
|---|---|---|---|---|
| | On demand or within one year RM | One to five years RM | Over five years RM | Total RM |
| **Group** | | | | |
| **Financial liabilities:** | | | | |
| Trade and other payables | 89,882,439 | 8,991,026 | - | 98,873,465 |
| Loans and borrowings | 58,977,580 | 34,175,847 | 14,886,001 | 108,039,428 |
| Total undiscounted financial liabilities | 148,860,019 | 43,166,873 | 14,886,001 | 206,912,893 |

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 37. Financial risk management objectives and policies (cont'd.)

### (b) Liquidity risk (cont'd)

| | 2015 | | | |
|---|---|---|---|---|
| | On demand or within one year RM | One to five years RM | Over five years RM | Total RM |
| **Company** | | | | |
| **Financial liabilities:** | | | | |
| Other payables | 7,427,002 | - | - | 7,427,002 |
| Loans and borrowings | 183,348 | 573,875 | 53,881 | 811,104 |
| Total undiscounted financial liabilities | 7,610,350 | 573,875 | 53,881 | 8,238,106 |

| | 2014 | | | |
|---|---|---|---|---|
| | On demand or within one year RM | One to five years RM | Over five years RM | Total RM |
| **Company** | | | | |
| **Financial liabilities:** | | | | |
| Other payables | 7,599,683 | - | - | 7,599,683 |
| Loans and borrowings | 114,984 | 419,037 | 113,033 | 647,054 |
| Total undiscounted financial liabilities | 7,714,667 | 419,037 | 113,033 | 8,246,737 |

### (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings, loans at floating rates given to related parties and investments in equity securities classified as available-for-sale. The Company's loans at floating rate given to subsidiaries form a natural hedge for its non-current floating rate bank loan.

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings to achieve the overall cost effectiveness.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 50 (2014: 50) basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM279,677 (2014: RM325,549) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans.The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

## 37. Financial risk management objectives and policies (cont'd.)

### (d) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments in Malaysia are listed on Bursa Malaysia. These instruments are classified as held for trading or available-for-sale financial assets. The Group does not have exposure to commodity price risk.

### (e) Foreign currency risk

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

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily South African Rand ("ZAR"). The foreign currencies in which these transactions are denominated are mainly ZAR.

Approximately 31% (2014: 27%) of the Group's sales are denominated in foreign currencies whilst all costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the reporting date have similar exposures.

The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency net credit balances (mainly in ZAR and Botswana Pula ("BWP")) amounted to RM6,065,879 (2014: RM24,820) and RM9,018,941 (2014: RM Nil) respectively.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the ZAR and BWP exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

Sensitivity analysis for foreign currency risk (cont'd.)

| | | Profit net of tax | |
|---|---|---|---|
| | | **2015** | **2014** |
| | | **RM** | **RM** |
| ZAR/RM | - strengthened 3% (2014: 3%) | (314,764) | (11,145) |
| | - weakened 3% (2014: 3%) | 314,764 | 11,145 |
| BWP/RM | - strengthened 3% (2014: Nil) | (43,164) | - |
| | - weakened 3% (2014: Nil) | 43,164 | - |

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 38. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances. Capital includes equity attributable to the owners of the parent less the fair value adjustment reserve.

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Loans and borrowings | 26 | 111,504,237 | 99,883,670 | 726,855 | 565,778 |
| Trade and other payables | 28 | 106,986,841 | 98,040,132 | 7,427,002 | 7,599,683 |
| Less: | | | | | |
| - Cash and bank balances | 24 | (31,314,222) | (17,311,746) | (332,800) | (1,013,621) |
| Net debt | | 187,176,856 | 180,612,056 | 7,821,057 | 7,151,840 |
| Equity attributable to the owners of the parent | | 304,417,353 | 330,535,239 | 268,527,037 | 256,487,440 |
| Less: Fair value adjustment reserve | 31 | (37,005) | (57,633) | - | - |
| Total capital | | 304,380,348 | 330,477,606 | 268,527,037 | 256,487,440 |
| Capital and net debt | | 491,557,204 | 511,089,662 | 276,348,094 | 263,639,280 |
| Gearing ratio | | 38% | 35% | 3% | 3% |

## 39. Segment information

For management purposes, the Group is organised into business units based on its products and services, and has five reportable operating segments as follows:

I. Investment holding - provision of management services;
II. Property development - the development of residential and commercial properties;
III. Construction - construction of residential and commercial properties;
IV. Manufacturing - manufacture of automotive related products;
V. Others - value engineering and consultancy services.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a Group basis and are not allocated to operating segments.

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 39. Segment information (cont'd.)

| | Investment holding RM | Property development RM | Construction RM | Manufac-turing RM | Others RM | Total RM | Elimination RM | Note | Consolidated RM |
|---|---|---|---|---|---|---|---|---|---|
| **31 December 2015** | | | | | | | | | |
| **Revenue** | | | | | | | | | |
| - Sales to external customers | - | 82,043,527 | 19,169,396 | 50,168,790 | 5,270,971 | 156,652,684 | - | | 156,652,684 |
| - Inter-segment sales | 32,503,523 | 12,854 | 3,629,584 | - | 3,175,498 | 39,321,459 | (39,321,459) | A | - |
| Total revenue | 32,503,523 | 82,056,381 | 22,798,980 | 50,168,790 | 8,446,469 | 195,974,143 | (39,321,459) | | 156,652,684 |
| **Results** | | | | | | | | | |
| Depreciation | 287,367 | 431,509 | 126,492 | 697,798 | 219,014 | 1,762,180 | - | | 1,762,180 |
| Share of results of associates | - | - | - | 429,251 | - | 429,251 | (583,038) | | (153,787) |
| Other non-cash expenses | 7,248,780 | 3,162,135 | 2,856,755 | 101,691 | 54,707 | 13,424,068 | (6,995,264) | B | 6,428,804 |
| Profit/(loss) before tax | 11,799,103 | 5,591,823 | (8,049,343) | (13,239,139) | 1,645,974 | (2,251,582) | (22,488,036) | C | (24,739,618) |
| **Assets** | | | | | | | | | |
| Investments in associates | - | 4,956,750 | - | 13,289,947 | - | 18,246,697 | 526,508 | | 18,773,205 |
| Addition to non-current assets | 384,108 | 7,251,990 | 19,599 | 1,946,483 | 42,002 | 9,644,182 | (47,999) | D | 9,596,183 |
| Segment assets | 281,745,078 | 509,372,792 | 18,285,377 | 65,805,396 | 17,002,274 | 892,210,917 | (362,251,186) | E | 529,959,731 |
| **Liabilities** | | | | | | | | | |
| Segment liabilities | 14,845,424 | 262,235,419 | 25,703,793 | 82,451,583 | 6,701,523 | 391,937,742 | (167,525,291) | F | 224,412,451 |

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 39. Segment information (cont'd.)

| | Investment holding RM | Property development RM | Construction RM | Manufac-turing RM | Others RM | Total RM | Elimination RM | Note | Consolidated RM |
|---|---|---|---|---|---|---|---|---|---|
| **31 December 2014** | | | | | | | | | |
| **Revenue** | | | | | | | | | |
| - Sales to external customers | - | 113,053,402 | 34,918,946 | 57,397,358 | 5,190,050 | 210,559,756 | - | | 210,559,756 |
| - Inter-segment sales | 44,416,755 | 107,800 | 3,191,182 | - | 5,740,458 | 53,456,195 | (53,456,195) | A | - |
| Total revenue | 44,416,755 | 113,161,202 | 38,110,128 | 57,397,358 | 10,930,508 | 264,015,951 | (53,456,195) | | 210,559,756 |
| **Results** | | | | | | | | | |
| Depreciation | 242,181 | 350,375 | 110,426 | 691,204 | 273,852 | 1,668,038 | - | | 1,668,038 |
| Share of results of associates | - | - | - | 409,880 | - | 409,880 | (511,307) | | (101,427) |
| Other non-cash expenses | 29,324,156 | 4,294,896 | 871,770 | 11,136,722 | - | 45,627,544 | (40,152,118) | B | 5,475,426 |
| Profit/(loss) before tax | 260,126 | (98,621) | (702,497) | (643,655) | 1,933,955 | 749,308 | 9,027,619 | C | 9,776,927 |
| **Assets** | | | | | | | | | |
| Investments in associates | - | 4,956,750 | - | 14,091,162 | - | 19,047,912 | 1,309,546 | | 20,357,458 |
| Addition to non-current assets | 99,629 | 2,151,674 | 126,440 | 1,080,257 | 70,925 | 3,528,925 | - | D | 3,528,925 |
| Segment assets | 270,138,374 | 517,125,890 | 26,417,505 | 48,331,687 | 20,886,344 | 882,899,800 | (344,267,136) | E | 538,632,664 |
| **Liabilities** | | | | | | | | | |
| Segment liabilities | 14,825,994 | 252,557,189 | 25,786,578 | 56,143,674 | 11,010,553 | 360,323,988 | (156,587,530) | F | 203,736,458 |

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 39. Segment information (cont'd.)

A Inter-segment revenues are eliminated on consolidation.

B Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

| | Note | 2015 RM | 2014 RM |
|---|---|---|---|
| Impairment of financial assets | 9 | 5,997,067 | 4,856,276 |
| Reversal for write down of inventories | 9 | (189,569) | (50,829) |
| Increase in liability for defined benefit plan | 10 | 621,306 | 669,979 |
| | | 6,428,804 | 5,475,426 |

C The following items are (deducted from)/added to segment profit/(loss) to arrive at "(Loss)/profit before tax" presented in the consolidated statement of comprehensive income:

| | 2015 RM | 2014 RM |
|---|---|---|
| Share of results of associates | (583,038) | (511,307) |
| Profit from inter-segment sales | (21,904,998) | 9,538,926 |
| Finance income | (1,957,756) | (8,031,714) |
| Finance costs | 1,957,756 | 8,031,714 |
| | (22,488,036) | 9,027,619 |

D Additions to non-current assets consist of:

| | 2015 RM | 2014 RM |
|---|---|---|
| Property, plant and equipment | 4,351,809 | 3,528,925 |
| Land held for property development | 5,244,374 | - |
| | 9,596,183 | 3,528,925 |

E The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial position:

| | 2015 RM | 2014 RM |
|---|---|---|
| Investments in associates | 526,508 | 1,309,546 |
| Investments in subsidiaries | (202,485,726) | (202,786,317) |
| Inter-segment assets | (160,291,968) | (142,790,365) |
| | (362,251,186) | (344,267,136) |

F The following item is deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

| | 2015 RM | 2014 RM |
|---|---|---|
| Inter-segment liabilities | (167,525,291) | (156,587,530) |

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 39. Segment information (cont'd.)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

| | Revenues | | Non-current assets | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Malaysia | 106,483,894 | 153,162,398 | 164,992,722 | 145,188,623 |
| South Africa | 50,168,790 | 57,397,358 | 37,323,217 | 38,911,991 |
| | 156,652,684 | 210,559,756 | 202,315,939 | 184,100,614 |

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

| | 2015 RM | 2014 RM |
|---|---|---|
| Property, plant and equipment | 19,373,306 | 19,160,710 |
| Land held for property development | 134,159,192 | 130,323,613 |
| Investment properties | 23,892,664 | 7,794,478 |
| Investments in associates | 18,773,205 | 20,357,458 |
| Marketable securities | 485,981 | 506,609 |
| Deferred tax assets | 5,631,591 | 5,957,746 |
| | 202,315,939 | 184,100,614 |

## 40. Significant events

### (a) Pasdec Putra Sdn. Bhd. ("PPSB")

On 29 January 2015, PPSB, a wholly-owned subsidiary of Pasdec Corporation Sdn. Bhd. had entered into a Development Agreeement ("Agreement") with Sejati Bumijaya Sdn. Bhd. for a proposed development of parcels of land held under Geran 37056, Lot 137673, Geran 37057, Lot 137674 and 258 pieces of subdivided lots at Bandar Putra, Mukim Kuala Kuantan, District of Kuantan, Pahang Darul Makmur, measuring in total approximately 154.12 acres into residential and commercial properties.

### (b) Pasdec Automotive Technologies (Botswana) (Pty) Ltd. ("PAT BW")

On 15 May 2015, PAT BW, a wholly-owned subsidiary held through Pasdec Automotive Technologies (Pty) Ltd. ("PAT"), was incorporated in Botswana under Botswana Companies Act, 2007. PAT acquired 100 ordinary shares representing 100% equity interest in PAT BW, for a total cash consideration of BWP100.00 (approximately RM37.60).

On 26 June 2015, a redeemable preference share ("RPS") subscription agreement between Botswana Development Corporation ("BDC") and PAT BW has been signed to provide funding to PAT BW of BWP52,100,000 (equivalent to RM19,824,500).

## 40. Significant events (cont'd)

### (b) Pasdec Automotive Technologies (Botswana) (Pty) Ltd. ("PAT BW") (cont'd)

The Company had on 31 July 2015 entered into a guarantee agreement with BDC to guarantee the punctual payment of the redemption amount (as defined herein) and all amount which may be payable to BDC ("Guarantee Amount") by PAT BW pursuant to the preference share subscription agreement ("Guarantee Agreement").

PAT had on 11 December 2015 entered into Ordinary Share Subscription Agreement ("Agreement") with BDC for PAT BW future expansion of its automotive wiring harnesses and battery cable business segments in Botswana through strengthening the current strategic alliance between PAT BW and BDC in working towards mutual goals to grow the automotive components industry in Botswana by allowing BDC to increase its equity participation in PAT BW.

## 41. Subsequent events

On 8 April 2016, the Company appointed a firm of Chartered Accountants to perform a forensic review on mining activity carried out on land belonging to Pasdec Corporation Sdn. Bhd. as the Board of Directors was not, prior to news reports, aware of such activity involving the Group's property.

On 25 April 2016, based on an interim report by the firm of Chartered Accountants, the Company appointed a firm of Advocates and Solicitors to advise the Board on the legal implications of the findings of the forensic review and on legal avenues to protect the interests of the Company relating to the mining activity.

## 42. Comparatives

Certain comparative amounts as at 31 December 2014 have been reclassified to conform with current year's presentation.

## 43. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 28 April 2016.

# Notes to the Financial Statements
For the financial year ended 31 December 2015

## 44. Supplementary information – breakdown of retained profits into realised and unrealised

The breakdown of the retained profits of the Group and of the Company as at 31 December 2015 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Total retained earnings/(accumulated losses) of the Company and its subsidiaries | | | | |
| - Realised | (136,727,670) | (112,512,678) | 17,033,287 | 4,993,690 |
| - Unrealised | 5,631,591 | 5,957,746 | - | - |
| | (131,096,079) | (106,554,932) | 17,033,287 | 4,993,690 |
| Total share of retained earnings from associates | | | | |
| - Realised | 2,227,077 | 2,580,864 | - | - |
| | (128,869,002) | (103,974,068) | 17,033,287 | 4,993,690 |
| Less: Consolidation adjustments | (205,145,654) | (205,745,976) | - | - |
| Retained earnings as per financial statements | 76,276,652 | 101,771,908 | 17,033,287 | 4,993,690 |

# Analysis of Shareholdings

As at 5 April 2016

| | | |
|---|---|---|
| Authorised Share Capital | : | RM500,000,000 |
| Issued and Paid-up Capital | : | RM205,978,000 |
| Class of Shares | : | Ordinary Shares of RM1.00 each |
| Voting Rights | : | One vote per ordinary share |

## Analysis Of Shareholdings

(Without Aggregating Securities From Different Securities Accounts Belonging To The Same Person)

| Size Of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 - 99 | 5 | 0.10 | 161 | 0.00 |
| 100 – 1,000 | 1,571 | 31.58 | 1,535,937 | 0.75 |
| 1,001 – 10,000 | 2,285 | 45.94 | 11,346,710 | 5.51 |
| 10,001 – 100,000 | 989 | 19.88 | 31,225,042 | 15.16 |
| 100,001 – less than 5% of issued shares | 123 | 2.47 | 56,651,500 | 27.50 |
| 5% and above of issued shares | 1 | 0.02 | 105,218,650 | 51.08 |
| **Total** | **4,974** | **100.00** | **205,978,000** | **100.00** |

## Directors' Shareholdings

| | Direct | | Indirect | |
|---|---|---|---|---|
| Name | No. of Shares Held | % | No. of Shares Held | % |
| Dato' Sri DiRaja Haji Adnan bin Haji Yaakob | - | - | - | - |
| Dato' Abdul Ghani bin L. Sulaiman | - | - | - | - |
| Dato' Mohd Khairuddin Haji Abdul Manan | - | - | - | - |
| Dato' Haji Abdul Rahim bin Mohd Ali | 10,000 | 0.00** | - | - |
| Dato' Dr. Hamdan bin Jaafar | - | - | - | - |
| Dato' Haji Mohamad Nor bin Ali | - | - | - | - |
| Dato' Sri Khalid bin Mohamad Jiwa | - | - | - | - |
| Dato' Abdullah bin A. Rasol | - | - | - | - |
| Dato' Ir. Noor Azmi bin Jaafar | - | - | - | - |

** *Insignificant percentage of shareholding*

## Substantial Shareholder

| | Direct | | Indirect | |
|---|---|---|---|---|
| Name | No. of Shares Held | % | No. of Shares Held | % |
| Perbadanan Kemajuan Negeri Pahang | 106,395,650 | 51.65 | - | - |

# Analysis of Shareholdings

As at 5 April 2016

### Thirty Largest Shareholders

(Without Aggregating Securities From Different Securities Accounts Belonging To The Same Person)

| No. | Name of Shareholder | No. of Shares | % |
|---|---|---|---|
| 1. | Perbadanan Kemajuan Negeri Pahang | 105,218,650 | 51.08 |
| 2. | HLIB Nominees (Tempatan) Sdn. Bhd. | | |
| | - Hong Leong Fund Management Sdn. Bhd. for Pembinaan Sri Jati Sdn. Berhad | 4,572,600 | 2.22 |
| 3. | Chin Kian Fong | 2,627,800 | 1.28 |
| 4. | Yeoh Phek Leng | 2,511,000 | 1.22 |
| 5. | Buma Bina Sdn. Bhd. | 2,340,100 | 1.14 |
| 6. | Tan Sei Han | 2,300,000 | 1.12 |
| 7. | Kua Jing Kea @ Kua Nee Nee | 2,095,900 | 1.02 |
| 8. | S'ng Hooi Seah | 2,045,800 | 0.99 |
| 9. | Amsec Nominees (Tempatan) Sdn. Bhd. | | |
| | - Pledged Securities Account For Bong Lee Min | 1,938,000 | 0.94 |
| 10. | Lee Tek Mook @ Lee Teh Moh | 1,900,000 | 0.92 |
| 11. | Poo Choo @ Ong Poo Choi | 1,709,800 | 0.83 |
| 12. | Lai Hong Choo | 1,534,600 | 0.75 |
| 13. | Perbadanan Kemajuan Negeri Pahang | 1,177,000 | 0.57 |
| 14. | Chin Khee Kong @ Sons Sdn. Bhd. | 1,036,200 | 0.50 |
| 15. | Ooi Chai Tiew | 1,016,200 | 0.49 |
| 16. | Alliancegroup Nominees (Tempatan) Sdn. Bhd. | | |
| | - Pledged Securities Account For Tan Kian Aik | 1,000,000 | 0.49 |
| 17. | Lee Chee Heang | 870,000 | 0.42 |
| 18. | Zenith Aim Sdn. Bhd. | 867,900 | 0.42 |
| 19. | Chin Sin Lin | 814,300 | 0.40 |
| 20. | RHB Nominees (Tempatan) Sdn. Bhd. | | |
| | - Pledged Securities Account For Chin Kiam Hsung | 758,500 | 0.37 |
| 21. | Gan Ah Kow | 733,600 | 0.36 |
| 22. | Tan Swee Heng | 723,000 | 0.35 |
| 23. | Kenanga Nominees (Tempatan) Sdn. Bhd. | | |
| | - Pledged Securities Account For Chin Kiam Hsung | 671,800 | 0.33 |
| 24. | Lee Ben Chin | 568,000 | 0.28 |
| 25. | Gan Ah Kow | 555,000 | 0.27 |
| 26. | Tan Yee Ming | 500,100 | 0.24 |
| 27. | Lim Chun Chow | 500,000 | 0.24 |
| 28. | Kwan Chee Tong | 480,500 | 0.23 |
| 29. | Tan Kai Sum | 480,000 | 0.23 |
| 30. | Alliancegroup Nominees (Tempatan) Sdn. Bhd. | | |
| | - Pledged Securities Account For Sak Kam Wah | 468,000 | 0.23 |
| | | 144,014,350 | 69.92 |

# List of Properties
As at 31 December 2015

| No | Location | Tenure | Decription | Year of Acquisition | Area (Ac) | NB Value (RM) @ 31-12-2015 |
|---|---|---|---|---|---|---|
| **KUANTAN** | | | | | | |
| 1 | Villa 10, Mukim Bandar Kuantan | Freehold | Land under development and held for development | 2006 | 1.06 | 1,993,778 |
| 2 | Mahkota Square, Mukim Bandar Kuantan | Leasehold Expiring : Year 2081 | 4 units of shops / office building | 1997 | 1.03 | 5,232,878 |
| 3 | Kompleks Teruntum, Mukim Bandar Kuantan | Leasehold Expiring : Year 2075 | Shop units and Office Floor | 1991 | 0.03 | 665,269 |
| 4 | Menara Zenith, Mukim Bandar Kuantan | Leasehold Expiring : Year 2106 | 5 floors of office building | 2011 | 1.39 | 6,500,017 |
| 5 | Role Shop Putra Square, Mukim Bandar Kuantan | Leasehold Expiring : Year 2106 | 21 units of 2-storey shop/ office building | 2011 | 0.70 | 12,969,932 |
| 6 | Construction Town Putra Square, Mukim Bandar Kuantan | Leasehold Expiring : Year 2106 | 22 units of 2-storey shop/ office building | 2011 | 2.15 | 13,585,662 |
| 7 | ICT Hub Putra Square, Mukim Bandar Kuantan | Leasehold Expiring : Year 2106 | 14 units of 2-storey shop/ office building | 2011 | 1.39 | 11,642,618 |
| 8 | Pasdec Pesona, Mukim Kuala Kuantan | Leasehold Expiring : Year 2105 | Land under development and held for development | 2013 | 0.50 | 9,895 |
| 9 | Kuantan Piazza, Tanjung Lumpur, Mukim Kuala Kuantan | Leasehold Expiring : Year 2106 | Land held for development | 1996 | 3.00 | 902,015 |
| 10 | Astana Villa, Mukim Kuala Kuantan | Leasehold Expiring : 2092 | Land held for development | 1997 | 17.78 | 5,447,688 |
| 11 | Pasdec Avenue, Mukim Kuala Kuantan | Leasehold Expiring : 2096 | Land held for development | 2011 | 14.98 | 14,476,459 |
| 12 | Mahkota Idaman, Mukim Kuala Kuantan | Leasehold Expiring : 2097 | 6 units of 3-storey shop/ office building | 1997 | 0.22 | 1,352,126 |
| 13 | Mahkota Perdana 3, Mukim Kuala Kuantan | Leasehold Expiring : Year 2102 | Land held for development | 1997 | 2.61 | - |
| 14 | Apartment Medan Warisan, Mukim Kuala Kuantan | Leasehold Expiring : Year 2086 | 8 units of 3-storey Apartment | 2003 | 3.35 | 1,005,098 |
| 15 | Kuantan Tembeling Resort, Mukim Kuala Kuantan | Leasehold Expiring : Year 2092 | 11 units of Apartment | 1997 | 13.22 | 2,576,856 |
| 16 | Vista Verde, Mukim Kuala Kuantan | Freehold | Land under development | 2011 | 2.44 | 18,194,290 |
| 17 | Bandar Putra, Mukim Kuala Kuantan | Freehold | Land held for development (Condominium) | 2003 | 4.33 | 2,318,875 |
| 18 | Putra Business Centre, Mukim Kuala Kuantan | Freehold | 50 units of shop/ office building known as Putra Business Centre | 2003 | 3.82 | 19,499,187 |

# List of Properties
As at 31 December 2015

| No | Location | Tenure | Decription | Year of Acquisition | Area (Ac) | NB Value (RM) @ 31-12-2015 |
|---|---|---|---|---|---|---|
| KUANTAN | | | | | | |
| 19 | Bandar Putra (PT 91670), Mukim Kuala Kuantan | Freehold | Land held for development | 2003 | 110.72 | 23,147,223 |
| 20 | Bandar Putra (Lot 137674), Mukim Kuala Kuantan | Freehold | Land held for development | 2003 | 24.59 | 5,271,989 |
| 21 | Bandar Putra (Lot 149169), Mukim Kuala Kuantan | Freehold | Land held for development | 2003 | 19.79 | 4,143,587 |
| 22 | Bandar Putra Package 6A8, Mukim Kuala Kuantan | Freehold | Land under development and held for development | 2003 | 3.69 | 8,303,105 |
| 23 | Bandar Putra Package 6A9, Mukim Kuala Kuantan | Freehold | Land held for development | 2003 | 4.26 | 1,609,252 |
| 24 | Bandar Putra Package 6A10, Mukim Kuala Kuantan | Freehold | Land held for development | 2003 | 8.77 | 3,046,351 |
| 25 | Bandar Putra Package 6A11, Mukim Kuala Kuantan | Freehold | Land held for development | 2003 | 10.17 | 3,196,253 |
| 26 | Bandar Putra Package 7A, Mukim Kuala Kuantan | Freehold | Land under development and held for development | 2003 | 5.40 | 41,667,487 |
| 27 | Bandar Damansara Pakej 4, Mukim Sungai Karang | Freehold | Land under development and held for development | 2005 | 4.20 | 6,729,043 |
| 28 | Bandar Damansara PT 5983, Mukim Beserah | Freehold | Land held for development | 2005 | 20.25 | 47,023,137 |
| 29 | Bandar Damansara PT 5986, Mukim Beserah | Freehold | Land held for development | 2005 | 3.37 | |
| 30 | Bandar Damansara PT 5988, Mukim Beserah | Freehold | Land held for development | 2005 | 8.57 | |
| 31 | Bandar Damansara PT 5991, Mukim Beserah | Freehold | Land held for development | 2005 | 3.13 | |
| 32 | Bandar Damansara PT 5999, Mukim Beserah | Freehold | Land held for development | 2005 | 43.97 | |
| 33 | Bandar Damansara PT 6000, Mukim Beserah | Freehold | Land held for development | 2005 | 10.00 | |
| 34 | Bandar Damansara PT 6002, Mukim Beserah | Freehold | Land held for development | 2005 | 13.30 | |
| 35 | Bandar Damansara PT 6008, Mukim Beserah | Freehold | Land held for development | 2005 | 17.22 | |
| 36 | Bandar Damansara PT 17433, Mukim Sungai Karang | Freehold | Land held for development | 2005 | 20.24 | |
| 37 | Bandar Damansara PT 17435, Mukim Sungai Karang | Freehold | Land held for development | 2005 | 5.67 | |
| 38 | Bandar Damansara PT 17436, Mukim Sungai Karang | Freehold | Land held for development | 2005 | 34.05 | |

# List of Properties
As at 31 December 2015

| No | Location | Tenure | Decription | Year of Acquisition | Area (Ac) | NB Value (RM) @ 31-12-2015 |
|---|---|---|---|---|---|---|
| **KUANTAN** | | | | | | |
| 39 | Bandar Damansara PT 17437, Mukim Sungai Karang | Freehold | Land held for development | 2005 | 12.23 | |
| 40 | Bandar Damansara PT 17438, Mukim Sungai Karang | Freehold | Land held for development | 2005 | 98.71 | |
| 41 | Bandar Damansara PT 17443, Mukim Sungai Karang | Freehold | Land held for development | 2005 | 1.98 | |
| 42 | Bandar Damansara PT 17445, Mukim Sungai Karang | Freehold | Land held for development | 2005 | 8.73 | |
| 43 | Bandar Damansara Lowcost, Mukim Sungai Karang | Freehold | Land held for development | 2005 | 10.22 | |
| 44 | Balok Perdana 2A, Mukim Sungai Karang | Leasehold Expiring : Year 2099 | Land under development and held for development | 1997 | 6.49 | |
| 45 | Balok Perdana Zon 2B, Mukim Sungai Karang | Leasehold Expiring : Year 2099 | Land held for development | 1997 | 33.21 | |
| 46 | Balok Perdana Zon 2C, Mukim Sungai Karang | Leasehold Expiring : Year 2099 | Land held for development | 1997 | 2.60 | |
| 47 | Balok Perdana 3A, Mukim Sungai Karang | Leasehold Expiring : Year 2099 | Land under development and held for development | 1997 | 10.13 | 15,786,235 |
| 48 | Balok Perdana 3C2, Mukim Sungai Karang | Leasehold Expiring : Year 2099 | Land under development and held for development | 1997 | 2.87 | |
| 49 | Balok Perdana Zon 4, Mukim Sungai Karang | Leasehold Expiring : Year 2092 | Land held for development | 1997 | 14.60 | |
| 50 | Balok Perdana Zon 5, Mukim Sungai Karang | Leasehold Expiring : Year 2099 | Land held for development | 1997 | 8.20 | |
| 51 | Balok Perdana Zon 6, Mukim Sungai Karang | Leasehold Expiring : Year 2096 | Land held for development | 1997 | 33.21 | |
| 52 | Chendor Komersil, Mukim Sungai Karang | Leasehold Expiring : Year 2100 | Land under development and held for development | 1997 | 5.96 | 6,181,219 |
| 53 | Chendor Fasa 2B, Mukim Sungai Karang | Leasehold Expiring : Year 2100 | Land held for development | 1997 | 16.80 | 19,129,188 |

# List of Properties
As at 31 December 2015

| No | Location | Tenure | Decription | Year of Acquisition | Area (Ac) | NB Value (RM) @ 31-12-2015 |
|---|---|---|---|---|---|---|
| **KUANTAN** | | | | | | |
| 54 | Chendor Fasa 2C, Mukim Sungai Karang | Leasehold Expiring : Year 2114 | Land held for development | 1997 | 10.83 | 3,705,385 |
| 55 | Chendor Fasa 4, Mukim Sungai Karang | Leasehold Expiring : Year 2114 | Land under development and held for development | 1997 | 32.19 | |
| 56 | Chendor Fasa 5, Mukim Sungai Karang | Leasehold Expiring : Year 2100 | Land held for development | 1997 | 16.38 | |
| 57 | Chendor Fasa 6, Mukim Sungai Karang | Leasehold Expiring : Year 2100 | Land held for development | 1997 | 60.74 | |
| 58 | Chendor Perdana, Mukim Sungai Karang | Leasehold Expiring : Year 2114 | Land held for development | 2015 | 605.31 | |
| 59 | Habour Park, Tanjung Gelang, Mukim Sungai Karang | Leasehold Expiring : Year 2113 | Land under development and held for development | 1996 | 164.00 | 10,790,844 |
| 60 | Bukit Tenggek, Mukim Ulu Kuantan | Leasehold Expiring : Year 2095 | Land held for development | 1997 | 49.42 | 385,234 |
| 61 | Sungai Pohoi Gambang, Mukim Ulu Lepar | Leasehold Expiring : Year 2114 | Land held for development | 2015 | 59.16 | 1,936,225 |
| **PEKAN** | | | | | | |
| 62 | Komersil Peramu, Mukim Pekan | Leasehold Expiring : Year 2104 | 78 units of shop/ office building | 1997 | 3.11 | 1,533,946 |
| **ROMPIN** | | | | | | |
| 63 | Kampung Sembayan 1, Mukim Rompin | Leasehold Expiring : Year 2094 | Land held for development | 1997 | 391.36 | 144,545 |
| 64 | Kampung Sembayan 2, Mukim Rompin | Leasehold Expiring : Year 2094 | Land held for development | 1997 | 468.93 | |
| 65 | Rompin Permai, Mukim Rompin | Freehold | 5 units of residential | 1997 | 0.26 | 81,949 |
| **MARAN** | | | | | | |
| 66 | Mukim Chenor | Leasehold Expiring : Year 2100 | Land held for development | 2011 | 30.00 | 1,019,125 |
| **TEMERLOH** | | | | | | |
| 67 | Pasdec Idaman Paya Pulai, Mukim Bangau | Freehold | 59 units of residential | 2011 | 2.04 | 9,524,873 |

# List of Properties
As at 31 December 2015

| No | Location | Tenure | Decription | Year of Acquisition | Area (Ac) | NB Value (RM) @ 31-12-2015 |
|---|---|---|---|---|---|---|
| **JERANTUT** | | | | | | |
| 68 | Kuala Tembeling 1, Mukim Kuala Tembeling | Leasehold Expiring : Year 2076 | Land held for development | 1997 | 14.00 | 73,079 |
| 69 | Kuala Tembeling 2, Mukim Kuala Tembeling | Leasehold Expiring : Year 2076 | Land held for development | 1997 | 79.88 | |
| 70 | Kuala Tembeling 3, Mukim Kuala Tembeling | Leasehold Expiring : Year2076 | Land held for development | 1997 | 4.00 | |
| 71 | Kuala Tembeling 4, Mukim Kuala Tembeling | Leasehold Expiring : Year 2076 | Land held for development | 1997 | 19.00 | |
| **BENTONG** | | | | | | |
| 72 | Bukit Tinggi, Mukim Bentong | Leasehold Expiring : Year 2101 | Land held for development | 2002 | 90.49 | 35,578,250 |
| **RAUB** | | | | | | |
| 73 | Raub Perdana 1, Mukim Gali | Leasehold Expiring : Year 2093 | 33 units of shop/ Office building | 1997 | 8.50 | 481,701 |
| 74 | Cheroh Perdana 3, Mukim Gali | Leasehold Expiring : Year 2086 | 22 units of residential | 1997 | 1.62 | - |
| 75 | Kampung Besu, Mukim Sega | Leasehold Expiring : Year 2023 | Land held for development | 1997 | 19.97 | 93,964 |
| **CAMERON HIGHLAND** | | | | | | |
| 76 | Mukim Tanah Rata | Leasehold Expiring : Year 2052 | Land held for development | 2011 | 113.28 | 184,414 |
| **SABAH** | | | | | | |
| 77 | Precint Alamesra | Leasehold Expiring : Year 2098 | Land held for development | 2013 | 6.79 | 25,610,217 |
| **TOTAL** | | | | | **2,962.50** | **394,750,463** |

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Twentieth (20th) Annual General Meeting of PASDEC HOLDINGS BERHAD will be held at **Silk Ballroom, Level 3, The Zenith Hotel, Jalan Putra Square 6, Putra Square, 25200 Kuantan, Pahang Darul Makmur** on **Thursday, 16 June 2016** at **11:00 a.m.** for the following purposes:-

## AGENDA

### As Ordinary Business

1. To receive the audited financial statements for the year ended 31 December 2015 together with the reports of the Directors and Auditors thereon. ***[Please refer Explanatory Note A]***

2. To re-elect the following Directors who are retiring by rotation in accordance with Article 83 of the Company's Articles of Association:-

    a. Dato' Sri DiRaja Haji Adnan bin Haji Yaakob **(Resolution 1)**
    b. Dato' Abdullah bin A. Rasol **(Resolution 2)**

3. To re-elect Dato' Ir. Noor Azmi bin Jaafar who is retiring in accordance with Article 82 of the Company's Articles of Association. **(Resolution 3)**

4. To consider and if thought fit, to pass the following as Ordinary Resolutions:- ***[Please refer Explanatory Note B]***

    i. "That Dato' Abdul Ghani bin L. Sulaiman, who is over the age of seventy (70) years and retiring pursuant to Section 129(6) of the Companies Act, 1965 be and is hereby re-appointed as Director of the Company to hold office until the next Annual General Meeting of the Company". **(Resolution 4)**

    ii. "That Dato' Hj. Mohamad Nor bin Ali, who has attained the age of seventy (70) years and retiring pursuant to Section 129(6) of the Companies Act, 1965 be and is hereby re-appointed as Director of the Company to hold office until the next Annual General Meeting of the Company". **(Resolution 5)**

5. To approve the payment of Directors' fees for the financial year ended 31 December 2015. **(Resolution 6)**

6. To re-appoint Messrs. Hanafiah Raslan & Mohamad as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

### As Special Business

To consider and if thought fit, to pass the following resolutions:-

7. **Ordinary Resolution - Retention of Independent Directors** ***[Please refer Explanatory Note C]***

    a. "THAT approval be and is hereby given to Dato' Sri Khalid bin Mohamad Jiwa, who has served as Independent Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012." **(Resolution 8)**

    b. "THAT subject to the passing of Ordinary Resolution 2, approval be and is hereby given to Dato' Abdullah bin A. Rasol, who has served as Independent Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012." **(Resolution 9)**

# Notice of Annual General Meeting

8. To consider any other business of which due notice shall have been given.

By Order of the Board,

**SHAKERAH ENAYETALI**
Company Secretary

Kuantan

6 May 2016

**EXPLANATORY NOTES:-**

**A. Item 1 of the Agenda – Receipt of Audited Financial Statements**

This item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the audited financial statements. Hence, this item is not put forward for voting.

**B. Item 4 of the Agenda – Reappointment of Directors Pursuant To Section 129 of the Companies Act, 1965**

Section 129(6) of the Companies Act, 1965 stipulates that a Director who is of or over the age of 70 years may be appointed or re-appointed as a Director of the Company by a resolution duly passed by a majority of not less than three-fourth (3/4) of such members of the Company entitled to vote in person or by proxy at the Annual General Meeting ("AGM"). Such Director will hold office until the conclusion of the next AGM.

**C. Item 7 of the Agenda – Retention Of Independent Directors**

The proposed Ordinary Resolution 8 and 9 are to seek shareholders' approval to retain Dato' Sri Khalid bin Mohamad Jiwa and Dato' Abdullah bin A. Rasol as Independent Non-Executive Directors pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012.

Dato' Sri Khalid bin Mohamad Jiwa and Dato' Abdullah bin A. Rasol have served the Board as Independent Directors for a cumulative term of more than nine (9) years. The Board, through annual assessment of Independent Directors carried-out by the Nomination Committee, was satisfied that both Dato' Sri Khalid bin Mohamad Jiwa and Dato' Abdullah bin A. Rasol have complied with the independence criteria set-out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and that they continue to remain objective and continue to bring independent and objective judgement to Board deliberations and decision making despite serving for more than nine (9) years.

The Board recognises that as long serving Independent Directors, Dato' Sri Khalid bin Mohamad Jiwa and Dato' Abdullah bin A. Rasol have developed deeper understanding of the Group's diversified businesses and are able to perform their duties diligently and in the best interest of the Company enabling them to provide effective check and balance in the proceedings of the Board and Board Committees. The Company benefits from their mix of skills, experience and competencies for informed and balanced decision making by the Board.

# Notice of Annual General Meeting

**NOTES:-**

1. In respect of deposited securities, only members whose names appear on the Record of Depositors as at 10 June 2016 shall be entitled to attend, speak and vote at the 20th AGM.

2. A member entitled to attend and vote at the 20th AGM may appoint not more than two (2) proxies to attend and vote in his stead. A proxy may, but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specified the proportion of his/her shareholdings to be represented by each proxy. A proxy appointed to attend and vote at the 20th AGM shall have the same rights as the member to speak at the 20th AGM.

3. That instrument appointing a proxy shall be signed by the appointor or his attorney duly authorised in writing or in the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.

4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 (SICDA) it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account with ordinary shares of the Company standing to the credit of the said securities account. Where an authorised nominee appoints two (2) proxies to attend and vote at the 20th AGM, the proportion of shareholdings represented by each proxy must be specified in the instrument appointing the proxies.

5. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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. Where an exempt authorised nominee appoints more than one (1) proxy to attend and vote at the 20th AGM, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

6. That instrument appointing a proxy must be deposited at the Registered Office of the Company at Tingkat 14, Menara Teruntum, Jalan Mahkota, 25000 Kuantan, Pahang Darul Makmur, at least 48 hours before the time for holding the 20th AGM or any adjournment thereof.

# PROXY FORM

PASDEC HOLDINGS BERHAD
(Company No. 367122-D)

I/We ______________________________________________ NRIC (New)/Company No.: ______________________
*(insert full name in block capital)*

of ________________________________________________________________________________
*(full address)*

being a member/members of **PASDEC HOLDINGS BERHAD** hereby appoint ______________________________________
*(insert full name in block capital)*

NRIC (New)/Company No.: ______________________________ of ________________________________________
*(full address)*

________________________________________________________________________________
*(full address)*

and/or ______________________________________ NRIC (New) No.: ______________________________
*(insert full name in block capital)*

of ________________________________________________________________________________
*(full address)*

or failing him/her the Chairman of the meeting as my/our proxy/proxies to vote for me/us and on my/our behalf at the Twentieth (20th) Annual General Meeting of the Company to be held at **Silk Ballroom, Level 3, The Zenith Hotel, Jalan Putra Square 6, Putra Square, 25200 Kuantan, Pahang Darul Makmur** on **Thursday, 16 June 2016** at **11:00 a.m.** or any adjournment thereof, and to vote as indicated below:-

*(Please indicate with an "X" in the appropriate spaces provided below as to how you wish your vote to be cast. If you do not do so, the proxy/proxies will vote or abstain from voting at his/their discretion.)*

| NO. | AGENDA | Resolution | For | Against |
|---|---|---|---|---|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon | | | |
| 2. | Re-election of Dato' Sri DiRaja Haji Adnan bin Haji Yaakob | 1 | | |
| 3. | Re-election of Dato' Abdullah bin A. Rasol | 2 | | |
| 4. | Re-election of Dato' Ir. Noor Azmi bin Jaafar | 3 | | |
| 5. | Re-appointment of Dato' Abdul Ghani bin L. Sulaiman | 4 | | |
| 6. | Re-appointment of Dato' Haji Mohamad Nor bin Ali | 5 | | |
| 7. | Approval of Directors' Fees | 6 | | |
| 8. | Re-appointment of Messrs. Hanafiah Raslan & Mohamad as Auditors | 7 | | |
| 9. | Retention of Dato' Sri Khalid bin Mohamad Jiwa as Independent Director | 8 | | |
| 10. | Retention of Dato' Abdullah bin A. Rasol as Independent Director | 9 | | |

Dated this ____________ day of ______________,2016

______________________________
Signature of Member/Common Seal

| | |
|---|---|
| No. of ordinary shares held: | |
| CDS Account No.: | |
| Proportion of shareholdings to be represented by proxies | First Proxy: __________%<br>Second Proxy: ________% |
| Contact No.: | |

**NOTES:-**

1. In respect of deposited securities, only members whose names appear on the Record of Depositors as at 10 June 2016 shall be entitled to attend, speak and vote at the 20th Annual General Meeting ("AGM").
2. A member entitled to attend and vote at the 20th AGM may appoint not more than two (2) proxies to attend and vote in his stead. A proxy may, but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specified the proportion of his/her shareholdings to be represented by each proxy. A proxy appointed to attend and vote at the 20th AGM shall have the same rights as the member to speak at the 20th AGM.
3. That instrument appointing a proxy shall be signed by the appointor or his attorney duly authorised in writing or in the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 (SICDA) it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account with ordinary shares of the Company standing to the credit of the said securities account. Where an authorised nominee appoints two (2) proxies to attend and vote at the 20th AGM, the proportion of shareholdings represented by each proxy must be specified in the instrument appointing the proxies.
5. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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. Where an exempt authorised nominee appoints more than one (1) proxy to attend and vote at the 20th AGM, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
6. That instrument appointing a proxy must be deposited at the Registered Office of the Company at Tingkat 14, Menara Teruntum, Jalan Mahkota, 25000 Kuantan, Pahang Darul Makmur, at least 48 hours before the time for holding the 20th AGM or any adjournment thereof.

Fold this flap for sealing

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STAMP

The Company Secretary

**PASDEC HOLDINGS BERHAD**
Tingkat 14, Menara Teruntum
Jalan Mahkota, 25000 Kuantan
Pahang Darul Makmur

1st fold here

**PASDEC HOLDINGS BERHAD** (367122-D)
Tingkat 14, Menara Teruntum, Jalan Mahkota, 25000 Kuantan, Pahang Darul Makmur.
Telephone / Telefon : 09-513 3888   Facsimile / Faksimili : 09-514 5988

**www.pasdec.com.my**