# AHMAD ZAKI RESOURCES BERHAD

(432768-X)

# 2015 ANNUAL REPORT


# Contents

# NOTICE OF 19TH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the 19th Annual General Meeting of the Company will be held at the Banquet Hall, First Floor, Kuala Lumpur Golf & Country Club, 10 Jalan 1/170D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Wednesday, 1 June 2016 at 10.00 a.m. for the following purposes:-

**AGENDA**

**Ordinary Business**

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon. — Please refer to Note A

2. To approve the payment of Directors' fees for the financial year ended 31 December 2015. — Resolution 1

3. To re-elect the following Directors retiring in accordance with Article 80 of the Company's Articles of Association:
   (i) Dato' Sri Haji Wan Zaki bin Haji Wan Muda — Resolution 2
   (ii) Dato' Haji Mustaffa bin Mohamad — Resolution 3

4. To consider and if thought fit, to pass the following ordinary resolutions in accordance with Section 129 of the Companies Act, 1965:
   (i) "THAT Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting." — Resolution 4
   (ii) "THAT Datuk (Prof.) A Rahman @ Omar bin Abdullah, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting." — Resolution 5

5. To re-appoint Messrs Deloitte as auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. — Resolution 6

**Special Business**

To consider and if thought fit, to pass with or without modifications, the following resolutions:-

**Ordinary Resolutions**

6. **Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965**

   "THAT, subject to the Companies Act, 1965, the Articles of Association of the Company and the approval from the relevant authorities, where such approval is necessary, the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965, to issue and allot shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for the additional shares so issued." — Resolution 7

7. **Proposed Renewal of Existing Shareholders' Mandate and New Shareholders' Mandate for Recurrent Related Party Transaction of a Revenue or Trading Nature**

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the Main Market Listing Requirements of Bursa Securities, approval be and is hereby given to the Company, its subsidiaries or any of them to enter into any of the transactions falling within the types of the Recurrent Related Party Transactions, particularly of which are set out in the Circular to Shareholders dated 29 April 2016 with the Related Parties as described in the said Circular, provided that such transactions are of revenue or trading nature, which are necessary for the day-to-day operations of the Company and/or its subsidiaries, in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and not to the detriment of the minority shareholders and that such transactions are made on the arm's length basis and on normal commercial terms. Resolution 8

AND THAT such approval shall continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company (being the 20th AGM of the Company), at which time the said authority will lapse, unless by a resolution passed at a general meeting whereby the authority is renewed;

(ii) the expiration of the period within which the next AGM of the Company (being the 20th AGM of the Company) is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(iii) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is the earliest,

AND THAT the Directors of the Company be authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

8. **Authority to Continue in Office as Independent Non-Executive Director**

(i) "THAT subject to the passing of Resolution 4, Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Director of the Company." Resolution 9

(ii) "THAT subject to the passing of Resolution 5, Datuk (Prof.) A. Rahman @ Omar bin Abdullah who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Director of the Company." Resolution 10

**By Order of the Board**

**Dato' Haji Bahari bin Johari** (LS 0008773)
**Seuhailey binti Shamsudin** (MAICSA 7046575)
**Wong Maw Chuan** (MIA 7413)
Company Secretaries

Kuala Lumpur
29 April 2016

Notes:

A. This Agenda 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 and hence, is not put forward for voting.

1. A member of the Company shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where the member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his/her holdings to be represented by each proxy. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

2. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.

4. The instrument appointing a proxy must be completed, signed and deposited at the office of the Share Registrar, Mega Corporate Services Sdn Bhd at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than forty-eight (48) hours before the time set for the meeting or at any adjournment thereof.

5. In respect of deposited securities, only members whose names appear on the Record of Depositors as at 25 May 2016 shall be eligible to attend, speak and vote at the 19th Annual General Meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

**Explanatory Notes on Special Business:**

6. **Resolution 7 - Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965**

   The ordinary resolution proposed under item 6, if passed will give powers to the Directors to issue shares in the Company up to an amount not exceeding in total ten per centum (10%) of the issued share capital of the Company for such purposes as the Directors would consider in the best interest of the Company. The approval is sought to avoid any delay and cost involved in convening a general meeting for such issuance of shares. This authority, unless revoked or varied at a general meeting will expire at the next Annual General Meeting of the Company.

   The general mandate for issue of shares will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placement of shares for the purpose of repayment of bank borrowings, funding future investment and working capital.

7. **Resolution 8 - Proposed Renewal of Existing Shareholders' Mandate and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

   The ordinary resolution proposed under item 7, if passed will enable the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Securities.

8. **Resolutions 9 and 10 - Authority to Continue in Office as Independent Non-Executive Director**

   In line with the Malaysian Code on Corporate Governance 2012, the Board of Directors has assessed the independence of Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad and Datuk (Prof.) A. Rahman @ Omar bin Abdullah, who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years and the Board has recommended them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:-

   (i) Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad and Datuk (Prof.) A. Rahman @ Omar bin Abdullah have fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Securities, and hence, they would be able to provide an element of objectivity, independent judgement and balance to the Board;

   (ii) Their length of services on the Board of more than nine (9) years does not in any way interfere with their exercise of objective judgement or their ability to act in the best interests of the Company and Group. In fact, Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad and Datuk (Prof.) A. Rahman @ Omar bin Abdullah, having been with the Company for more than nine (9) years, are familiar with the Group's business operations and have devoted sufficient time and commitment to their role and responsibilities as an Independent Director for informed and balance decision making; and

   (iii) They have exercised due care during their tenures as Independent Director of the Company and have discharged their duties with reasonable skill and competence, bringing independent judgement and depth into the Board's decision making in the interest of the Company and its shareholders.

9. **Statement Accompanying the Notice of Annual General Meeting**

   Pursuant to paragraph 8.27(2) of the Main Marketing Listing Requirements of Bursa Securities, the Notice convening an Annual General Meeting is to be accompanied by a statement furnishing details of individuals who are standing for election as directors. This requirement excludes directors who are standing for re-election.

   No individual is standing for election as a Director at the 19th Annual General Meeting of the Company.

## BOARD OF DIRECTORS

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

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

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

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

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

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

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

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

## AUDIT AND RISK COMMITTEE

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

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

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

## COMPANY SECRETARIES

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

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

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

## REGISTERED OFFICE

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

## REGISTRAR

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

## PRINCIPAL BANKERS

Alliance Bank Berhad
AmBank Berhad
Bank Pembangunan Malaysia Berhad
CIMB Bank Berhad
Malayan Banking Berhad
UOB Bank Berhad

## AUDITORS

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

## STOCK EXCHANGE

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

## WEBSITE

www.azrb.com

# CORPORATE STRUCTURE

## ENGINEERING AND CONSTRUCTION

| | | |
|---|---|---|
| 1. | AHMAD ZAKI SDN BHD | 100% |
| 2. | PENINSULAR PRECAST SDN BHD | 100% |
| 3. | AZSB MACHINERIES SDN BHD | 100% |
| 4. | PENINSULAR PROKONSULT SDN BHD | 100% |
| 5. | AHMAD ZAKI SAUDI ARABIA CO LTD | 100% |
| 6. | TADOK GRANITE MANUFACTURING SDN BHD | 100% |
| 7. | UNGGUL ENERGY & CONSRUCTION SDN BHD | 100% |
| 8. | AZRB INTERNATIONAL VENTURES SDN BHD | 100% |
| 9. | FASA TIMUR SDN BHD | 50% |
| 10. | SALCON MMCB AZSB JV SDN BHD | 30% |
| 11. | SALCON MMCES AZSB JV SDN BHD | 30% |
| 12. | MAXI HERITAGE SDN BHD | 20% |

## PROPERTY

| | | |
|---|---|---|
| 1. | AZ LAND & PROPERTIES SDN BHD<br>(formerly known as AZRB Properties Sdn Bhd) | 100% |
| 2. | PENINSULAR MEDICAL SDN BHD | 100% |
| 3. | RESIDENCE INN & MOTELS SDN BHD | 100% |
| 4. | TREND VISTA DEVELOPMENT SDN BHD | 100% |
| 5. | TEMALA DEVELOPMENT SDN BHD | 70% |
| 6. | KEMAMAN TECHNOLOGY & INDUSTRIAL PARK SDN BHD | 60% |
| 7. | BETANAZ PROPERTIES SDN BHD | 51% |
| 8. | PENINSULAR IFM SDN BHD | 34% |

## OIL & GAS

| | | |
|---|---|---|
| 1. | INTER-CENTURY SDN BHD | 100% |
| 2. | ASTRAL FAR EAST SDN BHD | 100% |

## PLANTATION

| | | |
|---|---|---|
| 1. | PT ICHTIAR GUSTI PUDI | 95% |
| 2. | BETANAZ MILLS SDN BHD | 60% |
| 3. | PEAK CROPS SDN BHD | 40% |

## EXPRESSWAY

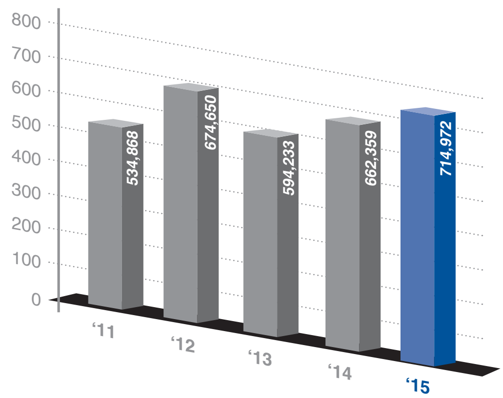
| | | |
|---|---|---|
| 1. | EKVE SDN BHD | 100% |

# 5-YEAR FINANCIAL HIGHLIGHTS

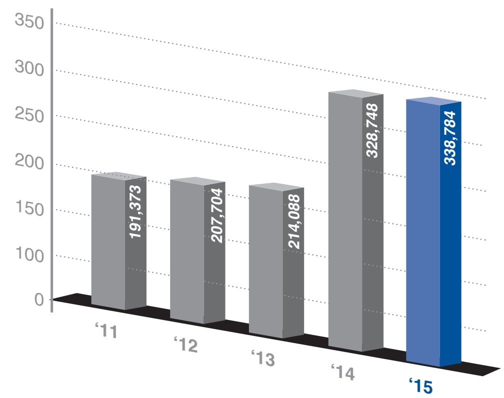
*Year ended 31 December 2015*

| Group Five Year Summary | 2011 RM'000 | 2012 RM'000 | 2013 RM'000 | 2014 RM'000 | 2015 RM'000 |
|---|---|---|---|---|---|
| Revenue | 534,868 | 674,650 | 594,233 | 662,359 | 714,972 |
| Profit before taxation | 24,429 | 37,775 | 24,464 | 25,668 | 32,082 |
| Profit attributable to owners of the Company | 11,860 | 18,679 | 5,526 | 13,508 | 22,877 |
| Paid-up Capital | 138,382 | 138,471 | 138,471 | 120,885 | 120,885 |
| Shareholders' Funds | 191,373 | 207,704 | 214,088 | 328,748 | 338,784 |
| Net tangible assets per share (sen) | 68 | 72 | 75 | 64 | 61 |

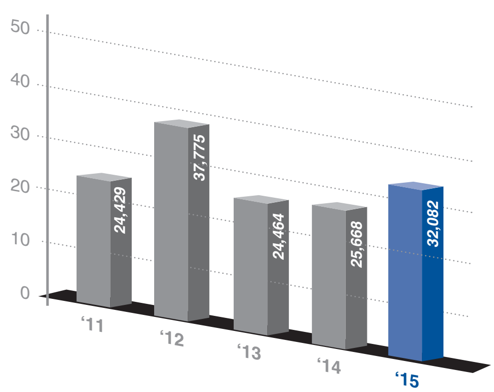
## Revenue
(RM'000)



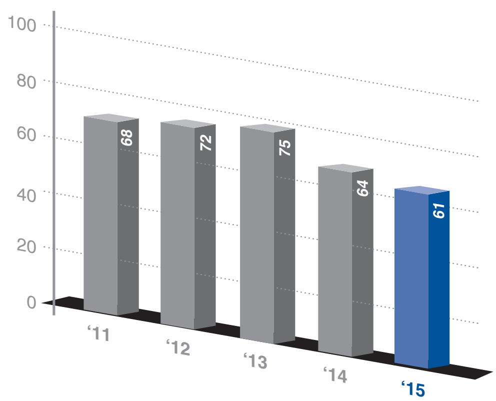

## Shareholders' Funds
(RM'000)




## Profit Before Taxation
(RM'000)




## Net Tangible Assets Per Share
(Sen)



## BOARD OF DIRECTORS

*From Left To Right:*

*Standing:* *Datuk (Prof.) A Rahman @ Omar bin Abdullah, Dato' Haji Roslan bin Tan Sri Jaffar, Dato' W Zulkifli bin Haji W Muda, Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng*

*Seated:* *Dato' Haji Mustaffa bin Mohamad, Dato' Sri Haji Wan Zaki bin Haji Wan Muda, Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad, Dato' Wan Zakariah bin Haji Wan Muda*

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

*PSM, SPMP, DPMP*

Raja Tan Sri Dato' Seri Aman, a Malaysian, aged 70, was appointed Chairman and Independent Non-Executive Director and member of Audit Committee (now known as the Audit and Risk Committee following the integration of the Audit Committee and Board Risk Committee on 24 March 2016) on 26 February 2004. Subsequently, he assumed the Chairmanship of the Audit and Risk Committee on 8 April 2004. He also sits on the Remuneration and Nomination Committees as an ordinary member.

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

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

During the financial year ended 31 December 2015, he attended 15 out of 15 Board meetings held.

## DATO' SRI HAJI WAN ZAKI BIN HAJI WAN MUDA

*SSAP, SIMP, DPMT, PPN, PJK*

Dato' Sri Haji Wan Zaki, a Malaysian, aged 67, was appointed the Executive Vice Chairman of the Company on 24 March 1999. Subsequently, he held the post of Executive Chairman from 1 March 2000 and was redesignated as Executive Vice Chairman of the Company on 26 February 2004. He is presently the Chairman of Remuneration Committee.

Dato' Sri Haji Wan Zaki is the founder of Ahmad Zaki Sdn Bhd ("AZSB"). He began his working career in 1971 as a Financial Assistant with Syarikat Permodalan Pahang Bhd, a Pahang state-owned company. In 1973, he joined Perkayuan Pahang Sdn Bhd as a Financial Assistant and Marketing Officer and subsequently rose to the position of Marketing Manager. He left Perkayuan Pahang Sdn Bhd in 1977 to join Pesaka Terengganu Bhd as its Operation Manager where he served until 1979 prior to joining Pesama Timber Corporation Sdn Bhd as Managing Director. He left Pesama Timber Corporation Sdn Bhd in 1984 to focus on AZSB.

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

During the financial year ended 31 December 2015, he attended 15 out of 15 Board meetings held.

## DATO' WAN ZAKARIAH BIN HAJI WAN MUDA

*DSAP, DSSA*

Dato' Wan Zakariah, a Malaysian, aged 56, joined the board of the Company as an Executive Director on 24 March 1999 and subsequently was appointed to the post of Group Managing Director on 1 January 2003. He is presently the Chairman of the Establishment Committee, Employees' Share Scheme Committee and a member of the Remuneration Committee.

Dato' Wan Zakariah obtained a Bachelor of Science degree in Quantity Surveying from the Thames Polytechnic, United Kingdom (now known as University of Greenwich) in 1986. He started his career in the same year as Quantity Surveyor with the construction subsidiary, AZSB and in 1996 was promoted to the post of Managing Director of AZSB until 2003.

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

During the financial year ended 31 December 2015, he attended 15 out of 15 Board meetings held.

## DATO' HAJI MUSTAFFA BIN MOHAMAD

*DPMT, PJK*

Dato' Haji Mustaffa, a Malaysian, aged 65, was appointed an Executive Director of the Company on 24 March 1999 and is an ordinary member of the Establishment Committee.

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

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

During the financial year ended 31 December 2015, he attended 14 out of 15 Board meetings held.

## DATO' W ZULKIFLI BIN HAJI W MUDA

*DSAP, DIMP*

Dato' W Zulkifli, a Malaysian, aged 54, was appointed a Non-Executive Director on 2 January 1999 and subsequently redesignated as the Executive Director with effect from 1 March 2003. He sits on the Establishment Committee as an ordinary member.

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

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

During the financial year ended 31 December 2015, he attended 13 out of 15 Board meetings held.

## DATO' HAJI ROSLAN BIN TAN SRI JAFFAR

*DIMP, AMP*

Dato' Roslan, a Malaysian, aged 40, was appointed an Executive Director of the Company on 8 January 2015. He sits on the Establishment Committee and Employees' Share Scheme Committee as an ordinary member.

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

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

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

During the financial year ended 31 December 2015, he attended 15 out of 15 Board meetings held.

## TAN SRI DATO' LAU YIN PIN @ LAU YEN BENG

*PSM, DPMT, ASM, JP*

Tan Sri Dato' Lau, a Malaysian, aged 67, was appointed as an Independent Non-Executive Director of the Company on 15 November 2010. He was appointed as a member of the Audit Committee (now known as the Audit and Risk Committee following the integration of the Audit Committee and Board Risk Committee on 24 March 2016) and Nomination Committee on 1 March 2011 and 24 March 2016 respectively.

Tan Sri Dato' Lau obtained his Diploma in Commerce with distinction from Tunku Abdul Rahman College, Malaysia in 1974.

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

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

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

During the financial year ended 31 December 2015, he attended 12 out of 15 Board meetings held.

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

*PJN, DPMT, JSM, SMT, AMN*

Datuk (Prof.) A Rahman, a Malaysian, aged 70, was appointed an Independent Non-Executive Director on 1 January 2003. He was redesignated and appointed as Chairman of the Nomination Committee on 24 March 2016. He also sits on the Audit Committe (now known as the Audit and Risk Committee following the integration of the Audit Committee and Board Risk Committee on 24 March 2016) and Remuneration Committee as an ordinary member.

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

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

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

During the financial year ended 31 December 2015, he attended 15 out of 15 Board meetings held.

NOTES:

**FAMILY RELATIONSHIP**

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

**CONFLICT OF INTEREST**

Save as disclosed in the related party transactions on page 143 to 144 (Note No. 40) of this Annual Report, none of the other Directors have any conflict of interest with the Company during the financial year.

**CONVICTIONS OF OFFENCES**

None of the Directors have been convicted of any offence (other than traffic offence) within the last 10 years.

## GROUP MANAGEMENT TEAM

*From Left To Right:*
*Standing:*

***Seuhailey binti Shamsudin***
*Company Secretary*

***Mohd Khalid bin Mohamed***
*Senior General Manager, Expressway*

***Wan Fakhrul Anwar bin Wan Zakaria***
*Senior General Manager, Group Strategy*

***Zawawi bin Wahab***
*General Manager, Property*

***Mohd Zaki bin Hamdan***
*Director, Group Human Capital & Corporate Services*

***Khairudin bin Haji Mohd Ali***
*Chief Financial Officer*

***Wan Ramzi bin Haji Wan Muda***
*Director, Hospitality*

***Mohamad Razi bin Zakaria***
*Director, Group Legal & Contracts*

***Hazmi bin Hussin***
*President Director, Plantation*

***Mohammad Fauzi bin Haji Ahmad***
*Head, Special Projects and Facilities Management*

***Jamal Nasir bin Abdul Rahman***
*Head, Internal Audit*

***Azman bin Marzuki***
*Executive Director - Operations, Engineering & Construction*

*Seated:*

***Dato' Haji Mustaffa bin Mohamad***
*Managing Director, Oil & Gas*

***Dato' W Zulkifli bin Haji W Muda***
*Managing Director, Engineering & Construction*

***Dato' Wan Zakariah bin Haji Wan Muda***
*Group Managing Director*

***Dato' Haji Roslan bin Tan Sri Jaffar***
*Group Chief Operating Officer*

***Abdul Halim bin Ashari***
*Executive Commissioner, Plantation*

# STATEMENT ON
# RISK MANAGEMENT AND INTERNAL CONTROL

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

## RESPONSIBILITY

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

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

## KEY INTERNAL CONTROL FEATURES

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

### Board of Directors

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

### Independence of the Audit and Risk Committee

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

### Board of Directors-Subsidiary

- The Board of Directors-Subsidiary will review the entity's portfolio of risk and be informed of the most significant risk whether Management is responding appropriately.

### Risk Management Committee-Subsidiary

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

**Risk Management**

The Group has continued with its Risk Management Policy ("RMP") in implementing the Enterprise Risk Management ("ERM") and Project Risk Management ("PRM") in its major subsidiaries.

The key objectives of the RMP are as follows:

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

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

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

**Internal Audit Function**

- The Internal Audit function of the Group is performed in-house by its Internal Audit Department. The Internal Audit Department reports directly to the Audit and Risk Committee. The Internal Audit adopts risk-based audit approach when executing each audit assignment which is carried out in accordance with the annual audit plan. The annual audit plan covers the major subsidiaries of the Group.
- The principal role of the Internal Audit is to provide independent and objective reports on the effectiveness of the system of internal controls within the major subsidiaries of the Group. The audit findings were discussed with Management of respective entities for their corrective actions and presented to the Audit and Risk Committee.
- The total cost incurred for the internal audit function for the financial year ended 31 December 2015 was RM668,042.
- A summary of the Internal Audit activities during the financial year under review is as follows:
    i. Performed 16 audit reviews on major subsidiaries of the Group to ascertain the adequacy and compliance with the system of internal controls and made recommendations for improvement where weaknesses were found.
    ii. Conducted 4 follow-up audits to determine the adequacy, effectiveness and timeliness of action taken by the Management on audit recommendations and provided updates on their status to the Audit and Risk Committee.

**Business Plan and Budget**

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

### Documented Policies and Procedures

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

### Human Resource Policy

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

### Performance Management

- Performance appraisals are carried out annually in a Performance Management System to gauge the employee's performance for any promotion, bonus payment and annual increment exercise.

- In order to nurture the quality and competencies of employees, training and development programmes are established.

### Business Ethics

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

## REVIEW BY EXTERNAL AUDITORS

The external auditors, Deloitte, have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 December 2015, in compliance with Paragraph 15.23 of the Listing Requirements, and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

## CONCLUSION

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

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

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

This statement, prepared for inclusion in the Annual Report of the Company for the year ended 31 December 2015 has been reviewed by the Audit and Risk Committee prior to their recommendation to the Board for approval.

This statement is made on the recommendation of the Audit and Risk Committee to the Board of Directors and as per the Board's resolution dated 31 March 2016.

The Board of Directors of Ahmad Zaki Resources Berhad ("AZRB") is committed towards the adoption of principles and best practices as enshrined in the Malaysian Code of Corporate Governance ("MCCG") throughout the Group. It is recognised that the adoption of the highest standards of governance is imperative for the enhancement of stakeholders' value. The Group has adopted and complied with the principles and Best Practices set out in MCCG 2012 throughout the financial year ended 31 December 2015.

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

## BOARD OF DIRECTORS

### Board Composition

The Board is currently led by an Independent Non-Executive Chairman and has eight (8) members comprising five (5) Executive Directors and three (3) Independent Non-Executive Directors. The Board is composed of members with experience in business, construction, legal and finance, required for effective and independent decision-making at the Board level. The Board considers its current size adequate given the present scope and nature of the Group's business operations. A brief description on the background of each Director is presented on pages 10 to 17 of the Annual Report.

The three (3) Independent Non-Executive Directors do not participate in the day-to-day management or in the daily business of the Company or Group. They shall provide unbiased, independent views and judgment in the decision-making process at the Board level and ensure that the interests of minority shareholders are safeguarded.

The MCCG 2012 has recommended that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Based on the independent assessment made, the independence of Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad and Datuk (Prof.) A Rahman @ Omar bin Abdullah who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years each, remain objective and independent-minded in their participation in deliberations and decision making of the Board and Audit and Risk Committee. The length of their service does not in any way interfere with their exercise of independent judgment. Hence, the Board has recommended to retain those independent directors whose tenure has exceeded nine (9) years and shall seek shareholders' approval at the forthcoming Annual General Meeting ("AGM").

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

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

### Roles and Responsibilities

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

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

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

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

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

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

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

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

(h) Keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1965;

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

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

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

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

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

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

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

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

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

Besides the Audit Committee, which was set up on 24 March 1999, and now known as the Audit and Risk Committee following the integration of the Audit Committee and Board Risk Committee on 24 March 2016, several Board committees were established subsequently to assist the Board in discharging its duties and responsibilities. All committees have written terms of reference and procedures duly endorsed by the Board to examine a particular issue and report back to the Board with a recommendation. Chairman of the committee concerned will report to the Board on matters dealt by the said committee which will be incorporated as part of the Board minutes.

**Board Appointment Process**

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

**Directors' Re-election**

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

**Board Meetings**

During the financial year ended 31 December 2015, fifteen (15) Board meetings were held. The Directors' attendance of each Board meeting held are as follows:-

| Executive Directors | Total Meetings Attended | % of Attendance |
|---|---|---|
| Dato' Sri Haji Wan Zaki bin Haji Wan Muda | 15/15 | 100% |
| Dato' Wan Zakariah bin Haji Wan Muda | 15/15 | 100% |
| Dato' Haji Mustaffa bin Mohamad | 14/15 | 93% |
| Dato' W Zulkifli bin Haji W Muda | 13/15 | 87% |
| Dato' Haji Roslan bin Tan Sri Jaffar | 15/15 | 100% |
| **Non-Executive Directors** | | |
| Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad | 15/15 | 100% |
| Datuk (Prof.) A Rahman @ Omar bin Abdullah | 15/15 | 100% |
| Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng | 12/15 | 80% |
| Dato' Haji Ismail @ Mansor bin Said (Retired on 16.6.2015) | 9/9 | 100% |
| Dato' Wan Ahmad Farid bin Haji Wan Salleh (Resigned w.e.f 1.12.2015) | 12/14 | 86% |

**Directors' Remuneration**

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

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

| | Salaries* RM | Allowances RM | Fees RM | Bonuses RM | Benefits-in-kind RM | Total RM |
|---|---|---|---|---|---|---|
| Executive Directors | 4,138,169 | 730,700 | 314,000 | 822,831 | 408,364 | 6,414,064 |
| Non-Executive Directors | - | 83,200 | 644,000 | - | 57,288 | 784,488 |

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

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

| Range of Remuneration | Executive Directors | Non-Executive Directors |
|---|---|---|
| Below RM50,000 | - | - |
| RM50,001 – RM100,000 | - | 2 |
| RM100,001 – RM200,000 | - | 1 |
| RM200,001 – RM250,000 | - | 1 |
| RM250,001 – RM300,000 | - | 1 |
| RM300,001- RM900,000 | - | - |
| RM900,001- RM950,000 | 1 | - |
| RM950,001 – RM1,100,000 | - | - |
| RM1,100,001 – RM1,150,000 | 1 | - |
| RM1,150,001 – RM1,200,000 | - | - |
| RM1,200,001 – RM1,250,000 | 1 | - |
| RM1,250,001 – RM1,300,000 | - | - |
| RM1,300,001 – RM1,350,000 | 1 | - |
| RM1,350,001 – RM1,750,000 | - | - |
| RM1,750,001 – RM1,800,000 | 1 | - |

### Directors' Training

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

Conferences, seminars and training programmes attended by Directors in 2015 included the following areas:

| | |
|---|---|
| **Board Leadership** | • Board's Strategic Leadership: Innovation & Growth in Uncertain Times<br>• Leadership Roles in Innovation and Change Management<br>• Crisis Management & Leadership During a Disaster<br>• YTL Leadership Conference 2015 |
| **Risk Management** | • Enterprise Risk Management: Driving Organisational Sustainability, Agility and Resilience |
| **Corporate Governance** | • Beyond Compliance to Growth: Board's Strategy in Cultivating Real Growth within a Conducive Governance Environment |
| **Finance & Taxation** | • Economic and Financial Services Sector: Trends and Challenges Moving Forward<br>• Economic Talk<br>• The Shaking Foundations of Finance<br>• Audit Oversight Board Conversation with Audit Committees |
| **Others** | • Managing in Uncertainties and Surviving the Turbulence<br>• Directors' Remuneration Report 2015<br>• An evening of stimulating lectures with St Anne's College, University of Oxford<br>• Launching of the Malaysian Biomass Industries Review<br>• Media Talk – Media Outlook 2015/2016 in Malaysia<br>• International Biomass Conference Malaysia 2015<br>• Forum on Enhancing the 21st Century Maritime Silk Road through Malaysia |

### Board Charter

The Board Charter was established in year 2002 to set out the strategic intent and outlines the Board's structure and procedures, roles and responsibilities and relationship of the Board to Management. The Board has assessed the current Board Charter and its conformity in accordance with MCCG 2012. The Board is of the opinion that the Board Charter conforms in all material aspects to the MCCG 2012. Nevertheless, the Board recognises the importance of the Board Charter thus, will take steps to enhance the Board Charter to bridge any gaps that may arise out of the MCCG 2012 so as to ensure its continuous relevance in the corporate governance of the Group.

## BOARD COMMITTEES

### 1. NOMINATION COMMITTEE

**Primary function**

The Nomination Committee was established on 16 January 2002 and operates within clearly defined terms of reference. The Nomination Committee is primarily responsible for constantly assessing the overall effectiveness of the Board and Board committees and make recommendations to the Board for any new candidate as Board member or Board committee member, including assessing the eligibility of Independent Non-Executive Directors who have served more than 9 years as well as re-appointment of Directors pursuant to Section 129 of the Companies Act, 1965. Due consideration is given to the required mix of skills, expertise and experience of the new candidate to meet the needs and complement the Board, having due regard for the benefits of diversity on the Board, including gender, ethnicity and age, and recommends for appointment to the Board. In addition, the Nomination Committee also performs introduction briefing for the new Board members with regards to the overall operations and corporate objectives of the Group and continues to ensure that new Board member undergoes the necessary Mandatory Accreditation Programme ("MAP") prescribed by Bursa Malaysia.

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

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

During the financial year, two (2) meetings were held and attended by all members where the Nomination Committee has approved the appointment of Dato' Haji Roslan bin Tan Sri Jaffar as a new Executive Director of the Company and recommended the same to the Board for approval as well as assessed the performance of the retiring Directors and to consider their eligibility for election at the next Annual General Meeting.

**Member**

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

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

The Company Secretary is the secretary of the Nomination Committee.

### 2. REMUNERATION COMMITTEE

**Primary function**

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

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

**Member**

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

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

The Company Secretary is the secretary of the Remuneration Committee.

## 3. ESTABLISHMENT COMMITTEE

**Primary function**

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

**Member**

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

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

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

## 4. EMPLOYEES' SHARE SCHEME COMMITTEE

**Primary Function**

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

**Member**

The present members of the ESSC are as follows:

- Dato' Wan Zakariah bin Haji Wan Muda (Chairman)
- Dato' Haji Roslan bin Tan Sri Jaffar
- En Khairudin bin Haji Mohd Ali
- En Mohd Zaki bin Hamdan
- Pn Seuhailey binti Shamsudin

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

## EFFECTIVE COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

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

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

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

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

## ACCOUNTABILITY AND AUDIT

**Financial Reporting**

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

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

A statement by the Directors of their responsibilities in preparing the financial statements is set out separately on page 34 of this Annual Report.

**Internal Control and Risk Management**

The Statement on Risk Management and Internal Control furnished on pages 20 to 22 of this Annual Report provides an overview on the state of internal controls and risk management within the Group.

**Relationship with the External Auditors**

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

This Corporate Governance Statement is made in accordance with the resolution of the Board dated 31 March 2016.


AZRB


AZRB
AHMAD ZAKI RESOURCES BERHAD
SAFETY INDUCTED
PJHZ 6

# STATEMENT OF DIRECTORS' RESPONSIBILITIES IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities as required by the Companies Act, 1965 to prepare the financial statements for each financial year so as to give a true and fair view of the state of affairs of the Group and the Company as at end of the financial year and of the results and cash flows of the Group and the Company for the financial year then ended.

In the preparation of the financial statements, the Directors have:

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

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

This Statement of Directors' Responsibilities is made in accordance with the resolution of the Board of Directors dated 31 March 2016.

# REPORT OF THE AUDIT AND RISK COMMITTEE

## MEMBERSHIP

The present members of the Audit and Risk Committee of the Company are:

1. Raja Dato' Seri Aman bin Raja Haji Ahmad (Chairman)
2. Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng (Member)
3. Datuk (Prof.) A Rahman @ Omar bin Abdullah (Member)
4. Dato' Haji Ismail @ Mansor bin Said (Retired on 16.6.2015)

## TERMS OF REFERENCE

### Membership

1. The Committee shall be appointed by the Board of Directors amongst its members and consist of at least three (3) members, all whom must be a Non-Executive Directors, with a majority of them being Independent Directors.
2. At least one (1) member of the Committee must be:
   - a member of the Malaysian Institute of Accountants ("MIA"); or
   - if he is not a member of the MIA, he must have at least three (3) years' working experience; and
     i. he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
     ii. he must be a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967.
3. In the event of any vacancy in the Committee resulting in the non-compliance with Paragraph 15.10 of the Listing Requirements of Bursa Malaysia, the Board shall appoint a new member within three (3) months.
4. The Board of Directors must review the term of office and performance of the Committee and each of its members at least once in every three (3) years.
5. No alternate Director shall be appointed as a member of the Committee.

### Meetings

1. Meetings shall be held at least four (4) times a year.
2. The Audit and Risk Committee may require the attendance of any management staff from the Finance/Accounts Department or other departments deemed necessary.
3. The Committee shall meet with the external auditors at least once a year without Executive Board members present. Upon the request of the external auditors, the Chairman of the Audit and Risk Committee shall convene a meeting of the committee to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders.

### Quorum

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

### Secretary

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

**Reporting Procedure**

The Audit and Risk Committee regulates its own procedures:-

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

Minutes of the meetings were tabled for confirmation at the following Audit and Risk Committee meeting. In 2014, the Chairman presented the recommendations of the Committee to the Board for approval of the annual and quarterly financial statements. The Chairman also conveyed to the Board matters of significant concern as and when raised by the external or internal auditors.

**Duties and Responsibilities**

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

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

**Authority**

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

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

**Review**

The Board of Directors has ensured that the term of office and performance of the Audit and Risk Committee and each of its members are being reviewed at least once in every three (3) years to determine whether the Audit and Risk Committee and members have carried out their duties in accordance with their terms of reference.

## ATTENDANCE OF AUDIT AND RISK COMMITTEE MEETINGS

The details of attendance of each member at the Committee meetings held during the financial year ended 31 December 2015 are as follows:

| Name of Members | Meetings | | | | | | | Total Attendance |
|---|---|---|---|---|---|---|---|---|
| | 19.1 | 26.2 | 23.4 | 29.5 | 27.8 | 20.10 | 27.11 | |
| Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad | √ | √ | √ | √ | √ | √ | √ | 7/7 (100%) |
| Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng | √ | √ | √ | √ | x | √ | √ | 6/7 (86%) |
| Datuk (Prof.) A Rahman @ Omar bin Abdullah | √ | √ | √ | √ | √ | √ | √ | 7/7 (100%) |
| Dato' Haji Ismail @ Mansor bin Said (Retired on 16.6.15) | √ | √ | √ | √ | - | - | - | 4/4 (100%) |

## SUMMARY OF ACTIVITIES

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

1. the Group's year end audited financial results presented by the external auditors prior to the submission to the Board for approval;
2. the Group's quarterly financial results presented by the Management prior to the submission to the Board for approval;
3. the Audit Planning Memorandum of the external auditors in a meeting to discuss their audit strategy, audit focus and resources prior to commencement of their annual audit;
4. matters arising from the audit of the Group in a meeting with the external auditors without the presence of any Executive Directors or members of the Group's Management;
5. related party transactions within the Group pursuant to Bursa Malaysia Listing Requirements prior to submission for the Board's consideration and, where appropriate, shareholders' approval; and
6. the internal audit plan, consider the major findings of internal audit reports and recommendations in relation to weaknesses in the internal control and discussed with Management on corrective actions to be taken.

# OTHER INFORMATION

### UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

As at 31 March 2016, the status of utilisation of the proceeds raised from the Right Issues which was completed on 16 May 2014 are as follows:

| | Purpose | Proposed Utilisation (RM'000) | Actual Utilisation (RM'000) | Intended Timeframe for Utilisation | Deviation Amount (RM'000) | Explanations |
|---|---|---|---|---|---|---|
| (a) | Funding projects | 74,446 | 74,446 | Within 18 months | - | Completed |
| (b) | Repayment of borrowings | 15,000 | 15,000 | Within 6 months | - | Completed |
| (c) | Working capital | 12,053 | 12,053 | Within 12 months | - | Completed |
| (d) | Estimated expenses | 1,800 | 1,800 | Within 6 months | - | Completed |
| | **Total** | **103,299** | **103,299** | | | |

### SHARE BUY BACK

During the financial year, there was no share buy back transacted, resale or cancellation of treasury shares. As at 31 December 2015, the treasury shares stood at 1,478,100. The purchased shares are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

### OPTION, WARRANTS OR CONVERTIBLE SECURITIES

There was no allocation of options granted to eligible employees and Directors and no warrants was exercised during the financial year.

During the financial year, the Company did not implement any other convertible securities.

### AMERICAN DEPOSITORY RECEIPT ("ADR")/ GLOBAL DEPOSITORY RECEIPTS ("GDR")

During the financial year, the Company did not sponsor any ADR/ GDR programme.

### SANCTIONS AND/OR PENALTIES

Since the end of the previous financial year, there was no material sanctions and/or penalty imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies.

### PROFIT GUARANTEE

There was no profit guarantees given or received by the Company during the financial year.

### AUDIT FEES

The amount of audit fees and non-audit fees paid to the external auditors and their affiliated companies by the Group for the financial year ended 31 December 2015 are as follows:-

| | Deloitte RM '000 | Non Deloitte RM '000 |
|---|---|---|
| Audit fees | 434 | 73 |
| Non-audit fees | 153 | - |

## VARIATION IN RESULTS

There is no significant difference between the Audited and Unaudited Results released to Bursa Malaysia in respect of financial year ended 31 December 2015.

## MATERIAL CONTRACTS OR LOANS WITH RELATED PARTIES

Save as those disclosed in the following recurrent related parties transactions of a revenue in nature, there were no material contracts or loans entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests either subsisting at the end of the financial year ended 31 December 2015 or entered into since the end of previous financial year.

## RECURRENT RELATED PARTY TRANSACTIONS

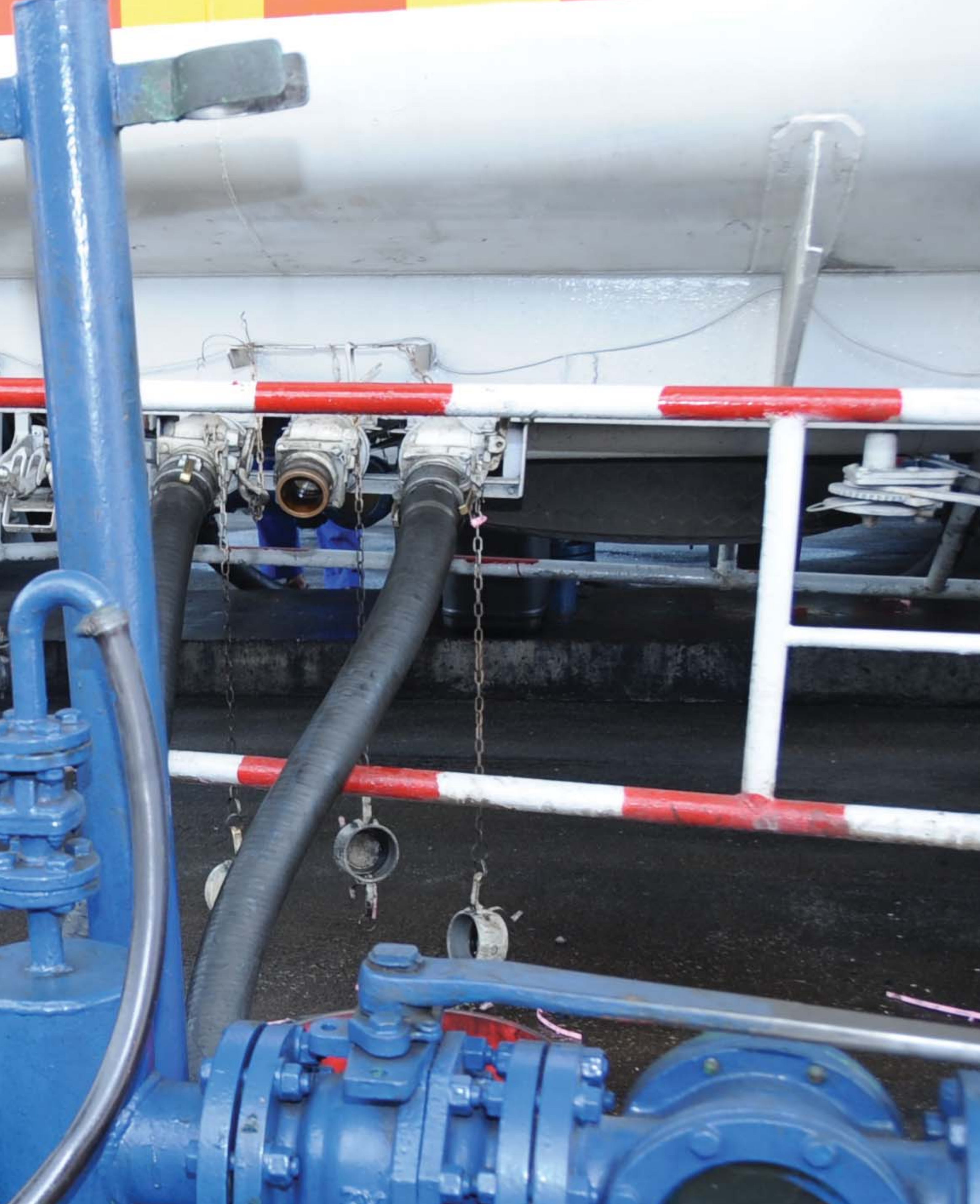
The value of related party transactions entered into by the Company and its subsidiaries during the financial year which have obtained shareholder's mandate in the previous AGM are qualified as follows:-

| Nature of the transactions with related party | Entered by | Period covered from 1 January to 30 June of Year 2015 RM'000 | Period covered from 1 July to 31 December of Year 2015 RM'000 |
|---|---|---|---|
| a) Purchase of building materials from subsidiaries of CHRB | | | |
| i) Chuan Huat Industrial Marketing Sdn Bhd | AZSB | 5,732 | 2,924 |
| ii) Chuan Huat Steel Sdn Bhd | AZSB | 273 | 47 |
| b) (Sales)/Purchase of building materials from subsidiaries of ZHSB | | | |
| i) Kemaman Quarry Sdn Bhd | AZSB | (203) | (167) |
| ii) QMC Sdn Bhd | AZSB | 3,000 | 2,250 |
| c) Insurance premium paid/payable to ZHSB | AZRB AZSB ICSB AMSB | 439 | 337 |
| d) Administrative charges paid/payable to ZHSB | AZSB | 60 | 60 |
| e) Rental of land paid to Dato' Sri Haji Wan Zaki bin Haji Wan Muda | PPSB | 929 | 883 |

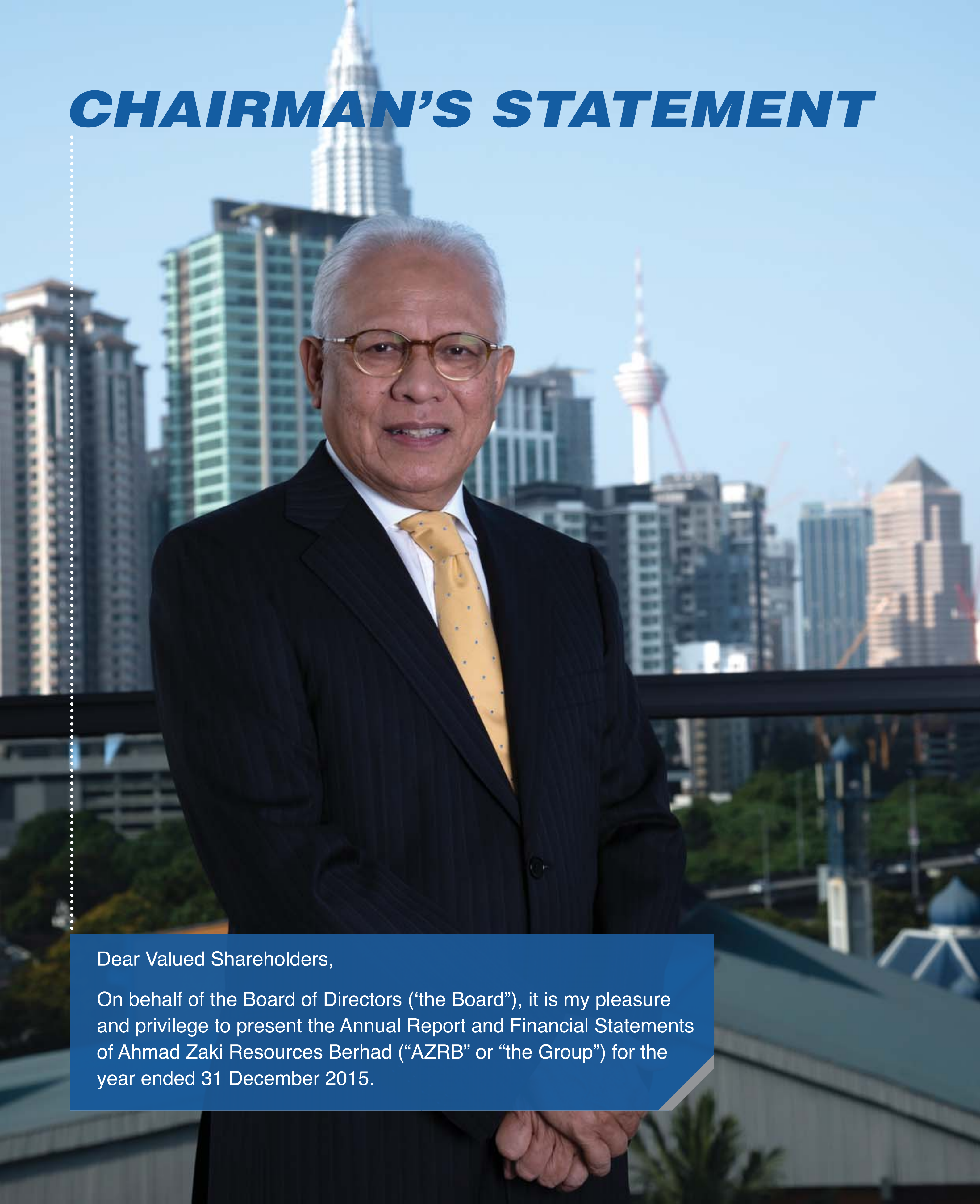
**Relationship of the related parties:**

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


T T 1518
TR
8967



# CHAIRMAN'S STATEMENT



Dear Valued Shareholders,

On behalf of the Board of Directors ('the Board"), it is my pleasure and privilege to present the Annual Report and Financial Statements of Ahmad Zaki Resources Berhad ("AZRB" or "the Group") for the year ended 31 December 2015.


*AFE Tank Farm at Tok Bali Supply Base.*

## Overview

The year under review was a momentous year for the Group. It was a year where the Group greatly expanded its presence in the Property and Oil and Gas sectors. The year began and ended with the Group's involvement in the Tok Bali Supply Base ("TBSB") in Kelantan. On 21 January 2015, the Group's wholly owned subsidiary, Astral Far East Sdn Bhd ("AFE") signed an agreement with TB Realty Sdn Bhd and TB Supply Base Sdn Bhd, the owners and operators of the TBSB, for the provision of bunkering services to all vessels calling at TBSB. Both TB Realty Sdn Bhd and TB Supply Base Sdn Bhd are wholly owned subsidiaries of Matrix Reservoir Sdn Bhd ("MRSB"). Following the agreement, the Group via AFE and MRSB developed a close working relationship and cooperation that culminated with the Group being invited to participate in a tender exercise for a proposed investment in MRSB. MRSB had sought new investors into MRSB to help them realise their ambitions for TBSB.

The Group was successful in its tender not just by virtue of its competitive bid but by the commitment and cooperation it had demonstrated throughout the year ever since the agreement signed by AFE in January 2015. On 25 November 2015, the Group entered into an agreement with the shareholders of MRSB to acquire and subscribe for a 51% equity stake in MRSB thereby making MRSB a subsidiary of the Group ("the MRSB Agreement"). The MRSB Agreement also allows the Group to take management control of MRSB immediately thereby enabling the Group to closely manage the affairs of TBSB properly for the benefit of the Group and our new partners in MRSB. The Group had, for the longest time, looked at many ways to expand its Oil and Gas Division, and the MRSB Agreement represents one of the best opportunities for the Group in this sector.

I reported last year that the Group was looking to elevate its property development business. I am pleased to report that the Group made great strides in 2015 in this segment to the extent that the Group is now recognising the Property Division as a full-fledged business division. Amongst the new Property Division's key achievements in 2015 was on 10 September 2015, when the Group formalised an agreement with the state of Terengganu for the acquisition of 67 acres of land near Ajil in Terengganu. With this acquisition, the Property Division will be developing a mix development project called 'Puncak Temala' with the first phase planned for launching in the second half of 2016.

As part of its growth strategy, the Group's Property Division has been participating in joint development tenders with large master developers as well as discussing with various land owners for joint development opportunities. This strategy bore fruit on 4 November 2015 when Kwasa Land Sdn Bhd issued a letter of award to the Group as a development partner for a project known as the Proposed


Residential Development on 3.91 acres land identified as R3-4 of the Kwasa Damansara Township. This award was further formalised on 22 February 2016 when the Group via its wholly owned subsidiary AZ Land & Properties Sdn Bhd (formerly known as AZRB Properties Sdn Bhd) signed the Development Rights Agreement with Kwasa Development (3) Sdn Bhd, a wholly owned subsidiary of Kwasa Land Sdn Bhd which sets out in detail the development partnership. The division has since decided to name the development as "Rimbun Damansara" with a formal launch targeted by early 2017 at the latest.

In terms of our core Engineering and Construction Division, the division successfully procured two major projects in 2015 worth RM500 million. The first was for the Proposed Construction and Completion of the KPC Port Link Road in Kuantan Port City, Pahang for ECERDC Package 3A worth RM113 million and the second was for the Proposed Mixed Development for UDA Legasi Sdn Bhd worth RM387 million. Another notable milestone for the division was the commencement of construction for the Group's East Klang Valley Expressway ("EKVE") on 10 September 2015. With the start of construction of EKVE, the division will be undertaking its largest contract to date, worth RM1.551 billion. The division continues to look for construction opportunities in 2016 and is confident of securing sizeable contracts to replenish its balance order book which currently stands at RM3.295 billion as at 31 December 2015.

Also making progress in 2015 was the Group's Plantation Division. As at 31 December 2015, the division had planted up to 7,043 ha at its oil palm plantation in Kalimantan Barat ("Kalbar"). More significantly was the division commencing the construction of its first palm oil mill ("the Mill") at its plantation in Kalbar. The Mill is being designed as a 60MT/Hr mill and is scheduled to be commissioned by early 2017. Once the Mill is completed, this will enable the division to complete its financial turn around and contribute positively to the Group's earnings from 2017 onwards. The Group intends to invest up to about RM70 million in developing and constructing the Mill at Kalbar. Despite the hefty investment cost, the Mill will contribute positively immediately upon commissioning and will help the division contribute positively to the Group, and therefore will add to the Group's profitability. The Group remains committed to its plantation division and look forward to its positive contribution in the years ahead.

## Financial Performance

The year under review saw the Group surpassing the results of 2014 both in terms of revenue and profitability. For 2015, the Group recorded a revenue of RM715 million (2014: RM662.4 million), a profit before tax of RM32.1 million (2014: RM25.7 million) and a profit for the year of RM21.6 million (2014: RM12.3 million). In terms of growth, the Group recorded an encouraging year on year growth of about 8% in terms of revenue and 25% in terms profit before tax. In terms of contribution, the Engineering and Construction Division continues to be the main driver for the Group with revenues of RM644.2 million (2014: RM601.7 million) representing 90% of total Group consolidated revenue. Meanwhile, profit before tax for the Engineering and Construction Division for the year was RM52.1 million (2014: RM52.6 million). Results for the division remained largely flat as compared to previous year reflecting the similar volume of work during the period.

The next largest contributor to the Group's revenue is the Oil and Gas Division with recorded revenues of RM47.6 million (2014: RM45.6 million), representing 6.7% of total Group consolidated revenue. Profit before tax for the year remained steady at RM14.1 million (2014: RM14 million), which was a remarkable achievement considering the significant downturn in the oil and gas industry during 2015. This demonstrates that our Oil and Gas Division has a fairly resilient business model and that the Group stands to benefit from the wider range of services that the division will be able to offer once TBSB is fully operational.

The Property Division which includes property development, hospitality and facilities management business posted revenues of RM15.2 million for 2015 (2014: RM9.6 million) and profit before tax of RM2.4 million (2014: RM1.1 million). We look forward to higher contributions from the division once the planned launches of the various development parcels takes place over the next few years. Furthermore, the division's hotel business will receive a boost in the number of available rooms in 2016 with the completion of the new wing at the division's existing hotel in Cherating, Pahang. With the completion of the new wing, Residence Inn Cherating will have 140 rooms compared to the present 60 only. Also in 2016, the Group's wholly owned subsidiary, Peninsular Medical Sdn Bhd ("PenMedic") will commence maintenance service of the IIUM Teaching Hospital in Kuantan, Pahang. As a result, the division will recognise revenue from the facilities management services undertaken by the Group at the hospital.

*Artist Impression: Mixed Development for UDA Legasi Sdn Bhd*

In 2015, the Plantation Division saw improvement in terms of revenue as a result of higher yields from the existing mature areas. Revenue recorded was RM8 million (2014: RM5.4 million). However, the higher yields were offset greatly by lower prices received for Fresh Fruit Bunches ("FFB") sales and compounded by strong exchange rate movement, saw losses before tax widening to RM39.9 million (2014: RM33.8 million). Had the division enjoyed steady FFB prices as per 2014 and not suffered exchange rate losses due to the strengthening US Dollar, the division would have narrowed the loss before tax fairly significantly. In terms of profitability, the division will only show positive results once its palm oil mill is operational in 2017. Regardless, the Board is encouraged by the continuous improvement shown by the division and is confident that the division will deliver value in the future.

*IIUM Teaching Hospital, Kuantan, Pahang.*

## Looking Ahead

Whilst the year 2015 was a year for expansion, the year 2016 will be a year of consolidation and delivery. Having invested quite a fair bit over the last few years, the Board is looking forward to the Group delivering on some of these investments. First to deliver will be the IIUM Teaching Hospital, which the Group has successfully completed and handed over to the International Islamic University Malaysia for operations. The Group will be responsible for the maintenance and management of the facilities for the next 21.5 years. The Board is also expecting for the Property Division to start delivering with at least 2 launches of residential property phases in Terengganu. One will be at the Group's development in Tiara Paka, near Kertih and Dungun. The other will be at Puncak Temala near Ajil. With an estimated total GDV of RM1.4 billion across all the Group's property parcels, the Board and I are excited to see this GDV being realised progressively through various launches.

Also set for delivery in 2016 will be the key facilities at TBSB as well as the first palm oil mill in the Group's estate in Kalbar in Indonesia. Successful completion of these two major undertakings will result in increased and stronger contributions from both the Plantation and Oil and Gas Divisions. Finally, the focus will be on the Group's Engineering and Construction Division to deliver on the East Klang Valley Expressway ("EKVE"), which is slated for completion in 2019. The Board has been waiting for this highway since 2008 and now that most of the legal and regulatory hurdles have been resolved, the ball is finally in our court to deliver on the construction. The EKVE project as well as the other construction projects being undertaken by the division will hopefully propel the Group to record its highest revenue in its history in 2016.

Naturally, the Group will not be averse for expansion should the right opportunity arise. In particular, the Group's Property Division is constantly on the lookout for smart partnership opportunities in terms of property development. Also, the Group's Plantation Division is constantly evaluating potential new areas for expansion and these include greenfield areas as well as mature plantations available at the right valuation and condition.

## Acknowledgement

I would like to put on record my sincere gratitude to two directors of the Group who stepped down in 2015. Y.Bhg Dato' Haji Ismail @ Mansor bin Said retired at the last Annual General Meeting on 16 June 2015 after electing not to seek re-election as an independent non-executive director of the Group. Dato' Ismail had served the Group as an independent non-executive director since 26 May 1997 and his presence will certainly be missed. I wish Dato' Ismail a happy retirement.

YA Dato' Wan Ahmad Farid bin Haji Wan Salleh had stepped down as an independent non-executive director of the Group on 1 December 2015. Consequently, he was appointed as the Shah Alam High Court Judicial Commissioner on 16 December 2015. Dato' Wan Farid was appointed to the Board on 12 July 2013 and the Group had greatly benefited from his wise counsel, particularly on legal matters during his tenure on the Board. Please join me in wishing Dato' Wan Farid a successful career ahead in the Judiciary.

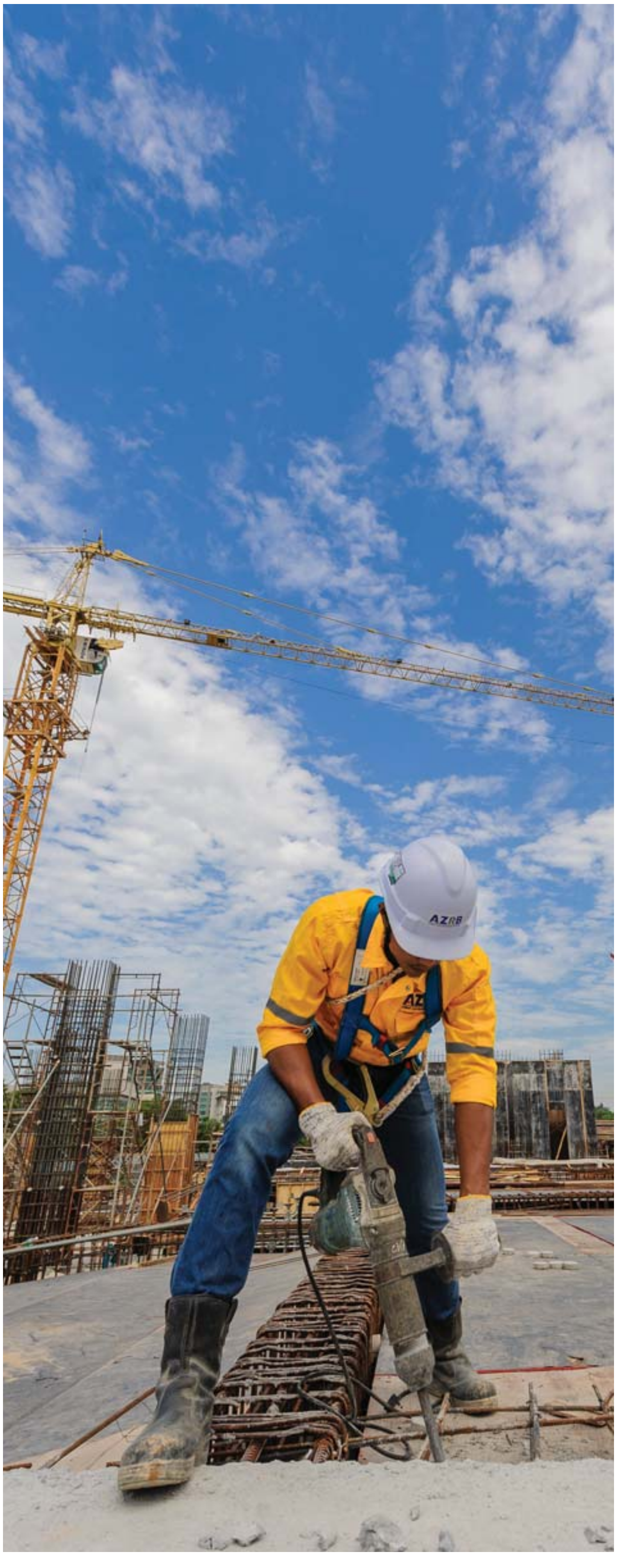
## Note of Appreciation

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

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

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

***Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad***
***Chairman***



## GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS

Dear Shareholders,

On behalf of the Senior Management of Ahmad Zaki Resources Berhad ("AZRB" or "the Group"), it is my pleasure and honour to present you with the Review of Operations for the AZRB Group for the year ended 31 December 2015.

The year under review was an exciting year for all of us at AZRB. Amongst the notable achievements for the year was the expansion of our Oil and Gas Division, the continued strong performance of our Engineering and Construction Division, the improvements seen at our Plantation Division, the start of construction of our long awaited expressway and the elevation of our property development activities into a full-fledged business division.

## Engineering and Construction Division ("E&C Division")

The E&C Division continues to be the Group's largest contributor both in terms of Revenue as well as Profitability. In terms of financial performance, the E&C Division delivered steady results, on par with the previous year. The division managed to replenish its balance order book with two notable projects worth RM500 million. On 20 May 2015, the division received a letter of acceptance from the East Coast Economic Region Development Council ("ECERDC") for 'The Proposed Construction and Completion of the KPC Port Link Road in Kuantan Port City, Pahang Darul Makmur' ("KPC Link Project"). The KPC Link Project is worth RM113.3 million with a construction period of 108 weeks commencing from site possession.

The division received a second letter of acceptance on 15 September 2015, this time from UDA Legasi Sdn Bhd for the 'Proposed Mixed Development of 1 block of 47 storey apartment building containing 639 apartments and 1 block of 29 storey commercial office building with 1 level of basement car park at Lot 3338, Jalan Raja Muda Musa, Kampung Bharu, Kuala Lumpur' ("UDA Legasi Project"). The UDA Legasi Project amounts to a total value of RM386.6 million with a contractual period of 40 months from date of site possession.

*MRT Viaduct Guideway (package 6).*

The two projects are of great significance to the Group in their own right. The KPC Link Project represents the continued trust placed in the Group's E&C Division by ECERDC, for whom the division has done a number of projects in the past. Some of those projects include the earthworks for the Kertih Polymer Park in Terengganu and Animal Production Complex in Pekan, Pahang. Meanwhile, the UDA Legasi Project symbolises the growing recognition for the Group's expertise in building high rise buildings. We are both honoured and humbled by the trust and confidence placed in us by all our clients.

Aside from winning new work, the division's primary objective has been to deliver on all our projects. Of great note during the year were the completion of the IIUM Teaching Hospital in January 2016 and the handover of the viaduct guideway at our MRT V6 Project to the systems works package contractor. The IIUM Teaching Hospital was the first building project obtained by the Group under the Private Finance Initiative ("PFI") model. The PFI model is often favoured by governments as the risk of project completion is transferred completely to the project proponent. By successfully completing the IIUM Teaching Hospital on time and on budget, the Group has demonstrated both to the government as well as to our financiers that the Group can be relied upon to deliver on its commitments. This puts the Group in good stead for future privatisation projects, which relies on confidence by both client and financiers.

As at 31 December 2015, the Group's balance order book stood at RM3.295 billion. An order book of that magnitude should propel the E&C Division to post its largest revenue in its history in 2016 based on the current works programme in its projects. The challenge for the division in 2016 is not only to deliver on its programme but also to win new tenders to replenish the balance order book. Based on the tenders that we have participated in, the division is fairly confident in replenishing its order book sizeably during the year ahead.

## Oil and Gas Division ("O&G Division")

The O&G Division performed well, delivering steady results, as compared to the previous year, in the face of significant challenges impacting the oil and gas industry in general. In a year where the industry has seen significant downturn and cutbacks impacting both big players and smaller companies alike, the ability of the division to deliver the same level of revenue and profitability to the Group is quite an achievement. As at the date of this report, the outlook for the oil and gas industry remains uncertain although there is an expectation of some level of recovery towards the end of 2016.


Given the severe downturn affecting the industry, the Group took the opportunity to expand its presence in the industry by acquiring 51% shareholding stake in Matrix Reservoir Sdn Bhd ("MRSB"). MRSB is the owner of the Tok Bali Supply Base in Tok Bali, Kelantan. This represents a return to the oil and gas supply base business for the Group, having owned a 21.57% stake in Eastern Pacific Industrial Corporation Berhad ("EPIC") between October 2007 and December 2010. EPIC is the owner and operator of Kemaman Supply Base ("KSB"), which together with TBSB and the Asian Supply Base in Labuan are the only three gazetted oil and gas supply bases in Malaysia. The opportunity to own and operate a strategically located supply base was too good to ignore even in the current depressed climate faced by the oil and gas industry.

In coming to its decision to acquire MRSB, the Group took into account its strategic location, being much closer to the oil and gas fields of the North Malay Basin than any of the current supply bases serving the region, namely KSB, Songkhla and Vung Tau. The supply bases at Songkhla and Vung Tau serves the Malaysia-Thailand Joint Development Area ("MTJDA") and the Malaysia/Vietnam Commercial Arrangement Area ("CAA") respectively, whilst KSB currently serves the Malaysian oil and gas fields in the North Malay Basin. With savings of up to 60% in terms of steaming time between platform and supply base, TBSB stands to provide significant cost savings to its customers.

The Group also considered the growth opportunity provided by the acquisition of MRSB. As part of the acquisition of MRSB, the Group will have over 200 acres of land it will use to develop the supply base itself with further access to about 1,000 acres of land, subject to acquisition, which has been gazetted by the state government to be land for industrial port use. This will enable the Group to develop TBSB not only into an oil and gas supply base of choice but also into a major industrial hub and port serving Kelantan and Northern Terengganu. Together with the commercial and residential requirements associated with the port, the Group will have the opportunity to have its E&C Division and Property Division involved in the overall TBSB master plan.

The last main consideration for the Group was the nature of business and expertise required. It must be noted that the Group has been involved in the supply base bunkering business at KSB for over 20 years. Bunkering is one of the major activities and services provided at supply bases. Therefore, the nature of business is complementary to the division's existing activities. Of greater note is that the Managing Director and Head of the O&G Division, Y.Bhg Dato' Haji Mustaffa bin Mohamad was the person originally responsible for the building, development and operation of KSB prior to him joining the

Group as an Executive Director. In this regard, the Group has the right expertise within its Senior Management to lead and subsequently manage the acquisition. Following the signing of the agreement to acquire MRSB on 25 November 2015, MRSB appointed Dato' Mustaffa to be the Managing Director of MRSB Group.

The Group is very positive on its acquisition of MRSB. Dato' Mustaffa and his team has embarked on the first phase of their plan for MRSB to equip TBSB with all the basic infrastructure and services for TBSB to be a fully operational 24 hour supply base. The first phase is expected to incur capital expenditure of RM50 million with completion by 3rd quarter 2016. The Group looks forward to increased contribution from the O&G Division from 2017 onwards.

## PROPERTY DIVISION

In the 2014 Annual Report, our Chairman noted in his statement that the Group was looking to elevate its property development business into a full-fledged business division. I am pleased to report that during the year under review, the Group successfully executed its plans to establish a new Property Division to not only encompass the property development business of the Group but also to include the Group's hospitality and facilities management businesses. The Group's hospitality business currently operates one hotel, the Residence Inn Cherating whilst the Group's facilities management business will commence in 2016 with the maintenance and facilities management of the IIUM Teaching Hospital, for which the Group has a concession with the Ministry of Higher Education for the next 21.5 years.

For the Group's property development business, 2015 was a truly momentous year. During the year, the Property Division recorded two significant achievements. The first, was the acquisition of 67 acres of land near Ajil, Terengganu, which the division intends to developed into a new integrated township, named Puncak Temala, with a gross development value ("GDV") of RM218 million. The division intends to launch the first phase consisting of residential units in the second half of 2016.

The second achievement was the receipt of a letter of award from Kwasa Land Sdn Bhd, the master developer for 2,330 acres Kwasa Damansara township, appointing the Group as a development partner for the residential parcel R3-4 at Kwasa Damansara. The award was a result of a successful tender put in by the Group, which entails the development of a unit high rise residential project with 188 units on 3.91 acres of land. It provides the Group with

*Master Plan of Puncak Temala.*

a prominent development opportunity in the mature Klang Valley market at a strategic location in the prestigious Kwasa Damansara township. Kwasa Damansara is a 2,330 acre iconic township nestled in between the highly sought after Kota Damansara township and Subang Airport. The Kwasa Damansara development will include various residential projects catering to various income groups as well as full fledge commercial development that includes offices, retail and commercial complexes. It will be connected to other main economic centres in the Klang Valley via a network of highways as well as by the Klang Valley Mass Rapid Transit ("MRT") system.

The Group has subsequent to the letter of award, signed a formal Development Rights Agreement with Kwasa Land Sdn Bhd for the development of R3-4, which will now permit the Group to do the necessary submission of plans to both the master developer and local authorities. The Group has named the development as Rimbun Damansara and it will feature a mix of 162 units of high rise units of various sizes and 26 units of garden villas. All units in the development will have a prime view of the 42 acres urban park being developed by the master developer, which will include sporting facilities like playing fields, tennis courts, jogging and cycling tracks as well as an 18 acre recreational lake. Located right on the park itself, Rimbun Damansara will have direct access into the park thereby adding to the resort-themed green ambience of our development. With an estimated GDV of RM257 million, and launching planned by early 2017 at the latest, Rimbun Damansara is the perfect development to act as an anchor to the Group's property development ambitions.

*Artist Impression, Rimbun Damansara.*

The Group will brand all its residential and commercial developments under the AZ Land & Properties branding. Aside from Rimbun Damansara and Puncak Temala, the Group will also launch the first residential phase at its Tiara Paka development in Paka, Terengganu. The first phase consists of 63 units of single storey terrace houses and 20 units of affordable town houses is planned for launch by 2nd quarter 2016. Tiara Paka is the residential precinct of the overall Taman Industry Paka that is also developed by the Group. Located just north of Kertih, it is poised to take advantage of the continuing development in Kertih, especially at the Kertih Polymer Park, which in turn is a development initiative by ECERDC.

The Group also has additional development parcels in Pahang, which the division plans to develop in 2017 or 2018. Overall, the balance GDV of all the property development parcels under the Group's control stands at RM1.4 billion as at 31 December 2015. The Group is excited at the Property Division's prospects and is confident of the future contribution of the division to the Group.

## PLANTATION DIVISION

The year under review saw improvements at the Group's Plantation Division. Although, losses at the division widened as compared to the previous year, production and yield saw good improvement from the previous year. Unfortunately, the dampened palm oil prices and unfavourable exchange rates impacted greatly on the division's financial performance. The division is hopeful that 2016 will be a better year, with yields expected to more than double and with improving sentiments in the palm oil market should see losses at the division narrowing significantly barring, further exchange rate erosion versus the US Dollar. The real turnaround is only expected in 2017 with the commissioning of the division's first palm oil mill at its estate in Kalimantan Barat.

The year 2015 saw a significant addition to the division's senior management line up when we welcomed on board, Encik Abdul Halim Ashari as Executive Commissioner of the division. Pak Halim, as he is known internally, carved a stellar career as the former President Director of Eagle High Plantations. Having joined Eagle High Plantations, then known as BW Plantation in 2002, he was instrumental in bringing BW Plantation to listing in 2009 and later overseeing the effective sale of the company to the Rajawali Group in 2014. With nearly 40 years in the industry, including careers at Kulim Berhad and Boustead Plantations, Pak Halim brings with him a wealth of experience and expertise that will help propel the division to the next level. The Group is very fortunate to have a person of such high calibre leading the Plantation Division.

Since coming on board, Pak Halim has been instrumental in getting the division's first palm oil mill off the ground. Designed for a capacity of 60MT / Hour, the palm oil mill will be utilising the continuous steriliser system and be located at the present estate in Kabupaten Landak, Kalimantan Barat, Indonesia. With commissioning expected in early 2017, the palm oil mill will be the catalyst in realising the true value of our oil palm plantation business. Currently our plantation has a planted area of 7,043 ha with a matured area of 4,243 ha. We have plans to plant up to 10,000 ha at the existing estate. In addition to the existing planting, the division is also looking to acquire new areas, for future expansion. Also under consideration for potential acquisition will be existing planted plantations of the right valuation and condition.


## Moving Forward

As I have illustrated, 2016 will be a busy year for each and every business division of the Group. It also entails significant capital expenditure for the whole group, with close to RM200 million scheduled to be spent in 2016 and 2017. The Group sees these as necessary investments for which the returns will be both sizeable and of added value to the Group. As the Group grows, the importance of Group oversight over its businesses is paramount. I am fortunate to have an able group of Senior Management members assisting me on managing and overseeing the various group businesses. Each business division has an Executive Committee ("Exco") that meets regularly to deliberate and decide upon the divisions operations. Additionally, each division is anchored by a board of directors with an independent chairman or president commissioner chairing the meetings. The Group has always made it a practice to invite independent persons to sit on its subsidiary board of directors in the interest of strengthening corporate governance.

This year, the Group has deliberately chosen people as its main theme for the Annual Report. Regardless of the value of projects and amount we will spend on capital expenditures, the people of the Group will be the true determinant of the Group's success. Without the right expertise at all levels of the Group, the Group will not be able to function well as a business. We are very much dependent on the efforts of our people to deliver on all our promises and dreams. In this regard, I would like to celebrate and express my deepest gratitude to all the people in the Group for their continued efforts, dedication, commitment and sacrifice on behalf of the Group. The people of AZRB are fully committed to grow and develop the Group for the benefit of all stakeholders. That is both our promise and aspiration.

**Dato' Wan Zakariah bin Haji Wan Muda**
**Group Managing Director**

## CALENDAR OF EVENTS



*Signing of Sub-Lease and Throughput Agreement between Tok Bali Supply Base Sdn Bhd and Astral Far East Sdn Bhd (21 January)*


*AZRB LRT Hunt (21 March)*


*Career Talk & Internship Program at UKM Bangi (22 April)*


*Professional Visit by MBA Program Students from Universiti Malaysia Terengganu (22 May)*



*Best Student Awards Ceremony (23 May)*


*18th Annual General Meeting (16 June)*

*AZRB Staff Breaking Fast at D'Saji Restaurant Kuala Lumpur (1 July)*

*AZRB Hari Raya Open House at D'Saji Restaurant Kuala Lumpur (2 August)*



*Signing Ceremony for Mix Development Project in Marang, Terengganu between Terengganu State Government and Temala Development Sdn Bhd (10 September)*


*AZRB CSR Program with children of Rahoma Darul Fakir (31 October)*


*KSR Zumba Fiesta 2016 (21 November)*



*Signing Ceremony on the Acquisition Agreement between Matrix Reservoir Sdn Bhd and Ahmad Zaki Resources Berhad (25 November)*


*Directors & Senior Management Retreat at Holiday Inn Resort Phuket, Patong, Thailand (26 – 29 November)*

# FINANCIAL STATEMENTS

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

## Principal activities

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

## Results

| | Group RM | Company RM |
|---|---|---|
| **Profit for the year attributable to:** | | |
| Owners of the Company | 22,876,507 | 12,206,209 |
| Non-controlling interests | (1,297,034) | - |
| | 21,579,473 | 12,206,209 |

## Dividends

Since the end of the previous financial year, the Company paid a single tier interim dividend of 2.0 sen per ordinary share of RM0.25 each, totalling RM9,641,243 in respect of the financial year ended 31 December 2015 on 14 August 2015.

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

## Reserves and provisions

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

## Issue of shares, debentures and warrants

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

## Warrants

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

The movements on warrants are as follows:

| | Number of warrants |
|---|---|
| At 1 January 2015 / 31 December 2015 | 103,299,033 |

## Employees' share scheme

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

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

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

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

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

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

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

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

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

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

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

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

   (a) the grantee must remain an employee as at the vesting date;

   (b) the performance conditions are fully and duly satisfied; and/or

   (c) any other conditions which are determined by the ESS Committee.

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

As at the date of this report, no Awards have been awarded yet.

## Treasury shares

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

As at 31 December 2015, the Company held a total of 1,478,100 ordinary shares as treasury shares out of its issued and paid-up share capital of 483,540,255 ordinary shares. Such treasury shares are held at carrying amount of RM1,025,787 and further relevant details are disclosed in Note 28 to the Financial Statements.

## Other statutory information

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

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

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

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

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

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

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

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

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

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

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

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

In the opinion of the Directors, other than as disclosed in the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2015 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## Directors

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

Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad
Dato' Sri Haji Wan Zaki bin Haji Wan Muda
Dato' Wan Zakariah bin Haji Wan Muda
Dato' Haji Mustaffa bin Mohamad
Dato' W Zulkifli bin Haji W Muda
Dato' Haji Roslan bin Tan Sri Jaffar
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng
Datuk (Prof.) A Rahman @ Omar bin Abdullah
Dato' Haji Ismail @ Mansor bin Said (retired on 16 June 2015)
Dato' Wan Ahmad Farid bin Haji Wan Salleh (resigned on 1 December 2015)

## Directors' interests

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

| | Ordinary Shares of RM0.25 each | | | |
|---|---|---|---|---|
| | At 01.01.2015 | Bought | Sold | At 31.12.2015 |
| **Direct interest in the Company** | | | | |
| Dato' Sri Haji Wan Zaki bin Haji Wan Muda | 3,821,975 | - | - | 3,821,975 |
| Dato' Wan Zakariah bin Haji Wan Muda | 4,114,418 | - | - | 4,114,418 |
| Dato' Haji Mustaffa bin Mohamad | 3,300,009 | - | - | 3,300,009 |
| Dato' W Zulkifli bin Haji W Muda | 6,670,968 | - | - | 6,670,968 |
| Dato' Haji Roslan bin Tan Sri Jaffar | 577,500 | 15,000 | - | 592,500 |
| Datuk (Prof.) A Rahman @ Omar bin Abdullah | 2,100,000 | - | - | 2,100,000 |
| **Indirect interest in the Company** | | | | |
| Dato' Sri Haji Wan Zaki bin Haji Wan Muda* | 287,246,988 | 711,200 | - | 287,958,188 |
| Dato' Haji Mustaffa bin Mohamad* | 1,482,900 | - | - | 1,482,900 |
| Dato' Haji Roslan bin Tan Sri Jaffar* | 437,500 | - | - | 437,500 |

| | Warrants 2014/2024 | | | |
|---|---|---|---|---|
| | At 01.01.2015 | Bought | Sold | At 31.12.2015 |
| **Direct interest in the Company** | | | | |
| Dato' Sri Haji Wan Zaki bin Haji Wan Muda | 876,157 | - | - | 876,157 |
| Dato' Wan Zakariah bin Haji Wan Muda | 881,661 | - | - | 881,661 |
| Dato' Haji Mustaffa bin Mohamad | 681,430 | - | - | 681,430 |
| Dato' W Zulkifli bin Haji W Muda | 1,486,636 | 56,700 | - | 1,543,336 |
| Dato' Haji Roslan bin Tan Sri Jaffar | 123,750 | - | - | 123,750 |
| Datuk (Prof.) A Rahman @ Omar bin Abdullah | 450,000 | - | - | 450,000 |
| **Indirect interest in the Company** | | | | |
| Dato' Sri Haji Wan Zaki bin Haji Wan Muda* | 61,552,926 | - | - | 61,552,926 |
| Dato' Haji Mustaffa bin Mohamad* | 50 | - | - | 50 |
| Dato' Haji Roslan bin Tan Sri Jaffar* | 93,750 | - | - | 93,750 |

| | Ordinary Shares of RM1.00 each | | | |
|---|---|---|---|---|
| | At 01.01.2015 | Bought | Sold | At 31.12.2015 |
| **Direct interest in the ultimate holding company** | | | | |
| Dato' Sri Haji Wan Zaki bin Haji Wan Muda | 500,001 | 1,000,000 | - | 1,500,001 |
| Dato' Wan Zakariah bin Haji Wan Muda | 100,000 | 275,000 | - | 375,000 |
| Dato' W Zulkifli bin Haji W Muda | 100,000 | 275,000 | - | 375,000 |

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

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

None of the other Directors holding office at 31 December 2015 had any interest in the ordinary shares and warrants of the Company and of its related corporations during the financial year.

## Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 40 to the financial statements.

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

## Significant events during the year

Significant events during the year are disclosed in Note 41 to the financial statements.

## Subsequent events after the year end

Subsequent events after the year end are disclosed in Note 42 to the financial statements.

## Holding company

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

## Auditors

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

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

**Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad**

**Dato' Wan Zakariah bin Haji Wan Muda**

Kuala Lumpur,
31 March 2016

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AHMAD ZAKI RESOURCES BERHAD *(Incorporated in Malaysia)*

## Report on the Financial Statements

We have audited the financial statements of AHMAD ZAKI RESOURCES BERHAD, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 68 to 148.

*Directors' Responsibility for the Financial Statements*

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

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

*Opinion*

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

## Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act;

(b) We have considered the accounts and the auditors' reports of the subsidiaries of which we have not acted as auditors, as shown in Note 19 to the financial statements, being accounts that have been included in the financial statements of the Group;

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

(d) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any adverse comment made under sub-section (3) of Section 174 of the Act.

## Other Reporting Responsibilities

The supplementary information set out on page 149 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 towards any other person for the contents of this report.

**DELOITTE**
**AF 0080**
**Chartered Accountants**

**KAMARUL BAHARIN BIN TENGKU ZAINAL ABIDIN**
**Partner - 2903/11/17 (J)**
**Chartered Accountant**
31 March 2016

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*for the year ended 31 December 2015*

| | Note | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|---|
| Revenue | 4 | 714,972,361 | 662,358,562 | 20,415,000 | 10,883,668 |
| Cost of sales | 5 | (588,318,518) | (547,843,355) | (494,439) | - |
| **Gross profit** | | 126,653,843 | 114,515,207 | 19,920,561 | 10,883,668 |
| Other operating income | | 18,223,270 | 4,708,942 | 17,767,091 | 3,063 |
| Administrative expenses | | (63,588,970) | (55,620,242) | (17,547,661) | (13,514,096) |
| Other operating expenses | | (8,466,442) | (20,076,965) | (97,995) | (2,755,408) |
| **Results from operating activities** | | 72,821,701 | 43,526,942 | 20,041,996 | (5,382,773) |
| Finance income | 6 | 3,170,024 | 3,457,227 | 829,698 | 1,174,529 |
| Finance costs | 7 | (46,566,278) | (21,692,322) | (8,172,234) | (3,649,623) |
| **Net finance costs** | | (43,396,254) | (18,235,095) | (7,342,536) | (2,475,094) |
| Share of profit of joint ventures | 21 | 2,656,298 | 371,877 | - | - |
| Share of gain of equity-accounted investees, net of tax | | - | 4,120 | - | - |
| **Profit/(Loss) before tax** | 8 | 32,081,745 | 25,667,844 | 12,699,460 | (7,857,867) |
| Income tax (expense)/credit | 10 | (10,502,272) | (13,411,298) | (493,251) | 1,294,230 |
| **Profit/(Loss) for the year** | | 21,579,473 | 12,256,546 | 12,206,209 | (6,563,637) |
| **Other comprehensive loss, net of tax** | | | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | | | |
| Foreign currency translation differences for foreign operations | | (3,570,046) | (216,295) | (1,259,018) | (277,681) |
| **Items that will not be subsequently reclassified to profit or loss** | | | | | |
| Actuarial loss from employee benefits | | - | (117,734) | - | - |
| **Total other comprehensive loss for the year** | | (3,570,046) | (334,029) | (1,259,018) | (277,681) |
| **Total comprehensive income/(loss) for the year** | | 18,009,427 | 11,922,517 | 10,947,191 | (6,841,318) |

| | Note | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|---|
| **Profit/(Loss) attributable to:** | | | | | |
| Owners of the Company | | 22,876,507 | 13,508,221 | 12,206,209 | (6,563,637) |
| Non-controlling interests | | (1,297,034) | (1,251,675) | - | - |
| **Profit/(Loss) for the year** | | 21,579,473 | 12,256,546 | 12,206,209 | (6,563,637) |
| **Total comprehensive income/(loss) attributable to:** | | | | | |
| Owners of the Company | | 19,677,959 | 13,255,670 | 10,947,191 | (6,841,318) |
| Non-controlling interests | | (1,668,532) | (1,333,153) | - | - |
| **Total comprehensive income/(loss) for the year** | | 18,009,427 | 11,922,517 | 10,947,191 | (6,841,318) |
| **Basic earnings per ordinary share (sen)** | 11 | 4.73 | 3.32 | | |
| **Diluted earnings per ordinary share (sen)** | 11 | - | 3.31 | | |

*The accompanying notes 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** | | | | | |
| Property, plant and equipment | 12 | 114,671,381 | 96,273,850 | 2,102,255 | 1,259,378 |
| Prepaid lease payments | 13 | 7,799,965 | 8,045,685 | - | - |
| Land held for development | 14 | 24,228,215 | 8,958,539 | - | - |
| Biological assets | 15 | 140,456,739 | 124,968,527 | - | - |
| Investment property | 16 | - | - | - | - |
| Intangible assets | 17 | 39,919,750 | 16,409,759 | - | - |
| Goodwill | 18 | 6,158,155 | 6,158,155 | - | - |
| Investments in subsidiaries | 19 | - | - | 89,002,747 | 87,002,077 |
| Investments in associates | 20 | 165,005 | 165,005 | - | - |
| Interests in joint ventures | 21 | 3,103,823 | 447,525 | 34,000 | 34,000 |
| Available-for-sale investments | 22 | 115,500 | 115,500 | 68,000 | 68,000 |
| Deferred tax assets | 31 | 31,516,565 | 24,694,953 | - | - |
| Trade and other receivables | 23 | 108,305,524 | 87,591,176 | 43,105,993 | 37,130,333 |
| **Total non-current assets** | | 476,440,622 | 373,828,674 | 134,312,995 | 125,493,788 |
| Inventories | 24 | 13,449,817 | 13,176,419 | - | - |
| Property development costs | 25 | 23,473,394 | 11,942,888 | - | - |
| Current tax assets | | 8,857,544 | 6,519,134 | 2,487,481 | 2,378,325 |
| Trade and other receivables | 23 | 1,036,818,228 | 660,710,453 | 219,404,620 | 188,617,826 |
| Cash and deposits | 26 | 153,096,147 | 132,005,159 | 12,513,241 | 41,657,935 |
| **Total current assets** | | 1,235,695,130 | 824,354,053 | 234,405,342 | 232,654,086 |
| **Total assets** | | 1,712,135,752 | 1,198,182,727 | 368,718,337 | 358,147,874 |

| | Note | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|---|
| **Equity** | | | | | |
| Share capital | 27 | 120,885,064 | 120,885,064 | 120,885,064 | 120,885,064 |
| Reserves | 28 | 217,899,399 | 207,862,683 | 16,642,138 | 15,336,190 |
| **Equity attributable to owners of the Company** | | 338,784,463 | 328,747,747 | 137,527,202 | 136,221,254 |
| **Non-controlling interests** | | 2,324,196 | 3,993,522 | - | - |
| **Total equity** | | 341,108,659 | 332,741,269 | 137,527,202 | 136,221,254 |
| **Liabilities** | | | | | |
| Loans and borrowings | 29 | 690,663,068 | 403,809,897 | 1,224,639 | 565,042 |
| Employee benefits | 30 | 2,324,382 | 1,720,862 | - | - |
| Deferred tax liabilities | 31 | 56,290,606 | 45,854,278 | 1,502,576 | 1,216,749 |
| **Total non-current liabilities** | | 749,278,056 | 451,385,037 | 2,727,215 | 1,781,791 |
| Loans and borrowings | 29 | 159,148,935 | 82,756,885 | 466,991 | 567,866 |
| Trade and other payables | 32 | 457,440,597 | 325,954,004 | 227,996,929 | 219,576,963 |
| Current tax liabilities | | 5,159,505 | 5,345,532 | - | - |
| **Total current liabilities** | | 621,749,037 | 414,056,421 | 228,463,920 | 220,144,829 |
| **Total liabilities** | | 1,371,027,093 | 865,441,458 | 231,191,135 | 221,926,620 |
| **Total equity and liabilities** | | 1,712,135,752 | 1,198,182,727 | 368,718,337 | 358,147,874 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*for the year ended 31 December 2015*

| Group | Note(s) | Attributable to owners of the Company | | | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Non-distributable | | | | | Distributable | | | |
| | | Share capital RM | Share premium RM | Capital reserve RM | Warrant reserve RM | Foreign exchange translation reserve RM | Treasury shares RM | Retained earnings RM | Total RM | RM | RM |
| **At 1 January 2015** | | 120,885,064 | 21,888,800 | 7,667,033 | 27,890,739 | 3,366,111 | (1,025,787) | 148,075,787 | 328,747,747 | 3,993,522 | 332,741,269 |
| Foreign currency translation differences for foreign operations | | - | - | - | - | (3,198,548) | - | - | (3,198,548) | (371,498) | (3,570,046) |
| Actuarial loss from employee benefits | | - | - | - | - | - | - | - | - | - | - |
| **Total other comprehensive loss for the year** | | - | - | - | - | (3,198,548) | - | - | (3,198,548) | (371,498) | (3,570,046) |
| Profit/(Loss) for the year | | - | - | - | - | - | - | 22,876,507 | 22,876,507 | (1,297,034) | 21,579,473 |
| **Total comprehensive (loss)/income for the year** | | - | - | - | - | (3,198,548) | - | 22,876,507 | 19,677,959 | (1,668,532) | 18,009,427 |
| Changes in ownership interests in subsidiary | | - | - | - | - | - | - | - | - | (794) | (794) |
| **Total transactions with non controlling interests** | | - | - | - | - | - | - | - | - | (794) | (794) |
| Dividends to owners of the Company | 33 | - | - | - | - | - | - | (9,641,243) | (9,641,243) | - | (9,641,243) |
| **Total distribution to owners of the Company** | | - | - | - | - | - | - | (9,641,243) | (9,641,243) | - | (9,641,243) |
| **At 31 December 2015** | | 120,885,064 | 21,888,800 | 7,667,033 | 27,890,739 | 167,563 | (1,025,787) | 161,311,051 | 338,784,463 | 2,324,196 | 341,108,659 |

| Group | Note(s) | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Non-distributable | | | | | Distributable | | | |
| | | Share capital RM | Share premium RM | Capital reserve RM | Warrant reserve RM | Foreign exchange translation reserve RM | Treasury shares RM | Retained earnings RM | Total RM | Non-controlling interests RM | Total equity RM |
| **At 1 January 2014** | | 138,471,095 | 24,636 | - | - | 3,506,815 | (1,025,787) | 73,110,899 | 214,087,658 | 5,326,675 | 219,414,333 |
| Foreign currency translation differences for foreign operations | | - | - | - | - | (140,704) | - | - | (140,704) | (75,591) | (216,295) |
| Actuarial loss from employee benefits | | - | - | - | - | - | - | (111,847) | (111,847) | (5,887) | (117,734) |
| **Total other comprehensive loss for the year** | | - | - | - | - | (140,704) | - | (111,847) | (252,551) | (81,478) | (334,029) |
| Profit/(Loss) for the year | | - | - | - | - | - | - | 13,508,221 | 13,508,221 | (1,251,675) | 12,256,546 |
| **Total comprehensive (loss)/income for the year** | | - | - | - | - | (140,704) | - | 13,396,374 | 13,255,670 | (1,333,153) | 11,922,517 |
| Par value reduction | 18&19 | (69,235,547) | - | 7,667,033 | - | - | - | 61,568,514 | - | - | - |
| Right issue with free warrants | 18&19 | 51,649,516 | 23,758,778 | - | 27,890,739 | - | - | - | 103,299,033 | - | 103,299,033 |
| **Total contribution from owners of the Company** | | (17,586,031) | 23,758,778 | 7,667,033 | 27,890,739 | - | - | 61,568,514 | 103,299,033 | - | 103,299,033 |
| Right issue expenses | | - | (1,894,614) | - | - | - | - | - | (1,894,614) | - | (1,894,614) |
| **At 31 December 2014** | | 120,885,064 | 21,888,800 | 7,667,033 | 27,890,739 | 3,366,111 | (1,025,787) | 148,075,787 | 328,747,747 | 3,993,522 | 332,741,269 |

# STATEMENT OF CHANGES IN EQUITY

*for the year ended 31 December 2015*

| Company | Note(s) | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Non-distributable | | | | | | |
| | | Share capital RM | Share premium RM | Capital reserve RM | Warrant reserve RM | Foreign exchange translation reserve RM | Treasury shares RM | (Accumulated losses) RM | Total equity RM |
| **At 1 January 2015** | | 120,885,064 | 21,888,800 | 7,667,033 | 27,890,739 | 232,426 | (1,025,787) | (41,317,021) | 136,221,254 |
| Foreign currency translation differences for foreign operations | | - | - | - | - | (1,259,018) | - | - | (1,259,018) |
| **Total other comprehensive loss for the year** | | - | - | - | - | (1,259,018) | - | - | (1,259,018) |
| Profit for the year | | - | - | - | - | - | - | 12,206,209 | 12,206,209 |
| **Total comprehensive income for the year** | | - | - | - | - | (1,259,018) | - | 12,206,209 | 10,947,191 |
| Dividends to owners of the Company | 33 | - | - | - | - | - | - | (9,641,243) | (9,641,243) |
| **Total contribution from owners of the Company** | | - | - | - | - | - | - | (9,641,243) | (9,641,243) |
| **At 31 December 2015** | | 120,885,064 | 21,888,800 | 7,667,033 | 27,890,739 | (1,026,592) | (1,025,787) | (38,752,055) | 137,527,202 |

*The accompanying notes form an integral part of these Financial Statements.*

| Company | Note(s) | Share capital RM | Share premium RM | Capital reserve RM | Warrant reserve RM | Foreign exchange translation reserve RM | Treasury shares RM | (Accumulated losses) RM | Total equity RM |
|---|---|---|---|---|---|---|---|---|---|
| | | Attributable to owners of the Company | | | | | | | |
| | | | Non-distributable | | | | | | |
| **At 1 January 2014** | | 138,471,095 | 24,636 | - | - | 510,107 | (1,025,787) | (96,321,898) | 41,658,153 |
| Foreign currency translation differences for foreign operations | | - | - | - | - | (277,681) | - | - | (277,681) |
| **Total other comprehensive loss for the year** | | - | - | - | - | (277,681) | - | - | (277,681) |
| Loss for the year | | - | - | - | - | - | - | (6,563,637) | (6,563,637) |
| **Total comprehensive loss for the year** | | - | - | - | - | (277,681) | - | (6,563,637) | (6,841,318) |
| Par value reduction | | (69,235,547) | - | 7,667,033 | - | - | - | 61,568,514 | - |
| Right issue with free warrants | | 51,649,516 | 23,758,778 | - | 27,890,739 | - | - | - | 103,299,033 |
| **Total contribution from owners of the Company** | | (17,586,031) | 23,758,778 | 7,667,033 | 27,890,739 | - | - | 61,568,514 | 103,299,033 |
| Right issue expenses | | - | (1,894,614) | - | - | - | - | - | (1,894,614) |
| **At 31 December 2014** | | 120,885,064 | 21,888,800 | 7,667,033 | 27,890,739 | 232,426 | (1,025,787) | (41,317,021) | 136,221,254 |

*The accompanying notes form an integral part of these Financial Statements.*

# STATEMENTS OF CASH FLOWS

*for the year ended 31 December 2015*

| | Note | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Profit/(Loss) before tax | | 32,081,745 | 25,667,844 | 12,699,460 | (7,857,867) |
| Adjustments for:- | | | | | |
| Amortisation of prepaid lease payments | 13 | 441,713 | 436,406 | - | - |
| Depreciation of property, plant and equipment | 12 | 8,802,520 | 8,883,411 | 671,146 | 841,256 |
| Amortisation of land application costs | | 65,054 | 61,661 | - | - |
| Amortisation of biological assets | 15 | 5,299,620 | 4,587,074 | - | - |
| Accretion of fair value and amortised cost on non-current receivables - net | | 6,189,851 | 8,468,207 | 2,586,351 | 4,589,142 |
| Bad debts written off | | 19,119 | 1,002,845 | 19,119 | 1,000,000 |
| Property, plant and equipment written off | | 81,615 | 28 | - | - |
| Interest expense | 7 | 38,068,468 | 20,735,534 | 3,140,683 | 3,649,623 |
| Gain on foreign exchange - unrealised | | (3,439,321) | (307,721) | (8,562,011) | (2,481,738) |
| Biological assets written off | 15 | 550,034 | 4,567,887 | - | - |
| Employee retirement benefits provision | 30 | 385,601 | 356,621 | - | - |
| Gain on disposal of property, plant and equipment - net | | (12,181,754) | (288,540) | (86,048) | (3,063) |
| Amortisation of transaction costs | | 1,084,410 | 120,098 | - | - |
| Interest income | 6 | (3,170,024) | (3,457,227) | (829,698) | (1,174,529) |
| Share of profit of joint ventures | 21 | (2,656,298) | (371,877) | - | - |
| Share of gain of equity-accounted investees, net of tax | | - | (4,120) | - | - |
| **Operating profit/(loss) before working capital changes** | | 71,622,353 | 70,458,131 | 9,639,002 | (1,437,176) |
| Changes in working capital: Increase in inventories | | (273,399) | (819,225) | - | - |
| (Increase)/Decrease in amount due from contract customers | | (346,681,387) | (275,153,666) | - | 14,177,997 |
| (Increase)/Decrease in property development costs | | (11,530,505) | 51,909 | - | - |
| Increase in intangible assets | 17 | (23,509,991) | (13,613,674) | - | - |
| Decrease/(increase) in amount due to contract customers | | 11,068,938 | (17,747,458) | - | - |
| (Increase)/Decrease in trade and other receivables | | (45,783,700) | (7,617,018) | (27,752,217) | 5,038,487 |
| Increase/(Decrease) in trade and other payables | | 118,184,553 | 35,870,835 | 5,439,454 | (17,698,772) |
| Employee retirement benefits paid | 30 | - | (114,558) | - | - |
| **Cash (used in)/generated from operations** | | **(226,903,138)** | **(208,684,724)** | **(12,673,761)** | **80,536** |

| | Note | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|---|
| **Cash (used in)/generated from operations (Cont'd)** | | **(226,903,138)** | **(208,684,724)** | **(12,673,761)** | **80,536** |
| Interest paid | | (35,435,391) | (18,458,117) | (3,140,683) | (3,649,623) |
| Interest received | | 3,170,024 | 3,463,102 | 827,411 | 1,184,306 |
| Income tax (paid)/refund | | (7,087,950) | (12,424,486) | - | 2,380,969 |
| Net cash flows used in operating activities | | (226,256,455) | (236,104,225) | (14,987,033) | (3,812) |
| | | | | | |
| **Cash flows from investing activities** | | | | | |
| Effect of acquisition of subsidiaries, net of cash paid | 19 | - | 31,344 | - | - |
| Investment in joint venture | 21 | - | (330,000) | - | - |
| New biological assets incurred | 15 | (26,062,404) | (14,858,718) | - | - |
| Addition of land held for development | 14 | (15,269,676) | - | - | |
| Increase in investments in subsidiaries | 19 | - | - | (2,000,670) | (1,000,000) |
| Proceeds from disposal of property, plant and equipment | | 14,911,359 | 356,696 | 108,003 | 13,001 |
| Acquisition of property, plant and equipment | (i) | (26,838,024) | (3,405,350) | (385,843) | - |
| **Net cash flows used in investing activities** | | (53,258,745) | (18,206,028) | (2,278,510) | (986,999) |
| | | | | | |
| **Cash flows from financing activities** | | | | | |
| Repayments to ultimate holding company | | (201,666) | (3,442,360) | (70,897) | (36,293) |
| (Repayments to)/Advances from affiliates | | (2,959,398) | 126,297 | - | - |
| Repayments to subsidiaries | | - | - | - | (61,735,372) |
| Advances from/(Repayments to) joint ventures | | 1,193,096 | (2,700,000) | - | - |
| (Increase)/Decrease in pledged fixed deposits | | (9,347) | 6,409,217 | (81,003) | (75,627) |
| Dividend paid | 33 | (9,641,243) | - | (9,641,243) | - |
| Repayments of finance lease liabilities | | (4,897,782) | (4,002,577) | (591,278) | (710,566) |
| Proceeds from drawdown of loans and borrowings | | 384,355,050 | 223,465,177 | - | - |
| Repayments of loans and borrowings | | (34,744,106) | (32,525,221) | - | - |
| Proceeds from issuance of shares | | - | 103,299,033 | - | 103,299,033 |
| Right issue expenses | | - | (1,894,614) | - | (1,894,614) |
| **Net cash flows generated from/(used in) financing activities** | | 333,094,604 | 288,734,952 | (10,384,421) | 38,846,561 |
| | | | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | 13,579,404 | 34,424,699 | (27,649,964) | 37,855,750 |
| Effects of exchange rate fluctuations on cash held | | 3,625,592 | (2,368,186) | (1,575,732) | (277,710) |
| Cash and cash equivalents at beginning of the year | | 72,695,787 | 40,639,274 | 38,688,083 | 1,110,043 |
| | | | | | |
| **Cash and cash equivalents at end of the year** | (ii) | 89,900,783 | 72,695,787 | 9,462,387 | 38,688,083 |

**i) Acquisition of property, plant and equipment**

During the financial year, the Group and the Company acquired property, plant and equipment with aggregate costs of RM29,509,266 (2014: RM4,407,350) and RM1,535,843 (2014: RM: Nil) respectively, which were satisfied as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Finance lease liabilities | 2,671,242 | 1,002,000 | 1,150,000 | - |
| Cash payments | 26,838,024 | 3,405,350 | 385,843 | - |
| | 29,509,266 | 4,407,350 | 1,535,843 | - |

**ii) Cash and cash equivalents**

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

| Cash and cash equivalents | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Deposits placed with licensed banks | | 44,973,037 | 47,029,068 | 3,056,333 | 2,975,168 |
| Cash and bank balances | | 108,123,110 | 84,976,091 | 9,456,908 | 38,682,767 |
| | 26 | 153,096,147 | 132,005,159 | 12,513,241 | 41,657,935 |
| Less: Bank overdrafts | 29 | (24,958,533) | (21,081,888) | - | - |
| Pledged deposits | 26 | (38,236,831) | (38,227,484) | (3,050,854) | (2,969,852) |
| | | 89,900,783 | 72,695,787 | 9,462,387 | 38,688,083 |

## 1. General Information

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2015 comprise financial statements of the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”) and the Group’s interest in associates and joint ventures. The financial statements of the Company as at and for the financial year ended 31 December 2015 do not include other entities.

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

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

These financial statements were authorised for issue by the Board of Directors on 31 March 2016.

## 2. Basis of Preparation

### (a) Statement of compliance

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

**Adoption of the Malaysian Financial Reporting Standards**

The Group include transitioning entities and has elected to continue to apply FRS during the financial year. The Group will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards (“MFRS”) for annual period beginning on 1 January 2018. In adopting the new framework, the Group will be applying MFRS 1 “First-time adoption of MFRS”.

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

**Standards, amendments to published standards and interpretations that are effective**

The Group has applied the following amendments for the first time for the financial year beginning on 1 January 2015:

- Annual Improvements to FRSs 2010 – 2012 Cycle
- Annual Improvements to FRSs 2011 – 2013 Cycle
- Amendments to FRS 119 “Defined Benefit Plans: Employees Contributions”

The adoption of the Annual Improvements to FRSs 2010 – 2012 Cycle has required additional disclosures about the aggregation of segments. Other than that, the adoption of these amendments did not have any impact on the current or any prior year and are not likely to affect future periods.

## 2. Basis Of Preparation (cont' d)

### (a) Statement of compliance (Cont'd)

**Standards and amendments in issue but not yet effective**

At the date of authorisation for issue of these financial statements, the relevant new and revised Standards and Amendments which were in issue but not yet effective and not early adopted by the Group are listed below.

- Amendment to FRS 11 'Accounting for Acquisitions of Interests in Joint Operations' (effective from 1 January 2016) requires an investor to apply the principles of FRS 3 'Business Combination' when it acquires an interest in a joint operation that constitutes a business. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.
- Annual Improvements to FRSs 2012-2014 (effective from 1 January 2016).
- FRS 9 'Financial Instruments' (effective from 1 January 2018) will replace FRS 139 "Financial Instruments: Recognition and Measurement".

  FRS 9 retains but simplifies the mixed measurement model in FRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

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

  FRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in FRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

  The Group is currently assessing the impact of adoption of the above new standards and amendments.

### (b) Basis of measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

## 2. Basis of Preparation (Cont' d)

### (b) Basis of measurement (Cont'd)

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### (c) Functional and presentation currency

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

### (d) Use of estimates and judgements

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

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

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

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

## 3. Significant accounting policies

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

### (a) Basis of consolidation

#### (i) Subsidiaries

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

## 3. Significant Accounting Policies (Cont'd)

### (a) Basis of consolidation (Cont'd)

#### (i) Subsidiaries (Cont'd)

Control is defined as follows:

- Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- Potential voting rights are considered when assessing control only when such rights are substantive.
- The Company considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

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

#### (ii) Business combinations

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

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

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

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

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

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

#### (iii) Associates

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

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

## 3. Significant Accounting Policies (Cont'd)

### (a) Basis of consolidation (Cont'd)

#### (iii) Associates (Cont'd)

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

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

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

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

#### (iv) Joint arrangements

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

Joint arrangements are classified and accounted for as follows:

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

#### (v) Non-controlling interests

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

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

## 3. Significant Accounting Policies (Cont'd)

### (a) Basis of consolidation (Cont'd)

#### (vi) Transactions eliminated on consolidation

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

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

### (b) Foreign currency

#### (i) Foreign currency transactions

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

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

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

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

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

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

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

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

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

## 3. Significant Accounting Policies (Cont'd)

### (c) Financial instruments

#### (i) Initial recognition and measurement

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

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

#### (ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

***Financial assets***

***(a) Loans and receivables***

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

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

***(b) Available-for-sale financial assets***

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

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

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

***Financial liabilities***

All financial liabilities are subsequently measured at amortised cost.

***Equity Instruments***

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

***(a) Ordinary Shares***

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

***(b) Warrants***

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

## 3. Significant Accounting Policies (Cont'd)

### (c) Financial instruments (Cont'd)

#### (iii) Derecognition

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

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

### (d) Property, plant and equipment

#### (i) Recognition and measurement

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

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

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

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

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

#### (ii) Subsequent costs

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

## 3. Significant Accounting Policies (Cont'd)

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

#### (iii) Depreciation

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

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

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

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

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

### (e) Leased assets

#### (i) Finance lease

**As lessee**

Leases in terms of which the Group assume substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

**As lessor**

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

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

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

**3. Significant Accounting Policies (Cont'd)**

**(e) Leased assets (Cont'd)**

**(ii) Operating lease**

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

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

**(f) Land held for development**

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

Land held for development is classified as development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the Group's operating cycle of 2 to 3 years.

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

**(g) Biological assets**

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

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

**(h) Investment property**

**(i) Investment property carried at fair value**

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

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

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

## 3. Significant Accounting Policies (Cont'd)

### (h) Investment property (Cont'd)

#### (i) Investment property carried at fair value (Cont'd)

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

#### (ii) Determination of fair value

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

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

### (i) Intangible assets

#### (i) Concession asset

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

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

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

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

#### (ii) Goodwill

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

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

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

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

**3. Significant Accounting Policies (Cont'd)**

**(j) Inventories**

**(i) Marine fuels and lubricants**

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

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

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

**(ii) Completed properties held for sale**

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

**(k) Construction work-in-progress**

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

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

**(l) Property development costs**

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

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

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

Any expected loss on a development project is recognised as an expense immediately.

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

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

## 3. Significant Accounting Policies (Cont'd)

### (m) Cash and cash equivalents

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

### (n) Impairment

#### (i) Financial assets

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

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

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

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

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

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

#### (ii) Other assets

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

**3. Significant Accounting Policies (Cont'd)**

**(n) Impairment (Cont'd)**

**(ii) Other assets (Cont'd)**

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

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

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

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

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

**(o) Equity instruments**

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

**(i) Issue expenses**

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

**(ii) Ordinary shares**

Ordinary shares are classified as equity.

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

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

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

## 3. Significant Accounting Policies (Cont'd)

### (p) Employee benefits

#### (i) Short-term employee benefits

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

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

#### (ii) State plans

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

#### (iii) Defined benefit plans

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

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

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

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

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

#### (iv) Shared-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

**3. Significant Accounting Policies (Cont'd)**

**(p) Employee benefits (Cont'd)**

**(iv) Shared-based payment transactions (Cont'd)**

The fair value of the employee share options is measured using a Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

**(v) Termination benefits**

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

**(q) Provisions**

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

**(i) Performance guarantees and bonds**

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

**(ii) Onerous contracts**

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

**(r) Revenue and other income recognition**

**(i) Goods sold**

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

**(ii) Construction contracts**

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

## 3. Significant Accounting Policies (Cont'd)

### (r) Revenue and other income recognition (Cont'd)

#### (ii) Construction contracts (Cont'd)

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to-date bear to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

#### (iii) Property development

Revenue from property development activities is recognised for property development projects sold based on the stage of completion measured by reference to the proportion that property development costs incurred for work performed to-date bear to the estimated total property development costs.

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

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

#### (iv) Sales of completed properties

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

#### (v) Rental income

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

#### (vi) Dividend income

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

#### (vii) Interest income

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

#### (viii) Management Fees

Management fees are recognised when services are rendered.

## 3. Significant Accounting Policies (Cont'd)

### (s) Borrowing costs

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

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

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

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

### (t) Income tax

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

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

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

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

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

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

## 3. Significant Accounting Policies (Cont'd)

### (t) Income tax (Cont'd)

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

### (u) Earnings per ordinary share

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

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

Diluted EPS, if any, is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise of warrants.

### (v) Operating segments

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

### (w) Contingent liabilities

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

## 4. Revenue

| | Group | | Company | |
|---|---|---|---|---|
| | 2015<br>RM | 2014<br>RM | 2015<br>RM | 2014<br>RM |
| Dividend income | - | - | 12,000,000 | - |
| Attributable contract revenue | 644,020,782 | 601,120,556 | - | 3,538,668 |
| Sale of goods | 47,608,189 | 45,623,576 | - | - |
| Sale of properties | 11,372,762 | 7,530,904 | - | - |
| Sale of fresh fruit bunches | 7,981,086 | 5,381,270 | - | - |
| Income from hotel operation, and food and beverages | 3,793,542 | 2,114,256 | - | - |
| Management fees | 196,000 | 588,000 | 8,415,000 | 7,345,000 |
| | 714,972,361 | 662,358,562 | 20,415,000 | 10,883,668 |

## 5. Cost of Sales

| | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|
| Attributable contract costs | 526,458,178 | 490,612,013 | 494,439 | - |
| Cost of goods sold | 27,411,138 | 29,464,545 | - | - |
| Costs of developed properties | 7,654,317 | 5,533,308 | - | - |
| Direct operating costs-plantation | 25,183,135 | 21,448,240 | - | - |
| Cost of operating hotel, and food and beverages | 1,611,750 | 785,249 | - | - |
| | 588,318,518 | 547,843,355 | 494,439 | - |

## 6. Finance Income

| | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|
| Interest income of financial assets other than at fair value through profit or loss | 3,170,024 | 3,457,227 | 829,698 | 1,174,529 |

## 7. Finance Costs

| | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|
| Interest expense of financial liabilities other than at fair value through profit or loss: | | | | |
| - term loans | 27,844,471 | 17,409,670 | - | - |
| - overdrafts | 1,823,784 | 1,356,475 | - | - |
| - other borrowings | 8,400,213 | 1,969,389 | 3,140,683 | 3,649,623 |
| | 38,068,468 | 20,735,534 | 3,140,683 | 3,649,623 |
| - other finance costs | 8,497,810 | 956,788 | 5,031,551 | - |
| | 46,566,278 | 21,692,322 | 8,172,234 | 3,649,623 |

**8. Profit/(Loss) Before Tax**

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

| | Note | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|---|
| Auditors' remuneration: | | | | | |
| Audit fees: | | | | | |
| - Auditors of the Company | | 433,500 | 402,000 | 150,000 | 150,000 |
| - Over provision in prior year | | - | (19,000) | - | - |
| - Other auditors | | 73,042 | 96,744 | - | - |
| Non-audit fees | | 153,000 | 36,935 | - | 31,935 |
| Amortisation of prepaid lease payments | 13 | 441,713 | 436,406 | - | - |
| Amortisation of biological assets | 15 | 5,299,620 | 4,587,074 | - | - |
| Accretion of fair value and amortised cost adjustments on non-current receivables | | 6,189,851 | 8,468,207 | 2,586,351 | 4,589,142 |
| Amortisation of transaction cost | | 1,084,410 | 120,098 | - | - |
| Bad debts written off | | 19,119 | 1,002,845 | 19,119 | 1,000,000 |
| Depreciation of property, plant and equipment | 12 | 8,802,520 | 8,883,411 | 671,146 | 841,256 |
| Interest expense | 7 | 38,068,468 | 20,735,534 | 3,140,683 | 3,649,623 |
| Unrealised gain on foreign exchange | | (3,439,321) | (307,721) | (8,562,011) | (2,4817,38) |
| Property, plant and equipment written off | | 81,615 | 28 | - | - |
| Rental of motor vehicles | | 16,970 | 19,966 | - | - |
| Rental of land and premises | | 6,560,432 | 3,447,578 | 1,785,403 | 32,698 |
| Rental of machinery and equipment | | 222,863 | 13,643,011 | 2,057 | - |
| Employee benefits expense | | 53,054,077 | 51,733,277 | 10,865,094 | 9,782,023 |
| Gain on disposal of property, plant and equipment - net | | (12,181,754) | (288,540) | (86,048) | (3,063) |
| Interest income | | (3,170,024) | (3,457,227) | (829,698) | (1,174,529) |
| Biological assrts written off | | 550,034 | 4,567,887 | - | - |
| Amortisation of land application costs | | 65,054 | 61,661 | - | - |
| Included in employee benefits expense is: | | | | | |
| Contributions to defined contribution plan | | 6,457,909 | 6,241,440 | 1,382,792 | 2,296,605 |
| Retirement benefits | | 356,621 | 356,621 | - | - |
| | | 6,814,530 | 6,598,061 | 1,382,792 | 2,296,605 |

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration amounting to RM6,005,700 (2014: RM4,895,302) and RM3,515,882 (2014: RM2,577,675) respectively as further disclosed in Note 9.

## 9. Key Management Personnel Compensation

| | Note | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|---|
| Executive Directors | | | | | |
| - fees | | 314,000 | 252,000 | - | - |
| - emoluments | | 5,691,700 | 4,643,302 | 3,515,882 | 2,577,675 |
| Total remuneration (excluding benefit-in-kind) | | 6,005,700 | 4,895,302 | 3,515,882 | 2,577,675 |
| Estimated monetary value of benefit-in-kind | | 408,364 | 252,795 | 202,995 | 93,959 |
| | | 6,414,064 | 5,148,097 | 3,718,877 | 2,671,634 |
| Non-Executive Directors | | | | | |
| - fees | | 644,000 | 608,000 | 644,000 | 608,000 |
| - emoluments | | 83,200 | 40,700 | 77,300 | 37,100 |
| Total remuneration (excluding benefit-in-kind) | | 727,200 | 648,700 | 721,300 | 645,100 |
| Estimated monetary value of benefit-in-kind | | 57,288 | 32,000 | 26,138 | 18,300 |
| Total remuneration (including benefit-in-kind) | | 784,488 | 680,700 | 747,438 | 663,400 |

## 10. Income Tax Expense/(Credit)

| | Note | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|---|
| Recognised in profit or loss: | | | | | |
| **Current tax expense** | | | | | |
| Malaysia | | | | | |
| - current year | | 4,701,445 | 4,818,497 | 207,424 | - |
| - over provision in prior year | | (137,932) | (349,544) | - | - |
| | | 4,563,513 | 4,468,953 | 207,424 | - |
| **Deferred tax expense** | | | | | |
| - origination and reversal of temporary differences | 31 | 6,555,119 | 8,965,495 | 285,827 | - |
| - over provision in prior year | 31 | (616,360) | (23,150) | - | (1,294,230) |
| | | 5,938,759 | 8,942,345 | 285,827 | (1,294,230) |
| Total income tax expense/(credit) | | 10,502,272 | 13,411,298 | 493,251 | (1,294,230) |

## 10. Income Tax Expense/(Credit) (Cont'd)

Reconciliation of tax expense:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015<br>RM | 2014<br>RM | 2015<br>RM | 2014<br>RM |
| Profit/(Loss) for the year | 21,579,473 | 12,256,546 | 12,206,209 | (6,563,637) |
| Total income tax expense/(credit) | 10,502,272 | 13,411,298 | 493,251 | (1,294,230) |
| Profit/(Loss) before tax | 32,081,745 | 25,667,844 | 12,699,460 | (7,857,867) |
| Income tax calculated using Malaysian tax rate of 25% (2014: 25%) | 8,020,436 | 6,416,961 | 3,174,865 | (1,964,467) |
| Non-taxable income | (8,155,115) | (155,927) | (3,739,994) | - |
| Non-deductible expenses | 10,388,201 | 9,955,713 | 1,162,092 | 4,397,222 |
| Utilisation of deferred tax assets previously not recognised | - | (2,432,755) | - | (2,432,755) |
| Over provision of current tax in prior year | (137,932) | (349,544) | - | - |
| Over provision of deferred tax in prior year | (616,360) | (23,150) | - | (1,294,230) |
| Deferred tax assets not recognised | 2,902,218 | - | - | - |
| Change in tax rate | (1,899,176) | - | (103,712) | - |
| Total income tax expense/(credit) | 10,502,272 | 13,411,298 | 493,251 | (1,294,230) |

## 11. Earnings Per Ordinary Share

### Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2015 was based on the profit attributable to ordinary shareholders of RM22,876,507 (2014: RM13,508,221) and weighted average number of ordinary shares outstanding during the year of 483,540,255 (2014: 407,127,272).

Weighted average number of ordinary shares

| | Group | |
|---|---|---|
| | 2015<br>RM | 2014<br>RM |
| Issued ordinary shares at 1 January | 483,540,255 | 276,942,189 |
| Effect of rights issue | - | 130,185,083 |
| Weighted average number of ordinary shares at 31 December | 483,540,255 | 407,127,272 |

### Diluted earnings per ordinary share

| | Group | |
|---|---|---|
| | 2015<br>RM | 2014<br>RM |
| Weighted average number of ordinary shares (basic) at 31 December | 483,540,255 | 407,127,272 |
| Effect of warrants issue | - * | 1,454,916 |
| Weighted average number of ordinary shares (diluted) at 31 December | 483,540,255 | 408,582,188 |

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

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

## 12. Property, Plant and Equipment

| Group | Freehold land RM | Buildings and renovation RM | Machinery and equipment RM | Motor vehicles RM | Furniture, fittings and equipment RM | Building under construction RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| 1 January 2014 | 11,731,241 | 57,368,660 | 42,592,295 | 29,528,200 | 6,695,813 | 104,400 | 148,020,609 |
| Reclassification | - | 104,400 | - | - | - | (104,400) | - |
| Transfer from investment property (Note 16) | 793,912 | 17,206,088 | - | - | - | - | 18,000,000 |
| Acquisition of new subsidiary | - | 239,345 | 160,144 | 197,658 | 2,782,892 | - | 3,380,039 |
| Additions | 262,600 | 736,788 | 825,615 | 1,965,606 | 616,741 | - | 4,407,350 |
| Disposals | - | - | (165,000) | (1,351,797) | - | - | (1,516,797) |
| Written off | - | - | - | - | (93,191) | - | (93,191) |
| Effect of movements in exchange rates | - | 150,415 | 480,827 | 49,523 | 50,407 | - | 731,172 |
| At 31 December 2014/ 1 January 2015 | 12,787,753 | 75,805,696 | 43,893,881 | 30,389,190 | 10,052,662 | - | 172,929,182 |
| Reclassification | - | (780,776) | 686,288 | - | 94,488 | - | - |
| Additions | - | 433,723 | 3,409,692 | 3,881,605 | 843,113 | 20,941,133 | 29,509,266 |
| Disposals | (729,840) | (5,395,423) | (3,672,751) | (1,408,724) | (3,084,187) | - | (14,290,925) |
| Written off | - | (66,177) | - | (626,875) | - | - | (693,052) |
| Effect of movements in exchange rates | - | 480,618 | 1,681,505 | 209,169 | 225,025 | 85,660 | 2,681,977 |
| At 31 December 2015 | 12,057,913 | 70,477,661 | 45,998,615 | 32,444,365 | 8,131,101 | 21,026,793 | 190,136,448 |

## 12. Property, Plant and Equipment (Cont'd)

| Group | Freehold land RM | Buildings and renovation RM | Machinery and equipment RM | Motor vehicles RM | Furniture, fittings and equipment RM | Building under construction RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | | | |
| 1 January 2014 | - | 5,858,338 | 37,115,919 | 18,908,489 | 5,240,304 | - | 67,123,050 |
| Acquisition of new subsidiary | - | 51,039 | - | 106,793 | 1,406,559 | - | 1,564,391 |
| Depreciation for the year | - | 1,756,753 | 2,271,960 | 4,327,496 | 527,202 | - | 8,883,411 |
| Disposals | - | - | (165,000) | (1,283,641) | - | - | (1,448,641) |
| Written off | - | - | - | - | (93,163) | - | (93,163) |
| Effect of movements in exchange rates | - | 68,700 | 475,518 | 35,836 | 46,230 | - | 626,284 |
| At 31 December 2014/ 1 January 2015 | - | 7,734,830 | 39,698,397 | 22,094,973 | 7,127,132 | - | 76,655,332 |
| Reclassification | - | (81,336) | - | - | 81,336 | - | - |
| Depreciation for the year | - | 2,012,115 | 2,204,688 | 3,901,764 | 683,953 | - | 8,802,520 |
| Disposals | - | (3,419,505) | (3,672,111) | (1,386,759) | (3,082,945) | - | (11,561,320) |
| Written off | - | (15,441) | - | (595,996) | - | - | (611,437) |
| Effect of movements in exchange rates | - | 230,970 | 1,661,706 | 134,239 | 153,057 | - | 2,179,972 |
| At 31 December 2015 | - | 6,461,633 | 39,892,680 | 24,148,221 | 4,962,533 | - | 75,465,067 |
| **Net book value** | | | | | | | |
| At 31 December 2014 | 12,787,753 | 68,070,866 | 4,195,484 | 8,294,217 | 2,925,530 | - | 96,273,850 |
| At 31 December 2015 | 12,057,913 | 64,016,028 | 6,105,935 | 8,296,144 | 3,168,568 | 21,026,793 | 114,671,381 |

## 12. Property, Plant and Equipment (Cont'd)

| Company | Machinery and equipment RM | Motor vehicles RM | Furniture, fittings and equipment RM | Total RM |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2014 | 43,103 | 4,552,960 | 359,577 | 4,955,640 |
| Disposals | - | (85,176) | - | (85,176) |
| Effect of movements in exchange rates | 1,608 | - | 1,167 | 2,775 |
| At 31 December 2014/1 January 2015 | 44,711 | 4,467,784 | 360,744 | 4,873,239 |
| Additions | - | 1,535,843 | - | 1,535,843 |
| Disposals | - | (397,255) | - | (397,255) |
| Effect of movements in exchange rates | 7,959 | - | 5,769 | 13,728 |
| At 31 December 2015 | 52,670 | 5,606,373 | 366,513 | 6,025,556 |
| **Accumulated Depreciation** | | | | |
| At 1 January 2014 | 42,371 | 2,443,157 | 359,568 | 2,845,096 |
| Depreciation for the year | - | 841,256 | - | 841,256 |
| Disposals | - | (75,238) | - | (75,238) |
| Effect of movements in exchange rates | 1,581 | - | 1,166 | 2,747 |
| At 31 December 2014/1 January 2015 | 43,952 | 3,209,175 | 360,734 | 3,613,861 |
| Depreciation for the year | - | 671,146 | - | 671,146 |
| Disposals | - | (375,300) | - | (375,300) |
| Effect of movements in exchange rates | 7,824 | - | 5,769 | 13,593 |
| At 31 December 2015 | 51,776 | 3,505,021 | 366,503 | 3,923,301 |
| **Net book value** | | | | |
| At 31 December 2014 | 759 | 1,258,609 | 10 | 1,259,378 |
| At 31 December 2015 | 894 | 2,101,351 | 10 | 2,102,255 |

**12. Property, Plant and Equipment (Cont'd)**

Included in property, plant and equipment are:

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

| Group | Machinery and equipment RM | Motor vehicles RM | Furniture, fittings and equipment RM | Total RM |
|---|---|---|---|---|
| **2015** | | | | |
| Cost | 4,150,955 | 19,798,413 | - | 23,949,368 |
| Carrying amounts | 1,204,148 | 7,313,586 | - | 8,517,734 |
| **2014** | | | | |
| Cost | 6,362,405 | 19,636,939 | 54,123 | 26,053,467 |
| Carrying amounts | 3,099,056 | 8,690,671 | 31,988 | 11,821,715 |

| Company | Machinery and equipment RM | Motor vehicles RM | Furniture, fittings and equipment RM | Total RM |
|---|---|---|---|---|
| **2015** | | | | |
| Cost | - | 3,237,368 | - | 3,237,368 |
| Carrying amounts | - | 2,122,469 | - | 2,122,469 |
| **2014** | | | | |
| Cost | - | 3,665,877 | - | 3,665,877 |
| Carrying amounts | - | 1,258,603 | - | 1,258,603 |

(ii) freehold land and buildings of the Group with total net carrying amounts of RM62,263,783 (2014: RM76,757,122) are charged to financial institutions as securities for banking facilities granted to its subsidiaries as disclosed in Note 29(a)(viii) and Note 29(c).

## 13. Prepaid Lease Payments

| | Group | |
|---|---|---|
| | 2015<br>RM | 2014<br>RM |
| **Cost** | | |
| At 1 January | 11,720,545 | 11,622,635 |
| Effect of movements in exchange rates | 246,782 | 97,910 |
| At 31 December | 11,967,327 | 11,720,545 |
| | | |
| **Accumulated amortisation** | | |
| At 1 January | 3,674,860 | 3,223,684 |
| Amortisation during the year | 441,713 | 436,406 |
| Effect of movements in exchange rates | 50,789 | 14,770 |
| At 31 December | 4,167,362 | 3,674,860 |
| | | |
| **Carrying amount** | | |
| At 31 December | 7,799,965 | 8,045,685 |
| | | |
| Analysed as follows: | | |
| Short-term leasehold land | 7,799,965 | 8,045,685 |

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

## 14. Land Held For Development

The land held for development represents land that are earmarked for future commercial development. Freehold land with carrying amount of RM8,958,539 is pledged to a bank for the term loan facility granted to the Group as disclosed in Note 29(a)(vi).

| | Group | |
|---|---|---|
| | 2015<br>RM | 2014<br>RM |
| **Cost** | | |
| At 1 January | 8,958,539 | 8,958,539 |
| Additions | 15,269,676 | - |
| At 31 December | 24,228,215 | 8,958,539 |
| | | |
| Freehold land | 16,728,215 | 8,958,539 |
| Leasehold land | 7,500,000 | - |
| | 24,228,215 | 8,958,539 |

## 15. Biological Assets

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

| | Group | |
|---|---|---|
| | 2015<br>RM | 2014<br>RM |
| **Cost** | | |
| At 1 January | 144,407,057 | 137,530,755 |
| Additions | 26,062,404 | 14,858,718 |
| Reversal to Mitra recoverable account (Note a) | (3,244,708) | (9,947,408) |
| Written off during the year (Note a) | (550,034) | (4,567,887) |
| Effect of movements in exchange rates | 625,622 | 6,532,879 |
| At 31 December | 167,300,341 | 144,407,057 |
| **Accumulated amortisation** | | |
| At 1 January | 19,438,530 | 14,279,181 |
| Amortisation during the year | 5,299,620 | 4,587,074 |
| Effect of movements in exchange rates | 2,105,452 | 572,275 |
| At 31 December | 26,843,602 | 19,438,530 |
| **Carrying amount** | | |
| At 31 December | 140,456,739 | 124,968,527 |

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

| | Group | |
|---|---|---|
| | 2015<br>RM | 2014<br>RM |
| Staff costs | 1,291,435 | 922,831 |

**Note a**

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

## 16. Investment Property

| | Group | |
|---|---|---|
| | 2015<br>RM | 2014<br>RM |
| **At fair value** | | |
| At 1 January | - | 18,000,000 |
| Transfer to property plant and equipment (Note 12) | - | (18,000,000) |
| At 31 December | - | - |

## 17. Intangible Assets

| | Group Highway concession 2015 RM | 2014 RM |
|---|---|---|
| At 1 January | 16,409,759 | 2,796,085 |
| Additions | 23,509,991 | 13,613,674 |
| At 31 December | 39,919,750 | 16,409,759 |

This represents the expenditure incurred to procure the concession rights (license) for collection of toll over a concession period of fifty (50) years from the Government of Malaysia in exchange for services to be rendered in connection with the design, construction, completion, operation, management and maintenance of the East Klang Valley Expressway ("EKVE") pursuant to the Concession Agreement signed on 13 February 2013. The total estimated construction costs of EKVE project is approximately RM1,551,130,000.

## 18. Goodwill

| | Group 2015 RM | 2014 RM |
|---|---|---|
| At 1 January | 6,158,155 | 3,747,557 |
| Addition arising from acquisition of new subsidiary during the year | - | 2,410,598 |
| At 31 December | 6,158,155 | 6,158,155 |

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

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

| | Group 2015 RM | 2014 RM |
|---|---|---|
| Malaysian quarry business unit | 2,893,983 | 2,893,983 |
| Malaysian hotel operator unit | 2,410,598 | 2,410,598 |
| Multiple business units without significant goodwill | 853,574 | 853,574 |
| | 6,158,155 | 6,158,155 |

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

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

## 19. Investments In Subsidiaries

| | Company 2015 RM | Company 2014 RM |
|---|---|---|
| Unquoted shares, at cost | | |
| At 1 January | 99,036,687 | 98,036,687 |
| Addition of new subsidiary | 2,000,670 | 1,000,000 |
| At 31 December, at cost | 101,037,357 | 99,036,687 |
| Less : Allowance for impairment loss | (12,034,610) | (12,034,610) |
| Net | 89,002,747 | 87,002,077 |

The details of the subsidiaries are as follows:

| Name of subsidiary | Principal activities | Country of incorporation | Proportion of ownership interest and voting power hold by the Group 2015 % | 2014 % |
|---|---|---|---|---|
| Ahmad Zaki Sdn. Bhd. | Contractors of civil and structural construction works | Malaysia | 100 | 100 |
| Inter-Century Sdn. Bhd. | Dealer of marine fuels | Malaysia | 100 | 100 |
| Tadok Granite Manufacturing Sdn. Bhd. | Dormant | Malaysia | 100 | 100 |
| AZRB International Ventures Sdn. Bhd. | Investment holding | Malaysia | 100 | 100 |
| Trend Vista Development Sdn. Bhd. | Property Development | Malaysia | 100 | 100 |
| P.T. Ichtiar Gusti Pudi*^ | Oil palm cultivation | Republic of Indonesia | 95 | 95 |
| Ahmad Zaki Saudi Arabia Co. Ltd.*@ | Contractors of civil and structural works | Kingdom of Saudi Arabia | 95 | 95 |
| Peninsular Medical Sdn. Bhd | Undertake design, development and the construction of a teaching hospital as well as to carry out the related maintenance services subsequent to the completion of teaching hospital | Malaysia | 100 | 100 |
| AZ Land & Properties Sdn. Bhd. (formerly known as AZRB Properties Sdn. Bhd.) | Property development | Malaysia | 100 | 100 |

## 19. Investments In Subsidiaries (Cont'd)

The details of the subsidiaries are as follows: (Cont'd)

| Name of subsidiary | Principal activities | Country of incorporation | Proportion of ownership interest and voting power hold by the Group 2015 % | 2014 % |
|---|---|---|---|---|
| EKVE Sdn. Bhd. | Engaged in the business of construction, establishment, operation, maintenance and management of highway | Malaysia | 100 | 100 |
| Unggul Energy & Construction Sdn. Bhd. | Dormant | Malaysia | 100 | 100 |
| Temala Development Sdn. Bhd.* | Property development | Malaysia | 70 | 70 |
| Betanaz Properties Sdn. Bhd. | Property development | Malaysia | 51 | 51 |
| Peninsular Prokonsult Sdn. Bhd. | Project management services | Malaysia | 100 | 100 |
| Residence Inn & Motels Sdn. Bhd. | Hotel operators and consultants | Malaysia | 100 | 100 |
| Astral Far East Sdn. Bhd. | Dealer of lubricants, petroleum-based products and marine fuels | Malaysia | 100 | - |
| Betanaz Mills Sdn. Bhd. | Operation of palm oil mill | Malaysia | 67 | - |
| **Held through Ahmad Zaki Sdn. Bhd.** | | | | |
| Kemaman Technology & Industrial Park Sdn. Bhd. | Property development | Malaysia | 60 | 60 |
| AZSB Machineries Sdn. Bhd. | Rental of machineries | Malaysia | 100 | 100 |
| Peninsular Precast Sdn. Bhd. | Fabricating and marketing of Industrial Building Products and System ("IBS") | Malaysia | 80 | 80 |
| **Held through Inter Century Sdn. Bhd.** | | | | |
| Astral Far East Sdn. Bhd. | Dealer of lubricants, petroleum-based products and marine fuels | Malaysia | - | 100 |

## 19. Investments In Subsidiaries (Cont'd)

The details of the subsidiaries are as follows: (Cont'd)

| Name of subsidiary | Principal activities | Country of incorporation | Proportion of ownership interest and voting power hold by the Group 2015 % | 2014 % |
|---|---|---|---|---|
| **Held through AZRB International Ventures Sdn. Bhd.** | | | | |
| Ahmad Zaki Saudi Arabia Co. Ltd.*@ | Contractors of civil and structural works | Kingdom of Saudi Arabia | 5 | 5 |
| AZRB Construction (India) Pvt. Ltd.*# | Dormant | India | 100 | 100 |

* Not audited by Deloitte Malaysia.

@ Wholly-owned subsidiary of the Group

\# Struck off pursuant to section 560 of the Indian Companies Act, 1956 on 1 April 2015

^ The auditors' report on the financial statements of the subsidiary include an emphasis of matter regarding the ability of the subsidiary to continue as a going-concern in view of their capital deficiency positions as at the end of the reporting period. The financial statements of the subsidiary have been prepared on a going-concern basis as the Company has undertaken to continue providing financial support to the subsidiary as and when required.

The cash inflow on acquisition of subsidiaries is as follows:

| | Group 2015 RM | 2014 RM |
|---|---|---|
| Cash and cash equivalent balances acquired | - | 1,031,344 |
| Less: Consideration paid in cash | - | (1,000,000) |
| | - | 31,344 |

The goodwill on acquisition of subsidiaries is as follows:

| | Group 2015 RM | 2014 RM |
|---|---|---|
| Purchase consideration on 100% of equity investment | - | 1,000,000 |
| Add: Fair value of net liabilities acquired | - | 1,410,598 |
| | - | 2,410,598 |

## 20. Investments In Associates

| | Group 2015 RM | Group 2014 RM |
|---|---|---|
| Unquoted shares, at cost | | |
| At 1 January/31 December | 110,000 | 110,000 |
| Share of post-acquisition reserves | 55,005 | 55,005 |
| | 165,005 | 165,005 |

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

| | Group 2015 RM | Group 2014 RM |
|---|---|---|
| Goodwill on acquisition | | |
| At 1 January/31 December | 8,056 | 8,056 |

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

| Name of associate | Principal activities | Proportion of ownership interest and voting power hold by the Group 2015 % | 2014 % |
|---|---|---|---|
| **Held through Ahmad Zaki Sdn. Bhd.** | | | |
| Fasatimur Sdn. Bhd. | Dormant | 50 | 50 |
| Maxi Heritage Sdn. Bhd. | Dormant | 20 | 20 |

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

| | Effective ownership interest | Revenue (100%) RM | Profit/ (Loss) (100%) RM | Total assets (100%) RM | Total liabilities (100%) RM |
|---|---|---|---|---|---|
| **2015** | | | | | |
| Fasatimur Sdn. Bhd. | 50% | - | - | 595,585 | (295,674) |
| Maxi Heritage Sdn. Bhd. | 20% | - | - | 119,408 | (84,400) |
| **2014** | | | | | |
| Fasatimur Sdn. Bhd. | 50% | - | 8,240 | 595,585 | (295,674) |
| Maxi Heritage Sdn. Bhd. | 20% | - | - | 119,408 | (84,400) |

## 21. Interests In Joint Ventures

| | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|
| Investment cost: | | | | |
| At 1 January | 364,000 | 34,000 | 34,000 | 34,000 |
| Investment during the year | - | 330,000 | - | - |
| At 31 December | 364,000 | 364,000 | 34,000 | 34,000 |
| Share of post-acquisition results in joint ventures: | | | | |
| At 1 January | 83,525 | (288,352) | - | - |
| Share of profit of joint ventures during the year | 2,656,298 | 371,877 | - | - |
| At 31 December | 2,739,823 | 83,525 | - | - |
| At 31 December | 3,103,823 | 447,525 | 34,000 | 34,000 |

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

| Name | Project or Principal activities | Proportion of ownership interest and voting power hold by the Group 2015 % | 2014 % |
|---|---|---|---|
| i) BumiHiway - Ahmad Zaki Joint Venture | Realignment of the route from Putrajaya to Cyberjaya, Selangor | 50 | 50 |
| ii) Ahmad Zaki - Jasa Bakti Joint Venture | Design and building of "Sekolah Menengah Sains Hulu Terengganu" in Terengganu | 70 | 70 |
| iii) Peninsular IFM Sdn. Bhd. | Integrated facilities management services | 34 | 34 |
| iv) Salcon MMCB AZSB JV Sdn. Bhd. | Langat 2 water treatment plant and water reticulation system in Selangor Darul Ehsan/ Wilayah Persekutuan Kuala Lumpur | 30 | 30 |
| v) Salcon MMCES AZSB JV Sdn. Bhd. | Langat 2 water treatment plant and water reticulation system in Selangor Darul Ehsan/ Wilayah Persekutuan Kuala Lumpur | 30 | 30 |

## 21. Interests In Joint Ventures (Cont'd)

(a) The Group's share of assets, liabilities, revenue and expenses of the joint ventures are as follows:

(i) Share of the assets and liabilities

| | Group | |
|---|---|---|
| | 2015 RM | 2014 RM |
| **Current assets** | | |
| Receivables | 12,840,669 | 12,848,252 |
| Cash and cash equivalents | 1,983,045 | 1,978,605 |
| | 14,823,714 | 14,826,857 |
| **Current liabilities** | | |
| Payables | (11,719,891) | (14,379,332) |
| Share of net assets of the joint ventures | 3,103,823 | 447,525 |

(ii) Share of the revenue and expenses

| | Group | |
|---|---|---|
| | 2015 RM | 2014 RM |
| Revenue | 143,216,753 | 7,406,658 |
| Cost of sales | (138,052,531) | (6,811,173) |
| Other expenses | (1,233,712) | (93,718) |
| Income tax expense | (1,274,212) | (129,890) |
| Share of profit for the year | 2,656,298 | 371,877 |

All the projects under the joint ventures (i) and (ii) have been completed in previous years and are currently pending finalisation of the joint ventures accounts.

## 22. Available-For-Sale Investments

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Unquoted shares in Malaysia | | | | |
| At 1 January | 8,547,500 | 8,547,500 | 8,500,000 | 8,500,000 |
| Less: Allowance for impairment losses | (8,500,000) | (8,500,000) | (8,500,000) | (8,500,000) |
| At 31 December | 47,500 | 47,500 | - | - |
| Club membership | 68,000 | 68,000 | 68,000 | 68,000 |
| | 115,500 | 115,500 | 68,000 | 68,000 |

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

### 23. Trade And Other Receivables

| | Note | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|---|
| **Non-current** | | | | | |
| Trade receivable | (a) | 14,560,687 | 13,111,341 | - | - |
| Other receivables | (b) | 93,744,837 | 74,479,835 | 43,105,993 | 37,130,333 |
| | | 108,305,524 | 87,591,176 | 43,105,993 | 37,130,333 |

(a) Trade receivable of the Group consists of capital expenditure incurred on behalf of a customer for the construction of a teaching hospital under the Private Financing Initiative that are only due for payment upon completion of the teaching hospital which is expected to be in year 2016.

(b) Other receivables of the Group and of the Company consist of the award issued by the sole arbitrator of the International Court of Arbitration under the International Chamber of Commerce in 2013 pertaining to the arbitration initiated by the Group in year 2011 against a particular contract customer in respect of the development of a university campus in Saudi Arabia. The Group, through its external legal counsels in Saudi Arabia, had filed the arbitrator award with the local Saudi court on 2 February 2014 in order to obtain an enforcement order. Based on the advice from its external legal counsels, the whole process of obtaining an enforcement order and recovering the award will approximately be completed on or before 31 December 2017.

| | Note | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|---|
| **Current** | | | | | |
| **Trade** | | | | | |
| External parties | a | 51,148,278 | 35,243,658 | - | - |
| Amount due from contract customers | b | 948,037,563 | 601,356,176 | 1,917,823 | 1,917,823 |
| Amount due from a joint venture | c | 1,523,588 | 2,749,773 | - | - |
| | | 1,000,709,429 | 639,349,607 | 1,917,823 | 1,917,823 |
| **Non-trade** | | | | | |
| Amount due from: | | | | | |
| Ultimate holding company | d | 843,228 | 641,563 | 171,146 | 171,145 |
| Subsidiaries | d | - | - | 191,847,519 | 172,017,537 |
| Associate | e | 20,000 | 20,000 | - | - |
| Affiliates | f | 3,184,148 | 244,750 | 3,697 | 3,709 |
| | | 4,047,376 | 906,313 | 192,022,362 | 172,192,391 |
| Other receivables | | 11,261,278 | 13,146,382 | 14,227,358 | 14,195,921 |
| Deposits | g | 18,476,098 | 5,282,630 | 10,047,728 | 47,866 |
| Prepayments | | 2,324,047 | 2,025,521 | 1,189,349 | 263,825 |
| | | 36,108,799 | 21,360,846 | 217,486,797 | 186,700,003 |
| | | 1,036,818,228 | 660,710,453 | 219,404,620 | 188,617,826 |

## 23. Trade And Other Receivables (Cont'd)

**Note a**

The Group's and the Company's normal credit term granted to customers ranges from 60 to 90 days (2014: 60 to 90 days).

Included in trade receivables from external parties at 31 December 2015 are retention sums of the Group of RM26,539,380 (2014: RM26,516,184) relating to construction work-in-progress.

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

| | Group | |
|---|---|---|
| | 2015 RM | 2014 RM |
| Within 1 year | 1,499,725 | 1,499,725 |
| 1 - 2 years | - | - |
| 2 - 3 years | 3,166,849 | - |
| 3 - 4 years | 21,440,350 | 111,021 |
| More than 5 years | 432,456 | 24,905,438 |
| | 26,539,380 | 26,516,184 |

**Note b**

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Aggregate costs incurred to-date | | 5,675,311,346 | 3,813,724,172 | 352,149,160 | 352,149,160 |
| Add: Attributable profits | | 795,332,973 | 393,829,684 | 28,643,330 | 28,643,330 |
| | | 6,470,644,319 | 4,207,553,856 | 380,792,490 | 380,792,490 |
| Less: Progress billings | | (5,535,637,564) | (3,608,159,550) | (378,874,667) | (378,874,667) |
| | | 935,006,755 | 599,394,306 | 1,917,823 | 1,917,823 |
| Represented by: | | | | | |
| Amount due from contract customers | | 948,037,563 | 601,356,176 | 1,917,823 | 1,917,823 |
| Amount due to contract customers | 32 | (13,030,808) | (1,961,870) | - | - |
| | | 935,006,755 | 599,394,306 | 1,917,823 | 1,917,823 |

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

| | Group | |
|---|---|---|
| | 2015 RM | 2014 RM |
| Interest/finance costs capitalised | 4,792,496 | 710,680 |
| Staff costs | 24,329,315 | 22,046,522 |
| Rental of premises and land | 301,400 | 707,286 |
| Running cost of machinery | 9,843,188 | 13,049,682 |
| Rental of motor vehicles | 450 | 3,570 |

## 23. Trade And Other Receivables (Cont'd)

**Note c**

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

**Note d**

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

**Note e**

The amount, which is due from Maxi Heritage Sdn. Bhd. is unsecured, interest-free and repayable on demand.

**Note f**

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

**Note g**

Included in the deposits during the financial year is the deposit of RM10 million made in relation to the acquisition of Matrix Reservoir.

## 24. Inventories

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| At cost: | | |
| Completed properties | 8,075,663 | 6,193,096 |
| Marine fuels and lubricants | 5,000,176 | 6,207,808 |
| Consumable goods | 373,978 | 775,515 |
| | 13,449,817 | 13,176,419 |
| Recognised in profit or loss: | | |
| Inventories recognised as cost of sales | 39,082,654 | 55,854,233 |

## 25. Property Development Costs

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| **Development costs:** | **RM** | **RM** |
| At 1 January | 35,813,131 | 27,512,729 |
| Costs incurred during the year | 16,526,453 | 8,300,402 |
| At 31 December | 52,339,584 | 35,813,131 |
| Costs recognised in profit or loss | | |
| - prior years | (20,227,599) | (15,517,931) |
| - current year | (4,340,744) | (4,709,668) |
| | (24,568,343) | (20,227,599) |
| | 27,771,241 | 15,585,532 |
| Transfer to inventories of completed units | (4,297,847) | (3,642,644) |
| At 31 December | 23,473,394 | 11,942,888 |

### 26. Cash And Deposits

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Deposits placed with licensed banks | 44,973,037 | 47,029,068 | 3,056,333 | 2,975,168 |
| Cash and bank balances | 108,123,110 | 84,976,091 | 9,456,908 | 38,682,767 |
| | 153,096,147 | 132,005,159 | 12,513,241 | 41,657,935 |

Included in deposits placed with licensed banks of the Group are deposits of RM38,236,831 (2014: RM38,227,484) which have been pledged to financial institutions as security for bank guarantee and credit facilities granted to the Group as disclosed in Note 29. Also included in deposits placed with licensed banks of the Company are deposits of RM3,050,854 (2014: RM2,969,852) which have been pledged to financial institutions as securities for the overdraft facility granted to its subsidiary as disclosed in Note 29(c).

The deposits placed with licensed banks of the Group and of the Company bear interest at effective interest rates ranging from 2.55% to 4.00% (2014: 2.50% to 3.68%) and 2.55% to 3.30% (2014: 2.55% to 3.05%) per annum, respectively.

### 27. Share Capital

| | Group and Company | | | |
|---|---|---|---|---|
| | Amount 2015 RM | Number of shares 2015 RM | Amount 2014 RM | Number of shares 2014 RM |
| Authorised: | | | | |
| Ordinary shares of RM0.25 each | | | | |
| At 1 January/ 31 December | 250,000,000 | 1,000,000,000 | 250,000,000 | 1,000,000,000 |
| Issued and fully paid-up: | | | | |
| At 1 January | 120,885,064 | 483,540,255 | 138,471,095 | 276,942,189 |
| Reduction of par value | - | - | (69,235,547) | - |
| Rights issues with warrant | - | - | 51,649,516 | 206,598,066 |
| At 31 December | 120,885,064 | 483,540,255 | 120,885,064 | 483,540,255 |

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

## 28. Reserves

| | Group | | Company | |
|---|---|---|---|---|
| | 2015<br>RM | 2014<br>RM | 2015<br>RM | 2014<br>RM |
| ***Non-distributable:*** | | | | |
| Share premium | 21,888,800 | 21,888,800 | 21,888,800 | 21,888,800 |
| Capital reserve | 7,667,033 | 7,667,033 | 7,667,033 | 7,667,033 |
| Warrant reserve | 27,890,739 | 27,890,739 | 27,890,739 | 27,890,739 |
| Foreign exchange translation reserve | 167,563 | 3,366,111 | (1,026,592) | 232,426 |
| | 57,614,135 | 60,812,683 | 56,419,980 | 57,678,998 |
| Treasury shares | (1,025,787) | (1,025,787) | (1,025,787) | (1,025,787) |
| ***Distributable:*** | | | | |
| Retained earnings/(Accumulated losses) | 161,311,051 | 148,075,787 | (38,752,055) | (41,317,021) |
| | 217,899,399 | 207,862,683 | 16,642,138 | 15,336,190 |

The movements in each category of the reserves are disclosed in the statements of changes in equity.

**Share premium**

Share premium arose from the issuance of shares at a premium as follows:

| | Group and Company | |
|---|---|---|
| | 2015<br>RM | 2014<br>RM |
| As at 1 January | 21,888,800 | 24,636 |
| Rights issue | - | 23,758,778 |
| Rights issue expenses | - | (1,894,614) |
| As at 31 December | 21,888,800 | 21,888,800 |

**Capital reserve**

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

**Foreign exchange translation reserve**

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

**Warrant reserve**

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

## 28. Reserves (Cont'd)

### Treasury shares

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

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

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

Of the total 483,540,255 (2014: 483,540,255) issued and fully paid-up ordinary shares as at 31 December 2015, 1,478,100 (2014: 1,478,100) shares are held as treasury shares by the Company. As at 31 December 2015, the number of outstanding ordinary shares in issue after the set off is therefore 482,062,155 (2014: 482,062,155) ordinary shares of RM0.25 (2014: RM0.25) each.

## 29. Loans And Borrowings

| | Note | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|---|
| **Non-current** | | | | | |
| Term loans | a | 685,907,431 | 398,817,653 | - | - |
| Finance lease liabilities | b | 4,755,637 | 4,992,244 | 1,224,639 | 565,042 |
| | | 690,663,068 | 403,809,897 | 1,224,639 | 565,042 |
| **Current** | | | | | |
| Term loans | a | 14,655,274 | 15,623,340 | - | - |
| Finance lease liabilities | b | 2,900,020 | 3,801,436 | 466,991 | 567,866 |
| Bank overdrafts | c | 24,958,533 | 21,081,888 | - | - |
| Trust receipts | d | 13,058,165 | 5,413,874 | - | - |
| Revolving credits and Murabahah facilities | e | 103,576,943 | 36,836,347 | - | - |
| | | 159,148,935 | 82,756,885 | 466,991 | 567,866 |
| | | 849,812,003 | 486,566,782 | 1,691,630 | 1,132,908 |

### Note a

| | Note | Group 2015 RM | Group 2014 RM |
|---|---|---|---|
| Term loan - I | (i) | 151,016,113 | 69,535,236 |
| Term loan - II | (ii) | - | 22,113,967 |
| Term loan - III | (iii) | 52,774,000 | 63,886,000 |
| Term loan - IV | (iv) | 416,685,520 | 239,483,034 |
| Term loan - V | (v) | 11,545,994 | 11,545,994 |
| Term loan - VI | (vi) | 5,684,235 | 6,795,360 |
| Term loan - VII | (vii) | 681,406 | 1,081,402 |
| Term loan - VIII | (viii) | 18,860,240 | - |
| Term loan - IX | (ix) | 43,315,197 | - |
| | | 700,562,705 | 414,440,993 |

## 29. Loans And Borrowings (Cont'd)

The term loans of the Group comprise the followings:

(i) **Term loan I** is denominated in IDR and USD and bears interest at 11.25% and 4.64% (2014: 11.25% and 4.64%) per annum respectively. The term loan is repayable within a period of 108 months upon full disbursement and is secured by corporate guarantee from the Company.

(ii) **Term loan II** has been fully repaid during the financial year ended 31 December 2015.

(iii) **Term loan III** bears interest at 5.35% (2014: 5.35%) per annum. The term loan is repayable in equal quarterly instalments over 9 years which commenced from September 2011 and is secured and supported by:

(a) corporate guarantee from the Company; and

(b) memorandum of charge on the shares of a subsidiary.

(iv) **Term loan IV** bears interest at rates ranging from 5.77% to 6.10% (2014: 5.77% to 6.10%) per annum and is repayable on quarterly basis by 44 installments commencing in July 2012.

(v) **Term loan V** bears interest at rates ranging from 5.77% to 6.06% (2014: 5.77% to 6.06%) per annum and is repayable on lump sum basis either on the 60th month from the first date of loan disbursement in July 2012 or upon receipt of reimbursable cost from contract customer, whichever is earlier.

Both Terms loan IV and V are secured and supported by:

(a) fixed and floating charges over all present and future assets of a subsidiary;

(b) legal assignment over designated bank accounts and rights, titles, interests and benefits under applicable insurance policies; and

(c) corporate guarantee from the Company until the expiry of the defect liability period of the project.

(vi) **Term loan VI** bears interest at 5.08% (2014: 5.08%) per annum. The term loan is repayable on semi-annual basis by sixteen (16) installments commencing from May 2015.

The above term loan is secured by way of:

(a) a first party legal charge over the land held for development as disclosed in Note 14;

(b) legal assignment of rights in rental proceeds to be derived from the future commercial development on the land; and

(c) corporate guarantee from the Company.

(vii) **Term loan VII** is interest free and repayable by sixty (60) monthly instalments commencing from July 2015.

The above term loan is secured by way of:

(a) a debenture on a subsidiary's current and future fixed and floating assets,

(b) deposit placed with a financial institution of a subsidiary; and

(c) personal guarantee from the Directors of a subsidiary.

(viii) **Term loan VIII** bears interest at 5.81% per annum. The term loan is secured and supported over land and building as disclosed in Note 12 and corporate guarantee by the Company.

(ix) **Term loan IX** bears fixed interest at 4% per annum. The term loan is secured and supported by corporate guarantee by the Company.

## 29. Loans And Borrowings (Cont'd)

### Note b

Finance lease liabilities are payable as follows:

| Group | Future minimum lease payments 2015 RM | Interest 2015 RM | Present value of minimum lease payments 2015 RM | Future minimum lease payments 2014 RM | Interest 2014 RM | Present value of minimum lease payments 2014 RM |
|---|---|---|---|---|---|---|
| Less than one year | 3,190,774 | (290,754) | 2,900,020 | 4,178,009 | (376,573) | 3,801,436 |
| Between one and five years | 5,018,714 | (263,077) | 4,755,637 | 5,283,542 | (291,298) | 4,992,244 |
| | 8,209,488 | (553,831) | 7,655,657 | 9,461,551 | (667,871) | 8,793,680 |
| **Company** | | | | | | |
| Less than one year | 512,429 | (45,438) | 466,991 | 606,079 | (38,213) | 567,866 |
| Between one and five years | 1,292,532 | (67,893) | 1,224,639 | 574,090 | (9,048) | 565,042 |
| | 1,804,961 | (113,331) | 1,691,630 | 1,180,169 | (47,261) | 1,132,908 |

### Note c

The bank overdraft facilities are repayable on demand and bear interest at rates ranging from 7.85% to 8.10% (2014: 7.80% to 8.35%) per annum. Bank overdraft facilities are secured by deposits placed with licensed banks of the Company and a subsidiary; freehold land and building as disclosed in Note 12; and a corporate guarantee from the Company.

### Note d

The trust receipts of the Group are repayable within 120 to 180 days (2014:120 to 180 days) and bear interest at 7.60% (2014: 8.10%) per annum. These facilities are secured and supported by:

(i) deposits placed with licensed banks of a subsidiary; and

(ii) corporate guarantee from the Company.

### Note e

The revolving credits and murabahah facilities are repayable on demand and bear profit at rates ranging from 5.61% to 6.19% (2014: 5.62% to 6.02%) per annum. These facilities are secured by corporate guarantee from the Company and assignment of projects proceeds of a subsidiary.

## 30. Employee Benefits

### Retirement benefits

| | Group 2015 RM | Group 2014 RM |
|---|---|---|
| Net defined benefit liability | 2,324,382 | 1,720,862 |

The Group's subsidiary in Indonesia makes provision for non-contributory defined benefit plan that provides pension benefits for employees upon retirement, death, disability and voluntary resignation as required under Labour Law No. 13/2003 of the Republic of Indonesia. The plan entitles an employee to receive payment according to the years of service.

The defined benefit plan exposes the Group to actuarial risks, such as longevity risk, currency risk and interest rate risk.

### Movement in net defined benefit obligations

| | Group 2015 RM | Group 2014 RM |
|---|---|---|
| **Group** | | |
| At 1 January | 1,720,862 | 1,294,851 |
| **Included in profit and loss** | | |
| Current service cost | 385,601 | 244,268 |
| Past service cost | - | 112,355 |
| | 385,601 | 356,623 |
| **Included in other comprehensive income** | | |
| Remeasurement loss | | |
| - Actuarial loss arising from experience adjustments | - | 117,734 |
| Effect of movements in exchange rate | 217,919 | 66,212 |
| | 217,919 | 183,946 |
| **Less : benefit paid** | - | (114,558) |
| At 31 December | 2,324,382 | 1,720,862 |

## 30. Employee Benefits (Cont'd)

Post-employee benefits obligations as per 31 December 2015 and 2014 are calculated by Padma Radya Aktuaria, an independent actuary based on report dated 23 March 2016, using the Project Unit Credit method.

The key assumptions used are as follows:

| | 2015 | 2014 |
|---|---|---|
| Discount rate (per annum) | 9.00% | 8.00% |
| Future salary/wage increment (% p.a) | 5.00% | 5.00% |
| Mortality rate | 100% of Tabel Mortalita Indonesia version 3 ("TMI3") | 100% of TMI3 |
| Morbidity rate | 5% of TMI3 | 5% of TMI3 |
| Resignation rate | | |
| - Executive | 5% per year until age 34 then decrease linearly and become 0% at age 55 | 5% per year until age 34 then decrease linearly and become 0% at age 55 |
| - Non Executive | 10% per year until age 34 then decrease linearly and become 0% at age 55 | 10% per year until age 34 then decrease linearly and become 0% at age 55 |
| Proportion of early retirement take-up | N/A | N/A |
| Proportion of normal retirement take-up | 100% | 100% |
| Normal retirement age | 55 years | 55 years |

## 31. Deferred Tax (Liabilities)/Assets

| | Group | | Company | |
|---|---|---|---|---|
| | 2015<br>RM | 2014<br>RM | 2015<br>RM | 2014<br>RM |
| Deferred tax liabilities | 56,290,606 | 45,854,278 | 1,502,576 | 1,216,749 |
| Deferred tax assets | (31,516,565) | (24,694,953) | - | - |
| | 24,774,041 | 21,159,325 | 1,502,576 | 1,216,749 |

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2015<br>RM | 2014<br>RM | 2015<br>RM | 2014<br>RM |
| At 1 January | | 21,159,325 | 12,751,821 | 1,216,749 | 2,510,979 |
| Recognised in profit or loss: | | | | | |
| - Origination and reversal of temporary differences | 30 | 6,555,119 | 8,965,495 | 285,827 | - |
| - Over provision in prior years | 30 | (616,360) | (23,150) | - | (1,294,230) |
| Effect of movements in exchange rates | | (2,324,043) | (534,841) | - | - |
| At 31 December | | 24,774,041 | 21,159,325 | 1,502,576 | 1,216,749 |

## 31. Deferred Tax (Liabilities)/Assets (Cont'd)

### Recognised deferred tax (liabilities)/assets

| Group | Assets 2015 RM | Assets 2014 RM | Liabilities 2015 RM | Liabilities 2014 RM | Net 2015 RM | Net 2014 RM |
|---|---|---|---|---|---|---|
| Tax loss carry-forward | 44,440,710 | 27,059,779 | - | - | 44,440,710 | 27,059,779 |
| Taxable temporary differences | - | - | (61,769,252) | (38,516,408) | (61,769,252) | (38,516,408) |
| Property, plant and equipment | 801,451 | 721,522 | (2,140,499) | (4,187,975) | (1,339,048) | (3,466,453) |
| Employee benefits | 498,175 | 964,214 | - | - | 498,175 | 964,214 |
| Fair value adjustment in respect of acquisition of subsidiary | - | - | (2,610,777) | (2,610,777) | (2,610,777) | (2,610,777) |
| Derecognition of results of joint venture in MCHJV* | - | - | (4,406,093) | (4,589,680) | (4,406,093) | (4,589,680) |
| Provision | 412,244 | - | - | - | 412,244 | - |
| Deferred tax (liabilities)/assets | 46,152,580 | 28,745,515 | (70,926,621) | (49,904,840) | (24,774,041) | (21,159,325) |
| Set off of deferred tax | (14,636,015) | (4,050,562) | 14,636,015 | 4,050,562 | - | - |
| Net deferred tax (liabilities)/assets | 31,516,565 | 24,694,953 | (56,290,606) | (45,854,278) | (24,774,041) | (21,159,325) |

| Company | Assets 2015 RM | Assets 2014 RM | Liabilities 2015 RM | Liabilities 2014 RM | Net 2015 RM | Net 2014 RM |
|---|---|---|---|---|---|---|
| Property, plant and equipment | 48,590 | - | - | (23,669) | 48,590 | (23,669) |
| Tax loss carry-forward | 2,854,927 | 3,396,600 | - | - | 2,854,927 | 3,396,600 |
| Derecognition of results of joint venture in MCHJV* | - | - | (4,406,093) | (4,589,680) | (4,406,093) | (4,589,680) |
| Deferred tax (assets)/liabilities | 2,903,517 | 3,396,600 | (4,406,093) | (4,613,349) | (1,502,576) | (1,216,749) |
| Set off of deferred tax | (2,903,517 ) | (3,396,600) | 2,903,517 | 3,396,600 | - | - |
| Net deferred tax liabilities | - | - | (1,520,576) | (1,216,749) | (1,502,576) | (1,216,749) |

*Malaysia China Hydro Joint Venture

## 31. Deferred Tax (Liabilities)/Assets (Cont'd)

### Unrecognised deferred tax assets

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

| | Group | |
|---|---|---|
| | 2015<br>RM | 2014<br>RM |
| Tax losses carry forward | 12,092,575 | - |
| | 12,092,575 | - |

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

## 32. Trade And Other Payables

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2015<br>RM | 2014<br>RM | 2015<br>RM | 2014<br>RM |
| **Trade** | | | | | |
| External parties | a | 408,892,548 | 283,129,968 | - | 3,519 |
| Amount due to contract customers | 23(b) | 13,030,808 | 1,961,870 | - | - |
| Advance payments received | b | 19,264,685 | 28,857,304 | - | - |
| | | 441,188,041 | 313,949,142 | - | 3,519 |
| **Non-trade** | | | | | |
| Amount due to: | | | | | |
| Subsidiaries | c | - | - | 224,215,527 | 218,541,211 |
| Associate | c | 53,089 | 53,089 | - | - |
| | | 53,089 | 53,089 | 224,215,527 | 218,541,211 |
| Accruals and other payables | d | 16,199,467 | 11,951,773 | 3,781,402 | 1,032,233 |
| | | 16,252,556 | 12,004,862 | 227,996,929 | 219,573,444 |
| | | 457,440,597 | 325,954,004 | 227,996,929 | 219,576,963 |

## 32. Trade And Other Payables (Cont'd)

**Note a**

The normal credit term granted by suppliers of the Group and of the Company ranges from 30 to 90 days (2014: 30 to 90 days).

Included in trade payables of the Group are:

i) retention sums of RM78,717,434 (2014: RM84,845,883).

ii) amount due to affiliates as follows:

| | Group | |
|---|---|---|
| | 2015 RM | 2014 RM |
| Amount due to subsidiaries of Chuan Huat Resources Berhad, a company in which Dato' Sri Haji Wan Zaki bin Haji Wan Muda has a substantial financial interest and is also a Director | | |
| - Chuan Huat Industrial Marketing Sdn. Bhd. | 738,001 | 1,074,229 |
| - Chuan Huat Hardware Sdn. Bhd. | 17,405 | 129,991 |

Affiliates are companies which have common Directors and shareholders as that of the subsidiaries. The amount is unsecured, interest free and repayable on demand. The amount due to affiliates is subject to normal credit terms.

**Note b**

Advance payments received are in respect of interest free advances received by the subsidiaries for mobilisation of its construction contracts. These advances are to be set off against the subsidiaries progress billings on the related contracts.

**Note c**

This amount is unsecured, interest-free and repayable on demand.

**Note d**

Included in accruals and other payables of the Group is interest on borrowings amounting to RM6,458,278 (2014: RM3,689,837).

## 33. Dividends

Dividend recognised and paid by the Company during the financial year was:

| | Sen per share (net of tax) | Amount RM | Date of payment |
|---|---|---|---|
| **2015** | | | |
| Interim dividend | 2.00 | 9,641,243 | 14 August 2015 |
| **2014** | | | |
| Interim dividend | - | - | - |

## 34. Operating Segments

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different business strategies. For each of the strategic business units, the Managing Director (the chief operating decision maker) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

(i) Engineering and Construction - civil and structural works.

(ii) Oil and gas - dealing in marine fuels, lubricants and petroleum based products.

(iii) Plantation - oil palm.

(iii) Property - property development, hotel operation and facilities management

Other non-reportable segments comprise investment holding and provision of management services.

Inter-segment transactions, if any, are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation as included in the internal management reports that are reviewed by the Group Managing Director (the chief operating decision maker). Segment profit before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

### Segment assets

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group Managing Director. Segment total asset is used to measure the return on assets of each segment.

### Segment liabilities

The total of segment liabilities is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the Group Managing Director. Segment total liability is used to measure the gearing ratio of each segment.

### Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, and intangible assets other than goodwill.

### Geographical segments

The Group operates in four principal geographical areas of the world:

(i) Malaysia - civil and structural works, dealing in marine fuels, lubricants and petroleum based products, property development, investment holding and provision of management services.

(ii) Republic of Indonesia - oil palm cultivation.

(iii) India - civil and structural works.

(iv) Kingdom of Saudi Arabia - civil and structural works.

### 34. Operating Segments (Cont'd)

| 2015 | Note | Engineering & Construction RM | Oil & Gas RM | Plantation RM | Property RM | Other Operations RM | Eliminations RM | Consolidated RM |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | |
| External revenue | | 644,216,782 | 47,608,189 | 7,981,086 | 15,166,304 | - | - | 714,972,361 |
| Inter-segment revenue | | - | 2,320,224 | - | - | 20,415,000 | (22,735,224) | - |
| Total revenue | | 644,216,782 | 49,928,413 | 7,981,086 | 15,166,304 | 20,415,000 | (22,735,224) | 714,972,361 |
| **Results** | | | | | | | | |
| Segment results | | 52,125,390 | 14,082,754 | (39,909,869) | 2,438,062 | 12,689,110 | (9,343,702) | 32,081,745 |
| Interest income | | 1,336,372 | 64,871 | 889,913 | 49,168 | 829,700 | - | 3,170,024 |
| Interest expense | | (29,026,107) | (149,538) | (5,412,591) | (9,086) | (3,471,146) | - | (38,068,468) |
| Share of results in joint ventures | | 2,656,298 | - | - | | - | - | 2,656,298 |
| Other non-cash expenses | (i) | (2,552,093) | (30,881) | (16,313,408) | - | 3,519,271 | (3,439,320) | (18,816,431) |
| Depreciation | | (5,807,089) | (1,325,459) | (727,447) | (271,379) | (671,146) | - | (8,802,520) |
| **Other Information** | | | | | | | | |
| Segment assets | | 1,366,555,638 | 145,118,416 | 48,918,476 | 23,907,855 | 185,759,416 | (58,124,049) | 1,712,135,752 |
| Additions to non-current assets | (ii) | 2,714,963 | 18,275,245 | 28,235,541 | 15,424,835 | 1,535,844 | 4,654,917 | 70,841,345 |
| Investment in joint ventures | | 3,103,823 | - | - | - | - | - | 3,103,823 |
| Investments in associates | | 165,005 | - | - | - | - | - | 165,005 |
| Segment liabilities | | 1,066,284,255 | 72,857,543 | 160,641,957 | 16,511,413 | 13,028,736 | 41,703,189 | 1,371,027,093 |
| Loan and borrowing | | 631,041,665 | 58,697,243 | 151,272,351 | 8,009,115 | 791,629 | - | 849,812,003 |

## 34. Operating Segments (Cont'd)

| 2104 | Note | Engineering & Construction RM | Oil & Gas RM | Plantation RM | Property RM | Other Operations RM | Eliminations RM | Consolidated RM |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | |
| External revenue | | 601,708,556 | 45,623,576 | 5,381,270 | 9,645,160 | - | - | 662,358,562 |
| Inter-segment revenue | | - | 5,340,325 | - | - | 7,345,000 | (12,685,325) | - |
| Total revenue | | 601,708,556 | 50,963,901 | 5,381,270 | 9,645,160 | 7,345,000 | (12,685,325) | 662,358,562 |
| **Results** | | | | | | | | |
| Segment results | | 52,603,237 | 13,977,275 | (33,796,730) | 1,131,334 | (8,499,127) | 251,855 | 25,667,844 |
| Interest income | | 2,119,283 | 113,799 | 10,397 26,785 | 26,785 | 1,186,963 | - | 3,457,227 |
| Interest expense | | (14,609,336) | (53,007) | (2,079,026) | (5,516) | (3,988,649) | - | (20,735,534) |
| Share of results in joint ventures | | 371,877 | - | - | - | - | - | 371,877 |
| Share of profit of associates | | 4,120 | - | - | - | - | - | 4,120 |
| Other non-cash expenses | (i) | (9,091,915) | (28) | (5,136,633) | | (1,172,416) | 162,626 | (15,238,366) |
| Depreciation | | (6,106,574) | (1,001,520) | (736,013) | (173,372) | (865,932) | - | (8,883,411) |
| **Other Information** | | | | | | | | |
| Segment assets | | 870,516,557 | 26,900,832 | 169,120,222 | 22,301,062 | 129,865,541 | (20,521,487) | 1,198,182,727 |
| Additions to non-current assets | (ii) | 2,268,376 | 483,372 | 16,263,444 | 250,875 | - | - | 19,266,067 |
| Investment in joint ventures | | 447,525 | - | - | - | - | - | 447,525 |
| Investments in associates | | 165,005 | - | - | - | - | - | 165,005 |
| Segment liabilities | | 725,265,585 | 80,891,379 | 77,667,004 | 15,246,392 | 11,951,629 | 35,580,531 | 865,441,458 |
| Loan and borrowing | | 343,757,016 | 64,804,765 | 69,919,905 | 6,872,078 | 1,213,018 | - | 486,566,782 |

## 34. Operating Segments (Cont'd)

### Major segment by geographical area

| 2015 | Malaysia RM | Republic of Indonesia RM | India RM | Kingdom of Saudi Arabia RM | Eliminations RM | Consolidated RM |
|---|---|---|---|---|---|---|
| Total revenue from external customers | 729,726,499 | 7,981,086 | - | - | (22,735,224) | 714,972,361 |
| Segment assets | 1,635,577,362 | 48,918,476 | (6,806,427) | 43,790,043 | (9,343,702) | 1,712,135,752 |
| Additions to non-current (ii) | 42,605,804 | 28,235,541 | - | - | - | 70,841,345 |
| Investment in joint ventures | 3,103,823 | - | - | - | - | 3,103,823 |
| Investments in associates | 165,005 | - | - | - | - | 165,005 |
| Segment liabilities | 1,151,100,889 | 160,641,957 | 572,602 | 17,008,456 | 41,703,189 | 1,371,027,093 |
| Loans and borrowing | 689,539,652 | 151,272,351 | - | - | - | 849,812,003 |
| **2014** | | | | | | |
| Total revenue from external customers | 664,322,292 | 5,381,270 | - | - | (7,345,000) | 662,358,562 |
| Segment assets | 1,009,029,404 | 169,120,222 | 2,264,619 | 38,289,969 | (20,521,487) | 1,198,182,727 |
| Additions to non-current assets (ii) | 3,002,623 | 16,263,444 | - | - | - | 19,266,067 |
| Investment in joint ventures | 447,525 | - | - | - | - | 447,525 |
| Investments in associates | 165,005 | - | - | - | - | 165,005 |
| Segment liabilities | 809,682,781 | 77,667,004 | 483,992 | 13,188,212 | (35,580,531) | 865,441,458 |
| Loans and borrowing | 416,646,877 | 69,919,905 | - | - | - | 486,566,782 |

## 34. Operating Segments (Cont'd)

### Major segment by activity (Cont'd)

(i) Other non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

| | Group 2015 RM | 2014 RM |
|---|---|---|
| Bad debts written off | 19,119 | 1,002,845 |
| Amortisation of planting expenditures | 5,299,620 | 4,587,074 |
| Amortisation of prepaid lease payments | 441,713 | 436,406 |
| Amortisation of transaction costs | 1,084,410 | 120,098 |
| Amortised cost adjustment on non-current receivables | 11,889,954 | 9,091,915 |
| Property, plant and equipment written off | 81,615 | 28 |
| | 18,816,431 | 15,238,366 |

(ii) Additions to non-current assets consist of the following items:

| | Group 2015 RM | 2014 RM |
|---|---|---|
| Property, plant and equipment | 29,509,266 | 4,407,350 |
| Planting expenditure incurred | 26,062,404 | 14,858,717 |
| Land held for development | 15,269,676 | - |
| | 70,841,345 | 19,266,067 |

## 35. Financial Instruments

### 35.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");

(b) Available-for-sale financial assets ("AFS"); and

(c) Other financial liabilities measured at amortised cost ("OFL").

## 35. Financial Instruments (Cont'd)

### 35.1 Categories of financial instruments (Cont'd)

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | Carrying amount RM | L&R/(FL) RM | AFS RM | Carrying amount RM | L&R/(FL) RM | AFS RM |
| **2015** | | | | | | |
| **Financial assets** | | | | | | |
| Club membership and unquoted shares | 115,500 | - | 115,500 | 68,000 | - | 68,000 |
| Trade and other receivables, excluding prepayments | 194,762,142 | 194,762,142 | - | 259,403,441 | 259,403,441 | - |
| Cash, bank balances and deposits placed with licensed banks | 153,096,147 | 153,096,147 | - | 12,513,241 | 12,513,241 | - |
| | 347,973,789 | 347,973,789 | 115,500 | 271,984,682 | 271,916,692 | 68,000 |
| **2014** | | | | | | |
| **Financial assets** | | | | | | |
| Club membership and unquoted shares | 115,500 | - | 115,500 | 68,000 | - | 68,000 |
| Trade and other receivables, excluding prepayments | 144,919,932 | 144,919,932 | - | 223,566,511 | 223,566,511 | - |
| Cash, bank balances and deposits placed with licensed banks | 132,005,159 | 132,005,159 | - | 41,657,935 | 41,657,935 | - |
| | 277,040,591 | 276,925,091 | 115,500 | 265,292,446 | 265,224,446 | 68,000 |
| **2015** | | | | | | |
| **Financial liabilities** | | | | | | |
| Trade and other payables | (333,880,788) | (333,880,788) | - | (227,491,629) | (227,491,629) | - |
| Loans and borrowings | (849,812,003) | (849,812,003) | - | (1,691,630) | (1,691,630) | - |
| | (1,183,692,791) | (1,183,692,791) | - | (229,183,259) | (229,183,259) | - |
| **2014** | | | | | | |
| **Financial liabilities** | | | | | | |
| Trade and other payables | (318,245,110) | (318,245,110) | - | (219,064,444) | (219,064,444) | - |
| Loans and borrowings | (486,566,782) | (486,566,782) | - | (1,132,908) | (1,132,908) | - |
| | (804,811,892) | (804,811,892) | - | (220,197,352) | (220,197,352) | - |

## 35. Financial Instruments (Cont'd)

### 35.2 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

### 35.3 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instruments fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its trade and other receivables, bank balances and deposits placed with licensed banks, amount due from joint venture and advances to ultimate holding company, associate and affiliates. The Company's exposure to credit risk arises principally from trade and other receivables, bank balances and deposits placed with licensed banks and advances to ultimate holding company, subsidiaries and affiliates.

***Receivables***

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these trade receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables.

*Impairment losses*

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables (current and non-current) as at the end of the reporting period was:

| Group | Gross RM | Individual impairment RM | Net RM |
|---|---|---|---|
| **2015** | | | |
| Not past due | 35,594,627 | - | 35,594,627 |
| Past due 0 - 30 days | 5,787,380 | - | 5,787,380 |
| Past due 31 - 120 days | 239,495 | - | 239,495 |
| Past due more than 120 days | 24,087,463 | - | 24,087,463 |
| | 65,708,965 | - | 65,708,965 |

## 35. Financial Instruments (Cont'd)

### 35.3 Credit risk (Cont'd)

| | | | |
|---|---|---|---|
| **2014** | | | |
| Not past due | 42,733,355 | - | 42,733,355 |
| Past due 0 – 30 days | 2,149,835 | - | 2,149,835 |
| Past due 31– 120 days | 225,705 | - | 225,705 |
| Past due more than 120 days | 3,246,104 | - | 3,246,104 |
| | 48,354,999 | - | 48,354,999 |

There is no allowance made for impairment losses of trade receivables for the Group during the financial year.

**Financial guarantees**

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

*Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk amounts to RM1,493,393,173 (2014: RM758,577,395) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

**Inter-company balances**

*Risk management objectives, policies and processes for managing the risk*

The Company makes payment on behalf of and/or provides advances to its ultimate holding company, subsidiaries, associate, joint ventures and affiliates. The Company monitors the results of the subsidiaries regularly except for the amounts due from ultimate holding company, associate, joint ventures and affiliates which are not material.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position as shown in Note 23.

*Impairment losses*

As at the end of the reporting period, there was no indication that the amounts due from ultimate holding company, subsidiaries, associate, joint venture and affiliates are not recoverable, except for an amount due from a subsidiary of RM3.9 million which has been fully impaired.

### 35.4 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

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

## 35. Financial Instruments (Cont'd)

### 35.4 Liquidity risk (Cont'd)

*Maturity analysis*

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

| Group | Carrying amount RM | Contractual interest rate/ coupon | Contractual cash flows RM | Under 1 year RM | 1 to 2 years RM | 2 to 5 years RM | More than 5 years RM |
|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | |
| ***Financial liabilities*** | | | | | | | |
| Trade and other payables | 333,880,788 | - | 333,880,788 | 333,880,788 | - | - | - |
| Bank overdrafts | 24,958,533 | 6.65% - 8.60% | 24,958,533 | 24,958,533 | - | - | - |
| Trust receipts | 13,058,165 | 7.60 | 13,058,165 | 13,058,165 | - | - | - |
| Finance lease liabilities | 7,655,657 | 1.88% - 7.62% | 8,209,488 | 3,190,774 | 1,750,980 | 3,267,734 | - |
| Revolving credit/ Murabahah facilities | 103,576,943 | 5.61% - 6.19% | 103,576,943 | 103,576,943 | - | - | - |
| Term loans | 700,562,705 | 0% - 11.50% | 1,000,803,864 | 70,056,270 | 80,064,309 | 380,305,468 | 470,377,817 |
| | 1,183,692,791 | | 1,484,481,751 | 584,721,473 | 81,815,289 | 383,573,202 | 470,377,817 |
| **2014** | | | | | | | |
| ***Financial liabilities*** | | | | | | | |
| Trade and other payables | 318,245,110 | - | 318,245,110 | 318,245,110 | - | - | - |
| Bank overdrafts | 21,081,888 | 6.65% - 8.60% | 22,784,768 | 22,784,768 | - | - | - |
| Trust receipts | 5,413,874 | 7.60 - 8.10% | 5,614,900 | 5,614,900 | - | - | - |
| Finance lease liabilities | 8,793,680 | 2.29% - 7.62% | 9,461,553 | 4,178,009 | 2,709,899 | 2,533,881 | 39,764 |
| Revolving credit/ Murabahah facilities | 36,836,347 | 5.62% - 6.02% | 37,276,766 | 37,276,766 | - | - | - |
| Term loans | 414,440,993 | 0% - 5.80% | 578,003,147 | 40,767,101 | 44,108,670 | 219,818,970 | 273,308,406 |
| | 804,811,892 | | 971,386,244 | 428,966,654 | 46,818,569 | 222,352,851 | 273,348,170 |

## 35. Financial Instruments (Cont'd)

### 35.4 Liquidity risk (Cont'd)

*Maturity analysis (Cont'd)*

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments (Cont'd):

| Company | Carrying amount RM | Contractual interest rate/ coupon | Contractual cash flows RM | Under 1 year RM | 1 to 2 years RM | 2 to 5 years RM | More than 5 years RM |
|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | |
| ***Financial liabilities*** | | | | | | | |
| Trade and other payables | 227,491,629 | - | 227,491,629 | 227,491,629 | - | - | - |
| Finance lease liabilities | 1,691,630 | 2.29% - 2.70% | 1,858,116 | 536,917 | 491,272 | 829,927 | - |
| | 229,183,259 | | 229,349,745 | 228,028,546 | 491,272 | 829,927 | - |
| **2014** | | | | | | | |
| ***Financial liabilities*** | | | | | | | |
| Trade and other payables | 219,064,444 | - | 219,064,444 | 219,576,963 | - | - | - |
| Finance lease liabilities | 1,132,908 | 2.29% - 3.50% | 1,180,169 | 606,079 | 233,092 | 340,998 | - |
| | 220,197,352 | | 220,243,613 | 220,183,042 | 233,092 | 340,998 | - |

## 35. Financial Instruments (Cont'd)

### 35.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

#### 35.5.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily US Dollar ("USD").

*Risk management objectives, policies and processes for managing the risk*

The Group presently does not hedge its foreign currency exposures. Nevertheless, the management regularly monitor its exposure and keep this policy under review.

*Exposure to foreign currency risk*

The Group's exposure to foreign currency (a currency other than the functional currency of Group entities) risk, based on carrying amounts as at the end of the reporting period was:

| Group | 2015<br>RM | 2014<br>RM |
|---|---|---|
| Saudi Riyal other receivables | 43,105,993 | 37,130,333 |
| US Dollar - Loans and borrowings | (127,192,652) | (59,562,265) |
| Exposure in the statement of financial position | (84,086,659) | (22,521,932) |

*Currency risk sensitivity analysis*

A 10% (2014: 10%) strengthening of RM against the following currency at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

## 35. Financial Instruments (Cont'd)

### 35.5 Market risk (Cont'd)

#### 35.5.1 Currency risk (Cont'd)

*Currency risk sensitivity analysis (Cont'd)*

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Equity | Profit or loss | Equity | Profit or loss |
| USD | 9,539,449 | 9,539,449 | 4,467,170 | 4,467,170 |

A 10% (2014: 10%) weakening of RM against the above currency at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remained constant.

#### 35.5.2 Interest rate risk

The Group's fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short- term receivables and payables are not significantly exposed to interest rate risk.

The Group's excess cash is invested in fixed deposits with tenure of less than twelve (12) months, hence exposure to risk of change in their fair values due to changes in interest rates is not significant.

*Risk management objectives, policies and processes for managing the risk*

The Company does not have a formal policy for managing interest rate risk. The exposure to interest rate risk is monitored closely by the management.

*Exposure to interest rate risk*

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015<br>RM | 2014<br>RM | 2015<br>RM | 2014<br>RM |
| **Fixed rate instruments** | | | | |
| Financial assets | 44,973,037 | 47,029,068 | 3,056,333 | 2,975,168 |
| Financial liabilities | (21,395,228) | (15,288,956) | (1,691,630) | (1,132,908) |
| | 23,557,809 | 31,740,112 | 1,364,703 | 1,842,260 |
| **Floating rate instruments** | | | | |
| Financial liabilities | (828,416,775) | (471,277,826) | - | - |

**35. Financial Instruments (Cont'd)**

**35.5 Market risk (Cont'd)**

**35.5.2 Interest rate risk (Cont'd)**

*Interest rate risk sensitivity analysis*

*(a) Fair value sensitivity analysis for fixed rate instruments*

The Group only has fixed rate deposits placed with licensed banks with tenure of less than twelve (12) months. The Group does not account for fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

*(b) Cash flow sensitivity analysis for variable rate instruments*

A change of one (1) percent in interest rates at the end of the reporting period would have increased/ (decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

| | Group | | | |
|---|---|---|---|---|
| | Equity | | Profit or loss | |
| | 1% increase | 1% decrease | 1% increase | 1% decrease |
| **2015** | RM | RM | RM | RM |
| **Floating rate instruments** | | | | |
| Term loans | (6,998,813) | 6,998,813 | (6,998,813) | 6,998,813 |
| Bank overdrafts | (249,585) | 249,585 | (249,585) | 249,585 |
| Revolving credits/ Murabahah facilities | (1,035,769) | 1,035,769 | (1,035,769) | 1,035,769 |
| Cash flow sensitivity (net) | (8,284,167) | 8,284,167 | (8,284,167) | 8,284,167 |
| **2014** | | | | |
| **Floating rate instruments** | | | | |
| Term loans | (3,102,600) | 3,102,600 | (3,102,600) | 3,102,600 |
| Bank overdrafts | (158,114) | 158,114 | (158,114) | 158,114 |
| Revolving credits/Murabahah facilities | (276,272) | 276,272 | (276,272) | 276,272 |
| Cash flow sensitivity (net) | (3,536,986) | 3,536,986 | (3,536,986) | 3,536,986 |

**35.6 Fair value information**

The carrying amounts of cash and cash equivalents, short term receivables and payables and short-term borrowings approximate fair values due to the relatively short-term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

## 35. Financial Instruments (Cont'd)

### 35.6 Fair value information (Cont'd)

**Policy on transfer between levels**

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

**Level 1 fair value**

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

**Level 2 fair value**

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

**Non-derivative financial liabilities**

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

**Transfers between Level 1 and Level 2 fair values**

There has been no transfer between Level 1 and 2 fair values during the financial year. (2014: no transfer in either directions)

**Level 3 fair value**

Level 3 fair value is estimated using unobservable inputs for the financial liabilities. The fair value of finance lease liabilities and term loans are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| Finance lease liabilities | 7,311 | 8,700 | 1,737 | 1,163 |
| Term loans | 693,557 | 410,892 | - | - |

The fair value of finance lease liabilities and term loans are estimated using discounted cash flows at the following interest rates:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015<br>% | 2014<br>% | 2015<br>% | 2014<br>% |
| Finance lease liabilities | 3.00 | 3.18 | 3.20 | 3.18 |
| Term loans | 4.95 - 6.85 | 4.80 - 6.70 | - | - |

The carrying amounts of the finance lease liabilities and term loans as per note 29(a) and 29(b).P

## 36. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes in the Group's approach to capital management during the year.

The Group monitors capital using a gearing ratio, which is computed by using total borrowings net of cash and cash equivalents over shareholder's equity. The gearing ratio as at 31 December 2015 is 2.23 times (31 December 2014: 1.07 times).

## 37. Operating Leases

Non-cancellable operating lease rentals are payable as follows:

| | Group | |
|---|---|---|
| | 2015 RM | 2014 RM |
| Less than one year | 84,436 | 129,124 |
| Between one and five years | 171,082 | 265,208 |
| | 255,518 | 394,332 |

This is in respect of lease rental payable for leasing of office equipment with lease tenure of five (5) years.

## 38. Capital Commitments

| | Group | |
|---|---|---|
| | 2015 RM | 2014 RM |
| **Capital expenditure commitments** | | |
| **Property, plant and equipment** | | |
| Contracted but not provided for | 156,600 | - |

## 39. Contingent Liabilities

### Group

The Directors are of the opinion that provisions are not required as at year end in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

| | Company | |
|---|---|---|
| | 2015<br>RM | 2014<br>RM |
| **Unsecured** | | |
| Corporate guarantees given to financial institutions and suppliers in respect of credit facilities granted to subsidiaries | 24,958,233 | 23,885,679 |
| **Secured** | | |
| Corporate guarantee given to financial institutions in respect of credit facilities granted to subsidiaries | 1,468,434,940 | 734,691,716 |
| | 1,493,393,173 | 758,577,395 |

## 40. Related Parties

### Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group.

The Group has related party relationship with its holding companies, significant investors, subsidiaries, associates, joint ventures, affiliates, Directors and key management personnel.

### *Significant related party transactions*

The significant related party transactions of the Group and of the Company, other than key management personnel compensation (see Note 9), are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015<br>RM | 2014<br>RM | 2015<br>RM | 2014<br>RM |
| **Subsidiaries** | | | | |
| Dividend income receivable | - | - | (12,000,000) | - |
| Management fees receivable | - | - | (8,415,000) | (7,345,000) |
| Corporate guarantee fees receivable | - | - | (4,649,211) | - |
| Rental of office payable | - | - | 1,748,208 | - |
| Administrative service payable | 120,000 | 120,000 | - | - |
| Insurance premium paid or payable | 775,952 | 723,286 | 67,926 | 58,300 |

## 40. Related Parties (Cont'd)

***Significant related party transactions (Cont'd)***

The transactions with the Directors, parties connected to the Directors and companies in which the Directors have substantial financial interests are as follows:

| | Group 2015 RM | Group 2014 RM |
|---|---|---|
| Purchases from subsidiaries of Chuan Huat Resources Berhad, a company in which Dato' Sri Haji Wan Zaki bin Haji Wan Muda has substantial financial interests and is also a Director | | |
| - Chuan Huat Industrial Marketing Sdn. Bhd. | 8,655,797 | 10,328,429 |
| - Chuan Huat Hardware Sdn. Bhd. | 320,861 | 420,889 |
| Rental of land paid to a Director Dato' Sri Haji Wan Zaki bin Haji Wan Muda | 1,811,920 | 795,137 |
| Deposit and prepayment rental of land paid to a Director, Dato' Sri Haji Wan Zaki bin Haji Wan Muda | - | 1,778,143 |
| Professional fees paid to a Director, Dato' Haji Ismail @ Mansor bin Said | - | 18,000 |
| Professional fees paid to a Director, Dato' Wan Ahmad Farid bin Wan Salleh | - | 5,000 |
| Purchase /(Sales) of materials from /(to) subsidiaries of ultimate holding company | 14,227,098 | (298,983) |

The outstanding balances arising from the above transactions have been disclosed in Notes 23 and 32.

## 41. Significant Events During The Year

The significant events during the year are as follows:

(a) On 20 January 2015, Trend Vista Development Sdn. Bhd., a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement for the acquisition of a piece of freehold land in Kuantan, Pahang Darul Makmur measuring approximately 6.25 acres from Zaki Holdings (M) Sdn. Bhd. for a total purchase consideration of RM4,640,193.

(b) On 21 January 2015, Astral Far East Sdn. Bhd. ("AFE"), a wholly-owned subsidiary of Inter-Century Sdn. Bhd. which in turn is a wholly-owned subsidiary of the Company, entered into a Sub-Lease and Throughput Agreement with TB Supply Base Sdn. Bhd. and TB Realty Sdn. Bhd. (jointly referred to as "the Sub-Lessors") for granting to AFE, a sub-lease of parcels of land at Kg Tok Bali, Mukim Semarak, Pasir Puteh, Kelantan ("the Demised Premises") together with fuel and water bunkering facilities to be erected on the Demised Premises and the supply base from time to time ("the Facilities") for a period of 32 years, commencing from 2 January 2015 to 1 January 2047. Under the Agreement, AFE will be allowed to undertake bunkering activities and to deliver or sell marine oil and potable water through or from the supply base during the entire duration of the lease.

(c) On 12 February 2015, EKVE Sdn. Bhd. ("EKVE"), a wholly-owned subsidiary of the Company, received a letter from the Government of Malaysia as represented by the Ministry of Works, confirming that EKVE has met all conditions precedent as set out in the Concession Agreement.

In this respect, the Government has confirmed the Effective Date for the Concession of the East Klang Valley Expressway ("Expressway") is on 12 February 2015.

(d) On 17 February 2015, AZRB Construction (India) Pvt Ltd ("AZRB Construction"), a wholly-owned subsidiary of AZRB International Ventures Sdn. Bhd., which in turn is a wholly-owned subsidiary of the Company, applied to the Registrar of Companies ("Registrar") for striking off pursuant to Section 560 of the India Companies Act, 1956.

The Registrar had replied on 2 March 2015 informing that at the expiration of 30 days from the date of the notice, AZRB Construction name will, unless cause is shown to the contrary, be struck off from the register by the Registrar and AZRB Construction will be dissolved.

On 2 April 2015, the Company was notified by its agent managing the striking off that the 30 days period expired on 1 April 2015 and that no cause to the contrary was raised by any party with regards to the striking off of AZRB Construction.

(e) Ahmad Zaki Sdn Bhd ("AZSB"), a wholly-owned subsidiary of the Company, had been served with Writs of Summons and Statement of Claims dated 2 May 2014 by its subcontractor, Multiglow Corporation Sdn Bhd ("Multiglow") claiming for the sum of RM9,860,691.78 in relation to Kertih Polymer Park ("KPP") Phase 1 Project ("KPP1 Project") and KPP Phase 2 Project ("KPP2 Project") and for the sum of RM2,722,476.33 in relation to Lebuhraya Pantai Timur Phase 2 5A Project ("LPT2 5A Project") in Terengganu (collectively, known as "the Projects").

On 28 April 2015, parties has reached an amicable settlement to the suits and there shall be no other or further claim by Multiglow in respect of the suits.

(f) On 20 May 2015, AZSB received a Letter of Acceptance from East Coast Economic Region Development Council ("ECERDC") ("the Award") for a project known as "The Proposed Construction and Completion of the KPC Port Link Road in Kuantan Port City, Pahang Darul Makmur for ECERDC Package 3A – Elevated Interchange at Gebeng Bypass and Dual Carriageway Road from Ch5600 to Ch9500" ("the Works").

The Award for the Works amounts to a total value of RM113,264,221.04 with a contractual period of 108 weeks commencing from the date of site possession.

**41. Significant Events During The Year (Cont'd)**

(g) On 15 September 2015, AZSB received a Letter of Acceptance of Tender from Uda Legasi Sdn Bhd ("the Award") for a project known as "Proposed Mixed Development comprising the following:-

i) 1 block of 47-storey apartment building containing 639 units of apartment; and

ii) 1 block of 29-storey commercial office building,

with 1 level of basement car park at Lot 3338, Jalan Raja Muda Musa, Kampung Bharu, Seksyen 41, Kuala Lumpur" ("the Works").

The Award for the Works amounts to a total value of RM386,647,904.85 with a contractual period 40 months commencing from the date of site possession.

(h) On 27 October 2015, Betanaz Mills Sdn Bhd ("Betanaz Mills"), a 67% owned subsidiary of the Company, entered into a Shareholders' Agreement with YP Plantation Holdings Sdn Bhd ("YP Plantation") and Peak Crops Sdn Bhd ("Peak Crops") to regulate the relationship between Betanaz Mills and YP Plantation as shareholders in Peak Crops and to set out the manner in which the affairs and business activities of Peak Crops are to be regulated. With the execution of the Shareholders' Agreement, Peak Crops is a 60% owned subsidiary of Betanaz Mills where its principal activities are development of palm oil mills and investment holding.

(i) On 4 November 2015, AZSB received a Letter of Award ("LoA") from Kwasa Land Sdn Bhd as its development partner to develop a project known as the "Proposed Residential Development on 3.91 acres land identified as R3-4 of Kwasa Damansara Township, District of Petaling, Selangor" ("the Development").

The Development shall entail the development of 18 high rise units on 3.91 acres of land identified as R3-4 located in the new Kwasa Damansara township and is expected to have an estimated Gross Development Value of RM257 million. The LoA shall be subject to the execution of a Development Rights Agreement with Kwasa Land Sdn Bhd within 60 days of the LoA.

(j) On 25 November 2015, the Company entered into the following agreements for the proposed acquisition of Matrix Reservoir Sdn Bhd ("Matrix Reservoir"):-

i) Share Purchase Agreement with Forlenza Holdings Sdn Bhd, Naval Elite Limited, GIB Management Pte Ltd, Tengku Mohamad Ridzman, James Willian Iler, Ray Shankar Shi-Wan and Haida Shenny Hazri (collectively "the Sellers") relating to the sale and purchase of 10,000 ordinary shares of RM1.00 each in Matrix Reservoir, representing 1% equity interest of the enlarged share capital of Matrix Reservoir, for a total cash consideration of RM10,000,000 ("the Proposed Share Acquisition");

ii) Subscription Agreement with Matrix Reservoir for the Company's subscription of 500,000 ordinary shares of RM1.00 each in Matrix Reservoir, representing 50% of the equity interest in Matrix Reservoir, at a subscription price of RM45,000,000 ("Proposed Share Subsription"); and

iii) Shareholders' Agreement with the Sellers and Matrix Reservoir to regulate the affairs of Matrix Reservoir and the respective rights of the Company and the Sellers as shareholders of Matrix Reservoir.

Upon the completion of the Proposed Share Acquisition and Proposed Share Subscription, Matrix Reservoir will become a 51%-owned subsidiary of the Company. As at the end of the financial year, the excercise yet to be completed.

**41. Significant Events During The Year (Cont'd)**

(k) On 4 December 2015, EKVE entered into the following agreements in relation to the debt financing facilities for the East Klang Valley Expressway:-

i) Government Support Loan Agreement between EKVE and the Government of Malaysia for a term loan facility of up to RM635.0 million;

ii) Guaranteed Sukuk Murabahah Facility Agreement between EKVE, Bank Pembangunan Malaysia Berhad ("BPMB") and Maybank Investment Bank Berhad ("MIBB") for a guaranteed Islamic medium-term notes facility of up to RM1.0 billion under the Shariah principle of Murabahah via Tawarruq arrangement for the issuance of the guaranteed Islamic medium-term notes of up to RM1.0 billion nominal value ("the Sukuk Murabahah");

iii) A BG-i/Kafalah Facility Agreement between EKVE, BPMB, MIBB, Malaysian Trustees Berhad and Maybank Islamic Berhad for an Islamic financial guarantee facility of up to RM1.0 billion based on the Shariah principle of Kafalah to guarantee the Sukuk Murabahah; and

iv) Other related agreements

(collectively, referred to as "the Facilities").

The Facilities constitute part of the funding requirement of RM1.55 billion for the construction of the East Klang Valley Expressway under the Build-Operate-Transfer (BOT) concept that was awarded to EKVE. The remaining balance will be funded via equity financing from the Company.

**42. Events After The Year End**

(a) On 7 January 2016, EKVE made a lodgement to the Securities Commission ("SC") under the SC's new Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework (issued by the SC on 9 March 2015 and became effective from 15 June 2015) to establish the Proposed Guaranteed Sukuk Murabahah Facility.

This was due to the fact that the implementation timeframe for the Proposed Guaranteed Sukuk Murabahah Facility authorised by the SC on 18 December 2013 under the Guidelines on Sukuk (revised and effective on 28 August 2014), had expired and lapsed.

The Proposed Guaranteed Sukuk Murabahah Facility will have a tenure of up to twenty two (22) years from the date of issuance of the Sukuk Murabahah. The proceeds from the Proposed Guaranteed Sukuk Murabahah Facility will be utilised among others, to part-finance all costs associated with the development, design, construction and operations of the East Klang Valley Expressway.

The Proposed Guaranteed Sukuk Murabahah Facility will be jointly guaranteed by BPMB and MIB and has been accorded a preliminary long-term rating of AAA(bg) with stable outlook by RAM Rating Services Berhad ("RAM Rating"). The issuance under the Proposed Guaranteed Sukuk Murabahah Facility shall be made within sixty (60) business days from the Lodgement Date.

BPMB and MIBB are the Joint Principle Advisers, Joint Lead Arrangers and Joint Lead Managers for the Proposed Guaranteed Sukuk Murabahah Facility. The Shariah Adviser for the Proposed Guaranteed Sukuk Murabahah Facility is MIB.

(b) On 29 January 2016, EKVE completed its issuance of RM1,000 million in nominal value of the Sukuk Murabahah pursuant to the Guaranteed Sukuk Murabahah Facility. The Sukuk Murabahah issued has been accorded a long-term rating of AAA(bg) with stable outlook by RAM Rating. BPMB and MIB are the guarantors for the Guaranteed Sukuk Murabahah Facility. The proceeds raised from the issuance of the Sukuk Murabahah will be utilised by EKVE to, amongst others, part-finance and reimburse all costs associated with the development, design, construction and operations of the East Klang Valley Expressway.

## 42. Events After The Year End (Cont'd)

(c) On 22 February 2016, AZ Land & Properties Sdn Bhd ("AZ Land") (formerly known as AZRB Properties Sdn Bhd), a wholly-owned subsidiary of the Company entered into a Development Rights Agreement ("the Agreement") with Kwasa Development (3) Sdn Bhd ("KD3"), a wholly-owned subsidiary of Kwasa Land Sdn Bhd, which in turn is a wholly-owned subsidiary of the Employees Provident Fund to develop a project known as the "Proposed Residential Development on 3.91 acres of land identified as R3-4 of Kwasa Damansara Township, District of Petaling, Selangor" ("the Development").

The Development shall entail the development of 188 units of 162 high rise twin tower condominiums and 26 units of garden villas on 3.91 acres of land identified as R3-4 located in the new Kwasa Damansara township ("Kwasa Damansara") and is expected to have an estimated gross development value of RM257 million.

In consideration of the development rights, AZ Land shall do the following, subject to the terms and conditions as stipulated in the Agreement:-

i) Pay to KD3 the Development Rights Value I for the development rights over the Development totalling RM28,954,332; and

ii) Pay to KD3 the Development Rights II for the development rights over the Development at a sum which is equivalent to 10% of the gross sales value.

d) On 17 March 2016, Peninsular Medical Sdn Bhd, a wholly-owned subsidiary of the Company received a Letter of Award from International Islamic University Malaysia ("the Award") for the proposed supply of additional equipment under Group 2 and 3 for International Islamic University Malaysia Teaching Hospital at Kuantan, Pahang ("the Works"). The Award for the Works amounts to a total value of RM129,005,659.

## 43. Supplementary Financial Information On The Breakdown Of Realised And Unrealised Profits Or Losses

The breakdown of the retained earnings and accumulated losses of the Group and of the Company at 31 December, into realised and unrealised profits or losses, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Main Market Listing Requirements, are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Total retained earnings/(accumulated losses) of the Company and its subsidiaries: | | | | |
| - realised | 193,995,996 | 183,075,647 | (37,135,373) | (39,986,166) |
| - unrealised | (15,213,719) | (14,730,145) | (1,616,682) | (1,330,855) |
| | 178,782,277 | 168,345,502 | (38,752,055) | (41,317,021) |
| Total share of retained earnings of associated companies | | | | |
| - realised | 55,005 | 55,005 | - | - |
| Total share of retained earnings of joint ventures | | | | |
| - realised | 83,525 | 83,525 | - | - |
| Less: Consolidation adjustments | (17,609,756) | (20,408,245) | - | - |
| Total retained earnings/(accumulated losses) | 161,311,051 | 148,075,787 | (38,752,055) | (41,317,021) |

The determination of realised and unrealised profits or losses is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

# STATEMENT BY DIRECTORS

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

In the opinion of the Directors, the financial statements set out on pages 68 to 148 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 43 on page 149 has been properly compiled in accordance with the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

**Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad**

**Dato' Wan Zakariah bin Haji Wan Muda**

Kuala Lumpur,
31 March 2016

# STATUTORY DECLARATION

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

I, **Khairudin bin Hj Mohd Ali**, the officer primarily responsible for the financial management of AHMAD ZAKI RESOURCES BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 68 to 149 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

**Khairudin bin Hj Mohd Ali**

Subscribed and solemnly declared by the above named
**KHAIRUDIN BIN HJ MOHD ALI**
at **KUALA LUMPUR** this 31 March 2016.

Before me:

**COMMISSIONER FOR OATHS**

# *DIRECTORS' INTERESTS IN SHARES AND WARRANTS*

*as at 30 March 2016*

| | |
|---|---|
| Authorised Share Capital | : RM250,000,000.00 |
| Issued and Fully Paid-up Share Capital | : RM120,885,063.75 # |
| Class of Shares | : Ordinary Share of RM0.25 each |
| Voting Rights | : One vote per share |

# inclusive of 1,478,100 ordinary shares bought back by the Company and held as treasury shares as at 30 March 2016

## Statement of Director's Shareholdings and Warrantholdings

| The Company<br>Ahmad Zaki Resources Berhad | Number of Ordinary Shares of RM0.25 each<br>Direct Interest | % | Deemed Interest | % |
|---|---|---|---|---|
| Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad | 0 | 0 | 0 | 0 |
| Dato' Sri Haji Wan Zaki bin Haji Wan Muda | 3,821,975 | 0.79 | 287,958,188* | 59.73* |
| Dato' Wan Zakariah bin Haji Wan Muda | 4,114,418 | 0.85 | 0 | 0 |
| Dato' Haji Mustaffa bin Mohamad | 3,300,009 | 0.68 | 1,482,900* | 0.31* |
| Dato' W Zulkifli bin Haji W Muda | 6,870,768 | 1.43 | 0 | 0 |
| Dato' Haji Roslan bin Tan Sri Jaffar | 592,500 | 0.12 | 437,500* | 0.09* |
| Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng | 0 | 0 | 0 | 0 |
| Datuk (Prof) A Rahman @ Omar bin Abdullah | 2,100,000 | 0.44 | 0 | 0 |

### Ultimate Holding Company

| | | | | |
|---|---|---|---|---|
| Dato' Sri Haji Wan Zaki bin Haji Wan Muda | 1,500,001 | 50.00 | 0 | 0 |
| Dato' Wan Zakariah bin Haji Wan Muda | 375,000 | 12.50 | 0 | 0 |
| Dato' W Zulkifli bin Haji W Muda | 375,000 | 12.50 | 0 | 0 |

## Statement of Director's Shareholdings amd Warrantholdings (Cont'd)

| The Company<br>Ahmad Zaki Resources Berhad | Warrants 2014/2024 | | | |
|---|---|---|---|---|
| | Direct Interest | % | Deemed Interest | % |
| Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad | 0 | 0 | 0 | 0 |
| Dato' Sri Haji Wan Zaki bin Haji Wan Muda | 876,157 | 0.85 | 61,552,926* | 59.59* |
| Dato' Wan Zakariah bin Haji Wan Muda | 881,661 | 0.85 | 0 | 0 |
| Dato' Haji Mustaffa bin Mohamad | 681,430 | 0.66 | 50* | #* |
| Dato' W Zulkifli bin Haji W Muda | 1,613,336 | 1.56 | 0 | 0 |
| Dato' Haji Roslan bin Tan Sri Jaffar | 123,750 | 0.12 | 93,750* | 0.09* |
| Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng | 0 | 0 | 0 | 0 |
| Datuk (Prof) A Rahman @ Omar bin Abdullah | 450,000 | 0.44 | 0 | 0 |

* securities held through person(s) connected with the Director
\# negligible

By virtue of Dato' Sri Haji Wan Zaki bin Haji Wan Muda having an interest of more than 15% of the shares in Ahmad Zaki Resources Berhad, he is deemed interested in the shares of its subsidiaries to the extent the Company has an interest.

Other than as disclosed above, none of the Directors held any shares or have any interest in the Company and its related companies as at 30 March 2016.


AZ
PROGUARD


AZRB
AZRB

# ANALYSIS OF SHAREHOLDINGS

*as at 30 March 2016*

## DISTRIBUTION OF SHAREHOLDINGS

| Category | No. of Shareholders | | No. of Shareholdings | | % of Shareholdings | |
|---|---|---|---|---|---|---|
| | Malaysian | Foreign | Malaysian | Foreign | Malaysian | Foreign |
| LESS THAN 100 SHARES | 169 | 2 | 4,015 | 78 | 0.00 | 0.00 |
| 100 TO 1,000 SHARES | 361 | 2 | 224,427 | 1,500 | 0.05 | 0.00 |
| 1,001 TO 10,000 SHARES | 2,278 | 21 | 13,495,214 | 132,140 | 2.80 | 0.03 |
| 10,001 TO 100,000 SHARES | 1,618 | 31 | 48,310,371 | 1,274,119 | 10.02 | 0.26 |
| 100,001 TO LESS THAN 5% OF ISSUED SHARES [(1)] | 217 | 8 | 128,059,308 | 4,507,795 | 26.56 | 0.94 |
| 5% AND ABOVE OF ISSUED SHARES | 3 | 0 | 286,053,188 | 0 | 59.34 | 0.00 |
| TOTAL | 4,646 | 64 | 476,146,523 | 5,915,632 | 98.77 | 1.23 |

[(1)] *excluding 1,478,100 treasury shares*

## LIST OF SUBSTANTIAL SHAREHOLDERS (5% and above excluding Bare Trustees)

| | No. of Ordinary Shares of RM0.25 each | | | |
|---|---|---|---|---|
| | Direct Interest | % | Deemed Interest | % |
| 1. ZAKI HOLDINGS (M) SDN BHD | 176,953,188 | 36.71 | 0 | 0 |
| 2. AMSEC NOMINES (TEMPATAN) SDN BHD AMBANK (M) BERHAD FOR ZAKI HOLDINGS (M) SDN BHD | 109,100,000 | 22.63 | 0 | 0 |
| 3. DATO' SRI HAJI WAN ZAKI bin HAJI WAN MUDA | 3,821,975 | 0.79 | 287,958,188* | 59.73* |

* *Shares held through persons connected with the Director*

## LIST OF 30 LARGEST SHAREHOLDERS AS PER RECORD OF DEPOSITORS

| No. | Shareholder | Shares held | % |
|---|---|---|---|
| 1. | ZAKI HOLDINGS (M) SDN BHD | 138,774,116 | 28.79 |
| 2. | AMSEC NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR ZAKI HOLDINGS (M) SDN BHD* | 109,100,000 | 22.63 |
| 3. | ZAKI HOLDINGS (M) SDN BHD | 38,179,072 | 7.92 |
| 4. | LEMBAGA TABUNG HAJI | 20,908,500 | 4.34 |
| 5. | AMANAHRAYA TRUSTEES BERHAD<br>*PUBLIC ISLAMIC SELECT TREASURES FUND* | 6,125,400 | 1.27 |
| 6. | AMSEC NOMINEES (TEMPATAN) SDN BHD<br>*AMTRUSTEE BERHAD FOR PACIFIC PEARL FUND (UT-PM-PPF)* | 4,280,025 | 0.89 |
| 7. | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR DATO' W ZULKIFLI bin HAJI W MUDA* | 3,540,000 | 0.73 |
| 8. | AMSEC NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR DATO' W ZULKIFLI bin HAJI W MUDA (SMART)* | 3,088,772 | 0.64 |
| 9. | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR TANG SING LING* | 2,909,800 | 0.60 |
| 10. | AMANAHRAYA TRUSTEES BERHAD<br>*PUBLIC ISLAMIC OPPORTUNITIES FUND* | 2,786,100 | 0.58 |
| 11. | AMANAHRAYA TRUSTEES BERHAD<br>*PUBLIC ISLAMIC TREASURES GROWTH FUND* | 2,767,700 | 0.57 |
| 12. | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR DATO' SRI HAJI WAN ZAKI bin HAJI WAN MUDA* | 2,469,660 | 0.51 |
| 13. | NEOH CHOO EE & COMPANY, SDN. BERHAD | 2,400,000 | 0.50 |
| 14. | AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD.<br>*PLEDGED SECURITIES ACCOUNT FOR DATO' WAN ZAKARIAH bin HAJI WAN MUDA* | 2,379,418 | 0.49 |
| 15. | LIM BOON LIAT | 2,333,200 | 0.48 |
| 16. | UNIVERSAL TRUSTEE (MALAYSIA) BERHAD | 2,230,500 | 0.46 |

## LIST OF 30 LARGEST SHAREHOLDERS AS PER RECORD OF DEPOSITORS (Cont'd)

| No. | Shareholder | Shares held | % |
|---|---|---|---|
| 17. | DATUK (PROF.) A RAHMAN @ OMAR bin ABDULLAH | 2,100,000 | 0.44 |
| 18. | AL WAKALAH NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECUTIES ACCOUNT FOR DATO' HAJI MUSTAFFA bin MOHAMAD* | 2,100,000 | 0.44 |
| 19. | HSBC NOMINEES (ASING) SDN BHD<br>*TNTC FOR APS FUND* | 2,002,600 | 0.42 |
| 20. | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR SU TIING UH | 1,886,500 | 0.39 |
| 21. | DATO' WAN ZAKARIAH bin HAJI WAN MUDA | 1,735,000 | 0.36 |
| 22. | AMSEC NOMINEES (TEMPATAN) SDN BHD<br>*AMTRUSTEE BERHAD FOR*<br>*GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)* | 1,673,000 | 0.35 |
| 23. | TEO GEOK KIAM | 1,605,100 | 0.33 |
| 24. | NAIMAH binTI HASHIM | 1,482,900 | 0.31 |
| 25. | RHB INVESTMENT BANK BERHAD<br>*CLR (K) FOR LEMBAGA TABUNG HAJI* | 1,391,800 | 0.29 |
| 26. | CIMB GROUP NOMINEES (TEMPATAN) SDN BHD<br>*CIMB COMMERCE TRUSTEE BERHAD FOR PACIFIC RECOVERY FUND* | 1,388,625 | 0.29 |
| 27. | HSBC NOMINEES (TEMPATAN) SDN BHD<br>*HSBC (M) TRUSTEE BERHAD FOR*<br>*PERTUBUHAN KESELAMATAN SOSIAL (PACIFIC6939-407)* | 1,385,300 | 0.29 |
| 28. | DATO' SRI HAJI WAN ZAKI bin HAJI WAN MUDA | 1,352,315 | 0.28 |
| 29. | DATO' HAJI MUSTAFFA bin MOHAMAD | 1,200,009 | 0.25 |
| 30. | NG TECK LONG | 1,188,200 | 0.25 |

*The analysis of shareholdings is based on the issued and paid-up capital of the Company after deducting 1,478,100 ordinary shares bought back by the Company and held as treasury shares as at 30 March 2016.*

## DISTRIBUTION OF WARRANTHOLDINGS

| Category | No. of Warrantholders | | No. of Warrantholdings | | % of Warrantholdings | |
|---|---|---|---|---|---|---|
| | Malaysian | Foreign | Malaysian | Foreign | Malaysian | Foreign |
| LESS THAN 100 WARRANTS | 132 | 2 | 6,327 | 100 | 0.01 | 0.00 |
| 100 TO 1,000 WARRANTS | 256 | 1 | 142,691 | 850 | 0.14 | 0.00 |
| 1,001 TO 10,000 WARRANTS | 1,051 | 13 | 4,188,900 | 69,598 | 4.06 | 0.07 |
| 10,001 TO 100,000 WARRANTS | 418 | 13 | 13,427,417 | 492,479 | 13.00 | 0.48 |
| 100,001 TO LESS THAN 5% OF ISSUED WARRANTS | 63 | 1 | 25,338,945 | 107,550 | 24.53 | 0.10 |
| 5% AND ABOVE OF ISSUED WARRANTS | 1 | 0 | 59,524,176 | 0 | 57.62 | 0.00 |
| TOTAL | 1,921 | 30 | 102,628,456 | 670,577 | 99.35 | 0.65 |

## LIST OF 30 LARGEST WARRANTHOLDERS AS PER RECORD OF DEPOSITORS

| No. | Warrantholder | Warrants held | % |
|---|---|---|---|
| 1. | AMSEC NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR ZAKI HOLDINGS (M) SDN BHD* | 59,524,176 | 57.62 |
| 2. | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR TANG SING LING* | 2,373,100 | 2.30 |
| 3. | ZAKI HOLDINGS (M) SDN BHD | 1,623,750 | 1.57 |
| 4. | AMSEC NOMINEES (TEMPATAN) SDN BHD<br>AMTRUSTEE BERHAD FOR PACIFIC PEARL FUND (UT-PM-PPF) | 1,540,162 | 1.49 |
| 5. | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR SU TIING UH* | 1,511,500 | 1.46 |
| 6. | TAN LEE CHIN | 1,173,000 | 1.14 |
| 7. | NG TECK LONG | 1,024,550 | 0.99 |
| 8. | AMSEC NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR DATO' W ZULKIFLI bin HAJI W MUDA (SMART)* | 931,386 | 0.90 |
| 9. | AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD.<br>*PLEDGED SECURITIES ACCOUNT FOR DATO' WAN ZAKARIAH bin HAJI WAN MUDA* | 881,661 | 0.85 |

## LIST OF 30 LARGEST WARRANTHOLDERS AS PER RECORD OF DEPOSITORS (Cont'd)

| No. | Warrantholder | Warrants held | % |
|---|---|---|---|
| 10. | DATO' SRI HAJI WAN ZAKI bin HAJI WAN MUDA | 876,157 | 0.85 |
| 11. | LIM GAIK BWAY @ LIM CHIEW AH | 696,300 | 0.67 |
| 12. | DATO' W ZULKIFLI bin HAJI W MUDA | 681,950 | 0.66 |
| 13. | NG BEE WEE | 501,800 | 0.49 |
| 14. | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR KEK LIAN LYE* | 500,000 | 0.48 |
| 15. | PUBLIC NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR TEY HEONG TIONG (E-TCS)* | 500,000 | 0.48 |
| 16. | CHIONH CHIONG YEONG | 498,800 | 0.48 |
| 17. | DATUK (PROF.) A RAHMAN @ OMAR bin ABDULLAH | 450,000 | 0.44 |
| 18. | AL WAKALAH NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR DATO' HAJI MUSTAFFA bin MOHAMAD* | 450,000 | 0.44 |
| 19. | SOO AI WAH | 430,300 | 0.42 |
| 20. | CHUAH CHIE YI | 420,000 | 0.41 |
| 21. | CHO HAN WOON | 411,000 | 0.40 |
| 22. | MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR CHEN NGAU (REM 636)* | 400,000 | 0.39 |
| 23. | CHONG TECK LIM | 319,900 | 0.31 |
| 24. | HO YIT LIN @ HO YUET LING | 310,000 | 0.30 |
| 25. | LOW CHU MOOI | 300,000 | 0.29 |
| 26. | MAK MEE FUN | 293,800 | 0.28 |
| 27. | KAM SIONG CHEE | 276,437 | 0.27 |
| 28. | NGOI LEONG EE | 254,200 | 0.25 |
| 29. | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR WONG FOO SANG @ WONG CHIN LIM* | 250,000 | 0.24 |
| 30. | KENANGA NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR TAN BEE YOOK (008)* | 241,000 | 0.23 |

| Title & location of property | Date of acquisition | Description of property (existing use) | Tenure (age of building) | Total landarea/ (built up area) | NBV/Prepaid Lease Payment RM'000 |
|---|---|---|---|---|---|
| GM372 Lot 981 and GM 4708 Lot 985, Mukim of Setapak, Wilayah Persekutuan Kuala Lumpur. | 20.01.1994 & 16.02.1994 | Menara AZRB | Freehold (3 years) | 54,967 sq.ft. | 53,235 |
| GM 1012 Lot 22050, Mukim of Setapak, Wilayah Persekutuan Kuala Lumpur. | 03.08.2007 | Menara AZRB, Car Park | Freehold | 12,066.34 sq.ft | 1,448 |
| EMR 873, Lot 826, Mukim of Sungai Karang District of Kuantan, Pahang Darul Makmur. | 30.10.1993 | Land and Hotel buildings | Freehold (20 years) | 202,815/ (64,670)sq.ft. | 16,672 |
| Lot PT2100, HSD 722 Mukim Kuala Telemong District of Hulu Terengganu Kuala Terengganu, Terenganu | 15.07.2003 | Vacant land for quarry operation | Leasehold Expiring 18.10.2025 | 20 hectares | 63 |
| HS (M) 929 Lot 16343, Mukim of Setapak, Wilayah Persekutuan Kuala Lumpur. | 24.11.2005 | 4-storey building for own use | Freehold (17 years) | 1,604/ (8,291) sq.ft | 678 |
| HGU No. 5, Desa Amboyo Selatan, Kecamatan Ngabang, Kabuputen Pontianak, Kalimantan Barat, Republic of Indonesia. | 31.05.2005 | Land for cultivation | Leasehold expiring 27.09.2033 | 6,763.89 hectares | 7,861 |

| Title & location of property | Date of acquisition | Description of property (existing use) | Tenure (age of building) | Total landarea/ (built up area) | NBV/Prepaid Lease Payment RM'000 |
|---|---|---|---|---|---|
| GM 1754 Lot 167, Mukim of Sabai, District of Bentong, Pahang Darul Makmur. | 8.10.2010 | Vacant land | Freehold | 4.6 hectares | 960 |
| HS (D) 29915, Lot PT 91677 Mukim Kuala Kuantan Kuantan, Pahang Darul Makmur. | 18.12.2012 | Commercial Development | Freehold | 12.14 hectares | 8,959 |
| GRN 11795, Lot 41184, Mukim Kuala Kuantan, Daerah Kuantan, Pahang Darul Makmur. | 20.1.2015 | Land held for Development | Freehold | 2.529 hectares | 4,640 |
| GM 2413-GM2451, Lot 60011-Lot 60021, Lot 60023-Lot 60050, Mukim Kemasik, Tempat Kampung Semayor, Daerah Kemaman, Terengganu Darul Iman. | 1.8.2015 | Land held for Development | Freehold | 17,777 sq. metres | 3,028 |
| Lot 8316, Mukim Bukit Payung, Daerah Marang, Terengganu Darul Iman. | 9.10.2015 | Land held for Development | Leasehold | 66.96 acres | 7,500 |

AHMAD ZAKI RESOURCES BERHAD (432768-X)
(Incorporated in Malaysia)

# FORM OF PROXY

*I/We, .................................................................................................. NRIC/Company No. ..................................................

of ..........................................................................................................................................................................................

being a *member/members of AHMAD ZAKI RESOURCES BERHAD, hereby appoint ..................................................................

.................................................................................................................... NRIC No. ..............................................................

of ..........................................................................................................................................................................................

*and/or failing him/her ...................................................................... NRIC No. ..............................................................

of ..........................................................................................................................................................................................

or failing *him/her/both, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the 19th Annual General Meeting of the Company to be held at the Banquet Hall, First Floor, Kuala Lumpur Golf and Country Club, 10, Jalan 1/170D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Wednesday, 1 June 2016 at 10.00 a.m. and, at every adjournment thereof for/against* the resolution(s) to be proposed thereat.

The proportion of *my/our holding to be represented by *my/our proxies are as follows:-

(The next paragraph should be completed only when two proxies are appointed)

*First Proxy (1) .................................... %          *Second Proxy (2) .................................... %

*My/our proxy is to vote as indicated below:-

| NO. | RESOLUTIONS | FOR | AGAINST |
|---|---|---|---|
| 1. | RESOLUTION 1 | | |
| 2. | RESOLUTION 2 | | |
| 3. | RESOLUTION 3 | | |
| 4. | RESOLUTION 4 | | |
| 5. | RESOLUTION 5 | | |
| 6. | RESOLUTION 6 | | |
| 7. | RESOLUTION 7 | | |
| 8. | RESOLUTION 8 | | |
| 9. | RESOLUTION 9 | | |
| 10. | RESOLUTION 10 | | |

(Please indicate with an "X" in the appropriate spaces provided above as to how you wish to cast your votes. If you do not do so, the proxy will vote or abstain from voting at *his/her discretion).

This ..................... day of .............................. 2016

..........................................
Signature of member(s)/Seal

(* Delete where inapplicable)

| Number of Shares Held | Tel. No/ Handphone No. |
|---|---|
| | |

Notes:

1. A member of the Company shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where the member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his/her holdings to be represented by each proxy. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

2. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.

4. The instrument appointing a proxy must be completed, signed and deposited at the office of the Share Registrar, Mega Corporate Services Sdn Bhd at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than forty-eight (48) hours before the time set for the meeting or at any adjournment thereof.

5. In respect of deposited securities, only members whose names appear on the Record of Depositors as at 25 May 2016 shall be eligible to attend, speak and vote at the 19th Annual General Meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

STAMP

**MEGA CORPORATE SERVICES SDN BHD**
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

Fold here

Stick and fold here

AHMAD ZAKI RESOURCES BERHAD
(432768-X)

Menara AZRB, No. 71, Persiaran Gurney, 54000 Kuala Lumpur, Malaysia
Tel: +603 2698 7171 • Fax: +603 2694 8181 • Email: azrb@azrb.com
www.azrb.com