JAKS RESOURCES BERHAD

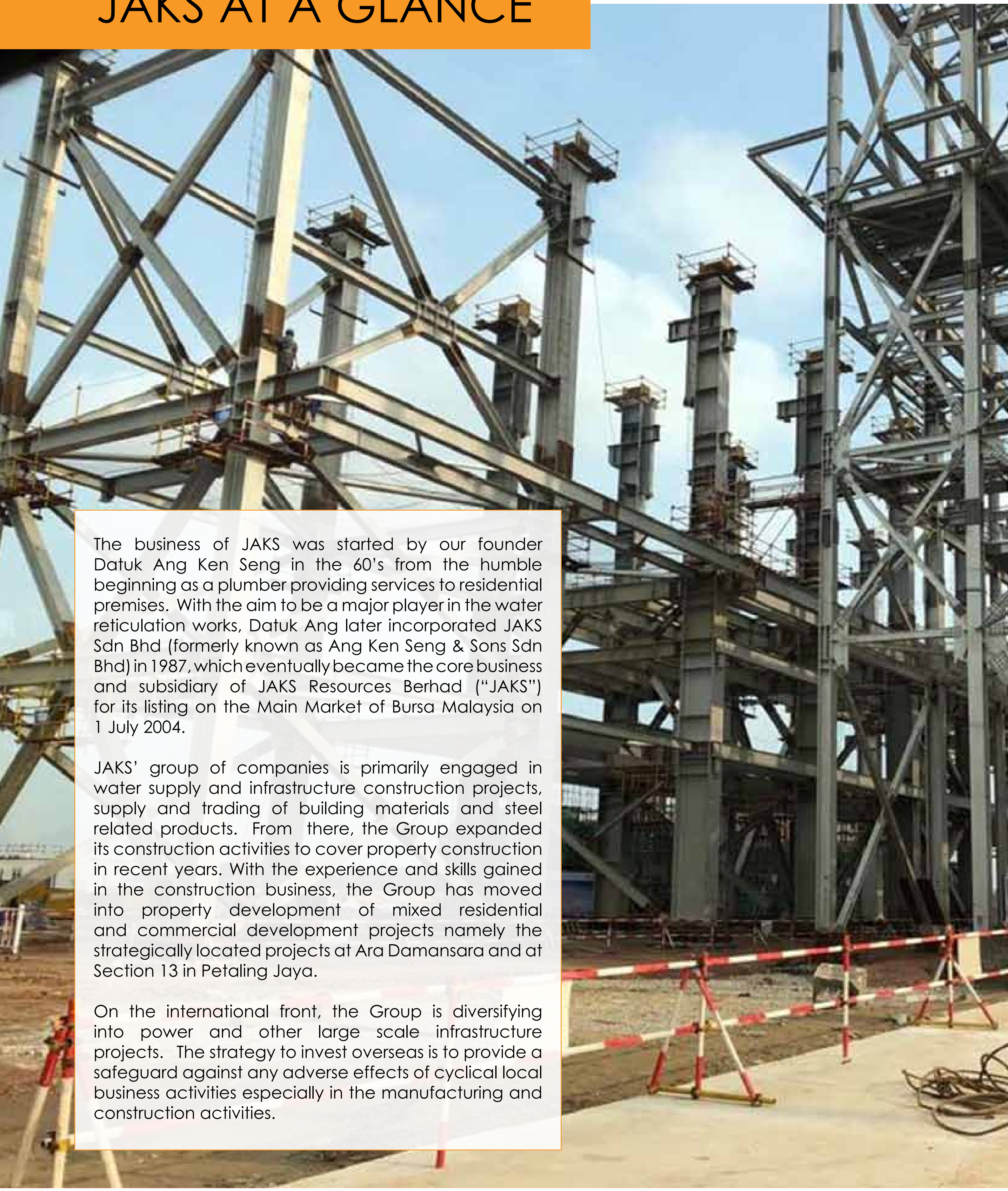
585648-T

TOWARDS BETTER PERFORMANCE

ANNUAL REPORT **2017**

CONTENTS

JAKS AT A GLANCE



The business of JAKS was started by our founder Datuk Ang Ken Seng in the 60's from the humble beginning as a plumber providing services to residential premises. With the aim to be a major player in the water reticulation works, Datuk Ang later incorporated JAKS Sdn Bhd (formerly known as Ang Ken Seng & Sons Sdn Bhd) in 1987, which eventually became the core business and subsidiary of JAKS Resources Berhad ("JAKS") for its listing on the Main Market of Bursa Malaysia on 1 July 2004.

JAKS' group of companies is primarily engaged in water supply and infrastructure construction projects, supply and trading of building materials and steel related products. From there, the Group expanded its construction activities to cover property construction in recent years. With the experience and skills gained in the construction business, the Group has moved into property development of mixed residential and commercial development projects namely the strategically located projects at Ara Damansara and at Section 13 in Petaling Jaya.

On the international front, the Group is diversifying into power and other large scale infrastructure projects. The strategy to invest overseas is to provide a safeguard against any adverse effects of cyclical local business activities especially in the manufacturing and construction activities.

OUR VISION

To be an innovative regional leader in the utilities, construction and infrastructure engineering industry.

OUR MISSION

- We will strive for excellence in providing highly reliable and cost-efficient service to our customers, without compromising in quality and safety
- We will deliver our promises in building value for our organisation in order to contribute sustainable financial achievement and achieve optimum growth
- We will take the lead to adopt continuous innovation and best practices to gain market competitiveness
- We will provide a nurturing environment for our employees by striking a balance between rewarding performance and allowing for personal enrichment

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Datuk Hussin Bin Haji Ismail
(Chairman)
(Independent Non-Executive Director)

Ang Lam Poah
(Chief Executive Officer)

Dato' Razali Merican Bin Naina Merican
(Executive Director)

Ang Lam Aik
(Executive Director)

Dato' Azman Bin Mahmood
(Independent Non-Executive Director)

Liew Jee Min @ Chong Jee Min
(Independent Non-Executive Director)

SECRETARY

Leong Oi Wah (MAICSA 7023802)

REGISTERED OFFICE

802, 8th Floor
Block C, Kelana Square
17, Jalan SS7/26
47301 Petaling Jaya
Selangor Darul Ehsan
Tel No : 603-7803 1126
Fax No : 603-7806 1387

REGISTRARS

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan
Tel No : 603 -2783 9299
Fax No : 603 -2783 9222

AUDITORS

UHY
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

PRINCIPAL PLACE OF BUSINESS

No. 9, Jalan USJ Sentral 1
USJ Sentral, Persiaran Subang 1
47600 Subang Jaya
Selangor Darul Ehsan
Tel No : 603-8023 2767
Fax No : 603-8021 7585
Website : www.jaks.com.my

PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Berhad
Malayan Banking Berhad
Great Eastern Life Assurance (Malaysia) Berhad
Al Rajhi Banking & Investment Corporartion (M) Bhd
AmBank (M) Berhad
Alliance Bank Malaysia Berhad
Hong Leong Bank Berhad

STOCK EXCHANGE LISTING

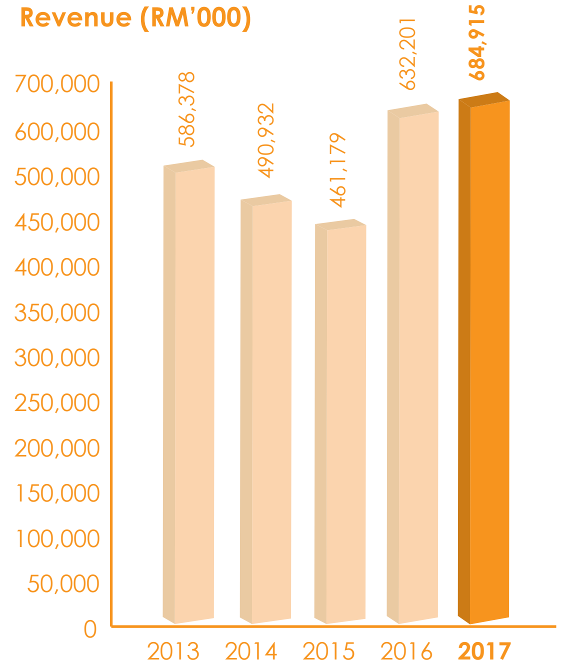
Bursa Malaysia Securities Berhad (Main Market)
Stock Name : JAKS
Stock Code : 4723

CORPORATE STRUCTURE

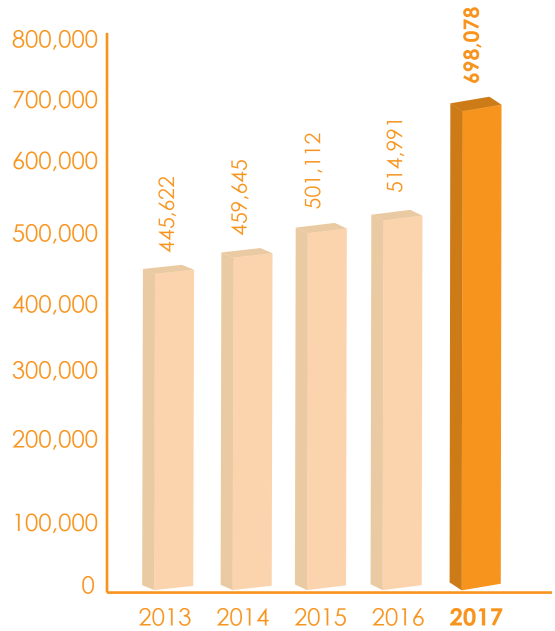
5 YEARS FINANCIAL HIGHLIGHTS

Group Five Years Summary	14 Months Period Ended December 2013 RM'000	12 Months Year Ended December 2014 RM'000	12 Months Year Ended December 2015 RM'000	12 Months Year Ended December 2016 RM'000	12 Months Year Ended December 2017 RM'000
Revenue	586,378	490,932	461,179	632,201	684,915
Profit / (Loss) before tax	19,783	54,316	55,282	(7,019)	112,211
Profit / (Loss) attributable to owners of the Company	7,503	14,024	41,467	698	126,640
Share Capital	438,361	438,361	438,361	438,361	524,387
Shareholders' funds	445,622	459,645	501,112	514,991	698,078
Net assets per share (RM)	1.02	1.05	1.14	1.17	1.42

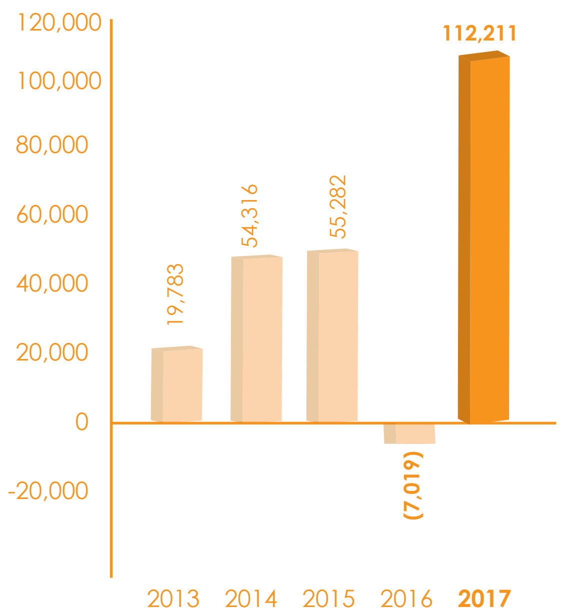
Revenue (RM'000)



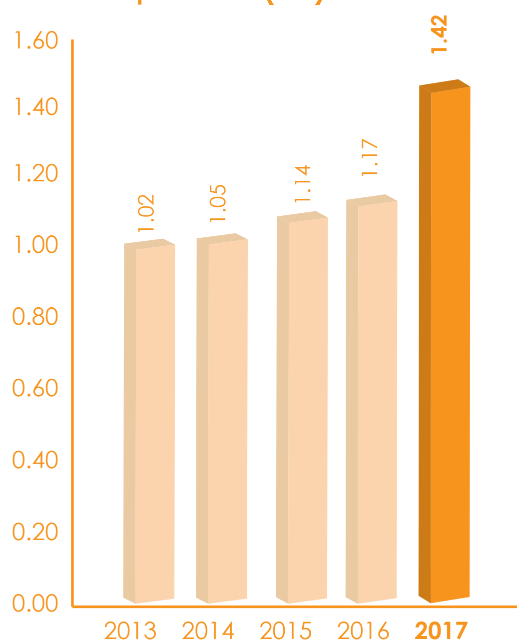
Shareholders' funds (RM'000)



Profit / (Loss) before tax (RM'000)



Net asets per share (RM)



BOARD OF DIRECTORS

TAN SRI DATUK HUSSIN BIN HAJI ISMAIL

A Malaysian, aged 65, was appointed to the Board on 28 June 2011 as an Independent Non-Executive Director of the Company and on 28 September 2012, he was appointed as Chairman of the Company. He is a member of Audit Committee, Remuneration Committee and Nomination Committee.

Tan Sri Hussin holds a Diploma in Police Science from Universiti Kebangsaan Malaysia and a Master's degree of Occupational Safety and Health Risk Management from Open University Malaysia, and is a former Deputy Inspector General of Police in Royal Malaysian Police (RMP). His excellent achievements are attributed to 39 years of working experience in various senior positions in RMP. The exposure of managing at various levels in RMP are added values to extensive policing knowledge and skills which have further enhanced personal capabilities and credibility in managing the Force in the higher position. Currently, Tan Sri Hussin is also the chairman of Koperasi Polis Diraja Malaysia and the Deputy Chairman of Yayasan Pengaman Malaysia.

Tan Sri Hussin also sits on the board of EP Manufacturing Berhad, a public companies listed on the Main Market of Bursa Malaysia securities Berhad

Tan Sri Hussin does not have any family relationship with any other Director and/or major shareholder of the Company and has no other conflict of interest with the Company. He has no convictions for offence within the past five years.

ANG LAM POAH

A Malaysian, aged 50 was appointed to the Board on 23 December 2003. He is the Chief Executive Officer of the Company. He is a member of the Remuneration Committee.

He holds a Diploma in Business Administration from Toronto School of Business. Upon obtaining his diploma in 1990, he started his career in JAKS.

He has been actively involved in the day-to-day operations and management of the water construction projects and properties construction activities undertaken by JAKS upon his graduation. Apart from the water and properties construction activities, he has also been involved in setting up companies manufacturing mild steel pipes and manufacturing common clay bricks. He also holds directorships in several other private limited companies.

Ang Lam Poah is the brother to the Director, Ang Lam Aik. Save as disclosed, he does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offence within the past five years.

DATO' RAZALI MERICAN BIN NAINA MERICAN

A Malaysian, aged 47 was appointed to the Board on 23 December 2003. He is an Executive Director of the Company.

He has been actively involved in business after the completion of his University degree in 1995. Since then, he has acquired extensive experience and expertise especially in water and properties construction and steel manufacturing.

Dato' Razali does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offence within the past five years.

Board Of Directors (cont'd)

ANG LAM AIK

A Malaysian, aged 44, was appointed to the Board on 23 December 2003. He is an Executive Director of the Company.

He holds a Diploma in Computer Science from Canada and has been involved in project management and construction related fields since 1995.

Ang Lam Aik is the brother to the Director/Chief Executive Officer, Ang Lam Poah. Save as disclosed, he does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offence within the past five years.

DATO' AZMAN BIN MAHMOOD

A Malaysian, aged 66, was appointed to the Board as Director on 23 December 2003. He is an Independent Non-Executive Director of the Company and the Chairman of the Audit Committee as well as the Nomination Committee.

Dato' Azman is a member of the Institute of Chartered Accountants in England and Wales. He has vast experience working in a number of auditing firms in London and Johor Bahru, Malaysia.

He joined Kumpulan Perangsang Selangor Berhad in 1983 and left in 1990 to become the Managing Director of Worldwide Holdings Berhad, a public listed company in Bursa Malaysia Securities Berhad until 1996.

Presently, Dato' Azman is the Executive Chairman of Fine Access Sdn Bhd, a company involved with property development and the Chairman of Cocoaland Holdings Berhad, a food confectionary manufacturer listed on the Main Market of Bursa Malaysia Securities Berhad.

Dato' Azman does not have any family relationship with any other Director and/or major shareholder and has no conflict of interest with the Company. He has no convictions for offence within the past five years.

LIEW JEE MIN @ CHONG JEE MIN

A Malaysian, aged 59, was appointed to the Board on 23 December 2003. He is an Independent Non-Executive Director of the Company and the Chairman of the Remuneration Committee. He is also a member of the Audit Committee and Nomination Committee.

He holds the LLB (Hons) degree from University of Leeds, England and was admitted as an advocate and solicitor at the High Court of Malaya in 1986. He is a partner of the legal firm, J.M. Chong, Vincent Chee & Co and has been practicing since the date of admission. He also sits on the board of Lion Industries Corporation Berhad, YKGI Holdings Berhad, Weida (M) Berhad and Halex Holdings Berhad.

Chong Jee Min does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offence within the past five years.

CHAIRMAN'S STATEMENT

On behalf of the Board, it is my privilege to present to you JAKS Resources Berhad's (JAKS) Annual Report and Financial Statements of the Group and Company for the financial year ended 31 December 2017.

FINANCIAL REVIEW

For the financial year ended 31 December 2017, the Group recorded revenue of RM684.9 million, an increase of RM52.7 million or 8.3% from RM632.2 million in the preceding year. Profit before tax and net profit attributable to shareholders were RM112.2 million and RM126.6 million respectively for 2017, a significant turnaround from the loss position in 2016. In the previous year, the Group incurred loss before tax of RM7.0 million and net profit attributable to shareholders of RM0.7 million. The strong profit recognition in 2017 was mainly derived from the gain arising from disposal of properties of RM88.8 million and RM55.1 million net profit contribution from the Vietnam EPC Contract construction project.

With the higher profits attained in the financial year 2017, the Group's earnings per share rose to 26.68 sen, a significant improvement from 0.16 sen as reported for the financial year 2016. Net assets per share also improved to RM1.42, increasing from RM1.17 at the end of December 2016. The Company also undertook a private placement exercise during the year to raise funds to pare down the gearing. This together with part proceeds from the sale of properties, reduced the net gearing of the Group to 0.44 times from 0.83 times at the end of December 2016.

Please refer to the Management Discussion and Analysis for more details on the performance of the Group.

DIVIDEND

The Company is not recommending any dividends to be paid out for the financial year ended 31 December 2017 as the priority is to bring down the Group's gearing to a healthier level as the total borrowings as at 31 December 2017 stood at RM529.0 million.

BUSINESS OUTLOOK

As the Malaysian economy continues to recover, Gross Domestic Production growth is expected to moderate between 5%-5.5% in 2018, mainly driven by domestic demand and the continued strength in global trade. Headline inflation is expected to decline to 3% from 3.5%.

With the existing order book in hand of approximately RM850.0 million on jobs from the domestic market and construction work of the Vietnam EPC Contact proceeding as scheduled, the Group's Construction division is expected to perform satisfactorily in 2018.

For the property development division, we are anticipating that its Pacific Star project will complete by end-2018 and we have decided to take a step back from the property market to focus more on the other divisions. Efforts are also being made to let go of the investment property at Ara Damansara as the prospects for retail mall are challenging due to the oversupply of retail space in the Klang valley.

Barring any adverse developments, the Group will endeavor to improve its present performance in 2018.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my utmost gratitude to our shareholders for your steadfast trust and confidence in JAKS. To our employees, as well as the Management team and the Boards of all our Group's companies, I wish to convey my deep appreciation for their worthy sacrifices, hard work and loyalty. My sincere thanks to the many external partners that work with or alongside us whose support and reliability has been critical to our success. Our heartfelt appreciation also to our valued customers and clients, bankers, government departments and agencies, vendors, suppliers and all others who have lent us their unwavering support and cooperation.

I also wish to thank my colleagues on the Board for their guidance and counsel. I am grateful that JAKS has a formidable Board with the vision, expertise and experience to provide sound counsel and corporate strategies in propelling the Group forward.

Tan Sri Datuk Hussin Bin Haji Ismail
Chairman

MANAGEMENT DISCUSSION & ANALYSIS

Forward-Looking Statements

This Management Discussion and Analysis ("MD&A") contains forward-looking statements with respect to expected financial performance, strategy and business conditions. The words "believe", "estimate", "plan", "expect", "intend", "will", "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward looking statements involve significant known and unknown risks and uncertainties. Many factors could cause actual results, performance or achievement to be materially different from any future forward looking statements. The Company and management assume no obligation to update or revise them to reflect new events or circumstances except as required by securities laws. The Company and management caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made.

Introduction

This MD&A is dated as of 23 April 2018, the date it was approved by the Board of Directors of the Company, and reflects all material events for the financial year 2017. It should be read in conjunction with the audited consolidated financial statements, including the notes thereof, of JAKS Resources Berhad ("JRB" or the "Company") for the financial year ended 31 December 2017.

Significant developments in 2017

(1) Private placement of shares

On 27 February 2017, the Company announced the private placement of approximately 10% of the existing total number of issued shares of the Company ("JRB Shares"). The placement of 43,836,100 new ordinary shares at an issue price of RM1.36 per Placement Share, which represents a discount of approximately 3.55% from the 5-day volume weighted average market price of JRB Shares up to and including 16 March 2017, being the market day immediately prior to the price fixing date, of RM1.41 per JRB Share.

The Private Placement was to enable the Company to raise funds primarily for the ongoing projects and working capital without incurring interest expenses as compared to borrowings. The Company on completion of the private placement exercise on 24 March 2017 raised proceeds of RM59,617,096. Part of the proceeds raised of RM34.0 million is to finance the construction cost such as payments to suppliers and contractors and other general expenses of the on-going projects at Section 13 Petaling Jaya, i.e. Project Pacific 63 consisting of a single block of 21-storey-office units and the Project Pacific Star, a mixed development project consisting of 5 blocks of residential units and commercial space with a gross development value of approximately RM1.1 billion.

(2) Pacific Star Business Hub

On 9 August 2017, the Company's 51%-owned subsidiaries, JAKS Island Circle Sdn. Bhd. ("JIC") and Fortress Pavilion Sdn Bhd ("FPSB") undertook an internal reorganisation where JIC disposed of the Pacific Star Business Hub ("the Property") situated at Section 13, Petaling Jaya for a total consideration of RM240,000,000 to FPSB. The Proposed Internal Reorganisation is to enable JRB Group to complete the development of the Pacific Star Business Hub and other components in Pacific Star as it would allow the Group to obtain financing from the bank to finish the project as well as streamline the structure of its property development and property investment businesses. Following from this exercise, the Pacific Star Business Hub has been transferred out of JIC, a property development company and FPSB became a property investment and management company with ownership of and interest in the Pacific Star Business Hub.

(3) Long Term Incentive Plan ("LTIP") Option

On 24 May 2017, the Company offered 24,500,000 share options under the LTIP to the eligible directors and employees of JRB and its subsidiaries at an exercise price of RM1.40 per LTIP Option and it was fully accepted. As at 31 December 2017, 10,550,000 share options were exercise and the proceeds raised of RM14,770,000 has been utilised for the Group's working capital.

(4) Disposal of Properties

On 31 July 2017, the Company's wholly-owned subsidiary, Premier Place Property Sdn. Bhd. dispose 4 parcels of freehold land in Subang Jaya for a total cash consideration of RM167,589,760 (excluding Goods and Services tax) to Sunway Supply Chain Enterprises Sdn Bhd. The disposal was completed on 13 April 2018.

On 2 October 2017, the Company dispose a piece of freehold industrial land in Subang Jaya for a total cash consideration of RM25,873,452 (excluding Goods and Services tax) to Hectare Square Sdn Bhd. On 2 January 2018, the Proposed Disposal has been completed and full consideration has been received by the Company.

Consolidated Operating Results

For the financial year ended 31 December 2017, the Group achieved revenue of RM684.9 million and a profit before tax of RM112.2 million as compared to the previous year revenue of RM632.2 million and a loss before tax of RM7.0 million. The main reason for the improvement in the Group's result was mainly due to the recognition of the gain arising from the disposal of the properties in Subang Jaya which amounted to RM88.8 million.

The Construction division continue to achieve better results, closing the current year with a revenue of RM535.5 million and profit before tax of RM57.6 million, of which RM251.2 million revenue and RM55.1 million profits were derived from the Vietnam EPC construction works.

The Group's overall current year financial results was still affected by the competitive pricing on properties sold, slowdown in the property market coupled with the high operating expenses, depreciation charge and financing expenses to operate the mall.

Liquidity and Capital Resources

The table below highlights the major cash flow components for the Group for the year ended 31 December 2017 and 2016.

	Statements of cash flow for financial year ended		
	31.12.2017 RM'000	**31.12.2016 RM'000**	**Change RM'000**
Cash flows from operating activities	27,530	63,980	(36,450)
Cash flows generated from/ (used in) investing activities	4,678	(13,472)	18,150
Cash flows generated from / (used in) financing activities	79,570	(48,408)	127,978
Increase / (Decrease) in cash and cash equivalents	111,778	2,100	109,678

The decrease in cash flows from operating activities for the financial year 2017 was mainly due to the reduction in working capital fund.

The higher cash generated from investing activities in 2017 was mainly due the proceeds received from the disposal of properties in Subang Jaya.

The financing activities for the financial year 2017 improved primarily due to the additional proceeds received from private placement and long term incentive plan shares exercised.

Borrowings

As at 31 December 2017, the Group's total borrowings stood at RM529.0 million, RM1.9 million lower than the previous year end of RM530.9 million. Net gearing (after netting off cash and deposits) reduced from 0.83 times to 0.44 times.

Management Discussion & Analysis (cont'd)

Operational review of Power division

The Group's foray into the power generation business started in 2011 when the Investment Certificate by the Ministry of Planning and Investment of Vietnam was granted to establish the project company, JAKS Hai Duong Power Company Limited ("JHDP") to develop a 2 x 600 MW Coal Fired Thermal Power Plant Project in Phuc Thanh Commune, Kinh Mon District, Hai Duong Province, Vietnam ("Hai Duong BOT Thermal Power Plant"), under the form of Build-Operate-Transfer ("BOT") for 25 years. The move was to generate a more sustainable and predictable income stream as the core construction business became more competitive.

Due to the size of the project, the period for planning and approvals from various local and government authorities in Vietnam, as well as the procurement of suitable financing, the project took a number of years, including the Group facing setbacks with the initial joint venture partners. The Power project team nonetheless persevered and in July 2015, JAKS formed a joint-venture with China Power Engineering Consulting Group Co Ltd ("CPECC"), an integrated power engineering service provider that have been involved in engineering and construction of approximately 49,000 MW of power plant projects, to jointly build and operate the USD1.87 billion Hai Duong BOT Thermal Power Plant.

Part of the joint venture with CPECC includes JHDP awarding to JAKS wholly-owned subsidiary, Golden Keen Holdings Limited ("Golden Keen") an engineering, procurement and construction contract ("EPC Contract") for a contract sum of USD454.5 million. Under the EPC Contract, Golden Keen is responsible for the engineering, procurement and construction of certain key infrastructure assets that will support the Hai Duong BOT Thermal Power Plant.

The construction works will be carried out over a period of 5 years and enable the Group to realise some returns from this investment before the power purchasing concession income can be reaped.

Construction of the Hai Duong BOT Thermal Power Plant started in 2016 and is progressing on schedule. To date, the concrete works for the chimney body had been completed and the steel structures for the boiler and turbines progressing well for the next phase of equipment installation works. Works for the jetty, living quarters, administrative building, etc are ongoing and expected to be completed in stages. The first unit is scheduled to commence generation of power in 2020, followed by the second unit in 2021.

Power division - Looking Forward

Vietnam's robust industrialisation process has fueled a surging demand for energy in general and electricity consumption. According to Vietnam Energy Outlook Report 2017, electricity is taking up an increasing share in the final energy consumption mix, and electricity demand is expected to grow by 8% annually on average until 2035, corresponding to a need for additional 93 GW of power generation capacity during the period. Almost half of the new capacity is supposed to be coal fired, while almost 25% will be renewable energy. Barring any unforeseen circumstances, the 25 years BOT Contract will provide the JAKS Group with a recurrent income stream from the power concession.

Operational review of Construction division

Revenue from our Construction division was RM535.5 million and RM449.7 million (78.2% and 71.1% of the total revenue) in 2017 and 2016, respectively. The revenue of the Construction division in 2017 was derived mainly through our wholly owned subsidiaries, JAKS Sdn Bhd (RM284.3 million for local projects) and Golden Keen (RM251.2 million for EPC 2 contract works in Vietnam). The Construction division performs construction management, as well as various civil construction projects with a large portion of the work in 2017 involved on new construction and improvement of streets, roads, highways, bridges, earth work, power-related facilities, water-related facilities, utilities and other infrastructure projects.

The current on-going construction projects in Malaysia are:

(i) Four (4) waste water and water-related facilities projects with contract sum of RM681.1 million;
(ii) Two (2) construction of roadworks projects with contract sum of RM740.5 million;
(iii) One (1) building construction project with contract sum of RM83.1 million; and
(iv) Three (3) property construction works projects with contract sum of RM734.0 million.

The Construction division contributed profit before tax ("PBT") of RM57.6 million to the Group's PBT, where RM55.1 million PBT was derived from the Vietnam EPC 2 contract.

Management Discussion & Analysis (cont'd)

Construction division - Looking Forward

The Group have around RM850.0 million outstanding local construction order book which will keep us busy in the next 1.5 to 2 years. The construction projects are expected to be completed on schedule, barring any unforeseen circumstances.

The Group remain optimistic about the coming financial years, given the long-term nature of our ongoing projects as well as the Malaysian Government's commitment to see through various major infrastructure projects that have been announced. These include the Light Rapid Transit Line 3, Kuala Lumpur-Singapore High Speed Rail, Pan Borneo Highway in East Malaysia and the East Coast Rail Link. In addition, there are the privatisation projects such as the West Coast Expressway and highways within the Klang Valley. We intend to capture some of the opportunities created by these projects, targeting selective higher margin projects.

We will focus on meeting the deadlines and stipulated budgets set for current projects and also look to further strengthen and enhance our order book .

Operational review of Property Development division

The Property Development division contributed revenue of RM143.0 million in the financial year 2017 compared to RM160.3 million in the previous year. The Property Development division achieve a profit before tax of RM43.5 million for the financial year 2017. However, the profit before tax was mainly derived from the gain of RM76.8 million arises from the disposal of the USJ Land properties in Subang Jaya and the gain was offset from the loss incurred in the Property Development division following the competitive pricing and slowdown in the property market as well as higher operating, depreciation charge and financing expenses for the EVOLVE Concept Mall at Ara Damansara in Petaling Jaya.

The current ongoing mixed development project at Section 13, Petaling Jaya known as Pacific Star has achieved sales to-date of RM915 million (2016 : RM575 million), being 83% of the total GDV of approximately RM1.1 billion. The Pacific Star project is expected to complete by end-2018 and this will reflect our exit from property development for the time being.

As at the end of March 2018, the Group has unbilled sales of RM325 million from its property development projects, giving the Group earnings visibility for the coming years.

Property Development division - Looking Forward

The uncertainties and concerns over the large market supply remains unabated and loan growth is expected to slow further as the weak credit cycle continues. Apart from the stringent loan requirements from financial institutions that are said to have caused the drop in the number of property transactions, the increasing cost of living and economic uncertainties have led to an upswing in worries about job security, resulting in more cautious consumer spending.

The Malaysian property market is expected to continue to be soft in 2018 with lower transactional volumes and values due to slower economic growth, higher cost of living and weaker consumer sentiments. As such, we have no plans to continue with property development after the Pacific Star project is completed.

Other Operating Divisions

There was minimal revenue contribution of RM6.4 million from the Trading and Manufacturing divisions in the financial year 2017 as the Group focused its resources on the construction and property development activities.

Management Discussion & Analysis (cont'd)

Risk Management

The Group is in the business of infrastructure development including independent power plant (IPP), which is capital intensive and have long gestation periods between 4 years to 6 years. In the continuous commitment in optimising shareholders value, the Group has enhanced its Enterprise Risk Management ("ERM") Framework during 2017 adopting a risk assessment process which is in line with ISO 31000:2009. The Group remains focused on the risk profiles of potential vendors and contractors, with an internal vendor risk rating mechanism. This is to ensure smooth construction of projects and avoid risks due to any third party dependence. The Group understands the risk environment encompassing its business which are classified broadly below with some illustrations to indicate / describe the risks.

Operational Risks:

Risks arising out of inefficiencies, internal failures or collusion from regular operations, such as:

1. Project Opportunity Risk through erroneous omission and inadequate or inappropriate assessment of a project opportunity available for development;
2. Bidding Risk on account of inadequate or erroneous assumptions made while arriving at the financial bid variable;
3. Financing Risk on account of the high capital commitment on the IPP project;
4. Project Implementation Risk on account of not meeting the project schedule, quality or budget; and
5. Ownership & Maintenance Risk on account of several risks faced during the operations and maintenance phase of a project.

Mitigation Efforts

A careful selection and a thorough evaluation of the prospective projects will minimise the chances of getting into non-profitable projects. The Group undertakes review of the project feasibility (technical review) and project financial viability (financial review). Further, the Group follows a risk specific bid / project risk assessment framework to identify key risks associated with various opportunities and projects, along with their mitigation planning and continuous monitoring. The Group has laid down standard operating procedures at the function and department levels to ensure business process productivity, responsibility and accountability at various levels. The standard operating procedures are further being strengthened and supported by adequate checks and balances, including risk-based internal audit, documentation management systems and the introduction of delegation of financial and nonfinancial powers. This will ensure that a culture of proactive risk management is embedded at all levels of the organisation with required support systems in place.

External Risks:

Risks arising out of changes in the external environment, such as:

1. Interest Risk on account of volatility experienced in the Interest Rates in Capital Markets on outstanding project debts
2. Competition Risk on account of strategies applied by existing and new entrants in the infrastructure development business
3. Political risk in Vietnam as tensions have flared up again with China in the South China Sea; and
4. Natural Calamities (Act of God), civil disturbance etc.

Mitigation Efforts

The Group pro-actively identifies each significant 'change' and adapts to it with foresight. The Group continues to build strategies not only to sustain, but thrive owing to its meticulous processes. The Group understands its competition and keeps an update of its contemporaries to stay a notch above them. The Group has a focused strategy for client, partner, vendor and contract management to avoid various possible external risks. Though the Group cannot avoid a natural calamity, it is adequately geared up with appropriate insurance covers to minimise losses and restore normalcy within a short time.

SUSTAINABILITY STATEMENT

Sustainability in context

JAKS Resources Berhad ("JAKS" or the "Company"), its subsidiaries and affiliates (the "Group") have taken considerable efforts in its economic, environmental and social responsibilities and initiatives. Our strategies are focused not only at maximising shareholders returns but at the same time, contribute to the communities, preserving environment as well as protecting the wellbeing, safety and health of our employees and to the communities where we conduct our business operation.

This is our first report on our sustainability efforts and the statement provides an overview of the actions and measures we have implemented in the period from 1 January 2017 to 31 December 2017, covering our initiatives on economic, environmental, and social related sustainability matters. This statement reflects our key sustainability matters affecting direct and indirect stakeholders, which include employees, shareholders and investors, government authorities, the surrounding communities affected by our business operations and general public. Our Sustainability Statement for 2017 covers the activities of our four core businesses including construction, power, property development and property management.

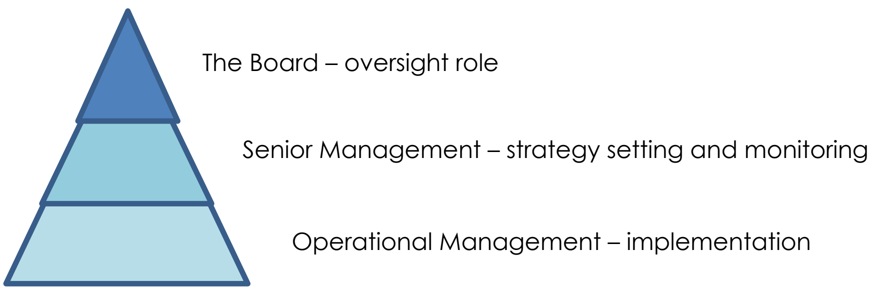
Sustainability Governance

We have established a clear and effective governance structure in place throughout the Group, along with the specific requirements and standards that we have to meet. This structure will impact how we manage our businesses, our decision making processes and actions across the Group.

Our governance procedures involve the setting of strategies by management and approval from the Board level, cascaded down to Senior Management and finally to the operational executives. We emphasise careful review to ensure that standards are communicated throughout our business operations.

The Board meets and discusses a wide range of sustainability-related topics and assessed sustainability scorecard and performance. It also reviews and monitors major issues of public concerns that may be relevant to the Group.

Our sustainability governance structure is depicted as follows:



Senior Management sets the sustainability strategies and action plans and presented to the Board for approval. For the Year 2017, topics related to sustainability were included, discussed and approved by the Board.

Operational management executes and implement the strategies on the day-to-day basis and reports their activities through several means such as monthly reports, project status reports, safety and health reports and others.

Sustainability Statement (cont'd)

Material Sustainability Matters and Stakeholder Engagement

Our sustainability framework is prepared and based on the guidelines issued by the Global Reporting Initiative ("GRI") Sustainability Reporting Standards applicable to our business.

Material sustainability matters were identified to prioritise subjects that would be of utmost concern and have impact on our stakeholders. The table below provides an overview of the material subjects and their grouping under the main 3 sustainability pillars, namely, the Economic, Environmental and Social:

Pillar	Material Sustainability Matters	GRI references
Economic	• Local hiring • Indirect economic impact	• 202-2 Proportion of senior management hired from the local community • 203-2 Significant Indirect Economic Impacts
Environmental	• Recycled materials • Energy efficiency • Waste Management	• 301-2 Recycled input materials used • 302-1 Energy consumption within the organisations • 306-2 Waste by type and disposal method
Social	• Occupational health and safety • Training and development • Diversity and equal opportunity • Engaging the communities	• 403-1 Workers representation in formal joint management and workers health and safety committees • 404-1 Average hours of training per year per employee 404-2 Programs for upgrading employee skills and transition assistance programs • 405-2 Ratio of basic salary and remuneration of women to men • 413-1 Operations with local community engagement, impact assessments and development programs • 413-2 Operations with significant actual and potential negative impacts on local communities

Sustainability Statement (cont'd)

We identify our stakeholders as any party that is impacted by JAKS's business practices, directly or indirectly or who can influence JAKS Group and its decisions. We engage with stakeholders through several communication methods and approaches enabling us obtain meaningful feedbacks on their interests and needs and facilitate the identification and prioritisation of key sustainability matters.

A summary of the stakeholder engagement activities is tabulated below.

Stakeholder	Forms of Engagement	Stakeholder's Concern
Customers • Housebuyers • Property buyers • Tenants	• Meeting, discussion and business communication	• Product quality and pricing
Investors • Shareholders • Financial Analysts	• Annual General Meeting (AGM) • Corporate announcements	• Financial performance • Return on investment / equity
Suppliers	• Meeting, discussion and business communication	• Enhancing ethical and fair procurement system
Employees	• Employment contract • Employee handbook • Training • Meeting/discussion	• Career development • Employee welfare • Health and Safety
• Regulatory Authorities • Government agencies	• Regular consultation and meetings • Reporting • Inspection by authorities	• Compliance with laws and regulations
Local Communities	• Community events and contributions	• Community living • Personal well-being

Economic

The principles of sustainability are integral in our pursuit of economic growth. Through local hiring, we are endeavouring to build long-term value for the stakeholders by maintaining strong financial results and providing benefits to the communities.

a. ***Local hiring*** – We employed locals at our area of operation including our construction activities in Vietnam and in Malaysia. Foreign workers employment are minimal and we outsourced certain construction and property development activities through sub-contractors. We have a total of 213 employees as at 31 December 2017.

b. ***Diversity and equal opportunities*** - The Group is committed to cultivate a climate of diversity and inclusiveness via our non-discriminatory recruitment processes. The Group is committed to practice fair opportunity to all existing and prospective employees without unlawfulness or unfairness. In so doing, employees from all functional discipline and at all levels will have the opportunity to contribute and provide input on how our business is to be managed. Suggestion box is made available for staff to contribute constructive ideas to the Management. Our employee profile highlighting our diversity and equal opportunities are further explained in the Social section of this Sustainability Statement.

c. ***Indirect economic impact*** – through our business operation, we help develop our community through employment, generating substantial indirect economic activities from our power, construction and property development projects. In Vietnam, our power plant under construction is already contributing employment and economic opportunities, and once completed, will generate further employment and economic activities, increase electricity supply to the communities and overall meeting the energy needs of province and the country.

Our property development projects are expected to provide housing for our community as aspired by the government in providing houses to various Malaysia's population income level.

Sustainability Statement (cont'd)

Environmental

a. Recycled materials – Our efforts in recycling our materials are focused mostly in property development and in the office administration. Our EVOLVE Concept Mall provides separation of waste categories from plastics to food wastes and these wastes are collected by the recyclers services. In our property development projects, any excess construction materials are disposed through a proper appointed recyclers service providers.

b. Energy efficiency – In our projects, we minimise the use of electricity through limited working hours and use of LED lights. In our EVOLVE Concept Mall, we are replacing all our lighting system to LED lights which are expected to reduce our electricity consumption significantly.

c. Waste Management - We undertake measures to minimise any adverse impact of our operations on the environment. JAKS practices proper disposal of toxic and hazardous waste as per the Environment Quality Regulation. These scheduled wastes are treated and disposed-off at facilities approved by the authorities.

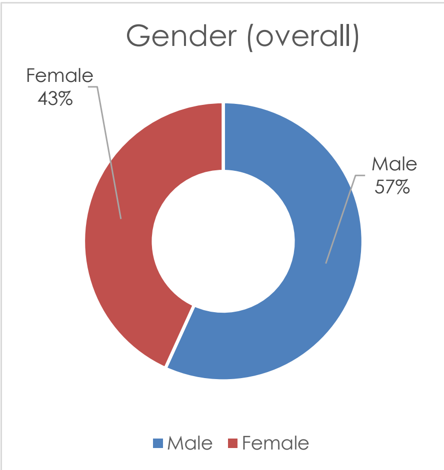
Social

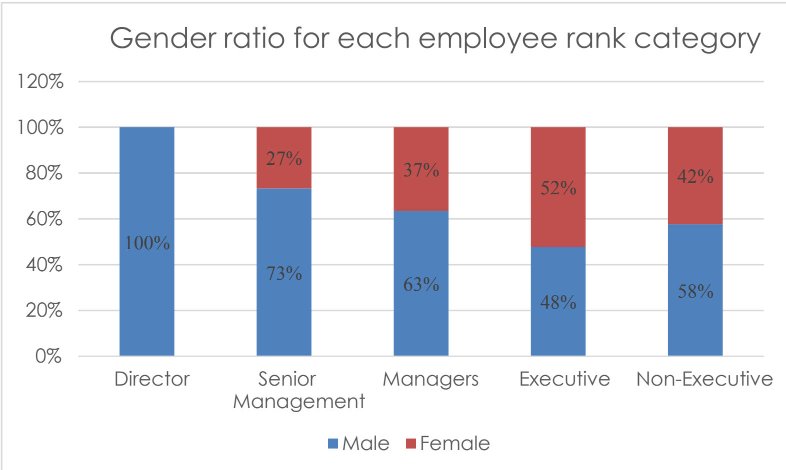
i. Diversity and equal opportunity

JAKS prohibits discrimination and harassment of any type regardless of race, colour, religion, sex, gender, national origin, disability status, protected veteran status, or any other characteristic protected by law. As such, employment opportunities in JAKS are equal to all applicants with due regards to diversity of skills, experience, age, ethnicity, and gender in the workplace.

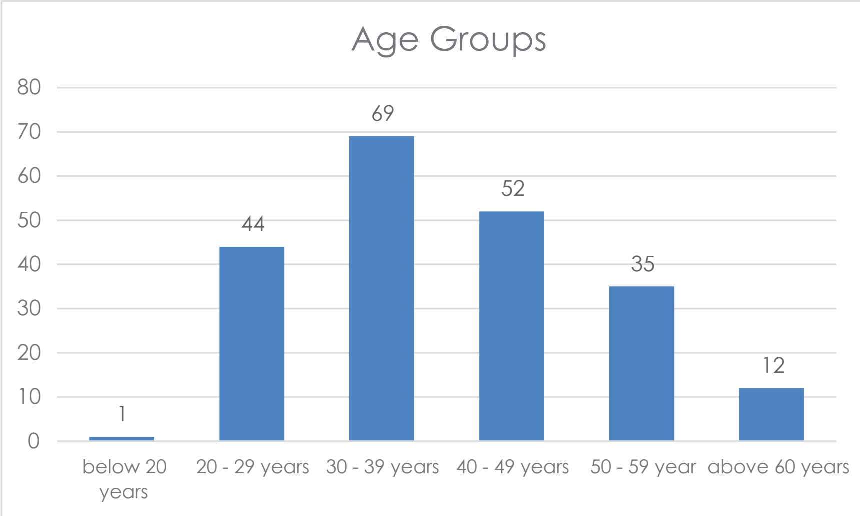
Although there is no written policy on gender diversity, the Board of JAKS acknowledges the importance of having women representation on the Board. The consideration for appointment of a suitably qualified woman candidate has been in discussion but the Board views that the appointment must be one that complements the Board's dynamic. The Board will endeavour to source for women representation on the Board within the next three years.

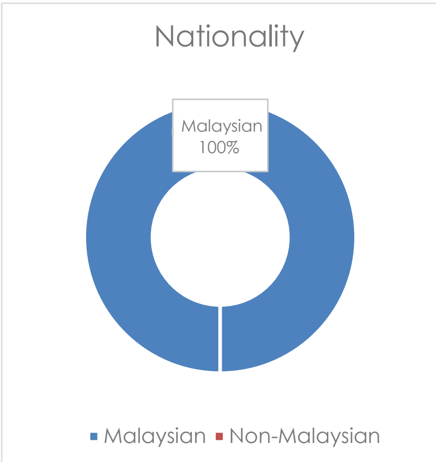
At the end of the reporting period, the mix of employee profiles is as follows:

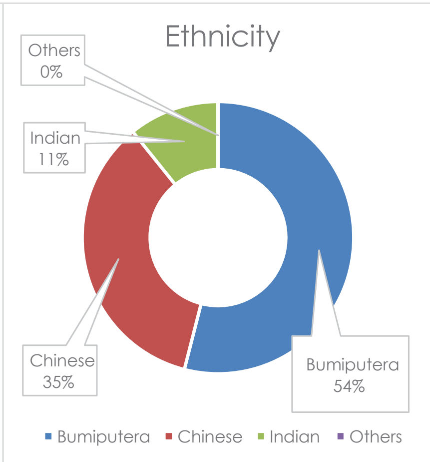




Sustainability Statement (cont'd)







ii. <u>Training and development</u>

JAKS continuously assesses the training needs of its workforce, and provide the necessary trainings to relevant staff to enable staff acquire the skills and knowledge to effectively and efficiently achieve our objectives that projects can be delivered safely, in quality required and on-time.

iii. <u>Occupational health and safety</u>

JAKS is committed to protect the health and safety of its employees and communities in its areas of operations. Each division has implemented policies and guidelines to help ensure the operations are conducted in compliance with the applicable regulations, standards as well as international best practices.

Health and Safety Committees are established for each project and required to convene their meeting at least once every month in order to keep close monitoring of recent events, incidents, and the status of corrective action requests.

The Group aspires to improve data and information related to safety records, and will endeavour to present it in a transparent manner in future sustainability reports.

Sustainability Statement (cont'd)

Power:

JAKS Hai Duong Power Company Limited practices safety using the principles of "fact-based, education-oriented, penalty and rewards, and open communications and fairness". Fines are imposed on staff for breaking health and safety rules for the construction sites, while rewards are awarded to staff based on performance in regards to health and safety. Todate, the project has maintained a zero accident record.

Construction:

The Health and Safety Committees of each project comprise of representatives from subcontractors, local authority, project managers as well as on-site safety managers in order to obtain input from all levels of the project organisation.

iv. Community engagement

All projects by JAKS have undergone social impact assessments and the appropriate local community engagement efforts have been taken as below:

Power:

Hai Duong BOT Thermal Power Plant – JAKS Hai Duong Power Company Limited

The Hai Duong BOT Thermal Power Plant project in the Kinh Mon district of Vietnam required relocation of local residents in the area. A resettlement plan was arranged and local representatives and the authorities consented with the resettlement plan. About 10 hectares of land was designated for the resettlement plan complete with basic infrastructure such as roads, drainage, electricity, water, hydrants and sewerage systems for the community. The resettlement plan was completed in 2017, in addition to the drainage system upgrade, flood mitigation projects, and upgrade of commune roads for the same community, which were constructed prior to 2017.

The constructed Resettlement Area with basic infrastructures i.e. roads, drainage, electricity, water, hydrants and sewerage systems.

Sustainability Statement (cont'd)

Property:

Community Events at Evolve Concept Mall – MNH Global Assets Management Sdn Bhd

In 2017, the following events were organised by Evolve Concept Mall for the local community:

Blood donation campaign (partnered with the Red Crescent Society of Malaysia) to collect blood donations for the National Blood Centre (Pusat Darah Negara).

Mid-Autumn Festival charity event (partnered with the Young Malaysia Movement, Segamat Branch) in order to collect donations from the public for the Malaysia Lysosomal Diseases Association.

Obstacle course fun run (partnered with Arthritis Foundation Malaysia) to drive awareness for Ankylosing Spondylitis and to raise funds for treatment for the needy.

Blood donation campaign

Construction:

D52 Sewer Pipes Network for Puchong, Selangor – JAKS Sdn Bhd

In 2017, JAKS Sdn Bhd has held community engagement events such as roadshows and lunches in order to help the communities around the construction areas understand the purpose and impact of the project to those communities.

As part of the community engagement for this project, JAKS also maintains a Feedback and Complaints process through the local city council (MBPJ) and a complaints hotline where complaints can be lodged with JAKS and actions taken are monitored by the project management team.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors supports high standards of corporate governance and assumes responsibility in ensuring that principles and recommendations of the Malaysian Code on Corporate Governance ("the Code") are followed where possible or provide alternatives in meeting them. The Group believes that good governance will help to realise long-term shareholders value, whilst taking into account the interest of other stakeholders.

Set out herewith are the corporate governance principles and recommendations that were applied during the financial year ended 31 December 2017. The Board considers that it has fundamentally applied the principles and practices of the Code and is pleased to report the actions taken by the Company to conform to the Code in the Corporate Governance Report that is available in the Company's website www.jaks.com.my.

A. THE BOARD OF DIRECTORS

a. Duties of Board of Directors

The Board of Directors takes full responsibility for the performance of the Group. The Board provides stewardship to the Group's strategic direction and operations which will ultimately maximise shareholders' value. To fulfill this role, the Board provides advice to the Management in monitoring and achieving the Group's goals.

The Board's most important functions are as follows:

- ensuring that the Group's goals are clearly established, and strategies are in place to achieve them;
- establishing policies for strengthening the performance of the Company including ensuring that Management is proactively seeking to build business through innovation, initiative, technology and the development of its business capital;
- monitoring the performance of Management;
- appointing the Chief Executive Officer ("CEO") and setting the terms of his employment contract;
- deciding on steps which are deemed necessary to protect the Company's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- ensuring that the Company's financial statements are true and fair and conform with law;
- ensuring that the Company adheres to high standards of ethics and corporate behavior; and
- ensuring that the Company has appropriate risk management or regulatory compliances policies in place.

In discharging its fiduciary duties, the Board has delegated specific tasks to three Board Committees namely Audit Committee, Nomination Committee and Remuneration Committee. All the Board Committees have its own terms of reference and the authority to act on behalf of the Board within the authorities as lay out in the terms of reference and report to the Board with the necessary recommendation.

The Company has adopted a Board Charter in 2004 which sets out the Board Governance process and Board-Management relationship. A review of the Board Charter was conducted recently in view of the changes expected on the Code. A formal schedule of matters reserved for the Board had been adopted covering the limits of authority for:

- Acquisition & Disposal of Assets
- Investments in Capital Projects
- Treasury Policies
- Risk Management policies

b. Board Composition and Balance

The Board of JAKS Resources Berhad has six members comprising of the CEO, two Executive Directors and three Independent Non-Executive Directors. The Independent Non-Executive Directors make up 50% of the Board to allow for objective independent judgement to be made by the Board.

The Board Meetings are presided by the Chairman, who is an Independent Non-Executive Director and whose role is clearly separated from role of the CEO to ensure a balance of power and authority.

The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as managing the development and implementation of business and corporate strategies. The Independent Non-Executive Directors are independent of Management and free from any business relationship which could materially interfere with their independent judgement. Their presence ensures that issues of strategies, performance and resources proposed by the Management are objectively evaluated and thus provide a capable check and balance for the Executive Directors.

On the tenure of the independent directors who have exceeded the term of 9 years, the Company's shareholders had at the Annual General Meeting in 2013 pass the resolution to allow Mr. Liew Jee Min @ Chong Jee Min and Dato' Azman Bin Mahmood who have both served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company and the shareholders also granted authority to the Board of Directors henceforth to determine on a year to year basis the continuation in office of these independent directors until such authority is revoked at a general meeting. In lights of the spirit of the new Code, the Company will table the resolutions for the retention of the Mr. Liew Jee Min @ Chong Jee Min and Dato' Azman Bin Mahmood as Independent Non-executive Directors of the Company on an annual basis.

The Board has taken note of Practice 4.5 of the Code to have a gender diversity policy. Although there is no written policy on gender diversity, the Board acknowledges the importance of having women representation on the Board. The consideration for appointment of a suitably qualified woman candidate has been in discussion but the Board views that the appointment must be one that complements the Board's dynamic. The Board will endeavour to source for women representation on the Board within the next three years.

Board Meetings

During the financial year ended 31 December 2017, ten Board Meetings were held as besides the routine meeting to discuss on the quarterly financial reports, the Board held special meetings to discuss on the corporate exercise undertaken during the year. The respective Directors' attendance record is as shown in the table below:

Director	No. of meetings attended
Tan Sri Datuk Hussin Bin Haji Ismail	10/10
Ang Lam Poah	9/10
Ang Lam Aik	8/10
Dato' Razali Merican Bin Naina Merican	9/10
Dato' Azman Bin Mahmood	10/10
Liew Jee Min @ Chong Jee Min	9/10

The Board meets at least five times a year and as and when it is necessary. Due notice of matters to be discussed are provided to the Board. The proceedings, deliberations and conclusions made by the Board were properly recorded in the minutes of meetings kept by the Company Secretary and was confirmed by the Board and signed by the Chairman of the meeting.

c. Supply of Information

The Board is provided with the agenda and board papers prior to Board Meetings with sufficient time to enable the Board to solicit further explanations and/or information, where necessary, to enable them to discharge their duties.

The board papers provided include inter alia, financial results, business plan and budget, status of major projects, minutes of meetings of Board/ Board Committees, circulars from Bursa Malaysia Securities Berhad ("Bursa Securities"), announcements made to Bursa Securities, Directors' resolution in writing that had been passed and other major operational and financial issues for the Board's information and/or approval.

All Directors have access to the advices and services of the Company Secretary and all information in relation to the Group whether as a full Board or in their individual capacity to assist them in discharging their duties. The Board or the individual Director may seek independent advice from independent professional advisers at the Group's expense, if necessary in accordance to the prescribed policy.

Corporate Governance Statement (cont'd)

d. Directors' Training

The Group acknowledges that continuous education is vital for the Board members to gain insight into the state of economy, technological advances, regulatory updates and management strategies. The Directors are encouraged to attend continuous education programmes to further enhance their skills and knowledge, where relevant. New directors appointed are required to attend the Mandatory Accreditation Programme pursuant to the Listing Requirements of Bursa Securities and will be briefed by Management on the operations and policies of the Company to familiarise themselves with the Company's business.

During the financial year ended 31 December 2017, the Directors attended the following training programs:-

Director	Mode of Training	Title of Training	Duration of Training
Tan Sri Datuk Hussin Bin Haji Ismail	Seminar	Bursa Malaysia Corporate Governance & Sustainability Microsite	0.5 day
	Seminar	Advocacy Session on Corporate Disclosure	0.5 day
	In-house	Malaysian Code on Corporate Governance	1 hour
Dato' Azman Bin Mahmood	Seminar	Joint Cocoaland Holdings Berhad and Fraser & Neave Holdings Berhad Directors' Continuing Education Programme 2017	1 day
	In-house	Malaysian Code on Corporate Governance	1 hour
Liew Jee Min @ Chong Jee Min	Workshop	Fraud Risk Management Workshop	.5 day
	Seminar	Driving Financial Integrity & Performance – Enhancing Financial Literacy	1 day
	Seminar	Amendments to the Listing Requirements of Bursa Malaysia Securities Berhad enhancing Disclosure and Corporate Governance Practice and the new Malaysian Code on Corporate Governance	0.5 day
	Seminar	Bursa Risk Management Programme – I Am Ready to Manage Risks	1 day
	Seminar	Advocacy Sessions on Corporate Disclosure for Directors and Principal Officers of Listed Issuers	0.5 day
	Workshop	Effective Internal Audit Function for Audit Committee (AC) Workshop	0.5 day
	In-house	Malaysian Code on Corporate Governance	1 hour
Ang Lam Poah	In-house	Malaysian Code on Corporate Governance	1 hour
Dato' Razali Merican Bin Naina Merican	In-house	Malaysian Code on Corporate Governance	1 hour
Ang Lam Aik	In-house	Malaysian Code on Corporate Governance	1 hour

Corporate Governance Statement (cont'd)

f. Appointments and Re-election of Directors

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board shall hold office only until the next annual general meeting after their appointment and shall then be eligible for re-election. The Articles also provide that at least one-third of the remaining Directors be subject to retirement by rotation at each annual general meeting provided always that all Directors including the CEO shall retire from office at least once every three years but shall be eligible for re-election.

The Board has empowered the Nomination Committee to consider and make their recommendation to the Board for the continuation in service of those Directors who are due for retirement and recommendation of new Directors, if required to enhance the composition of the Board. The Nomination Committee will recommend candidates for all directorships to be filled to the Board. The Nomination Committee also review the composition of the Board to ensure that the Board has the required mix of skills, expertise, attributes and core competencies to discharge their duties efficiently and effectively.

B. DIRECTORS' REMUNERATION

a. Level and Make-up

The Company has adopted the objective as recommended by the Code to determine the remuneration of the Directors so as to ensure that the Company attracts and retains the Directors needed to run the Group successfully. The component parts are designed to link rewards to corporate and individual performance in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual Non-Executive Director concerned.

b. Procedure

The Remuneration Committee recommends for the Board's approval on all elements of remuneration and terms of employment for Executive Directors with the Director concerned abstaining from deliberations and voting on decisions in respect of his remuneration package. The Remuneration Committee met two (2) times during the financial year 2017 to review the bonuses and increments of the Executive Directors and also on the allocation of the LTIP options.

Non-Executive Directors' fees are determined by the Board as a whole. The fees payable to Non-Executive Directors are subject to the approval of shareholders.

Corporate Governance Statement (cont'd)

c. Details of Remuneration

Details of the remuneration received by the Directors from the Group and Company for the financial year ended 31 December 2017 are set out below.

The aggregate remuneration paid/payable to all Directors of the Company are further categorised into the following components.

	Group					Company				
Directors	Fees (RM)	Salaries & Bonus (RM)	EPF & SOCSO (RM)	Benefit-in-kind/ Allowances (RM)	Total (RM)	Fees (RM)	Salaries & Bonus (RM)	EPF & SOCSO (RM)	Benefit-in-kind/ Allowances (RM)	Total (RM)
Tan Sri Datuk Hussin Bin Haji Ismail	52,500	-	-	35,000	87,500	52,500	-	-	35,000	87,500
Ang Lam Poah	-	1,300,000	157,657	80,200	1,537,857	-	980,000	118,429	80,200	1,178,629
Dato' Razali Merican Bin Naina Merican	-	705,000	85,429	65,700	856,129	-	705,000	85,429	65,700	856,129
Ang Lam Aik	-	325,000	39,829	39,500	404,329	-	325,000	39,829	39,500	404,329
Dato' Azman Bin Mahmood	52,500	-	-	29,000	81,500	52,500	-	-	29,000	81,500
Liew Jee Min @ Chong Jee Min	52,500	-	-	30,000	82,500	52,500	-	-	30,000	82,500

Remuneration paid to the top five (5) Senior Management of JAKS Group (excluding Directors) for the financial year ended 31 December 2017 was RM2,427,611. The remuneration of the top five (5) Senior Management of the JAKS Group is disclosed on an aggregate basis. At this particular juncture, the Board is of the opinion that the disclosure of the Senior Management personnel' names and the remuneration in bands of RM50,000 would not be in the best interest of the Group due to confidentiality and security concerns.

C. SHAREHOLDERS

The Company recognises the importance of transparency and accountability in the disclosure of the Group's business activities to its shareholders and investors. The Board has maintained an effective communication policy that enables both the Board and Management communicate effectively with its stakeholders, investors and even the public.

The Company uses its annual general meeting as the main channel of communication with its shareholders where the Board of Directors and Auditors of the Company are present to answer any queries from shareholders.

D. ACCOUNTABILITY AND AUDIT

a. Financial Reporting

In presenting the annual financial statements and quarterly announcements of its results, the Board of Directors has ensured that the financial statements represent a true and fair assessment of the Company and Group's financial position.

b. Internal Control and Risk Management

The Board acknowledges its responsibility for establishing a sound system of internal control to safeguard shareholders' investment and Group's assets and to provide assurance on the reliability of the financial statements.

While the internal control system is devised to cater for particular needs of the Group, such controls by their nature can only provide reasonable assurance but not absolute assurance against material misstatement or loss. A Statement on Risk Management and Internal Control is set out on pages 33 to 34.

c. Relationship with Auditors

The Company maintains a transparent relationship with the auditors in seeking their professional advice and towards ensuring compliance with the accounting standards.

E. DIRECTORS' RESPONSIBILITY STATEMENT

The Board is responsible to ensure that the financial statements are properly drawn up in accordance with the provisions of the Companies Act 2016 and approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the results and cash flows of the Group for the financial year then ended.

The Directors are satisfied that in preparing the financial statements of the Group for the year ended 31 December 2017, the Group has adopted suitable accounting policies and applied them consistently, prudently and reasonably. The Directors also consider that all applicable approved accounting standards have been followed in the preparation of financial statements. The financial statements have been prepared on the going concern basis.

The Directors are responsible for ensuring that the Group keeps sufficient accounting records to disclose the financial position of the Group with reasonable accuracy and ensure that the financial statements are comply with the Companies Act 2016.

F. ADDITIONAL COMPLIANCE INFORMATION

1. Non-audit Fees

The amount of non-audit fees paid to the external auditors by the Company and its subsidiaries for the financial year ended 31 December 2017 amounting to RM3,000. The amount of audit fees paid or payable to the external auditors by the Company was RM89,300 and by the Group was RM341,192.

2. Material Contract

There was no material contract entered into by the Company and/or its subsidiary companies which involves Directors' and Major Shareholders' interest during the financial year ended 31 December 2017.

3. Utilisation of Proceeds

The status of utilisation of proceeds as at 31 December 2017 is as follows.

Proposed utilisation of proceeds	**Proceeds raised RM'000**	**Utilised as at 31/12/2017 RM'000**	**Timeframe for utilisation**
On-going projects undertaken by JRB and its subsidiaries ("JRB Group" or "Group")	34,000	34,000	Within 12 months
Working capital	24,326	24,326	Within 6 months
Estimated expenses relating to the Proposed Private Placement	1,291	1,291	Within 3 months
	59,617	59,617	

AUDIT COMMITTEES REPORT

A. AUDIT COMMITTEE REPORT

a. Members

The Audit Committee consists of the following members:

Chairman	**Dato' Azman Bin Mahmood** (Independent Non-Executive Director)
Members	**Tan Sri Datuk Hussin Bin Haji Ismail** (Independent Non-Executive Director)
	Liew Jee Min @ Chong Jee Min (Independent Non-Executive Director)

b. Functions and Responsibilities

The key functions and responsibilities of the Audit Committee are:

- To consider the appointment of the External Auditor, the audit fee and any questions of resignation or dismissal;
- To discuss with the External Auditor before the audit commences, the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;
- To review the quarterly and year-end financial statements of the Company, focusing particularly on:
  - Any changes in accounting policies and practices;
  - Significant adjustments arising from the audit;
  - The going concern assumption;
  - Compliance with accounting standards and other legal requirements.
- To discuss problems and reservations arising from the interim and final audits, and any matter the External Auditor may wish to discuss (in the absence of management where necessary);
- To review the External Auditors' management letter and management's response;
- To consider any related party transactions that may arise within the Company or the Group;
- To consider the major findings of internal investigations and Management's response;
- To do the following in relation to the internal audit function:
  - Identify the head of internal audit;
  - Review the adequacy of the scope, functions, competency and resources of the internal audit function and the necessary authority to carry out its work;
  - Review the internal audit programme and results of the internal audit programme and the results of the internal audit process and where necessary ensure that appropriate actions taken on the recommendations of the internal audit function;
  - Review any appraisal or assessment of the performance of members of the internal audit functions;
  - Approve any appointment or termination of senior staff members of the internal audit function;
  - Inform the Company on the resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning; and
  - To consider other topics as defined by the Board.

Audit Committees Report (cont'd)

c. Summary of Activities of Audit Committee for the financial year ended 31 December 2017

The Audit Committee held six meetings during the financial year ended 31 December 2017.

The attendance record for the financial year ended 31 December 2017 of each member of the Audit Committee is shown in the table below:

Audit Committee Members	Meeting Attendance	
	No of meetings attended	Percentage of attendance
Dato' Azman Bin Mahmood	6/6	100
Liew Jee Min @ Chong Jee Min	6/6	100
Tan Sri Datuk Hussin Bin Haji Ismail	6/6	100

The minutes of each Audit Committee Meeting were distributed to the Board members at the subsequent Board Meeting. The Audit Committee Chairman will inform the Directors at Board Meetings, matters and recommendations which the Audit Committee' view ought to be highlighted to the Board.

For the financial year ended 31 December 2017, the Audit Committee:

i. Reviewed the quarterly results and Audited Financial Statements;
ii. Reviewed the internal audit report tabled by Internal Auditors;
iii. Reviewed and approve the Internal Audit Plan;
iv. Reviewed the Audit Review Memorandum and discussed with External Auditors on their findings;
v. Reviewed the Statement on Risk Management & Internal Control and Audit Committee Report prior to the Board's approval for inclusion in the Annual Report;
vi. Review Audit Planning Memorandum for the financial year ended 31 December 2017;
vii. Reviewed the performance of Internal Auditors; and
viii. Recommended the External Auditors' fees and re-appointment of External Auditors.

d. Summary of Activities of the Internal Audit Function for the financial year ended 31 December 2017.

The Group's internal audit function, which reports directly to the Audit Committee, is outsourced to Axcelasia Columbus Sdn Bhd. The Engagement Director is Mr Mah Siew Hoong who has diverse professional experience in internal audit, risk management and corporate governance advisory. He is a Chartered Member of the Institute of Internal Auditors Malaysia, a member of the Malaysian Institute of Accountants and a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom. Mr. Mah is a Certified Internal Auditor (USA) and has a Certification in Risk Management Assurance (USA).

The number of staff deployed for the internal audit reviews is ranging from 3 to 4 staff per visit including the Engagement Director. The staff involved in the internal audit reviews possesses professional qualifications and/or a university degree. Certain staff are members of the Institute of Internal Auditors Malaysia. The internal audit staff on the engagement are free from any relationships or conflict of interest, which could impair their objectivity and independence, and the internal audit reviews were conducted using a risk based approach and were guided by the International Professional Practice Framework.

During the financial year under review, a summary of the activities carried out by the internal audit function are as follows:

(a) Prepared the risk based internal audit plan for the review and approval of the Audit Committee.

(b) Carried out reviews in accordance with the risk based internal audit plan reviewed and approved by the Audit Committee.

Audit Committees Report (cont'd)

The business processes reviewed were procurement and security management processes of MNH Global Assets Management Sdn Bhd, review of inter-company transactions of JAKS Resources Berhad and review of development cost of Evolve Concept Mall. Findings from the internal audit reviews conducted were discussed with Senior Management and subsequently presented, together with Management's response and proposed action plans, to the Audit Committee for their review and approval. The outsourced internal audit function also carries out follow up reviews and reports to the Audit Committee on the status of implementation of action plans committee by Management pursuant to the recommendations highlighted in the internal audit reports.

Notwithstanding the above, although a number of internal control deficiencies were identified during the internal audit reviews, none of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in this annual report.

The total cost incurred for the outsourcing of the internal audit function for the financial year 31 December 2017 was RM77,858.04.

B. NOMINATION COMMITTEE REPORT

a. Members

The Nomination Committee comprises exclusively of Independent Non-Executive Directors. The Chief Executive Officer (CEO) attends the meeting on the invitation of the Committee.

Chairman	**Dato' Azman Bin Mahmood** (Independent Non-Executive Director)
Members	**Liew Jee Min @ Chong Jee Min** (Independent Non-Executive Director)
	Tan Sri Datuk Hussin Bin Haji Ismail (Independent Non-Executive Director)

b. Functions and Responsibilities

The key functions and responsibilities of the Nomination Committee are:

- To review regularly the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary.
- To review and recommend new nominees for appointment to the Board of Directors.
- To assess Directors on an on-going basis, the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director.
- To recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board. In making its recommendations, the Committee should consider the candidates'
  - skills, knowledge, expertise and experience;
  - professionalism;
  - integrity; and
  - in the case of candidates for the position of independent non-executive directors, the Committee should also evaluate the candidates' ability to discharge such responsibilities/ functions as expected from independent non-executive directors.
- To consider, in making its recommendations, candidates for directorships proposed by the CEO and, within the bounds of practicability, by any other senior executive or any director or shareholder.
- To recommend to the Board, Directors to fill the seats on Board Committees.
- To review annually the Board's mix of skills and experience and other qualities including core competencies which non-executive Directors should bring to the Board. This should be disclosed in the Annual Report.

- To recommend to the Board for continuation (or not) in service of executive Director(s) and Directors who are due for retirement by rotation.

- On invitation of Chairman or the Board, recommend to the Board for continuation (or not) in service of executive Directors(s) and Directors who are due for retirement by rotation.

- To orient and educate new Directors as the nature of the business, current issues within the Company and the corporate strategy, the expectations of the Company concerning input from the Directors and the general responsibilities of Directors.

c. Summary of Activities of Nomination Committee for the financial year ended 31 December 2017

The Nomination Committee met twice during the financial year ended 31 December 2017. For the financial year ended 31 December 2017, the following activities were carried out by the Nomination Committee:

i. Reviewed the size and composition of the Board and Board Committees;
ii. Reviewed the mix of skill and experience and other qualities of the Board;
iii. Assessed the effectiveness of the Board as a whole, the Board Committees and the Directors;
iv. Discussed and recommended the re-election of retiring Directors; and
v. Reviewed the term of office and performance of the Audit Committee and each of its members and concluded that the Audit Committee members have carried out their duties in accordance with their terms of reference.

The Nomination Committee upon its annual assessment carried out for financial year 2017, was satisfied that:

- The size and composition of the Company Board is optimum with appropriate mix of knowledge skills, attribute and core competencies;
- The Board has been able to discharge its duties professionally and effectively;
- All the Directors continues to uphold the highest governance standards in discharging their duties and responsibilities;
- All the members of the Board are well qualified to hold their positions as Directors of the Company in view of their respective working experience, academic and professional qualifications, depth of knowledge, skills and experience and their personal qualities;
- The Independent Directors, namely Tan Sri Datuk Hussin Bin Haji Ismail, Dato' Azman Bin Mahmood and Liew Jee Min @ Chong Jee Min are demonstrably independent;
- The Directors are able to devote sufficient time commitment to their roles and responsibilities as evidenced by their attendance records; and
- The Directors have received training during the financial year ended 31 December 2017 that is relevant and would serve to enhance their effectiveness in the Board.

Audit Committees Report (cont'd)

C. REMUNERATION COMMITTEE REPORT

a. Member

The Remuneration Committee comprises of a majority of Non-Executive Directors.

Chairman **Liew Jee Min @ Chong Jee Min**
(Independent Non-Executive Director)

Members **Ang Lam Poah**
(Chief Executive Officer)

Tan Sri Datuk Hussin Bin Haji Ismail
(Independent Non-Executive Director)

The Committee met two (2) times during the financial year ended 31 December 2017.

b. Function and Responsibilities

The Remuneration Committee shall ensure that the levels of remuneration are sufficient to attract and retain Directors of the quality required to manage the business of the Group. The Remuneration Committee is entrusted under its terms of reference to assist the Board, amongst others, to recommend to the Board the remuneration of the Executive Directors, by linking their rewards to corporate and individual performance with the Director concerned abstaining from deliberations and voting on decisions in respect of his remuneration package. In the case of Non-Executive Directors, the level of remuneration shall reflect the experience and level of responsibilities undertaken by the Non-Executive Directors concerned and is determined by the Board as a whole.

c. Summary of Activities of Remuneration Committee for the financial year ended 31 December 2017

The Remuneration Committee held two meetings during the financial year ended 31 December 2017.

The attendance record for the financial year ended 31 December 2017 of each member of the Remuneration Committee is shown in the table below:

Remuneration Committee Members	Meeting Attendance	
	No of meetings attended	Percentage of attendance
Liew Jee Min @ Chong Jee Min	2/2	100
Ang Lam Poah	2/2	100
Tan Sri Datuk Hussin Bin Haji Ismail	2/2	100

The Remuneration Committee carried out the following activities for the financial year ended 31 December 2017:

i. Reviewed the 2016 bonus of Executive Directors and increments for financial year 2017;
ii. Reviewed directors' fees for financial year ended 31 December 2017;
iii. Reviewed Long Term Incentive Plan to be awarded to Directors and key management staff; and
iv. Discussed on the revision to the compensation and benefits of Senior Management.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

The Board of Directors of JAKS Resources Berhad ("JAKS") is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 31 December 2017 which has been prepared pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ('the Guidelines"). This statement outlines the nature and state of the risk management and internal control of the Group during the financial year.

Board Responsibility

The Board acknowledges its responsibility for maintaining a sound and effective systems of risk management and internal controls and for reviewing the adequacy and integrity of the said systems to ensure shareholders' interests and the Group's assets are safeguarded. These responsibilities have been delegated to the Audit Committee, which is empowered by its terms of reference to seek the assurance on the adequacy and effectiveness of the Group's internal controls system through independent reviews conducted by the internal audit function and the annual statutory audits conducted by the external auditors. The Audit Committee reports significant controls matters to the Board at their scheduled meetings.

However, as there are inherent limitations in any system of risk management and internal control, such system can only manage rather than eliminate all possible risks that may impede the achievement of the Group's business objectives or goals. Therefore, the system can only provide reasonable and not absolute assurance against material misstatements or losses.

Risk Management Framework

In pursue of the continuous commitment in optimising shareholders value, the Group has enhanced its Enterprise Risk Management ("ERM") Framework which outlines the risk governance and structure, risk policies, risk assessment process and integration of risk management into significant activities and functions.

The risk assessment process which is in line with ISO 31000:2009 provides an integrated and structured approach in identifying, evaluating and managing significant risks that may affect the achievement of the Group's business objectives. It promotes risk ownership and continuous monitoring of significant risks identified by way of assigning accountabilities to the respective Heads of Department and key management staffs.

Significant risk identified are maintained in a formal database of risks and controls information i.e., risk registers, which captures the possible root causes, existing key controls and impact. The risks are then categorised by the likelihood of occurrence and criticality of impact i.e., Low, Medium, High and Extreme. Risk action plans for the all High and Extreme risks are also developed to manage the risks to an optimal level. This provides Management a holistic view of the risks in its formulation of strategies and plans and decision making process.

A Risk Management Committee ("RMC") which consists of Senior Management and selected Heads of Department was also established to monitor on the risk policy implementation, provide risk education to all staff, ensure accountability of risks identified are assigned and facilitate the risk reporting to the Board. Periodic RMC meetings were held in which significant risks and the appropriate mitigating controls were discussed and communicated to Senior Management. Risk profile for all business units and Top 8 Risks of the Group are also brought to the attention of Board members at their scheduled meetings.

The above-mentioned risk management practices of the Group serves as the on-going process used to identify, evaluate and managed significant risks of the Group for the year under review and up to the date of approval of this Statement. The Board shall continue to evaluate the Group's risk management process to ensure it remains relevant to the Group's requirements.

Internal Audit Function

The Group's Internal Audit Function assists the Board and Audit Committee by providing an independent assessment of the adequacy and effectiveness of the Group's internal control system. Further details of the Internal Audit Function are set out in the Audit Committee Report on pages 29 to 30 of this Annual Report.

Statement On Risk Management And Internal Control (cont'd)

Others Key Elements of Internal Control

The other key elements of the Group's internal control systems are described below:

- An organisational structure with clearly defined lines responsibility, accountability, and proper segregation of duties.
- Written operational policies and procedures that are established and regularly reviewed and updated to ensure that it maintains its effectiveness and continues to support the Group's business activities as the Group's grows.
- Human resource policies encompassing areas of recruitment, training and development, health and safety, staff performance, appraisal and succession planning with the objective to enhance staff integrity and the development of professionalism and competency of employees in the Group.
- Quality management in the form of policies and objectives as outlined in the Quality Manual issued by the Chief Executive Officer. The Management Review Team periodically reviews this quality management process that is implemented throughout the financial year.
- Monitoring of results by the senior management team on a monthly basis where appropriate management action will be undertaken to address deviations. The Chief Executive Officer also reviews the management accounts covering financial performance, key business indicators on a quarterly basis and the cash flow position on a regular basis.
- Executive Directors are actively involved in the running of the business and operations of the Group and they report to the Board on significant changes in the business and external environment, which affect the operations of the Group.
- The Group's risk management process, internal audit process and internal control system do not apply to jointly controlled operations and joint ventures where the Group does not have full management control. The Group's interest in these jointly controlled operations are closely monitored through periodic receipt of the operations management accounts and representation in the jointly controlled operations' Board.

Review of the Statement by External Auditors

As required by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities the External Auditors have reviewed this Statement on Risk Management and Internal Control to the scope set out in the Audit and Assurance Practice Guide ("AAPG") 3 , Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants for inclusion in the Annual Report for the Group for the year ended 31 December 2017, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the Annual Report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers; or

(b) is factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and Management thereon. The Auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

Conclusion

At a meeting held on 23 April 2018, the Board obtained assurance from the Chief Executive Officer and Chief Financial Officer that the Group's risk management and internal controls systems are operating adequately and effectively in all material respects.

The Board is of the view that the risk management and internal control system is satisfactory and have not resulted in any material losses or contingencies that would require disclosure in the Group's annual report. The Board shall continue to take the pertinent measures to improve the Group's risk management and internal control in meeting the Group's corporate objectives.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board of Directors dated 23 April 2018.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

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

Principal Activities

The principal activities of the Company are that of investment holding and general contractor. The principal activities of the subsidiary companies are disclosed in Note 7 to the financial statements.

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

Financial Results

	Group RM	Company RM
Profit/(loss) for the financial year	110,067,475	(1,396,643)
Attributable to:		
Owners of the parent	126,640,430	
Non-controlling interests	(16,572,955)	
	110,067,475	

Reserves and Provisions

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

Dividend

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

Issue of Shares and Debentures

During the financial year, the Company issued:

(a) 10,550,000 new ordinary shares of RM1.40 each for a total consideration of RM14,770,000 from exercise of Long Term Incentive Plan ("LTIP").

(b) 43,836,100 new ordinary shares of RM1.36 each for a total cash consideration of RM59,617,096 for working capital purposes.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

There was no issuance of debentures during the financial year.

Options Granted Over Unissued Shares

Long Term Incentive Plan ("LTIP")

On 28 June 2016, the shareholders of JRB have at Extraordinary General Meeting approved the establishment of a LTIP of up to fifteen percent (15%) of the total number of issued shares of the Company (excluding treasury shares) at any one time for the Directors and employees of JRB and its subsidiary companies.

The salient features and other terms of the LTIP are disclosed in the Note 33 to the financial statements.

As at 31 December 2017, the options offered to take up unissued ordinary shares and the exercise price are as follows:

		Number of options over ordinary shares				
Date of offer	**Exercise price**	**At 1.1.2017**	**Granted**	**Exercised**	**Lapsed**	**At 31.12.2017**
24 May 2017	RM1.40	-	24,500,000	(10,550,000)	-	13,950,000

Details of options granted to Directors are disclosed in the section of Directors' Interests in the report.

Directors

The Directors in office during the financial year until the date of this report are:

Ang Lam Aik
Ang Lam Poah*
Dato' Azman Bin Mahmood
Dato' Razali Merican Bin Naina Merican*
Liew Jee Min @ Chong Jee Min
Tan Sri Datuk Hussin Bin Ismail

The Directors who held office in the subsidiary companies (excluding Directors who are also Directors of the Company) during the financial year up to the date of this report:

Datuk Ang Ken Seng
Chen Cheong Fat
Goh Theow Hiang
Rasli Bin Musamah
Noor Azhan Rizaluddin Bin Jamian
Kevin Lee Shih Min
Ungku Shaharud Zaman Shah Bin Ungku Nazaruddin
Zaid Bin Kadershah
Ang Si Eeng
Haris Fadzilah Bin Abdullah
Yap Kian Mun (resigned on 30 March 2017)

* *Director of the Company and its subsidiary companies*

Directors' Report (cont'd)

Directors' Interests In Shares

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

		Number of ordinary shares			
	At 01.01.2017	**Transferred/ Acquired**	**Conversion/ Exercised**	**Disposed**	**At 31.12.2017**
JAKS Resources Berhad					
Direct interest					
Ang Lam Poah	37,497,902	5,306,200	6,000,000	-	48,804,102
Dato' Razali Merican Bin Naina Merican	-	-	4,500,000	(2,950,000)	1,550,000
Indirect interest					
Dato' Razali Merican Bin Naina Merican(1)	26,121,000	3,450,000	-	-	29,571,000

		Number of options over ordinary shares			
	At 01.01.2017	**Granted**	**Exercised**	**Lapsed**	**At 31.12.2017**
JAKS Resources Berhad					
Direct Interest					
Ang Lam Poah	-	6,000,000	(6,000,000)	-	-
Dato' Razali Merican Bin Naina Merican	-	4,500,000	(4,500,000)	-	-
Ang Lam Aik	-	1,500,000	-	-	1,500,000

Notes:

1 *Deemed interest by virtue of his shareholdings in Original Invention Sdn. Bhd..*

None of the other Directors in office at the end of the financial year had any interests in the shares and options over shares in the Company and its related corporations.

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of remunerations received or due and receivable by Directors as shown in Note 34 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for those disclosed in Note 36(b) to the financial statements.

Neither during nor at the end of the financial year, was the Group or the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than those arising from the share options granted under the LTIP of the Company.

Indemnity and Insurance Costs

During the financial year, Directors and Officers of JAKS Resources Berhad, together with its subsidiary companies, are covered under the Directors' and Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors' and Officers' Liability Insurance effected for the Directors and Officers of the Group was RM5,000,000. The total amount of premium paid for the Directors' and Officers' Liability Insurance by the Group and the Company was RM21,000.

There were no indemnity and insurance costs effected for auditors of the Company during the financial year.

Other Statutory Information

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

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

  (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected so to realise.

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

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

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

  (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or

  (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

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

  (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year except as disclosed in Note 43(c) to the financial statements.

Directors' Report (cont'd)

Other Statutory Information (cont'd)

(d) In the opinion of the Directors:

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

(ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in the notes to financial statements; and

(iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Subsidiary Companies

The details of the subsidiary companies are disclosed in Note 7 to the financial statements.

Auditors' Remuneration

The details of the auditors' remuneration are set out in Note 30 to the financial statements.

Significant Events

Significant events during the financial year are disclosed in Note 42(a) to the financial statements.

Subsequent Events

Significant events subsequent to the end of the financial year are disclosed in Note 42(b) to the financial statements.

Auditors

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 23 April 2018.

……………………………………………………………
ANG LAM POAH
Director

……………………………………………………………
DATO' RAZALI MERICAN BIN NAINA MERICAN
Director

KUALA LUMPUR

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

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the accompanying financial statements are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 23 April 2018.

…………………………………………….…...............
ANG LAM POAH
Director

…………………………………………….…...............
DATO' RAZALI MERICAN BIN NAINA MERICAN
Director

Kuala Lumpur

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

I, **ANG SI EENG** (MIA No. CA 21039), being the Officer primarily responsible for the financial management of JAKS Resources Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

…………………………………………….…...............
ANG SI EENG

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 23 April 2018

Before me,

NO. W710
MOHAN A.S. MANIAM
…………………………………………….…...............
COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF JAKS RESOURCES BERHAD

REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of JAKS Resources Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 47 to 133.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

<u>Revenue and cost recognition on construction contracts and property development activities</u>

Refer to Note 3(e) & (i) (Significant Accounting Policies), Note 2(d) (Significant Accounting Judgements, Estimates and Assumptions), Note 6(b) (Property Development Costs), Note 14 (Amount due from/(to) customers on contracts) and Note 27 (Revenue).

A significant proportion of the Group's and of the Company's revenues and profits are derived from construction contracts and property development projects which span more than one accounting period. The Group and the Company use percentage-of-completion method in accounting for construction contracts and property development activities. The stage of completion is measured by reference to the proportion of actual costs incurred for work performed to date to the estimated total costs for the project.

We focused on this area because management applies significant judgement in determining the stage of completion, extent of costs incurred for construction contracts and property development projects and construction costs or property development costs yet to be incurred.

Key Audit Matters (cont'd)

Revenue and cost recognition on construction contracts and property development activities (cont'd)

Our audit procedures performed in this area included, amongst others:

- Tested the Group's and the Company's controls by checking for evidence of reviews and approvals over construction contract and property development costs, setting budgets and authorising and recording of actual costs incurred;

- Challenged the assumptions in deriving at the estimates of construction contract and property development costs. This includes comparing the actual margins achieved of previous similar completed projects to estimates and compared the estimated costs to supporting documentation such as approved budgets, quotations, contracts and variation orders with sub-contractors;

- Agreed a sample of costs incurred to date to relevant documents such as sub-contractor claim certificates, verified by the Group's and Company's internal quantity surveyor or the employers.

- Reviewed management's workings on the computation of percentage-of-completion.

- Assessed the adequacy and reasonableness of the disclosures in the financial statements.

Impairment assessment of goodwill

Refer to Note 3(k) (i) (Significant Accounting Policies), Note 2(d) (Significant Accounting Judgements, Estimates and Assumptions) and Note 10 (Goodwill on consolidation).

The carrying values of goodwill of the Group as at 31 December 2017 are RM148.5 million. Goodwill is subject to annual impairment testing. We focused on these areas as the determination of recoverable amounts of cash-generating-unit ("CGU") based on value-in-use and fair value less costs of disposal approaches by management involved a significant degree of judgement and assumptions.

In addressing this area of focus, we have obtained an understanding of the relevant internal controls over estimating the recoverable amounts of the CGU.

Our audit procedures for recoverable amount of CGU that is valued at value-in-use include the following:

- Assessed the reliability of management's forecast through the review of past trends of actual financial performances against previous forecasted results;

- Assessed the key assumptions on which the cash flow projections are based, by amongst others, comparing them against business plans, historical results and market data;

- Evaluated the appropriateness of the discount rate used to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset.

- Performed sensitivity analysis on key assumptions to evaluate impact on the impairment assessment; and

- Assessed the adequacy and reasonableness of the disclosures in the financial statements.

Independent Auditors' Report
To The Members Of JAKS Resources Berhad (cont'd)

Key Audit Matters (cont'd)

Impairment assessment of goodwill (cont'd)

Our audit procedures for recoverable amount of CGU that are valued at fair value less costs of disposal approach include the following:

- Evaluated the objectivity, independence and expertise of the firm of independent valuers;
- Obtained an understanding of the methodology adopted by the independent valuers in estimating the fair value of the properties and assessed whether such methodology is consistent with those used in the industry;
- Had discussions with the independent valuer to obtain an understanding of the related market data used as input to the valuation models; and
- Evaluated the assumptions applied in estimating cost to sell taking into consideration actual cost incurred in sale of properties and marketing strategies.

Contingent liability

Refer to Note 3(u)(i) (Significant Accounting Policies), Note 2(d) (Significant Accounting Judgements, Estimates and Assumptions), Note 35 (Contingent Liability) and Note 43 (Material Litigation).

The subsidiary companies of the Group are involved in litigation cases.

It is a significant area that our audit focuses on because the amounts involved are significant and the application of accounting standards to determine the amount, if any, to be provided as liability is inherently subjective.

Our audit procedures included, amongst others:

- Read the Group's external counsels opinions and interviewed the counsels; and
- Assessed whether the Group's disclosures detailing significant legal proceedings adequately disclose the potential liabilities of the Group.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Independent Auditors' Report
To The Members Of JAKS Resources Berhad (cont'd)

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report
To The Members Of JAKS Resources Berhad (cont'd)

Auditors' Responsibility for the Audit of the Financial Statements (cont'd)

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we also report that the subsidiary companies of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

OTHER MATTERS

The financial statements of the Group and of the Company for the financial year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 25 April 2017.

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

UHY
Firm Number: AF 1411
Chartered Accountants

LAI WONG CHUNG
Approved Number: 3277/08/18(J)
Chartered Accountant

KUALA LUMPUR

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Group 2017 RM	Group 2016 RM Restated	Company 2017 RM	Company 2016 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	6,955,463	17,096,347	751,022	1,042,331
Investment properties	5	644,635,794	449,980,293	-	6,877,717
Land held for property development	6(a)	-	38,879,225	-	-
Investment in subsidiary companies	7	-	-	349,628,943	364,036,628
Investment in joint ventures	8	119,564,798	137,395,323	-	-
Goodwill on consolidation	10	148,500,905	148,500,905	-	-
Deferred tax assets	11	2,324,558	2,406,457	-	-
Other receivables	12	-	1,325,557	-	-
Golf club memberships	13	334,210	342,106	-	-
		922,315,728	795,926,213	350,379,965	371,956,676
Current Assets					
Property development costs	6(b)	71,449,622	301,119,759	-	-
Amount due from customers on contracts works	14	514,999,430	264,273,644	-	1,191,040
Inventories	15	1,813,137	4,170,288	-	-
Trade receivables	16	69,520,670	87,903,238	15,429,683	7,187,573
Other receivables, deposits and prepayments	12	264,764,825	70,506,222	407,410	225,297
Accrual billings		14,252,176	-	-	-
Amount due from subsidiary companies	17	-	-	353,672,346	282,694,187
Amount due from joint ventures	18	10,156,809	9,792,054	-	-
Tax recoverable		3,534,758	2,541,643	529,000	390,999
Deposits placed with licensed banks	19	88,030,863	60,536,366	-	-
Cash and bank balances	20	129,978,653	41,202,712	582,762	952,802
Asset classified as held for sale	21	-	-	-	-
		1,168,500,943	842,045,926	370,621,201	292,641,898
Total Assets		2,090,816,671	1,637,972,139	721,001,166	664,598,574

Statements Of Financial Position
As At 31 December 2017 (cont'd)

	Note	Group 2017 RM	Group 2016 RM Restated	Company 2017 RM	Company 2016 RM
EQUITY					
Share capital	22	524,387,378	438,361,072	524,387,378	438,361,072
Reserves	23	173,690,514	76,629,623	43,125,407	49,849,525
Equity attributable to owners of the parent		698,077,892	514,990,695	567,512,785	488,210,597
Non controlling interests		66,031,616	77,704,571	-	-
Total Equity		764,109,508	592,695,266	567,512,785	488,210,597
LIABILITIES					
Non-Current Liabilities					
Bank borrowings	24	310,611,029	247,464,121	-	56,507
Deferred tax liabilities	11	152,484	172,301	-	-
		310,763,513	247,636,422	-	56,507
Current Liabilities					
Trade payables	25	274,371,681	197,983,882	-	-
Progress billings		-	7,444,787	-	-
Other payables and accruals	26	522,351,342	303,457,052	55,521,503	57,666,914
Amount due to subsidiary companies	17	-	-	47,744,622	67,601,106
Bank borrowings	24	218,358,993	283,451,193	50,222,256	51,063,450
Provision for taxation		861,634	5,303,537	-	-
		1,015,943,650	797,640,451	153,488,381	176,331,470
Total Liabilities		1,326,707,163	1,045,276,873	153,488,381	176,387,977
Total Equity and Liabilities		2,090,816,671	1,637,972,139	721,001,166	664,598,574

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM	2016 RM Restated	2017 RM	2016 RM
Revenue	27	684,915,518	632,201,223	10,200,000	7,854,562
Cost of sales	28	(586,886,792)	(541,384,198)	-	(1,741,116)
Gross profit		98,028,726	90,817,025	10,200,000	6,113,446
Other income		105,070,609	6,529,480	25,208,391	2,169,385
Selling and distribution expenses		(1,855,235)	(953,841)	-	-
Administrative expenses		(60,760,910)	(56,822,471)	(18,418,898)	(10,136,943)
Other expenses		(644,020)	(20,522,659)	(13,379,048)	(7,989,159)
Profit/(loss) from operation		139,839,170	19,047,534	3,610,445	(9,843,271)
Finance costs	29	(27,526,098)	(26,329,967)	(3,908,132)	(3,960,623)
Share of results of joint ventures		(101,948)	263,029	-	-
Profit/(loss) before tax	30	112,211,124	(7,019,404)	(297,687)	(13,803,894)
Taxation	31	(2,143,649)	(9,491,039)	(1,098,956)	-
Profit/(loss) for the financial year		110,067,475	(16,510,443)	(1,396,643)	(13,803,894)
Other comprehensive (loss)/ income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation		(24,252,064)	13,180,599	-	-
Other comprehensive (loss)/income for the financial year, net of tax		(24,252,064)	13,180,599	-	-
Total comprehensive income/(loss) for the financial year		85,815,411	(3,329,844)	(1,396,643)	(13,803,894)
Profit for the financial year attributable to:					
Owners of the parent		126,640,430	697,778	(1,396,643)	(13,803,894)
Non-controlling interests		(16,572,955)	(17,208,221)	-	-
		110,067,475	(16,510,443)	(1,396,643)	(13,803,894)
Total comprehensive income attributable to:					
Owners of the parent		102,388,366	13,878,377	(1,396,643)	(13,803,894)
Non-controlling interests		(16,572,955)	(17,208,221)	-	-
		85,815,411	(3,329,844)	(1,396,643)	(13,803,894)
Earnings per share					
Basic earnings per share(sen)	32(a)	26.68	0.16		
Diluted earnings per share(sen)	32(b)	26.64	0.16		

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

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

	Attributable to Owners of the Parent							
	Non-Distributable				Distributable			
	Share Capital RM	Share Premium RM	LTIP Reserves RM	Translation Reserves RM	Retained Earnings RM	Total RM	Non-Controlling Interests RM	Total Equity RM
Group								
At 1 January 2017 (as previously stated)	438,361,072	8,368,710	-	2,976,716	55,178,394	504,884,892	77,704,571	582,589,463
Prior year adjustments (Note 44)	-	-	-	10,203,883	(98,080)	10,105,803	-	10,105,803
At 1 January 2017 (as restated)	438,361,072	8,368,710	-	13,180,599	55,080,314	514,990,695	77,704,571	592,695,266
Profit for the financial year	-	-	-	-	126,640,430	126,640,430	(16,572,955)	110,067,475
Foreign currency translation	-	-	-	(24,252,064)	-	(24,252,064)	-	(24,252,064)
Total comprehensive income /(expenses) for the financial year	-	-	-	(24,252,064)	126,640,430	102,388,366	(16,572,955)	85,815,411
Transactions with owners:								
Private share placement	59,617,096	-	-	-	(1,283,265)	58,333,831	-	58,333,831
Acquisition of subsidiary company	-	-	-	-	-	-	49	49
Capital contribution by non-controlling interests							4,899,951	4,899,951
Shares options granted under LTIP	-	-	7,595,000	-	-	7,595,000	-	7,595,000
Exercise of LTIP	18,040,500	-	(3,270,500)	-	-	14,770,000	-	14,770,000
Total transactions with owners	77,657,596	-	4,324,500	-	(1,283,265)	80,698,831	4,900,000	85,598,831
Transfer in accordance with Section 618(2) of the Companies Act 2016	8,368,710	(8,368,710)	-	-	-	-	-	-
At 31 December 2017	524,387,378	-	4,324,500	(11,071,465)	180,437,479	698,077,892	66,031,616	764,109,508

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

	Attributable to Owners of the Parent						
	Non-Distributable			Distributable			
	Share Capital RM	Share Premium RM	Translation Reserve RM	Retained Earnings RM	Total RM	Non-Controlling Interests RM	Total Equity RM
Group							
At 1 January 2016	438,361,072	8,368,710	-	54,382,536	501,112,318	94,912,792	596,025,110
Profit for the financial year	-	-	-	795,858	795,858	(17,208,221)	(16,412,363)
Foreign currency translation	-	-	2,976,716	-	2,976,716	-	2,976,716
Total comprehensive income / (expenses) for the financial year							
- as previously stated	-	-	2,976,716	795,858	3,772,574	(17,208,221)	(13,435,647)
- Prior year adjustments (Note 44)	-	-	10,203,883	(98,080)	10,105,803	-	10,105,803
- as restated	-	-	13,180,599	697,778	13,878,377	(17,208,221)	(3,329,844)
At 31 December 2016	438,361,072	8,368,710	13,180,599	55,080,314	514,990,695	77,704,571	592,695,266

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

	← Non-Distributable		→	Distributable	
	Share Capital RM	Share Premium RM	LTIP Reserve RM	Retained Earnings RM	Total Equity RM
Company					
At 1 January 2017	438,361,072	8,368,710	-	41,480,815	488,210,597
Loss for the financial year, representing total comprehensive loss for the financial year	-	-	-	(1,396,643)	(1,396,643)
Transactions with owners:					
Private share placement	59,617,096	-	-	(1,283,265)	58,333,831
Shares options granted under LTIP	-	-	7,595,000	-	7,595,000
Exercised of LTIP	18,040,500	-	(3,270,500)	-	14,770,000
Total transactions with owners	77,657,596	-	4,324,500	(1,283,265)	80,698,831
Transfer in accordance with Section 618(2) of the Companies Act 2016	8,368,710	(8,368,710)	-	-	-
At 31 December 2017	524,387,378	-	4,324,500	38,800,907	567,512,785

	← Non-Distributable	→	Distributable	
	Share Capital RM	Share Premium RM	Retained Earnings RM	Total Equity RM
Company				
At 1 January 2016	438,361,072	8,368,710	55,284,709	502,014,491
Loss for the financial year, representing total comprehensive loss for the financial year	-	-	(13,803,894)	(13,803,894)
At 31 December 2016	438,361,072	8,368,710	41,480,815	488,210,597

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Cash Flows From Operating Activities					
Profit/(loss) before tax		112,211,124	(7,019,404)	(297,687)	(13,803,894)
Adjustments for:					
Allowances for impairment					
- third parties		-	8,068,085	-	7,954,257
Amortisation of golf club membership		7,896	7,894	-	-
Depreciation:					
- property, plant and equipment		2,516,977	3,060,451	314,879	330,187
- investment properties		11,591,989	11,490,477	49,209	49,210
Provision for liquidated ascrtained damages		8,123,218	13,461,683	-	-
Gain on disposal of asset held for sale		-	(3,247,639)	-	-
Gain on disposal of land held for property development		(76,798,883)	-	-	-
Gain on disposal of investment property		-	-	(11,985,995)	-
(Gain)/loss on disposal of property, plant and equipment		(11,782,456)	206,165	-	-
Interest income		(1,458,090)	(2,217,131)		(224,385)
Interest expense		32,660,034	34,915,926	3,908,132	3,960,623
LTIP option expenses		7,595,000	-	7,595,000	-
Reversal of impairment on investment in subsidiary companies		-	-	-	(1,945,000)
Reversal on provision for foreseeable losses		-	(377,496)	-	-
Share of result of joint venture		101,948	(263,029)	-	-
Impairment of receivable no longer required		(6,945,127)	(125,833)	(6,945,127)	-
Unrealised loss/(gain) on foreign exchange , net		(5,632,439)	5,889,853	7,102,589	34,902
Operating profit/(loss) before working capital changes		72,191,191	63,850,002	(259,000)	(3,644,100)
Change in working capital					
Joint venture		(1,001,179)	20,564,965	-	-
Property development costs		28,851,719	1,097,677	-	-
Amount due from customers on contract		(287,171,856)	(29,901,852)	1,191,040	(100,839)
Inventories		2,357,151	5,015,824	-	-
Receivables		(37,081,714)	(35,802,051)	(1,479,095)	10,029,425
Payables		271,868,590	56,027,352	3,058,673	(66,096,765)
		(22,177,289)	17,001,915	2,770,618	(56,168,179)
Cash generated from/(used in) operations		50,013,902	80,851,917	2,511,618	(59,812,279)
Interest paid		(14,967,221)	(14,248,709)	(3,897,612)	(3,935,017)
Tax paid		(7,516,585)	(2,626,490)	(1,236,957)	(670,666)
Tax refund		-	3,550	-	-
		(22,483,806)	(16,871,649)	(5,134,569)	(4,605,683)
Net cash from/(used in) operating activities		27,530,096	63,980,268	(2,622,951)	(64,417,962)

Statements Of Cash Flows
For The Financial Year Ended 31 December 2017 (cont'd)

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Cash Flows From Investing Activities					
Proceeds from disposal of investment property		-	-	18,814,502	-
Net(repayment)/advance to subsidiary companies		-	-	(69,949,522)	55,606,793
Acquisition of a subsidiary company, net cash and cash equivalents acquired		49	-	-	-
Proceeds from disposal of property, plant and equipment		19,498,561	89,682	-	-
Proceeds from disposal of land held for development	6(iii)	16,758,976	-		
Interest received		1,458,090	2,217,131	-	224,385
Purchase of property, plant and equipment	4(c)	(92,198)	(294,928)	(23,570)	(3,625)
(Placement)/withdrawal of deposits and debt service reserve		(27,516,141)	(10,493,511)	-	8,194,431
Addition to investment properties		(5,429,072)	(11,486,296)	-	-
Net proceeds from disposal of asset held for sale		-	6,496,233	-	-
Net cash from/(used in) investing activities		4,678,265	(13,471,689)	(51,158,590)	64,021,984
Cash Flows From Financing Activities					
Net (repayment)/advance to subsidiary companies		-	-	(18,784,109)	3,964,550
Increase of ordinary shares		59,617,096	-	59,617,096	-
Proceeds from exercise of LTIP		14,770,000	-	14,770,000	-
Interest paid		(17,692,813)	(20,667,217)	(10,520)	(25,606)
(Repayment)/drawdown of bill payables		(34,265,761)	6,849,675	-	-
- Net movement of trade commodity financing		10,170,154	29,359,862	-	-
Repayments of finance lease liabilities		(1,897,181)	(2,628,311)	(330,376)	(346,608)
Share issuance expenses		(1,283,265)	-	(1,283,265)	-
Issuance of share capital to non-controlling interest of a subsidiary company		4,899,951	-	-	-
Net movement of revolving credit		15,500,000	1,000,000	4,000,000	1,000,000
Drawdown/(Repayment) of term loans		29,751,677	(62,322,492)	-	-
Net cash from/(used in) financing activities		79,569,858	(48,408,483)	57,978,826	4,592,336

Statements Of Cash Flows
For The Financial Year Ended 31 December 2017 (cont'd)

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Net increase in cash and cash equivalents		111,778,219	2,100,096	4,197,285	4,196,358
Exchange translation differences on cash and cash equivalents		(1,819,741)	-	-	-
Cash and cash equivalents at the beginning of the financial year		(46,369,682)	(48,469,778)	(33,780,272)	(37,976,630)
Cash and cash equivalents at the end of the financial year		63,588,796	(46,369,682)	(29,582,987)	(33,780,272)
Cash and cash equivalents comprise:					
Deposits placed with licensed banks	19	88,030,863	60,536,366	-	-
Cash and bank balances	20	129,978,653	41,202,712	582,762	952,802
Bank overdrafts - secured	24	(65,176,119)	(86,380,300)	(30,165,749)	(34,733,074)
		152,833,397	15,358,778	(29,582,987)	(33,780,272)
Less:					
Deposits held as security values	19	(88,030,863)	(60,536,366)	-	-
Debt service reserve account	20	(1,213,738)	(1,192,094)	-	-
		63,588,796	(46,369,682)	(29,582,987)	(33,780,272)

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

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

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

The principal place of business of the Company is located at No.9, Jalan USJ Sentral 1, USJ Sentral, Persiaran Subang 1, 47600 Subang Jaya, Selangor Darul Ehsan.

The registered office of the Company is located at 802, 8th Floor, Block C, Kelana Square, 17, Jalan SS 7/26, 47301 Petaling Jaya, Selangor Darul Ehsan.

The principal activities of the Company are that of investment holding and general contractor. The principal activities of the subsidiary companies are disclosed in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

2. Basis of Preparation

(a) Statement of Compliance

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards ("FRSs") and the requirements of the Companies Act 2016 in Malaysia.

Adoption of new and amended standards

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

Amendments to FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to FRSs 2014 – 2016 Cycle	Amendments to FRS 12 *Disclosure of Interests in Other Entities*

Adoption of above amendments to FRSs did not have any significant impact on the financial statements of the Group and of the Company, except for the adoption of the Amendments to FRS 107 requiring additional disclosure of changes in liabilities arising from financing activities in Note 40.

Standards issued but not yet effective

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

		Effective dates for financial periods beginning on or after
FRS 9	*Financial Instruments* (IFRS 9 as issued by IASB in July 2014)	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to FRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 4	Applying FRS 9 Financial *Instruments with FRS 4 Insurance Contracts*	1 January 2018
Amendments to FRS 140	Transfers of Investment Property	1 January 2018

Notes To The Financial Statements (cont'd)

2. Basis of Preparation (cont'd)

(a) Statement of Compliance (cont'd)

Standards issued but not yet effective (cont'd)

		Effective dates for financial periods beginning on or after
Annual Improvements to FRSs 2014–2016 Cycle:		
• Amendments to FRS 1 *First Time Adoption Of Financial Reporting Standards*		1 January 2018
• Amendments to FRS 128 Investments in *Associates and Joint Ventures*		1 January 2018
IC Interpretation FRS 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to FRS 10 and FRS 128	Sales of Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group's and the Company's financial statements for annual period beginning on 1 January 2018 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, the Group and the Company will not be adopting the above FRSs, IC Interpretations and amendments to FRSs.

The Group and the Company fall within the scope of IC Interpretation 15 *Agreements for the Construction of Real Estate* and MFRS 141 *Agriculture*. Therefore, the Group and the Company are currently exempted from adopting MFRS and is referred to as a "Transitioning Entity".

The subsequent adoption of the MFRS Framework would result in the Group preparing an opening MFRS statement of financial position as at 1 January 2017, which adjusts for differences between the classification and measurement bases in the existing FRS Framework versus that in the new MFRS Framework. This would also result in a restatement of the annual financial performance for the financial year ended 31 December 2017 in accordance with MFRS, which would form the MFRS comparatives for the annual financial performance for the financial year ending 31 December 2018.

The initial application of the MFRS Framework are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

<u>MFRS 9 *Financial Instruments* (effective for annual period beginning on or after 1 January 2018)</u>

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 *Financial Instruments: Recognition and Measurement* and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required.

During 2017, the Group has performed an impact assessment of all three aspects of MFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt MFRS 9.

2. Basis of Preparation (cont'd)

(a) Statement of Compliance (cont'd)

Standards issued but not yet effective (cont'd)

MFRS 9 *Financial Instruments* (effective for annual period beginning on or after 1 January 2018) (cont'd)

Based on the analysis of the Group's and the Company's financial assets and financial liabilities as at 31 December 2017 on the basis of facts and circumstances that exist at that date, the Directors of the Group and of the Company have assessed the impact of MFRS 9 to the Group's and the Company's financial statements as follows:

(i) Classification and measurement

The Group and the Company do not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of MFRS 9.

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group and the Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

(ii) Impairment

The Group and the Company will apply the simplified approach and record lifetime expected losses on all trade and other receivables. The Group has determined that there will be no significant impact on the Group's and the Company's financial statements.

The Group and the Company are currently finalising the quantitative effects of applying the standard on the financial statements of the Group and of the Company.

MFRS 15 Revenue from Contracts with Customers (effective for annual period beginning on or after 1 January 2018)

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 Revenue - *Barter Transactions Involving Advertising Services.*

MFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under MFRS. As the Group is a transitioning entity, a full retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the partial retrospective (practical expedients applied).

Notes To The Financial Statements (cont'd)

2. Basis of Preparation (cont'd)

(a) Statement of Compliance (cont'd)

Standards issued but not yet effective (cont'd)

MFRS 15 Revenue from Contracts with Customers (effective for annual period beginning on or after 1 January 2018) (cont'd)

The Directors have assessed the effects of applying the new standard on the Group's and the Company's financial statements and have identified the following areas that will be affected:

(i) Liquidated and ascertained damages

The provision is currently recognised for expected liquidated damages claims based on the terms of the applicable sale and purchase agreements. Upon the adoption of MFRS 15, the amount for liquidated and ascertained damages shall be accounted for as a reduction in the transaction price in deriving the carrying amount of contract asset or contract liability.

(ii) Presentation and disclosure requirements

The presentation and disclosure requirements in MFRS 15 are more detailed than the current standard. Many of the disclosure requirements in MFRS 15 are new and the Group has assessed that the impact of some of these disclosures will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgments made, i.e. when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to each performance obligation and the assumptions made to estimate the stand-alone selling prices of each performance obligation. MFRS 15 also requires revenue recognised to be disaggregated into categories that depict the nature, amount, timing and uncertainty of revenue and cash flows.

The Group and the Company are currently finalising the quantitative effects of applying the standard on the financial statements of the Group and of the Company.

MFRS 16 Leases (effective for annual period beginning on or after 1 January 2019)

MFRS 16 replaces the guidance in MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases – Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single on-balance-sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

There are recognition exemptions for short term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continue to be classified as finance or operating lease.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

(b) Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis other than as disclosed in Note 3 to the financial statements.

(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.

Notes To The Financial Statements (cont'd)

2. Basis of Preparation (cont'd)

(d) Significant accounting judgements, estimates and assumptions

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:

<u>Revenue and cost recognition on the construction contracts and sales of properties under constructions</u>

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

Significant judgement is involved in determining the stage of completion, the extent of the contract or property development costs incurred, the estimated total contract or property development revenue and costs, as well as the recoverability of the contracts or development projects.

Where the total actual revenue and cost incurred are different from the total estimated revenue and cost incurred, such differences will impact the contract profit or losses recognised.

The carrying amount of property development costs and amount due from customers on contracts at the reporting date are disclosed in Notes 6(b) and 14 respectively.

<u>Joint ventures</u>

The Group has interest in an investment which it regards as a joint venture although the Group owns less than half of the ownership interest in this entity as disclosed in Note 8. This entity has not been regarded as associate of the Group as management have assessed that the contractual arrangement with the respective joint venture party has given rise to joint control over this entity in accordance with FRS 11 *Joint Arrangements*.

<u>Useful lives of property, plant and equipment</u>

The Group regularly reviews the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment. The carrying amount of the property, plant and equipment is disclosed in Note 4.

2. Basis of Preparation (cont'd)

(d) Significant accounting judgements, estimates and assumptions (cont'd)

Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the unutilised tax losses and unabsorbed capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Details of deferred tax assets are disclosed in Note 11.

Impairment of goodwill on consolidation

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use and fair value less costs of disposal of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use amount requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. When fair value less costs of disposal calculation is used, management estimate the expected selling price of the assets or cash generating unit less its estimated cost to sell. The key assumptions used to determine the value in- use is disclosed in Note 10.

Income taxes

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

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

Employee share options

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also require determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. Details of assumptions made in respect of the share-based payment scheme are disclosed in Note 33.

Impairment of loans and receivables

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

Notes To The Financial Statements (cont'd)

2. Basis of Preparation (cont'd)

(d) Significant accounting judgements, estimates and assumptions (cont'd)

Impairment of loans and receivables (cont'd)

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts at the end of the reporting period for loans and receivables are disclosed in Notes 12, 14, 16, 17 and 18 respectively.

Contingent liabilities

Determination of the treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and internal and external experts to the Group for matters in the ordinary course of business. Details of contingent liabilities and material litigation are disclosed in Notes 35 and 43 respectively.

3. Significant Accounting Policies

(a) Basis of consolidation

(i) Subsidiary companies

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

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

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

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

If the initial accounting for a business combination is incomplete by the end to the reporting period in which the combinations occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

3. Significant Accounting Policies (cont'd)

(a) Basis of consolidation (cont'd)

(i) Subsidiary companies (cont'd)

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

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

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

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

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

(iii) Disposal of subsidiary companies

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

(iv) Goodwill on consolidation

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary company acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying amount may be impaired. The policy of recognition and measurement of impairment losses is in accordance with Note 3(k)(i).

Notes To The Financial Statements (cont'd)

3. Significant Accounting Policies (cont'd)

(b) Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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

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

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

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

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to its investment in the joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the carrying amount of the investment in the joint venture is tested for impairment, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Company's separate financial statements, investments in joint ventures are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. The policy of recognition and measurement of impairment losses is in accordance with Note 3(k)(i).

3. Significant Accounting Policies (cont'd)

(c) Foreign currency translation

(i) Foreign currency transactions and balances

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

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 or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

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 foreign currency translation reserve ("FCTR") in equity.

(ii) Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at the rate of exchange prevailing at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

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

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

Notes To The Financial Statements (cont'd)

3. Significant Accounting Policies (cont'd)

(d) Property, plant and equipment

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

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in profit or loss on straight line basis to write off the cost of each asset to its residual value over its estimated useful life. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

3. Significant Accounting Policies (cont'd)

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

(iii) Depreciation (cont'd)

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

	Rate (%)
Freehold buildings	2
Plant and machineries	2 - 10
Motor vehicles	10 - 20
Furniture, fittings, office equipment and renovation	10 – 33.3

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

(e) Land held for property development and property development costs

(i) Land held for property development

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

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

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

(ii) Property development costs

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

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

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

3. Significant Accounting Policies (cont'd)

(e) Land held for property development and property development costs (cont'd)

(ii) Property development costs (cont'd)

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

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

(f) Inventories

Inventories of completed properties for resale are stated at the lower of cost and net realisable value.

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

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

(g) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specific in an arrangement.

As lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. 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 finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the profit or loss. 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.

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on 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.

3. Significant Accounting Policies (cont'd)

(g) Leases (cont'd)

As lessee (cont'd)

(ii) Operating lease (cont'd)

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

As lessor

Leases in which the Group or the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(h) Financial assets

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

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

The Group and the Company classify their financial assets depending on the purpose for which the financial assets were acquired at initial recognition, into the loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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

Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

(i) Construction contracts

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

Where the financial 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. Contract costs are recognised as expenses in the period in which they are incurred.

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

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

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

(j) Cash and cash equivalents

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

(k) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, amount due from customers on contracts and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

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

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

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

(k) Impairment of assets (cont'd)

(i) Non-financial assets (cont'd)

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

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 only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(ii) Financial assets

All financial assets, other than investments in subsidiary companies, 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.

<u>Financial assets carried at amortised cost</u>

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised in profit or loss, the impairment loss is reversed, to the extent that the carrying amount of the asset 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 reversal is recognised in profit or loss.

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

(l) Share capital

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument is recognised directly in equity.

(m) Financial liabilities

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

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

The Group and the Company classify their financial liabilities at initial recognition, as financial liabilities measured at amortised cost.

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

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

<u>Financial guarantee contracts</u>

A financial guarantee contract is a contract that requires the issuer to make specific payment to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Derecognition

A financial liability or part of it is derecognised when, and only when, the obligation specified in the contract is discharged, 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.

3. Significant Accounting Policies (cont'd)

(n) Offsetting of financial instruments

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

(o) Provisions

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

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

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

(p) Revenue and other income recognition

Revenue and other income are recognised to the extent that they are probable that the economic benefits associated with the transaction will flow to the Group and the revenue and other income can be reliably measured. Revenue and other income are measured at the fair value of consideration received or receivable. The following specific recognition criteria must also be met before revenue and other income are recognised:

(i) Construction contracts

Revenue from engineering and construction contracts is accounted for by the stage of completion method as described in Note 3(i).

(ii) Sale of development properties

Revenue from sale of properties is accounted for by the stage of completion method as disclosed in Note 3(e)(ii).

(iii) Sale of completed development properties

Sale of completed development properties are recognised only when it is probable that the economic benefits associated with the transactions will flow to the Group and upon the transfer of significant risk and rewards of ownership.

(iv) Sale of goods

Revenue is recognised net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods 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.

3. Significant Accounting Policies (cont'd)

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

(v) Interest income

Interest income is recognised on accruals basis using the effective interest method.

(vi) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(vii) Management fee

Management fee is recognised on accrual basis when services are rendered.

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the 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. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

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.

(r) Income tax

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to 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 financial 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 years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for temporary differences in 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and 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.

3. Significant Accounting Policies (cont'd)

(r) Income tax (cont'd)

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.

(s) Employee benefits

(i) Short term employee benefits

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

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group have no further payment obligations.

(iii) Equity-settled Share-based Payment Transaction

The Group operates an equity-settled, share-based compensation plan for the employees of the Group. Employee services received in exchange for the grant of the share options is recognised as an expense in the profit or loss over the vesting periods of the grant with a corresponding increase in equity.

For options granted to the employees of the subsidiary companies, the fair value of the options granted is recognised as cost of investment in the subsidiary companies over the vesting period with a corresponding adjustment to equity in the Company's financial statements.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to be vested. At the end of each reporting date, the Group revises its estimates of the number of share options that are expected to be vested. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. When options are not exercised and lapsed, the share option reserve is transferred to retained earnings.

3. Significant Accounting Policies (cont'd)

(t) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(u) Contingencies

(i) 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 not recognised in the statements of financial position and 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.

(ii) Contingent assets

Where it is not possible that there is an inflow of economic benefits, or the account cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as contingent asset, unless the probability of inflow 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 assets unless the probability of inflow of economic benefits is remote.

(v) Goods and Service Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are recognised inclusive of GST.

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

(w) Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost, including transaction costs, less any accumulated depreciation and impairment losses.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Buildings under construction are not depreciated. Other investment properties are depreciated on a straight-line basis to write down the cost of each asset to their residual values over their estimated useful lives. The principal annual depreciation rates are:

Building	2%
Leasehold land	Over 82 years

3. Significant Accounting Policies (cont'd)

(w) Investment properties (cont'd)

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(k)(i) to the financial statements on impairment of non-financial assets.

Investment properties are derecognised upon disposal or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. Upon disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

(x) Fair value measurement

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

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

(y) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the MFRSs applicable to the particular assets, liabilities, revenues and expenses.

Profits and losses resulting from transactions between the Group and its joint operation are recognised in the Group's consolidated financial statements only to the extent of unrelated investors' interests in the joint operation.

4. Property, Plant and Equipment

	Freehold land RM	Freehold buildings RM	Plant and machineries RM	Motor vehicles RM	Furniture, fittings, office equipment and renovation RM	Total RM
Group						
2017						
Cost						
At 1 January 2017	4,853,200	2,747,043	14,973,254	10,805,793	7,500,977	40,880,267
Additions	-	-	-	38,900	53,298	92,198
Disposals	(4,853,200)	(2,460,481)	(1,255,000)	(355,036)	(3,110)	(8,926,827)
At 31 December 2017	-	286,562	13,718,254	10,489,657	7,551,165	32,045,638
Accumulated depreciation						
At 1 January 2017	-	458,864	9,126,382	8,163,921	5,166,235	22,915,402
Charge for the financial year	-	50,640	576,925	1,162,872	726,540	2,516,977
Disposals	-	(485,171)	(393,750)	(328,691)	(3,110)	(1,210,722)
At 31 December 2017	-	24,333	9,309,557	8,998,102	5,889,665	24,221,657
Accumulated impairment losses						
At 1 January 2017/31 December 2017	-	-	868,518	-	-	868,518
Carrying amount						
At 31 December 2017	-	262,229	3,540,179	1,491,555	1,661,500	6,955,463

4. Property, Plant and Equipment (cont'd)

	Freehold land RM	Freehold buildings RM	Plant and machineries RM	Motor vehicles RM	Furniture, fittings, office equipment and renovation RM	Total RM
Group						
2016						
Cost						
At 1 January 2016	4,853,200	2,747,043	15,990,005	10,773,861	7,354,607	41,718,716
Additions	-	-	-	402,033	259,022	661,055
Disposals	-	-	(1,016,751)	(370,101)	(48,862)	(1,435,714)
Reclassified to property development cost	-	-	-	-	(63,790)	(63,790)
At 31 December 2016	4,853,200	2,747,043	14,973,254	10,805,793	7,500,977	40,880,267
Accumulated depreciation						
At 1 January 2016	-	408,223	9,154,740	7,134,990	4,296,865	20,994,818
Charge for the financial year	-	50,641	811,632	1,288,878	909,300	3,060,451
Disposals	-	-	(839,990)	(259,947)	(39,930)	(1,139,867)
At 31 December 2016	-	458,864	9,126,382	8,163,921	5,166,235	22,915,402
Accumulated impairment						
At 1 January 2016/31 December 2016	-	-	868,518	-	-	868,518
Carrying amount						
At 31 December 2016	4,853,200	2,288,179	4,978,354	2,641,872	2,334,742	17,096,347

Notes To The Financial Statements (cont'd)

4. Property, Plant and Equipment (cont'd)

	Office equipment and renovation RM	Motor vehicles RM	Total RM
Company			
2017			
Cost			
At 1 January 2017	543,275	3,350,903	3,894,178
Additions	23,570	-	23,570
At 31 December 2017	566,845	3,350,903	3,917,748
Accumulated depreciation			
At 1 January 2017	230,886	2,620,961	2,851,847
Charge for the financial year	71,473	243,406	314,879
At 31 December 2017	302,359	2,864,367	3,166,726
Carrying amount			
At 31 December 2017	264,486	486,536	751,022
2016			
Cost			
At 1 January 2016	539,650	3,350,903	3,890,553
Additions	3,625	-	3,625
At 31 December 2016	543,275	3,350,903	3,894,178
Accumulated depreciation			
At 1 January 2016	162,175	2,359,485	2,521,660
Charge for the financial year	68,711	261,476	330,187
At 31 December 2016	230,886	2,620,961	2,851,847
Carrying amount			
At 31 December 2016	312,389	729,942	1,042,331

(a) Assets pledged as securities to financial institutions

The carrying amount of property, plant and equipment of the Group and the Company pledged as securities for bank borrowings as disclosed in Note 24 to the financial statements are:

	Group 2017 RM	Group 2016 RM
Freehold land	-	4,853,200
Freehold buildings	-	2,024,517
	-	6,877,717

Notes To The Financial Statements (cont'd)

4. Property, Plant and Equipment (cont'd)

(b) Assets held under finance leases

At 31 December 2017, the net carrying amount of leased motor vehicles and leased plant and machinery of the Group and of the Company were as follows:

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Motor vehicles	1,388,787	2,508,452	486,536	729,942
Plant and machinery	3,495,150	4,752,900	-	-
	4,883,937	7,261,352	486,536	729,942

(c) The aggregate additional cost for the property, plant and equipment of the Group during the financial year acquired under finance lease financing and cash payments are as follows:

	Group	
	2017 RM	**2016 RM**
Aggregate costs	92,198	661,055
Less: Finance lease financing	-	(366,127)
Cash payments	92,198	294,928

5. Investment properties

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Carrying amounts Investment properties				
- freehold land and buildings	268,348	274,328	-	6,877,717
- leasehold shopping mall and car parks	381,342,932	390,055,772	-	-
	381,611,280	390,330,100	-	6,877,717
Investment properties under construction				
- shopping mall and car park podium	263,024,514	59,650,193	-	-
	644,635,794	449,980,293	-	6,877,717

Notes To The Financial Statements (cont'd)

5. Investment properties (cont'd)

(a) Investment properties

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Cost				
At 1 January	404,879,921	400,188,335	7,313,681	7,313,681
Additions	2,873,169	5,189,242	-	-
Disposal	-	-	(7,313,681)	-
Reversal during the year	-	(497,656)	-	-
At 31 December	407,753,090	404,879,921	-	7,313,681
Accumulated depreciation				
At 1 January	14,549,821	3,059,344	435,964	386,754
Depreciation for the financial year	11,591,989	11,490,477	49,209	49,210
Disposal	-	-	(485,173)	-
At 31 December	26,141,810	14,549,821	-	435,964
Carrying amount	381,611,280	390,330,100	-	6,877,717
Fair value	450,268,348	450,274,328	-	22,000,000

(i) Fair value of investment properties

1) Leasehold shopping mall and car parks

The fair values of the investment properties of leasehold shopping mall and car parks of the Group were estimated at RM450,000,000 (2016: RM450,000,000) by an independent professional valuer, registered with Board of Valuers, Appraisers and Estate Agents, based on the comparison method. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as location, property type and size. The most significant input into this valuation approach is price per square foot of comparable properties. The fair values are within Level 3 of the fair value hierarchy.

2) Freehold land and buildings

The fair values of the investment properties of freehold land and buildings of the Company were estimated at Nil (2016: RM22,000,000) respectively at Directors' valuation which were made based on current prices in an active market for the said properties. The fair value are within level 3 of the fair value hierarchy. The most significant input into this valuation approach is price per square foot of comparable properties.

(ii) Investment properties under leases

The Group has entered into commercial property leases on its shopping mall and car parks. Most of the leases contains a non-cancellable period from 2 year to 3 years. Subsequent renewals are negotiated with the lessees on an average renewal period of 2 years to 3 years. No contingent rents are charged.

5. Investment properties (cont'd)

(b) Investment properties under construction

	Group 2017 RM	Group 2016 RM
Cost		
At 1 January	59,650,193	53,353,139
Additions	2,555,903	6,297,054
Transfer from property development cost	200,818,418	-
At 31 December	263,024,514	59,650,193

(c) The investment properties and investment properties under construction of the Group of RM381,342,932 and RM263,024,514 (2016: RM390,055,772 and RM59,650,193) respectively are pledged to licensed banks to secure the credit facilities granted to the Group as disclosed in Note 24 to the financial statements.

(d) Income and expenses recognised in profit or loss

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

	Group 2017 RM	Group 2016 RM
Rental income	8,422,399	6,086,306
Direct operating expenses		
- income generating investment properties	13,984,832	13,501,375
- non-income generating investment properties	84,062	83,350

(e) During the financial year, the borrowing costs capitalised as cost of investment properties amounted to RM3,765,193 (2016: RM3,072,127).

6. Land Held for Property Development and Property Development Costs

	Group 2017 RM	Group 2016 RM
(a) **Land held for property development**		
Freehold land and development cost		
At 1 January	38,879,225	38,879,225
Disposal	(38,879,225)	-
At 31 December	-	38,879,225
(b) **Property development costs**		
Leasehold land, at cost		
At 1 January	171,303,156	194,582,643
Transfer to investment properties	(65,064,809)	-
Re-allocation of costs	61,137	(672,615)
Less: Completed project	-	(22,606,872)
At 31 December	106,299,484	171,303,156

Notes To The Financial Statements (cont'd)

6. Land Held for Property Development and Property Development Costs (cont'd)

	Group 2017 RM	Group 2016 RM
(b) Property development costs		
Leasehold land, at cost (cont'd)		
Property development costs		
At 1 January	421,264,813	899,458,949
Additions	88,213,343	134,187,663
Transfer to investment properties	(135,753,609)	-
Less: Completed project	-	(612,381,799)
At 31 December	373,724,547	421,264,813
Cost recognised in the statements of profit or loss and other comprehensive income		
At 1 January	291,448,210	792,201,652
Recognised during the financial year	117,126,199	134,612,725
Reversal for allowance of foreseeable losses	-	(377,496)
Less: Completed project	-	(634,988,671)
At 31 December	408,574,409	291,448,210
Total property development cost	71,449,622	301,119,759

(i) The property development costs of the Group represent expenditures incurred in relation to the mixed residential and commercial development.

Land held for property development and property development costs with carrying amount of Nil and RM71,449,622 (2016: RM38,879,225 and RM301,119,759) respectively are pledged as security for bank borrowings as detailed in Note 24 to the financial statements.

(ii) Included in the property development costs incurred during the financial year are the following:

	Group 2017 RM	Group 2016 RM
Finance cost (Note 29)	1,368,743	5,513,832

(iii) 10% of the proceeds in respect of the Group's disposal of land held for property development as disclosed in Note 42(a)(3)(a) had been received in cash at the end of the reporting period.

7. Investment in Subsidiary Companies

	Company 2017 RM	Company 2016 RM
In Malaysia:		
Unquoted shares, at cost	238,276,605	238,276,605
Less: Accumulated impairment losses	(16,668,464)	(16,668,464)
	221,608,141	221,608,141
Outside Malaysia:		
Unquoted shares, at cost	10	10
	221,608,151	221,608,151
Capital contribution to a subsidiary company	128,020,792	142,428,477
	349,628,943	364,036,628

7. Investment in Subsidiary Companies (cont'd)

Capital contribution to a subsidiary company refer to amount of which the Company does not expect repayment in the foreseeable future and is considered as part of the Company's investment in a subsidiary company.

(a) Details of the subsidiary companies are as follows:

Name of Company	Country of incorporation	Effective ownership interest 2017 %	2016 %	Principal activities
Direct holding:				
JAKS Sdn. Bhd. *	Malaysia	100	100	General contractor and supplier of building materials
Pipe Technology System Sdn. Bhd. *	Malaysia	70	70	Pipe manufacturer. However, temporarily ceased operation
JAKS Steel Industries Sdn. Bhd.*	Malaysia	98.05	98.05	General trading of building materials and other steel related products
Surge System Sdn. Bhd.	Malaysia	100	100	General trading and construction. However, temporarily inactive
Empire Deluxe Sdn. Bhd. *	Malaysia	100	100	Manufacturing of ductile steel pipes and investment holding. However, temporarily ceased operation
Gain World Trading Limited	British Virgin Islands	100	100	Investment holding
Golden Keen Holdings Limited	British Virgin Islands	100	100	General contractor
JAKS Power Holding Limited	British Virgin Islands	100	100	Investment holding
JAKS Offshore Sdn. Bhd. *	Malaysia	51	51	Offshore drilling, oil, gas and general trading. However, not commenced operation
Harbour Town Sdn. Bhd.	Malaysia	100	100	Investment holding
Premier Place Property Sdn. Bhd.	Malaysia	100	100	Property development
Harbour Front Development Sdn. Bhd.	Malaysia	100	100	Dormant

Notes To The Financial Statements (cont'd)

7. Investment in Subsidiary Companies (cont'd)

(a) Details of the subsidiary companies are as follows (cont'd):

Name of Company	Country of incorporation	Effective ownership interest 2017 %	2016 %	Principal activities
Indirect holding:				
Subsidiary companies of JAKS Sdn. Bhd.				
JAKS-KDEB Consortium Sdn. Bhd.	Malaysia	70	70	Investment holding
JAKS Marketing Sdn. Bhd. *	Malaysia	100	100	General trading of steel and construction related products
JAKS Power Sdn. Bhd.	Malaysia	100	100	Investment holding
JAKS Island Circle Sdn. Bhd.	Malaysia	51	51	Property development
Fortress Pavilion Sdn. Bhd.	Malaysia	51	-	Investment holding and property asset management
Subsidiary company of - JAKS-KDEB Consortium Sdn. Bhd.				
Integrated Pipe Industries Sdn. Bhd.	Malaysia	70	70	Pipe manufacturer. However, temporarily ceased manufacturing operation
Subsidiary company of Empire Deluxe Sdn. Bhd.				
Wing Tiek Ductile Iron Pipe Sdn. Bhd. *	Malaysia	100	100	General trading of steel and other related products. However, temporarily ceased operation
Subsidiary company of JAKS Power Holding Limited				
JAKS-MPC (HD) Limited	British Virgin Islands	100	100	Investment holding

7. Investment in Subsidiary Companies (cont'd)

(a) Details of the subsidiary companies are as follows (cont'd):

Name of Company	Country of incorporation	Effective ownership interest 2017 %	2016 %	Principal activities
Indirect holding:				
Subsidiary company of Harbour Town Sdn. Bhd.				
MNH Global Assets Management Sdn. Bhd. Δ	Malaysia	51	51	Investment holding, property development and management of mall and other properties
Subsidiary company of MNH Global Assets Management Sdn. Bhd.				
Evolve Concept Mall Sdn. Bhd.	Malaysia	51	51	Management of Mall and other properties

* Not audited by UHY.

Δ The shares held in this subsidiary company are pledged to bank for banking facilities granted to the Group as disclosed in Note 24 to the financial statements.

(b) Acquisition of a subsidiary company

On 29 March 2017, a wholly-owned subsidiary company of the Group, JAKS Sdn. Bhd. has acquired 51 ordinary shares, representing 51% equity interest of the Company, Fortress Pavilion Sdn. Bhd. ("FPSB") at a cash consideration of RM51. FPSB is a private limited liability company, incorporated and domiciled in Malaysia on 27 February 2017. Its intended principal activities are investment holding and property assets management.

On 9 August 2017, JSB increased an additional 5,099,949 shares in FPSB, representing 51% equity interest of the enlarged share capital of 10 million. As at 31 December 2017, JSB's investment in FPSB is 5,100,000 shares.

Notes To The Financial Statements (cont'd)

7. Investment in Subsidiary Companies (cont'd)

(c) Material partly-owned subsidiary companies

Financial information of subsidiary companies that have material non-controlling interest are provided below:

Proportion of equity interest held by non-controlling interest in:

Name of Company	Country of incorporation	Proportion of ownership interest 2017 %	2016 %
JAKS Island Circle Sdn. Bhd. ("JIC")	Malaysia	49	49
MNH Global Assets Management Sdn. Bhd. ("MNH")	Malaysia	49	49
Fortress Pavilion Sdn. Bhd. ("FP")	Malaysia	49	-

	Group 2017 RM	2016 RM
Accumulated balances of material non-controlling interest:		
JIC	907,057	1,603,917
MNH	55,686,717	71,509,665
FP	4,871,128	-
Other individually immaterial non-controlling interest	4,566,714	4,590,989
	66,031,616	77,704,571
Total comprehensive loss allcocated to material non-controlling interest		
JIC	(696,860)	(1,742,743)
MNH	(15,822,948)	(16,189,692)
FP	(28,872)	-
Other individually immaterial non-controlling interest	(24,275)	724,214
	(16,572,955)	(17,208,221)

Notes To The Financial Statements (cont'd)

7. Investment in Subsidiary Companies (cont'd)

(c) Material partly-owned subsidiary companies (cont'd)

Summarised financial information for these subsidiary companies that have material non-controlling interest (amounts before intra-group eliminations) is as follows:

Summarised statements of profit or loss and other comprehensive income for the year ended 31 December 2017:

	FP RM	MNH RM	JIC RM	Total RM
Revenue	-	13,192,007	313,789,608	326,981,615
Expenses including taxation	(58,923)	(45,483,738)	(315,211,771)	(360,754,432)
Net loss for the financial year, representing total comprehensive loss for the financial year	(58,923)	(32,291,731)	(1,422,163)	(33,772,817)
Attributable to:				
Non-controlling interest	(28,872)	(15,822,948)	(696,860)	(16,548,680)
Other individually immaterial non-controlling interest				(24,275)
Total non-controlling interest				(16,572,955)

Summarised statements of profit or loss and other comprehensive income for the year ended 31 December 2016:

	MNH RM	JIC RM	Total RM
Revenue	14,602,672	145,673,167	160,275,839
Expenses including taxation	(47,642,860)	(149,229,785)	(196,872,645)
Net loss for the financial year, representing total comprehensive loss for the financial year	(33,040,188)	(3,556,618)	(36,596,806)
Attributable to:			
Non-controlling interest	(16,189,692)	(1,742,743)	(17,932,435)
Other individually immaterial non-controlling interest			724,214
Total non-controlling interest			(17,208,221)

7. Investment in Subsidiary Companies (cont'd)

(c) Material partly-owned subsidiary companies (cont'd)

Summarised statement of financial position as at 31 December 2017:

	FP RM	MNH RM	JIC RM	Total RM
Non-current assets	219,238,897	382,195,019	59,088,972	660,522,888
Current assets	16,112,985	118,009,640	169,891,552	304,014,177
Total assets	235,351,882	500,204,659	228,980,524	964,537,065
Current liabilities	149,410,805	152,058,298	227,129,387	528,598,490
Non-current liabilities	76,000,000	234,500,000	-	310,500,000
Total liabilities	225,410,805	386,558,298	227,129,387	839,098,490
Total equity	9,941,077	113,646,361	1,851,137	125,438,575
Attributable to:				
Non-controlling interest	4,871,128	55,686,717	907,057	61,464,902
Other individually immaterial non-controlling interest				4,566,714
Total non-controlling interest				66,031,616

Summarised statements of financial position as at 31 December 2016:

	MNH RM	JIC RM	Total RM
Non-current assets	392,709,847	59,832,747	452,542,594
Current assets	142,885,289	328,761,757	471,647,046
Total assets	535,595,136	388,594,504	924,189,640
Current liabilities	148,657,043	379,360,730	528,017,773
Non-current liabilities	241,000,000	5,960,474	246,960,474
Total liabilities	389,657,043	385,321,204	774,978,247
Total equity	145,938,093	3,273,300	149,211,393
Attributable to:			
Non-controlling interest	71,509,665	1,603,917	73,113,582
Other individually immaterial non-controlling interest			4,590,989
Total non-controlling interest			77,704,571

Notes To The Financial Statements (cont'd)

7. Investment in Subsidiary Companies (cont'd)

(c) Material partly-owned subsidiary companies (cont'd)

Summarised statements of cash flows for the year ended 31 December 2017:

	FP RM	MNH RM	JIC RM
Operating	134,895,915	(16,599,474)	91,041,773
Investing	(217,758,430)	(2,882,477)	(2,712,967)
Financing	85,999,900	18,621,433	(40,699,926)
Net increase/(decrease) in cash and cash equivalents during the financial year	3,137,385	(860,518)	47,628,880

Summarised statements of cash flows for the year ended 31 December 2016:

	MNH RM	JIC RM
Operating	(28,553,739)	(28,098,051)
Investing	(15,290,998)	(227,201)
Financing	38,641,800	30,352,032
Net (decrease)/increase in cash and cash equivalents during the financial year	(5,202,937)	2,026,780

8. Investment in joint ventures ("JV")

	Group	
	2017 RM	2016 RM Restated
Unquoted shares, at cost		
- Outside Malaysia	126,928,411	126,928,411
Share of post-acquisition profit	161,081	263,029
Exchange differences	(7,524,694)	10,203,883
	119,564,798	137,395,323

Notes To The Financial Statements (cont'd)

8. Investment in joint ventures ("JV") (cont'd)

Details of the joint ventures are as follows:

Name of JV	Country of Incorporation	Effective Economic Interest 2017 %	2016 %	Principal Activities
JV held through JAKS Power Holding Limited ("JPH")				
JAKS Pacific Power Limited* ("JPP")	Hong Kong	30	30	Investment holding
Indirect JV held through JAKS Pacific Power Limited				
JAKS Hai Duong Power Company Limited* ("JHDP")	Vietnam	30	30	Develop and operate coal-fired thermal power plant

* Not audited by UHY

Summarised financial information of the Group's material joint venture ie JAKS Pacific Power Limited and its subsidiary company ("JPP Group") is set out below:

a) Summarised statements of financial position

	JPP Group 2017 RM	2016 RM Restated
Cash and cash equivalent	1,097,761,727	943,591,960
Other current assets	403,297,709	31,289,177
Non-current assets	1,039,341,551	480,791,150
Current financial liabilities (excluding trade and other payables and provisions)	(71,712,262)	(7,764,692)
Other current liabilities	(6,473,024)	(16,969,421)
Non-current financial liabilities (excluding trade and other payables and provisions)	(1,827,900,000)	(737,187,390)
Net assets	634,315,701	693,750,784
Interest in joint venture	30%	30%
Group's share of net assets	190,294,710	208,125,235
Share of other net asset changes	(74,555,989)	(74,555,989)
Goodwill	3,826,077	3,826,077
Carrying value of Group's interest in joint ventures	119,564,798	137,395,323

Notes To The Financial Statements (cont'd)

8. Investment in joint ventures ("JV") (cont'd)

Summarised financial information of the Group's material joint venture ie JAKS Pacific Power Limited and its subsidiary company ("JPP Group") is set out below (cont'd):

b) Summarised statements of profit or loss and other comprehensive income

	JPP Group	
	2017 RM	**2016 RM Restated**
(Loss)/Profit for the financial year	(339,825)	876,763
Other comprehensive income/(expense)	(59,095,258)	34,012,944
Total comprehensive income	(59,435,083)	34,889,707
Included in total comprehensive income are:		
Revenue	337,079,361	17,673,928
Depreciation and amortisation	87,660	30,370
Interest income	4,131	9,645

The details of capital commitment relating to the Group's interest in joint ventures are disclosed in Note 37.

9. Interest in joint operations

The details of the joint operations are as follows:

Name of joint operations	Country of incorporation	Effective interest 2017 %	Effective interest 2016 %	Principal activities
KACC-JAKS Joint Venture	Malaysia	50	50	Construction
JAKS-KACC Joint Venture	Malaysia	50	50	Construction
JAVEL-JAKS Joint Venture	Malaysia	50	50	Construction

10. Goodwill on consolidation

	Group	
	2017 RM	**2016 RM**
At cost		
At 1 January/31 December	211,092,762	211,092,762
Accumulated impairment		
At 1 January/31 December	62,591,857	62,591,857
Carrying amount At 31 December	148,500,905	148,500,905

Notes To The Financial Statements (cont'd)

10. Goodwill on consolidation (cont'd)

Goodwill has been allocated for impairment purposes to the following cash generating units ("CGUs"):

	Group	
	2017 **RM**	**2016** **RM**
Construction	125,499,000	125,499,000
Property development and management of shopping mall	23,001,905	23,001,905
	148,500,905	148,500,905

a) Key assumptions used in value-in-use and fair value less costs of disposal calculations

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

i) Construction

Cash flow projections used in these calculations were based on financial budgets approved by the management covering a five (5) year.

	Group	
	2017 **RM**	**2016** **RM**
Gross profit margin	5% - 7%	8%
Terminal growth rate	0.5%	0.5%
Pre-tax discount rate	13%	13%

A reasonable possible change in the key assumptions would not result in any impairment.

ii) Property development and management of shopping mall

Considering the CGU's underlying assets comprise the shopping mall, the management estimated the recoverable amount of its goodwill, using fair value less costs of disposal of the shopping mall. Hence, the management engaged a firm of independent valuers to assess the fair value less costs of disposal of the shopping mall. The fair value is within Level 3 of the fair value hierarchy. The most significant input into this valuation approach is price per square foot of comparable properties.

A reasonable possible change in the key assumptions would not result in any impairment.

Notes To The Financial Statements (cont'd)

11. Deferred tax (assets)/liabilities

	Group 2017 RM	Group 2016 RM
At 1 January	(2,234,156)	(7,194,295)
Recognised in profit or loss	62,082	4,960,139
At 31 December	(2,172,074)	(2,234,156)

The net deferred tax liabilities and assets shown on the statements of financial position after appropriate offsetting are as follows:

	Group 2017 RM	Group 2016 RM
Deferred tax assets	(2,324,558)	(2,406,457)
Deferred tax liabilities	152,484	172,301

The components of the deferred tax liabilities and assets prior to offsetting are as follows:

Deferred tax assets	**Unutilised capital allowances RM**
Group	
At 1 January 2016	(7,907,605)
Recognised in profit or loss	5,015,528
At 31 December 2016	(2,892,077)
Recognised in profit or loss	81,899
At 31 December 2017	(2,810,178)

Deferred tax liabilities	**Accelerated capital allowances RM**
Group	
At 1 January 2016	713,310
Recognised in profit or loss	(55,389)
At 31 December 2016	657,921
Recognised in profit or loss	(19,817)
At 31 December 2017	638,104

11. Deferred tax (assets)/liabilities (cont'd)

The deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Unutilised capital allowance	8,652,185	8,297,292	198,252	164,096
Unutilised tax losses	130,461,232	105,088,162	2,165,285	4,173,965
Other deductible temporary differences	3,583,650	-	-	-
	142,697,067	113,385,454	2,363,537	4,338,061

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary companies that have a recent history of losses.

12. Other receivables, deposits and prepayments

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Non-current				
Other receivables	-	1,325,557	-	-
Current				
Other receivables	249,806,873	62,794,321	-	15,057
Deposits	10,398,077	8,027,955	353,340	109,564
Prepayments	6,112,123	1,236,194	54,070	100,676
	266,317,073	72,058,470	407,410	225,297
Less: Accumulated impairment				
- Other receivables	(1,552,248)	(1,552,248)	-	-
	264,764,825	70,506,222	407,410	225,297
Total	264,764,825	71,831,779	407,410	225,297

The movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2017 RM	2016 RM
At 1 January/31 December	1,552,248	1,552,248

12. Other receivables, deposits and prepayments (cont'd)

(i) Included in other receivables of the Group, there are RM46,512,845 (2016: RM30,291,715) in which its currency exposure profile is United States Dollar.

(ii) Included in other receivables of the Group is an amount of RM3,079,582 (2016: RM2,008,787) due from one (2016: one) receivable which is controlled by a director of a subsidiary company. The amount is unsecured, interest free and repayable on demand.

(iii) Other receivables of the Group that are individually determined to be impaired at the reporting date relate to debtors that are in financial difficulties.

13. Golf club memberships

	Group	
	2017	**2016**
	RM	**RM**
Non-current		
At cost		
At 1 January/31 December	600,000	600,000
Less: Accumulated amortisation		
At 1 January	86,840	78,946
Amortisation for the financial year	7,896	7,894
At 31 December	94,736	86,840
Less: Accumulated impairment		
At 1 January/31 December	171,054	171,054
Carrying amount At 31 December	334,210	342,106

The golf club membership is amortised over the period of 80 years which expires on 31 December 2082.

Notes To The Financial Statements (cont'd)

14. Amount due from customers on contracts

	Group		Company	
	2017 RM	2016 RM Restated	2017 RM	2016 RM
Contract costs incurred to date	3,212,329,525	2,548,889,232	-	337,717,240
Attributable profits	561,776,706	438,952,827	-	21,571,340
	3,774,106,231	2,987,842,059	-	359,288,580
Less: Progress billings	(3,244,564,417)	(2,739,223,741)	-	(358,097,540)
Exchange differences	(14,542,384)	15,655,326	-	-
	514,999,430	264,273,644	-	1,191,040
Represented as:				
Amount due from customers on contracts	514,999,430	264,273,644	-	1,191,040
Advances received from customer (included in other payables)	276,926,850	101,944,350	-	-
Retention sums on contracts (included in trade receivables)	15,869,197	14,332,443	8,327,490	8,327,490

Include in amount due from customers on contract of the Group, there are RM385,449,538 (2016: RM205,952,475) in which its currency exposure profile is United States Dollar.

15. Inventories

	Group	
	2017 RM	2016 RM
At cost		
Properties held for sales	1,813,137	4,170,288

16. Trade receivables

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade receivables	80,744,571	106,072,266	24,038,813	22,741,830
Less: Accumulated impairment losses	(11,223,901)	(18,169,028)	(8,609,130)	(15,554,257)
	69,520,670	87,903,238	15,429,683	7,187,573

Trade receivables are non-interest bearing and are generally on 14 to 90 days (2016: 14 to 90 days) term. They are recognised at their original invoice amounts which represent their fair value on initial recognition.

The Group and the Company have other credit term and assessed and approved on a case to case basis, no concentration of credit risk except for the amounts owing by six (2016: three) and one (2016: one) which constituted approximately 91% (2016: 57%) and 100% (2016: 100%) of its trade receivables respectively as at the end of the reporting period.

16. Trade receivables (cont'd)

Included in trade receivables of the Group is an amount of RM32,743,360 (2016: RM28,381,191) due from one (2016: one) receivable jointly controlled by directors of a subsidiary company. The amount is unsecured and interest free.

Included in trade receivable of the Group is an amount of RM5,094,794 (2016: RM6,991,537) due from one (2016: one) receivable which is a non-controlling interest of certain subsidiary companies. The amount is unsecured and interest free.

Movements in the allowance for impairment losses of trade receivables are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
At 1 January	18,169,028	10,226,776	15,554,257	7,600,000
Impairment losses recognised	-	8,068,085	-	7,954,257
Impairment losses reversed	(6,945,127)	(125,833)	(6,945,127)	-
At 31 December	11,223,901	18,169,028	8,609,130	15,554,257

Analysis of the trade receivables ageing as at the end of the financial year is as follow:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Neither past due nor impaired	5,054,043	15,227,378	-	7,187,573
Past due not impaired:				
Less than 30 days	4,184,623	19,884,279	1,946	-
31 to 60 days	1,581,484	18,491,176	2,905	-
61 to 90 days	1,476,525	11,654,721	4,028	-
More than 90 days	57,223,995	22,645,684	15,420,804	-
	64,466,627	72,675,860	15,429,683	-
	69,520,670	87,903,238	15,429,683	7,187,573
Impaired	11,223,901	18,169,028	8,609,130	15,554,257
	80,744,571	106,072,266	24,038,813	22,741,830

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

As at 31 December 2017, trade receivables of RM64,466,627 (2016: RM72,675,860) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The trade receivables of the Group and of the Company that are individually assessed to be impaired amounting to RM11,223,901 and RM8,609,130 (2016: RM18,169,028 and RM15,554,257) respectively, related to customers that are in financial difficulties and have defaulted on payments.

Notes To The Financial Statements (cont'd)

17. Amount due from/(to) subsidiary companies

	Company	
	2017 RM	2016 RM
Amount due from subsidiary companies:		
Non-interest bearing		
Non-trade	359,197,373	288,219,214
Less: Accumulated impairment losses	(5,525,027)	(5,525,027)
	353,672,346	282,694,187
Amount owing to subsidiary companies:		
Non-interest bearing		
Trade	-	27,933,838
Non-trade	47,744,622	39,667,268
	47,744,622	67,601,106

Movements in the allowance for impairment loss are as follows:

	2017 RM	2016 RM
As at 1 January/ 31 December	5,525,027	5,525,027

Amount due from/(to) subsidiary companies are unsecured and repayable on demand.

18. Amount due from joint ventures

	Group	
	2017 RM	2016 RM Restated
Non-interest bearing		
Non-trade	10,156,809	9,792,054

Amount due from joint ventures are unsecured and repayable on demand.

19. Deposits placed with licensed banks

Group

Deposits placed with licensed banks are pledged to the banks to secure credit facilities granted to the Group as disclosed in Note 24 to the financial statements.

The effective interest rates for the Group's deposits range from 2.55% to 3.25% (2016: 2.50% to 3.15%) per annum respectively.

20. Cash and bank balances

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Housing development accounts	27,121,337	2,251,012	-	-
Project development accounts	28,017,752	5,659,234	-	-
Debt service reserve accounts	1,213,738	1,192,094	-	-
Cash and bank balances	73,625,826	32,100,372	582,762	952,802
	129,978,653	41,202,712	582,762	952,802

(a) Housing Development Accounts are maintained pursuant to the Housing Development (Control and Licensing) Act, 1966 in connection with the Group's property development projects. The utilisation of these balances are restricted before completion of the housing development projects and fulfilling all relevant obligations to the purchasers and therefore restricted from use in other operations.

(b) Project Developments Account and Debt Service Reserve Account are pledged as security for bank borrowings as disclosed in Note 24 to the financial statements.

(c) Included in cash and bank balances of the Group is RM290,532 (2016: RM358,158) relating Escrow Account and Operating Account pledged for bank borrowings as disclosed in Note 24 to the financial statements.

The currency exposure profile of cash and bank balances is as follows:

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Ringgit Malaysia	73,909,883	40,576,797	261,262	326,891
United States Dollar	56,068,770	625,915	321,500	625,911
	129,978,653	41,202,712	582,762	952,802

21. Asset classified as held for sale

	Group 2017 RM	Group 2016 RM
As at 1 January	-	3,248,594
Disposal during the year	-	(3,248,594)
At 31 December	-	-

On 9 September 2015, a subsidiary of the Company, Pipe Technology System Sdn. Bhd. has entered into Sales and Purchases Agreements with Truck World Assembly Sdn. Bhd. to dispose a piece of its leasehold industrial land known as HS (D) 11480, No. PT 12186, Mukim and District of Bentong and State of Pahang together with a single storey factory/office building with a lean to extension thereto and a separate single storey factory erected thereon, measuring approximately 25,657 square metres for a total cash consideration of RM5,600,000. The disposal was completed on 3 November 2016 and had resulted in a gain from disposal of land and buildings of RM2,498,277 and gain from disposal of plant and machinery of RM749,362.

Notes To The Financial Statements (cont'd)

22. Share capital

	Group and Company			
	Number of shares		Amount	
	2017 Unit	2016 Unit	2017 RM	2016 RM
Authorised				
Ordinary share of RM1 each	*	1,000,000,000	*	1,000,000,000
Issued and fully paid:				
Ordinary shares with no par value (2016: par value of RM1 each)				
At 1 January	438,361,072	438,361,072	438,361,072	438,361,072
Private share placement	43,836,100	-	59,617,096	-
Exercise of LTIP	10,550,000	-	18,040,500	-
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 (Note 22.1)	-	-	8,368,710	-
At 31 December	492,747,172	438,361,072	524,387,378	438,361,072
			Note 22.2	

* The new Companies Act 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital.

During the financial year, the Company issued:

(a) 10,550,000 new ordinary shares of RM1.40 per ordinary share for a total consideration of RM14,770,000 from the exercise of employees' share options for Long Term Incentive Plan.

(b) 43,836,100 new ordinary shares of RM1.36 each for a total cash consideration of RM59,617,096 for working capital purposes.

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 meeting of the Company.

Note 22.1

In accordance with Section 618(2) of Companies Act 2016 any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has 24 months upon the commencement of Companies Act 2016 on 31 January 2017 to utilise the credit.

Note 22.2

Included in the share capital is share premium amounting to RM8,368,710 that is available to be utilised in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74).

23. Reserves

		Group		Company	
	Note	2017 RM	2016 RM Restated	2017 RM	2016 RM
Non-distributable					
Share premium	(a)	-	8,368,710	-	8,368,710
Translation reserve	(b)	(11,071,465)	13,180,599	-	-
LTIP reserve	(c)	4,324,500	-	4,324,500	-
		(6,746,965)	21,549,309	4,324,500	8,368,710
Distributable					
Retained earnings		180,437,479	55,080,314	38,800,907	41,480,815
		173,690,514	76,629,623	43,125,407	49,849,525

(a) Share premium

	Group and Company	
	2017 RM	2016 RM Restated
At 1 January	8,368,710	8,368,710
Transfer to share capital in accordance with Section 618(2) of the Companies Act 2016	(8,368,710)	-
At 31 December	-	8,368,710

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. As disclosed in Note 22, share premium has become part of the Company's share capital.

(b) Foreign currency translation reserve

Foreign currency translation reserve represents the exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from that of the Group's presentation currency.

(c) Long Term Incentive Plan ("LTIP") reserve

The LTIP reserve comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the reserve is transferred to share capital. When the share options expire, the amount from the reserve is transferred to retained earnings. Share option is disclosed in Note 33 to the financial statements.

Notes To The Financial Statements (cont'd)

24. Bank borrowings

	Group		Company	
	2017 **RM**	**2016** **RM**	**2017** **RM**	**2016** **RM**
Secured				
Current liabilities				
Finance lease liabilities	473,699	1,978,262	56,507	330,376
Term loans	8,916,603	42,704,452	-	-
Trade Commodity Financing	39,530,016	29,359,862	-	-
Bill payables	72,762,556	107,028,317	-	-
Revolving credits	31,500,000	16,000,000	20,000,000	16,000,000
Bank overdrafts	65,176,119	86,380,300	30,165,749	34,733,074
	218,358,993	283,451,193	50,222,256	51,063,450
Non-current liabilities				
Finance lease liabilities	111,029	503,647	-	56,507
Term loans	310,500,000	246,960,474	-	-
	310,611,029	247,464,121	-	56,507
Total borrowings				
Finance lease liabilities	584,728	2,481,909	56,507	386,883
Term loans	319,416,603	289,664,926	-	-
Trade Commodity Financing	39,530,016	29,359,862	-	-
Bill payables	72,762,556	107,028,317	-	-
Revolving credits	31,500,000	16,000,000	20,000,000	16,000,000
Bank overdrafts	65,176,119	86,380,300	30,165,749	34,733,074
	528,970,022	530,915,314	50,222,256	51,119,957

The range of interest rates per annum at the reporting date for borrowings were as follows:

	Group		Company	
	2017 **RM**	**2016** **RM**	**2017** **RM**	**2016** **RM**
Finance lease liabilities	2.40 - 4.83	2.40 - 4.83	2.40	2.40
Term loans	6.00 - 7.65	6.00 - 7.81	-	-
Trade Commodity Financing	5.84 - 6.13	5.84	-	-
Bill payables	4.60 - 8.06	4.61 - 8.06	-	-
Revolving credits	4.50 - 6.81	6.79	6.81	6.79
Bank overdrafts	7.60 - 8.45	7.60 - 8.45	8.15	8.15

24. Bank borrowings (cont'd)

Finance lease liabilities

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Future minimum finance lease payments				
- not later than one year	489,630	2,060,593	56,816	340,896
- later than one year and not later than five years	111,067	520,576	-	56,816
	600,697	2,581,169	56,816	397,712
Less: Future interest charges	(15,969)	(99,260)	(309)	(10,829)
	584,728	2,481,909	56,507	386,883
Represented by:				
Current				
- not later than one year	473,699	1,978,262	56,507	330,376
Non-current				
- later than one year and not later than five years	111,029	503,647	-	56,507
	111,029	503,647	-	56,507
	584,728	2,481,909	56,507	386,883

The term loans, bill payables, trade commodity financing, revolving credits and bank overdrafts of the Group and of the Company are secured as follows:

i) fixed charges over certain investment properties as disclosed in Note 5 to the financial statements;

ii) fixed charges over certain land held for property development and property development costs as disclosed in Note 6 to the financial statements;

iii) legal assignment of all cashflows, sale or tenancy agreements, insurance policies, construction contracts, construction guarantees and performance bonds in relation to a project developed by certain subsidiary companies;

iv) fixed and floating charge over the present and future assets of certain subsidiary companies;

v) first legal charge over the equity acquired in a subsidiary company;

vi) facilities agreements together with interest, commission and all other charges thereon;

vii) assignment over proceeds under certain contracts, Letter of Notification and Letter of Instruction;

viii) assignment of all dividends and/or distribution from a subsidiary company's shares;

ix) negative pledge over certain subsidiary companies' assets both present and future;

x) corporate guarantees provided by the Company, a subsidiary company, and a non-controlling interest;

Notes To The Financial Statements (cont'd)

24. Bank borrowings (cont'd)

The term loans, bill payables, trade commodity financing, revolving credits and bank overdrafts of the Group and of the Company are secured as follows: (Cont'd)

xi) personal guarantee by the Director of subsidiary company;

xii) deposits, debt service reserve, housing development account, project development account, escrow and operating account as indicated in Notes 19 and 20 to the financial statements;

xiii) specific debenture by way of fixed and floating charge over investment properties as disclosed in Note 5;

xiv) lodgement of private caveat over strata titles of the investment properties as disclosed in Note 5;

xv) legal assignment of the present and future proceeds from the car parks' and investment properties' rental income of certain subsidiary companies; and

xvi) first legal charge over all its unencumbered shares of a non-controlling interest of a subsidiary company.

25. Trade payables

	Group	
	2017 RM	**2016 RM**
Trade payables	256,565,102	156,564,341
Deferred contract revenue	17,806,579	41,419,541
	274,371,681	197,983,882

(a) The normal trade credit terms granted to the Group range from 1 to 90 (2016: 1 to 90) days from date of invoice.

(b) Included in trade payables of the Group are RM159,899,773 (2016: RM101,639,461) in which its currency exposure profile is United States Dollar.

(c) Deferred contract revenue

	Group	
	2017 RM	**2016 RM**
Deferred contract revenue	135,000,000	135,000,000
Deposit paid	(500,000)	(500,000)
Contract revenue recognised	(116,693,421)	(93,080,459)
	17,806,579	41,419,541

On 19 August 2011, a subsidiary of the Company, JAKS Island Circle Sdn. Bhd. ('JICSB") and Star Media Group Berhad entered into a Sale and Purchase Agreement to purchase a 99 years leasehold land which is located at PN97384, Lot 141 (previously known as HS(D) 259880, Lot PT 16), Seksyen 13, Bandar Petaling Jaya, to develop into a mixed residential and commercial development, for a purchase consideration of RM135,000,000.

The purchase consideration is to be satisfied within 3 years by the completion, delivery and transfer of legal title with vacant possession and Certified of Completion and Compliance, free from all encumbrances of Tower A of the mixed residential and commercial development of JICSB.

During the financial year, RM23,612,962 (2016: RM35,547,522) has been recognised based on the stage of completion of the said development.

Notes To The Financial Statements (cont'd)

26. Other payables

	Group		Company	
	2017 RM	2016 RM Restated	2017 RM	2016 RM
Other payables	71,749,094	28,512,965	2,612,119	276,330
Advance payment on construction contract	276,926,850	101,944,350	-	-
Deposits received	30,944,222	35,204,711	28,434,000	31,412,500
Liquidated ascertained damages	25,375,672	17,252,454	-	-
Accruals	117,355,504	120,542,572	24,475,384	25,978,084
	522,351,342	303,457,052	55,521,503	57,666,914

Included in other payables of the Group is an amount of RM2,808,430 (2016: RM2,324,039) due to one (2016: two) payables which are jointly controlled by directors of a subsidiary company. The amount is unsecured, interest free and repayable on demand.

Included in other payables, advance payment on construction contract, deposits received and accruals of the Group and the Company, there are RM326,613,869 and RM49,658,867 (2016: RM159,079,106 and RM57,104,453) respectively in which its currency exposure profile is United States Dollar.

The movements in provision for liquidated ascertained damages are as follows:

	Group	
	2017 RM	2016 RM
As at 1 January	17,252,454	3,790,771
Current year provision	20,858,341	13,461,683
Reversal during the year	(12,735,123)	-
As at 31 December	25,375,672	17,252,454

Provision for liquidated ascertained damages refer to liquidated ascertained damages expected to be claimed by the customers based on the terms of the applicable sale and purchase agreements.

27. Revenue

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Construction contract works	535,459,293	449,662,689	-	1,854,562
Property development activities	134,619,249	154,201,532	-	-
Sales of goods	6,426,577	22,262,695	-	-
Management fees	-	-	10,200,000	6,000,000
Property investment	8,410,399	6,074,307	-	-
	684,915,518	632,201,223	10,200,000	7,854,562

Notes To The Financial Statements (cont'd)

28. Cost of sales

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Construction contract works	449,712,916	373,245,354	-	1,741,116
Property development activities	119,483,349	139,251,053	-	-
Cost of finished goods	4,932,792	18,166,220	-	-
Property investment	12,757,735	10,721,571	-	-
	586,886,792	541,384,198	-	1,741,116

29. Finance costs

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Interest expenses				
Bank overdrafts	5,774,404	6,973,794	2,557,423	3,008,613
Bill payables	5,529,758	5,894,640	-	-
Finance lease	59,471	213,971	10,520	25,606
Term loans	17,633,342	20,453,246	-	-
Bank guarantee	47,083	40,589	-	-
Revolving credit	1,370,530	1,023,657	1,340,189	926,404
Trade commodity financing	2,245,446	316,029	-	-
	32,660,034	34,915,926	3,908,132	3,960,623
Less: Interest expense included in property development costs (Note 6 (ii))	(1,368,743)	(5,513,832)	-	-
Less: Interest expense capitalised in investment property (Note 5 (d))	(3,765,193)	(3,072,127)	-	-
	27,526,098	26,329,967	3,908,132	3,960,623

Notes To The Financial Statements (cont'd)

30. Profit/(loss) before tax

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Allowance for impairment				
- trade receivables	-	8,068,085	-	7,954,257
Amortisation of golf club memberships	7,896	7,894	-	-
Auditors' remuneration (Note a)	341,192	325,677	89,300	68,000
Depreciation				
- property, plant and equipment	2,516,977	3,060,451	314,879	330,187
- investment properties	11,591,989	11,490,477	49,209	49,210
(Gain)/Loss on disposal of property, plant and equipment	(11,782,456)	206,165	-	-
Liquidated and ascertained damages	8,123,218	13,461,683	-	-
Realised loss on foreign exchange	-	2,348,100	-	-
Unrealised (gain)/loss on foreign exchange	(5,632,439)	5,889,853	7,102,589	34,902
Rental expenses	604,179	475,549	50,000	-
Forfeiture of deposits from purchasers	(90,154)	(190,120)	-	-
Disposal of scrap	-	(200,000)	-	-
Gain on disposal of:-				
- asset held for sale	-	(3,247,639)	-	-
Impairment of receivables no longer required	(6,945,127)	(125,833)	(6,945,127)	-
Late payment interest received	(91,370)	(154,291)	-	-
Rental income	(235,351)	(251,044)	-	-
Gain on disposal of land held for development	(76,798,883)	-	-	-
Gain on disposal of investment property	-	-	(11,985,995)	-
Management fees	-	-	(10,200,000)	(6,000,000)
Reversal on provision for foreseeable losses	-	(377,496)	-	-
Reversal on impairment on investment in subsidiaries	-	-	-	(1,945,000)
Salary payment in lieu	-	(21,800)	-	-
Share of result of joint venture	101,948	(263,029)	-	-
Other income	(809,549)	(79,034)	-	-

(a) Auditors' remuneration

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Auditors' remuneration				
- Audit fee				
- Current year	322,481	325,677	75,000	68,000
- Under provision in prior year	18,711	-	14,300	-
	341,192	325,677	89,300	68,000

31. Taxation

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Tax expenses recognised in profit or loss				
Current income tax:				
Current tax provision				
- in Malaysia	2,386,447	3,722,354	322,753	-
(Over)/Under provision in prior years	(1,081,083)	561,528	-	-
Real property gain tax	776,203	247,018	776,203	-
	2,081,567	4,530,900	1,098,956	-
Deferred tax (Note 11):				
Relating to origination and reversal of temporary differences	(261,021)	4,664,632	-	-
Under provision in prior years	323,103	295,507	-	-
	62,082	4,960,139	-	-
	2,143,649	9,491,039	1,098,956	-

Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated assessable profits for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expenses applicable to profit/ (loss) before tax at the statutory tax rate to income tax expenses at the effective tax rate of the Group and the Company are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit/(loss) before tax	112,211,124	(7,019,404)	(297,687)	(13,803,894)
At Malaysian statutory rate rate of 24%	26,930,671	(1,684,657)	(71,445)	(3,312,935)
Income not subject to tax	(47,997,851)	(9,210,068)	(1,667,025)	(520,652)
Expenses not deductible for tax purposes	18,582,304	13,191,146	2,535,109	3,401,195
Deferred tax assets not recognised	5,108,656	6,027,438	-	432,392
Utilisation of previously unrecognised deferred tax assets	(473,886)	-	(473,886)	-
Effect of income subject to real property gain tax	776,203	247,018	776,203	-
Share of result of joint venture	(24,468)	63,127	-	-
(Over)/Under provision of current tax in prior year	(1,081,083)	561,528	-	-
Under provision of deferred tax in prior year	323,103	295,507	-	-
Tax expense for the financial year	2,143,649	9,491,039	1,098,956	-

32. Earnings per share

(a) Basic earnings per share

The basic earnings per share are calculated based on the consolidated profit for the financial year attributable to owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2017 RM	**2016 RM**
Net profit for the financial year, attributable to owners of the parent	126,640,430	697,778
Weighted average number of ordinary shares in issue in 1 January	438,361,072	438,361,072
Effect of ordinary shares issued during the financial year	36,283,606	-
Weighted average number of ordinary shares in issue in 31 December	474,644,678	438,361,072
Basic earnings per share (in sen)	26.68	0.16

(b) Diluted earnings per share

The diluted earnings per share has been calculated based on the adjusted consolidated profit for the financial year attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares as follows:

	Group	
	2017 RM	**2016 RM**
Net profit attributable to owners of the parent	126,640,430	697,778
Weighted average number of ordinary shares used in the calculation of basic earnings per share	474,644,678	438,361,072
Adjustment for incremental shares from assumed exercise of:		
- LTIP	777,983	-
Weighted average number of ordinary shares at 31 December (diluted)	475,422,661	438,361,072
Diluted earnings per share (in sen)	26.64	0.16

There have been no other transaction involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements except as disclosed in Note 42(b).

33. Long Term Incentive Plan ("LTIP")

On 28 June 2016, the shareholders of JRB have at Extraordinary General Meeting approved the establishment of a LTIP of up to fifteen percent (15%) of the total number of issued shares of the Company (excluding treasury shares) at any one time for the Directors and employees of JRB and its subsidiary companies.

The salient terms of the LTIP are as follows:

(a) The maximum number of Shares to be allotted and issued pursuant to the LTIP shall not at any point in time in aggregate exceed fifteen percent (15%) of the total number of issued shares of the Company (excluding treasury shares) at any one time.

(b) The basis of allocation of the number of shares which may be offered to an Eligible Person pursuant to LTIP shall be determined entirely at the discretion of the LTIP Committee. The LTIP Committee will ensure that there should be equitable allocation to the Eligible Persons, after taking into consideration, amongst others, the appraised performance, seniority and/or length of service, contributions to the success and development as well as such other criteria as the LTIP Committee may deem fit and relevant. The LTIP Committee has the discretion in determining whether the allocation available shall be staggered over the duration of the LTIP period.

(c) A person who fulfils the following criteria as at the date of an LTIP Grant shall be eligible to be considered by the LTIP Committee as an Eligible Person:-

- (i) has attained the age of eighteen (18) years;
- (ii) has not been adjudicated a bankrupt;
- (iii) has entered into a full-time or fixed-term contract of service/employment with any company within the Group;
- (iv) whose service/employment has been confirmed in writing;
- (v) a Director or Senior Management of JRB Group;
- (vi) has fulfilled any other eligibility criteria to be determined by the LTIP Committee from time to time at its discretion, as the case may be.

(d) The LTIP shall be in force for a duration of five (5) years from the effective date of the implementation. The LTIP may be extended or renewed for a further period of five (5) years, at the sole discretion of the Board upon recommendation of the LTIP Committee.

(e) The new shares to be issued pursuant to the LTIP shall upon allotment and issue, rank pari passu in respects with the existing shares except that the new shares shall not be entitled to any dividends, rights, allotment and/or other distributions which entitlements date precedes the date of allotment of the said shares.

(f) The option price shall be based on the 5 day weighted average market price of the underlying shares at the time the option is offered, with a discount of not more than 10%.

33. Long Term Incentive Plan ("LTIP") (cont'd)

On 24 May 2017, the Company granted 24,500,000 LTIP options to eligible Directors and employees of the Company and its subsidiary companies to purchase shares in the Company.

Movement in the number of share options and the exercise price are as follows:

	Group and Company Number of share option	
	2017 Unit	2016 Unit
At 1 January	-	-
Granted during the financial year	24,500,000	-
Exercised during the financial year	(10,550,000)	-
At 31 December	13,950,000	-
Exercise price (RM)	RM1.40	-
Options exercisable at 31 December	13,950,000	-

During the financial year, 10,550,000 (2016: Nil) share options were exercised. The weighted average share price at the date of exercise was RM1.34 (2016: Nil).

The fair value of share options granted to eligible employees and Directors, was determined using Black-Scholes Option Pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at the grant date and the input assumed by the Company in arising the fair value are as follows:

	Group and Company	
	2017	2016
Fair value at grant date (RM)	0.31	-
Share price	1.39	-
Exercise price	1.40	-
Expected volatility (%)	34.38%	-
Expected life (years)	1 year	-
Risk-free interest rate (%)	3.53%	-

Notes To The Financial Statements (cont'd)

34. Staff costs

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Fees	157,500	174,000	157,500	126,000
Salaries, wages and other emoluments	19,152,031	19,811,653	6,152,313	5,619,896
Defined contributions plan	1,782,231	1,936,836	663,797	615,150
Share options granted under LTIP	7,595,000	-	7,595,000	-
	28,686,762	21,922,489	14,568,610	6,361,046

Included in staff costs is aggregate amount of remuneration received and receivable by the Directors of the Company during the financial year as below:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Executive Directors				
Salaries, wages and other emoluments	2,446,815	2,366,586	2,125,986	1,792,965
Defined contributions plan	279,600	255,924	241,200	187,200
Share options granted under LTIP	3,720,000	-	3,720,000	-
	6,446,415	2,622,510	6,087,186	1,980,165
Non-executive Directors				
Fees	157,500	174,000	157,500	126,000
Other emoluments	94,000	58,588	94,000	58,588
	251,500	232,588	251,500	184,588
Total Directors' remuneration	6,697,915	2,855,098	6,338,686	2,164,753

The estimated monetary value of Directors' benefit-in-kind is RM71,900 (2016: RM 71,900).

35. Contingent liability

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Unsecured				
Bank guarantees issued for				
- execution of contracts of the subsidiary companies	140,363,152	149,876,017	53,375,000	53,375,000
Corporate guarantees given to licensed banks to secure credit facilities granted to the subsidiary companies	-	-	478,219,545	477,700,331
Liquidated and ascertained damages	23,495,123	-	-	-
	163,858,275	149,876,017	531,594,545	531,075,331

Liquidated and ascertained damages

Star Media Group Berhad claimed for payment of interest from JICSB, a subsidiary of the Company, for failure to deliver vacant possession of Tower A within 3 years completion period as stated in the Sale and Purchase Agreement disclosed in Note 25(c).

Based on the circumstances of this matter, the Directors are of the opinion that JICSB would be entitled to an extension of time to complete Tower A. In view of this, the Directors have not made any provision in the financial statements of the Group based on advice from external solicitors.

36. Related party disclosures

(a) Identifying 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 or joint 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. 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 comprise the Directors and certain members of senior management of the Group.

36. Related party disclosures (cont'd)

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the financial statements, the significant related party transactions of the Group and of the Company are as follows:

	2017 RM	2016 RM
Group		
Management fee paid to a non-controlling interest of a subsidiary company	-	600,000
Rental expense paid to a non-controlling interest of a subsidiary company	92,200	121,200
Rental income from a company controlled by a Director of a subsidiary company	417,750	459,525
Service charges received/receivable from a company controlled by a Director of a subsidiary company	1,320,512	1,378,575
Construction cost charged to a non-controlling interest of a subsidiary company	11,223,233	21,081,122
Company		
Management fees received/receivable from subsidiary companies		
- JAKS Sdn. Bhd.	6,000,000	6,000,000
- Fortress Pavilion Sdn. Bhd.	600,000	-
- JAKS Island Circle Sdn. Bhd.	3,600,000	-
Consultancy fee paid/payable to a subsidiary company	550,000	-
Construction costs charged by a subsidiary company		
- JAKS Sdn. Bhd.	-	1,741,116

(c) Compensation of key management personnel

Compensation of key management personnel is as follow:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Short term employees benefits	6,304,125	6,281,223	4,324,768	3,929,556
Defined contribution plans	682,899	645,220	491,761	428,346
Share options granted under LTIP	7,595,000	-	4,786,400	-

Included in compensation of key management personnel is remuneration of Directors as disclosed in Note 34.

37. Commitment

(a) Capital commitment

	Group	
	2017 RM	2016 RM
Capital contribution contracted but not provided for in respect of shares subscription in JAKS Pacific Power Limited, a joint venture of the Group, amounted to USD110.1million (2016: USD110.1million)#	447,388,680	494,076,825

37. Commitment (cont'd)

(a) Capital commitment (cont'd)

\# If JAKS Power Holding Limited ("JPH"), a subsidiary company of the Company, fails or refuses to contribute Shareholder's Funding in the manner contemplated in the Subscription Agreement, China Power Engineering Consulting Group Co. Ltd ("CPECC") is obliged to do the following:-

i) CPECC shall provide Shareholder Funding to JAKS Pacific Power Limited ("JPP") in lieu of such Shareholder Funding that was contemplated to be paid by JPH, and CPECC may subscribe for a corresponding number of additional Redeemable Convertible Preference Shares ("RCPS"), which subscription shall result in the dilution of the Effective Economic Interest of JPH in JPP; and/or

ii) CPECC shall provide Shareholder Funding to JPP by way of interest-bearing shareholder's loan to JPP to cover such Shareholder Funding that is outstanding from JPH to cover such Shareholder Funding that is outstanding from JPH. JPH shall rectify its default and restore CPECC as soon as possible but in any event no later than three (3) months from the date of default, failing which CPECC, have the rights, at any time to convert the said shareholder's loans to additional RCPS of equivalent amount of the outstanding Shareholder Funding at the conversion ratio of 1 RCPS for each USD 1.00 of the outstanding shareholder's loan.

(b) Operating lease commitments – as lessor

The Group leases out its investment properties (Note 5(a)). The future minimum lease receivables under non-cancellable leases are as follows:

	Group	
	2017	**2016**
	RM	**RM**
Less than 1 year	4,040,450	3,991,806
Between 1 and 5 years	770,242	3,977,423
	4,810,692	7,969,229

38. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has four reportable segments as follows:

Manufacturing	: Comprise mainly manufacturing of pipes.
Trading	: Comprise mainly trading in sheet piles, steel bars, mild steel and special pipes, other steel related products, building materials and supply of products for water supply industry.
Construction	: Comprise mainly provision of sub-contracting activities, general contractor, supplier of building materials and also construction.
Property Development/ Property Investment	: Development of residential and commercial properties and management of shopping mall.
Others	: Investment holding.

There are varying levels of integration between the segments such as the transfer of raw materials and shared distribution and administrative services. Inter-segment pricing is determined on negotiated basis.

Segment performance is evaluated based on segment profit/(loss) before tax and is measured consistently with profit or loss in the consolidated financial statements.

Segment assets and liabilities information are not regularly provided to the chief operating decision-maker. Hence, no disclosure is made on segment assets and liabilities.

Notes To The Financial Statements (cont'd)

38. Segment information (cont'd)

	Manufacturing RM	Trading RM	Construction RM	Property Development/ Property Investment RM	Others RM	Elimination RM	Total RM
Group							
2017							
Revenue							
External revenue	-	6,426,577	535,459,293	143,029,648	-	-	684,915,518
Inter-company	-	7,749,286	91,129,311	183,951,967	10,200,000	(293,030,564)	-
	-	14,175,863	626,588,604	326,981,615	10,200,000	(293,030,564)	684,915,518
Results							
Segment results	(56,421)	942,819	65,216,945	(23,021,604)	(9,666,121)	1,250,995	34,666,613
Other income	-	12,000	1,530,289	(47,033,154)	25,758,641	124,802,833	105,070,609
Finance costs - (net)	(421)	(2,010,512)	(9,107,627)	(12,499,406)	(3,908,132)	-	(27,526,098)
Profit/(loss) before tax	(56,842)	(1,055,693)	57,639,607	(82,554,164)	12,184,388	126,053,828	112,211,124
Group							
2016							
Revenue							
External revenue	-	22,262,695	449,662,689	160,275,839	-	-	632,201,223
Inter-company	-	8,781,103	128,257,915	-	6,000,000	(143,039,018)	-
	-	31,043,798	577,920,604	160,275,839	6,000,000	(143,039,018)	632,201,223
Results							
Segment results	(639,293)	3,074,506	56,208,819	(24,768,838)	(20,194,666)	(899,445)	12,781,083
Other income	3,707,146	12,696	1,583,817	990,939	2,179,882	(1,945,000)	6,529,480
Finance costs - (net)	(2,648)	(2,493,116)	(7,958,143)	(11,915,437)	(3,960,623)	-	(26,329,967)
Profit/(loss) before tax	3,065,205	594,086	49,834,493	(35,693,336)	(21,975,407)	(2,844,445)	(7,019,404)

38. Segment information (cont'd)

Geographical Segments

Segment information is presented in respect of the Group's geographical segments. The geographical segments are based on the Group's management and internal reporting structure.

In presenting information on the basis of geographical segments, segment non-current revenue is based on geographical location of customers. Segment non-current assets are based on the geographical location of assets. The Group's principal geographical areas for its operations are located in Malaysia and Vietnam.

	Malaysia RM	Vietnam RM	Total RM
2017			
Revenue from external customer by location of Customer	433,752,091	251,163,427	684,915,518
Segment non-current assets	800,426,372	-	800,426,372
2016			
Revenue from external customer by location of Customer	482,050,617	150,150,606	632,201,223
Segment non-current assets	654,798,876	-	654,798,876

39. Financial instruments

(a) Classification of financial instruments

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Loans and receivables RM	Financial liabilities at amortised cost RM	Total carrying amount RM
Group			
2017			
Financial Assets			
Trade receivables	69,520,670	-	69,520,670
Other receivables	258,652,702	-	258,652,702
Amount due from joint ventures	10,156,809	-	10,156,809
Fixed deposits with licensed banks	88,030,863	-	88,030,863
Cash and bank balances	129,978,653	-	129,978,653
	556,339,697	-	556,339,697
Financial Liabilities			
Trade payables	-	256,565,102	256,565,102
Other payables	-	496,975,670	496,975,670
Bank borrowings	-	528,970,022	528,970,022
	-	1,282,510,794	1,282,510,794

Notes To The Financial Statements (cont'd)

39. Financial instruments (cont'd)

(a) Classification of financial instruments (cont'd)

	Loans and receivables RM	Financial liabilities at amortised cost RM	Total carrying amount RM
Group (cont'd)			
2016			
Financial Assets			
Trade receivables	87,903,238	-	87,903,238
Other receivables	70,595,585	-	70,595,585
Amount due from joint ventures	9,792,054	-	9,792,054
Fixed deposits with licensed banks	60,536,366	-	60,536,366
Cash and bank balances	41,202,712	-	41,202,712
	270,029,955	-	270,029,955
Financial Liabilities			
Trade payables	-	156,564,341	156,564,341
Other payables	-	286,204,598	286,204,598
Bank borrowings	-	530,915,314	530,915,314
	-	973,684,253	973,684,253
Company			
2017			
Financial Assets			
Trade receivables	15,429,683	-	15,429,683
Other receivables	353,340	-	353,340
Amount due from subsidiary companies	353,672,346	-	353,672,346
Cash and bank balances	582,762	-	582,762
	370,038,131	-	370,038,131
Financial Liabilities			
Other payables	-	55,521,503	55,521,503
Amount due to subsidiary companies	-	47,744,622	47,744,622
Bank borrowings	-	50,222,256	50,222,256
	-	153,488,381	153,488,381
2016			
Financial Assets			
Trade receivables	7,187,573	-	7,187,573
Other receivables	124,621	-	124,621
Amount due from subsidiary companies	282,694,187	-	282,694,187
Cash and bank balances	952,802	-	952,802
	290,959,183	-	290,959,183
Financial Liabilities			
Other payables	-	57,666,914	57,666,914
Amount due to subsidiary companies	-	67,601,106	67,601,106
Bank borrowings	-	51,119,957	51,119,957
	-	176,387,977	176,387,977

Notes To The Financial Statements (cont'd)

39. Financial instruments (cont'd)

(b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency and interest rate risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's and the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks and financial institutions. The Company's exposure to credit risk arises principally from loans and advances to subsidiary companies and financial guarantees given to banks and financial institutions for credit facilities granted to certain subsidiary companies.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The Company provides unsecured advances to subsidiary companies. It also provides unsecured financial guarantees to banks and financial institutions for banking facilities granted to certain subsidiary companies. The Company monitors on an ongoing basis the results of the subsidiary companies and repayments made by the subsidiary companies.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represents the Group's and the Company's maximum exposure to credit risk except for financial guarantees provided to banks and financial institutions for banking facilities granted to certain subsidiary companies and corporate guarantee provided to a non-financial institution for performance guarantee in respect of property development of a subsidiary company. The Company's maximum exposure in this respect is RM531.60 million (2016: RM531.08 million), representing the performance guarantee provided and outstanding banking facilities of the subsidiary companies at the end of the reporting period. There was no indication that any subsidiary company would default on repayment as at the end of the reporting period.

The Group's has no significant concentration to credit risk except as disclosed in Note 16. The Company has no significant concentration of credits risks except as disclosed in Note 16 and advances to its subsidiary companies where risks of default have been assessed to be low.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

Notes To The Financial Statements (cont'd)

39. Financial instruments (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(ii) Liquidity risk (cont'd)

	On demand or within 1 year RM	2 to 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Group					
2017					
Non-derivative financial liabilities					
Trade payables	256,565,102	-	-	256,565,102	256,565,102
Other payables	496,975,670	-	-	496,975,670	496,975,670
Bank borrowings	237,508,639	130,682,055	275,096,203	643,286,897	528,970,022
	991,049,411	130,682,055	275,096,203	1,396,827,669	1,282,510,794
2016					
Non-derivative financial liabilities					
Trade payables	156,564,341	-	-	156,564,341	156,564,341
Other payables	286,204,598	-	-	286,204,598	286,204,598
Bank borrowings	299,942,265	89,628,024	236,382,785	625,953,074	530,915,314
	742,711,204	89,628,024	236,382,785	1,068,722,013	973,684,253
Company					
2017					
Non-derivative financial liabilities					
Other payables	55,521,503	-	-	55,521,503	55,521,503
Amount due to subsidiary companies	47,744,622	-	-	47,744,622	47,744,622
Bank borrowings	50,222,565	-	-	50,222,565	50,222,256
Financial guarantee*	531,594,545	-	-	531,594,545	-
	685,083,235	-	-	685,083,235	153,488,381
2016					
Non-derivative financial liabilities					
Other payables	57,666,914	-	-	57,666,914	57,666,914
Amount due to subsidiary companies	67,601,106	-	-	67,601,106	67,601,106
Bank borrowings	51,073,970	56,816	-	51,130,786	51,119,957
Financial guarantee*	531,075,331	-	-	531,075,331	-
	707,417,321	56,816	-	707,474,137	176,387,977

* Being corporate guarantee granted for banking facilities of certain subsidiary companies which will only be encashed in the event of default by these companies.

39. Financial instruments (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(iii) Market risk

a) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar (USD).

The Group has not entered into any derivative instruments for hedging or trading purposes. Where possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	2017 RM	**2016 RM**
Group		
Denominated in United States Dollar		
Cash and bank balances	321,500	625,911
Other payables and accruals	(49,658,867)	(57,104,453)
	(49,337,367)	(56,478,542)
Company		
Denominated in United States Dollar		
Cash and bank balances	321,500	625,911
Capital contribution to a subsidiary company	128,020,792	142,428,477
Other payables and accruals	(49,658,867)	(57,104,453)
	78,683,425	85,949,935

Notes To The Financial Statements (cont'd)

39. Financial instruments (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(iii) Market risk (cont'd)

a) Foreign currency risk (cont'd)

Foreign currency sensitivity analysis

Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

The following table demonstrates the sensitivity of the Group's and of the Company's profit/(loss) before tax to a reasonably possible change in USD exchange rate against RM, with all other variables held constant.

	Change in currency rate RM	2017 Effect on profit/(loss) before tax RM	2016 Effect on profit/(loss) before tax RM
Group			
USD	Strengthened 10%	(4,933,737)	(5,647,854)
	Weakened 10%	4,933,737	5,647,854
Company			
USD	Strengthened 10%	7,868,343	8,594,994
	Weakened 10%	(7,868,343)	(8,594,994)

b) Interest rate risk

The Group's and the Company's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in market interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in market interest rates.

The Group manages the interest rate risk of its deposits with licensed banks by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long term deposits.

39. Financial instruments (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(iii) Market risk (cont'd)

b) Interest rate risk (cont'd)

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Fixed rate instruments				
Financial assets				
Deposits placed with licensed banks	88,030,863	60,536,366	-	-
Financial liabilities				
Finance lease liabilities	(584,728)	(2,481,909)	(56,507)	(386,883)
Term loans	(243,416,603)	(248,965,000)	-	-
	(155,970,468)	(190,910,543)	(56,507)	(386,883)
Floating rate instruments				
Financial liabilities				
Bank overdrafts - secured	(65,176,119)	(86,380,300)	(30,165,749)	(34,733,074)
Bills payables	(72,762,556)	(107,028,317)	-	-
Revolving credits	(31,500,000)	(16,000,000)	(20,000,000)	(16,000,000)
Term loans	(76,000,000)	(40,699,926)	-	-
Trade Commodity Financing	(39,530,016)	(29,359,862)	-	-
	(284,968,691)	(279,468,405)	(50,165,749)	(50,733,074)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in market interest rates at the end of the reporting period would not affect profit or loss.

Notes To The Financial Statements (cont'd)

39. Financial instruments (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(iii) Market risk (cont'd)

b) Interest rate risk (cont'd)

Cash flow sensitivity analysis for floating rate instruments

An increase in 0.5% (2016: 0.5%) interest rate at the end of the reporting period would have decreased/increased the Group's and the Company's profit/(loss) before tax by RM1,424,843 and RM250,829 (2016: RM1,397,342 and RM253,665) respectively. A decrease in 0.5% (2016: 0.5%) interest rate at the end of the reporting period would have had equal but opposite effect to the aforesaid amounts. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(c) Fair values of financial instruments

The carrying amounts of receivables and payables, cash and cash equivalents and borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

40. Reconciliation of liabilities arising from financing activities

The table below details changes in the liabilities of the Group and of the Company arising from financing activities, including both cash and non-cash changes:

			Non-cash changes	
	At 1 January 2017 RM	**Financing cash flow (i) RM**	**Foreign exchange adjustment RM**	**At 31 December 2017 RM**
Group				
Finance lease liabilities (Note 24)	2,481,909	(1,897,181)	-	584,728
Term loans (Note 24)	289,664,926	29,751,677	-	319,416,603
Trade Commodity Financing (Note 24)	29,359,862	10,170,154	-	39,530,016
Bill payables (Note 24)	107,028,317	(34,265,761)	-	72,762,556
Revolving credits (Note 24)	16,000,000	15,500,000	-	31,500,000
	444,535,014	19,258,889	-	463,793,903
Company				
Finance lease liabilities (Note 24)	386,883	(330,376)	-	56,507
Revolving credits (Note 24)	16,000,000	4,000,000	-	20,000,000
Amount due to subsidiary companies	67,601,106	(18,784,109)	(1,072,375)	47,744,622
	83,987,989	(15,114,485)	(1,072,375)	67,801,129

(i) The cash flows make up the net amount of proceeds from or repayments of borrowings in the statements of cash flows.

41. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using a debt-to-equity ratio. The Group's policy is to maintain a prudent level of debt-to-equity ratio that complies with debt covenants and regulatory requirements. The debt-to-equity ratio at end of the reporting period are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Total loans and borrowings	528,970,022	530,915,314	50,222,256	51,119,957
Less: Fixed deposits, cash and bank balances (Note 19 and 20)	(218,009,516)	(101,739,078)	(582,762)	(952,802)
Net debt	310,960,506	429,176,236	49,639,494	50,167,155
Total equity	764,109,508	592,695,266	567,512,785	488,210,597
Debt-to-equity ratio	0.41	0.72	0.09	0.10

There were no changes in the Group's approach to capital management during the financial year.

42. Significant events

(a) Significant events during the financial year

During the financial year, the following significant events took place for the Company and its subsidiary companies:

(1) Proposed Private Placement

The Company (also known as "JRB") proposed to undertake a private placement of up to 43,836,100 new ordinary shares representing approximately 10% of the existing total number of issued shares of the Company ("Proposed Private Placement"), and the application in relation to the Proposed Private Placement was submitted to Bursa Malaysia Securities Berhad ("Bursa Securities") on 6 March 2017.

Bursa Securities had, vide its letter dated 16 March 2017, approved the listing and quotation of up to 43,836,100 new JRB Shares to be issued pursuant to the Proposed Private Placement.

The Company had on 17 March 2017 fixed the issue price at RM1.36 per Placement Share. The issue price of the Placement Shares of RM1.36 represents a discount of approximately 3.55% from the 5-day VWAMP of JRB Shares up to and including 16 March 2017, being the market day immediately prior to the price fixing date, of RM1.41 per JRB Share.

The Private Placement had been completed on 24 March 2017 following the listing of and quotation for 43,836,100 Placement Shares on the Main Market of Bursa Securities.

Notes To The Financial Statements (cont'd)

42. Significant events (cont'd)

(a) Significant events during the financial year (cont'd)

(2) Acquisition of Fortress Pavilion Sdn. Bhd.

The Company's wholly owned subsidiary company, JAKS Sdn. Bhd. ("JSB") had on 29 March 2017 acquired 51 ordinary shares, representing 51% equity interest of the enlarged paid-up capital in a new company, Fortress Pavilion Sdn. Bhd. ("FPSB") at a cash consideration of RM51 ("the Investment"). The balance of 49% equity interest in FPSB is held by Island Circle Development (M) Sdn. Bhd. ("ICD"), a major shareholder of JRB's 51%-owned subsidiary, JAKS Island Circle Sdn. Bhd..

On 9 August 2017, JSB increased an additional 5,099,949 shares in FPSB, representing 51% equity interest of the enlarged share capital of 10 million. As at 31 December 2017, JSB's investment in FPSB is 5,100,000 shares.

(3) Disposal of land

(a) Premier Place Property Sdn. Bhd.

On 17 August 2017, the Company's wholly-owned subsidiary company, Premier Place Property Sdn. Bhd. ("Premier Place") entered into a conditional Sale & Purchase Agreement with Sunway Supply Chain Enterprises Sdn. Bhd. ("SSCE"), a wholly-owned subsidiary company of Sunway Holdings Sdn. Bhd. which in turn is a wholly-owned subsidiary company of Sunway Berhad ("**Sunway**"), to dispose the following 4 parcels of freehold land totalling approximately 5.988 hectares or 644,576 square feet for a total cash consideration of RM167,589,760 (excluding Goods and Services tax) ("**Sale Consideration**"):

(i) Geran Mukim 85 Lot 526, Tempat Sungei Penaga, Mukim Damansara, Daerah Petaling, Negeri Selangor measuring approximately 1.214 hectares or 130,674 square feet ("**Land 1**");

(ii) Geran Mukim 84 Lot 527, Tempat Sungei Penaga, Mukim Damansara, Daerah Petaling, Negeri Selangor measuring approximately 1.214 hectares or 130,674 square feet ("**Land 2**");

(iii) Geran Mukim 83 Lot 528, Tempat Sungei Penaga, Mukim Damansara, Daerah Petaling, Negeri Selangor measuring approximately 1.214 hectares or 130,674 square feet ("**Land 3**"); and

(iv) Geran Mukim 319 Lot 62506, Tempat Sungai Penaga, Pekan Subang Jaya, Daerah Petaling, Negeri Selangor measuring approximately 2.346 hectares or 252,554 square feet ("**Land 4**").

The SPA became unconditional on 15 December 2017 upon approval of the shareholders of JRB for the Proposed Disposal.

On 1 February 2018, Premier Place entered into a supplementary agreement with SSCE ("Supplementary Agreement"). The terms and conditions of the Supplementary Agreement are as follows:

(i) Pending the issuance of the written confirmation from Authorities before the Completion date, Premier Place and SSCE agreed inter alia as follows:

(1) A sum of RM13.00 million ("**Escrow Amount**") calculated based on the aggregate area of the Affected Portions on the basis of RM260 per square foot shall be deposited with SSCE's solicitors; and

(2) a sum of RM0.78 million being the sum equivalent to the GST payable on the Escrow Amount and a sum of RM0.39 million being the estimated stamp duty on the Escrow Amount shall also be deposited with SSCE's solicitors ("**Estimated Expenses**").

42. Significant events (cont'd)

(a) Significant events during the financial year (cont'd)

(3) <u>Disposal of land (cont'd)</u>

(a) Premier Place Property Sdn. Bhd. (cont'd)

(ii) In the event the Written Confirmation from Authorities is not issued before the Completion Date, Premium Place and SSCE agree that the payment of the Balance Purchase Price shall not be due and payable on the Completion Date and that payment of the Balance Purchase Price shall be due and payable on or before the expiry of the Extended Period free of interest;

(iii) SSCE shall not be obliged to pay the purchase price for the excluded portions based on the land area stated in the extracted issue documents of title for Lots 526, 527 and 528 which have taken into account the confirmations stated in the Written Confirmation from Authorities;

(iv) SSCE shall be entitled to the refund of such part of the Purchase Price equivalent to the shortfall in the land area as reflected in the issue documents of title for Lots 526, 527 and 528 as extracted from the relevant Land Registry/Office calculated on the basis of RM260 per square foot.

On 13 April 2018, the Disposal had been completed pursuant to the sale and purchase agreement dated 17 August 2017 and the supplementary agreement dated 1 February 2018.

(b) Fortress Pavilion Sdn. Bhd.

The Company's subsidiary companies, JAKS Island Circle Sdn. Bhd. ("JIC") and Fortress Pavilion Sdn. Bhd. ("FPSB") had undertaken an internal reorganisation whereby, JIC had on 9 August 2017 entered into a Sale and Purchase Agreement ("SPA") with FPSB for the sale of Pacific Star Business Hub ("the Property") situated at Section 13, Petaling Jaya for a total consideration of RM240,000,000 ("the Purchase Price").

(c) JAKS Resources Berhad

The Company had, on 2 October 2017, entered into a sale and purchase agreement ("**SPA**") with Hectare Square Sdn. Bhd. ("**HSSB**") to dispose a piece of freehold industrial land measuring approximately 1.214 hectares or 130,674 square feet held under individual title GM 110, Lot 541, Tempat Sungai Penaga, Mukim Damansara, Daerah Petaling, Negeri Selangor ("**Land**") together with a one storey factory building erected thereon ("**Building**") bearing the postal address of Lot 541, Jalan Subang 2, Taman Industri Sungai Penaga, 47620 Petaling Jaya, Selangor Darul Ehsan (the Land and Building shall collectively be referred to as "**the Property**") for a total cash consideration of RM25,873,452.00 (excluding Goods and Services tax) ("**Sale Consideration**") ("**Proposed Disposal**").

On 2 January 2018, the Proposed Disposal has been completed and full consideration has been received by the Company.

(b) Subsequent events

Subsequent to the financial year, the following subsequent events took place for the Company and its subsidiary companies:

(1) Placement Shares

On 14 March 2018, the Company proposed to implement a proposed placement share of up to 50,669,717 new ordinary shares, and the application in relation to the Proposed Private Placement was submitted to Bursa Securities on 15 March 2018.

Notes To The Financial Statements (cont'd)

42. Significant events (cont'd)

(b) Subsequent events (cont'd)

(1) Placement Shares (cont'd)

The Proposed Placement was implemented in accordance with the general mandate under Section 76 of the Companies Act, 2016 ("Act"), which the Company obtained from its shareholders at its 15th annual general meeting ("AGM") on 22 June 2017 ("Current General Mandate").

Under the Current General Mandate, the Board is empowered (subject to the approvals of the relevant government/regulator authorities) to issue new JRB Shares at any time, upon terms and conditions and for purposes that the Board deems fit, provided that the total number of JRB Share issued does not exceed 10% of the Company's total number of issued shares.

Bursa Securities had, through its letter dated 22 March 2018, approved the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities, subject to terms and conditions therein.

On 23 March 2018, the Company had fixed the Issue Price at RM1.38 per Placement Share. The Issue Price represents a discount of 6.72% to the 5 day VWAP of JRB Shares up to and including 22 March 2018, which is the last full trading day immediately prior to the Price-Fixing Date, of RM1.4794 per JRB Share.

The Placement had been completed on 30 March 2018 following the listing of and quotation for 49,631,200 Placement Shares on the Main Market of Bursa Securities.

43. Material litigation

(a) Kuala Lumpur High Court Suit No. 22C-26-05/2014

On 16 May 2014, JAKS Sdn. Bhd., a wholly-owned subsidiary company of JAKS Resources Berhad, filed a suit against Multi-Purpose Insurans Berhad in relation to the project known as "Pembinaan Loji Air Beaufort Fasa II dan Pemasangan Paip Dasar Laut dan Loji Ke Labuan – Kontrak 2: Pemasangan Paip Dasar Laut dan Loji ke Labuan dan Kerja-Kerja Berkaitan di Beaufort dan Labuan" ("Project") under Kuala Lumpur High Court Suit No. 22C-26-05/2014.

In the suit, JAKS Sdn. Bhd. was claiming from Multi-Purpose Insurans Berhad the sum of RM14,806,723.46 together with interest at the rate of 5% per annum from 16 May 2014 (being the date of the Writ of Summons) until full realisation in respect of JAKS Sdn. Bhd.'s insurance claim in relation to the Project.

On 27 October 2016, the Kuala Lumpur High Court delivered its decision whereby the case with Multi-Purpose Insurans Berhad was dismissed with costs of RM50,000. However, the Company had appealed on the court decision and the Notice of Appeal was filed on 23 November 2016.

On 13 April 2017, the lawyer attended the Court and was given the following directions where:

a) Common Core Bundles of 'Common Chronology of Facts' are to be filed by 17 July 2017;
b) The next Case Management Date is 18 July 2017;
c) Written Submission is to be filed by 3 August 2017; and
d) The Hearing Date is 17 August 2017.

On 17 August 2017, JAKS Sdn. Bhd.'s appeal was heard first and its appeal was dismissed with cost.

(b) Shah Alam High Court Suit No. 22NCVC-630-11/2015

JAKS Sdn. Bhd. was the main contractor for the project known as "Cadangan Pembangunan Perniagaan 5 Blok Komersial - 15 Tingkat dan 4 Tingkat Aras Basement (Phase 1) di atas Lot 59215 (PM 55) dan Lot 59216 (PN 8025), Jalan PJU 1A/44, Ara Damansara, Mukim Damansara, Daerah Petaling, Negeri Selangor". Everfort Builders Sdn. Bhd. ("Everfort") was engaged by JAKS Sdn. Bhd. as the sub-contractor for "Design, Fabricate, Supply, Deliver, Install, and Guarantee of Structural Steel Works for Shops Apartments for Blocks A, B, C, D and E" ("Works") under the said project.

On 24 April 2015, Everfort filed a suit in the Shah Alam Sessions Court against JAKS Sdn. Bhd. claiming the sum of RM447,512 based on its alleged completion of the Works and the final payment certificate.

On 25 June 2015, JAKS Sdn. Bhd. counterclaimed for the sum of RM15,566,368 against Everfort for Everfort's failure in the completion of its scope of work, additional costs incurred due to delay in Everfort's work and liquidated and ascertained damages.

43. Material litigation (cont'd)

(b) Shah Alam High Court Suit No. 22NCVC-630-11/2015 (cont'd)

In view of the amount of the counterclaim, the case was transferred to the Shah Alam High Court, and the trial has been fixed on 25 September 2017 to 27 September 2017 and on 9 November 2017.

At the hearing on 9 November 2017, the trial had been adjourned to 19 and 20 March 2018 for continued hearing. The trial had been concluded and the Court had directed the following:

(a) Both parties to file their written submission on or before 4 May 2018;
(b) Both parties to file their submission in reply (if any) on or before 11 May 2018; and
(c) Decision for the above matter to be fixed on 1 June 2018.

(c) Kuala Lumpur High Court Suit No. WA-24C (ARB) - 02/2018

On 19 August 2011, JAKS Island Circle Sdn. Bhd. ("JIC"), the Company's subsidiary company, executed the Sale and Purchase Agreement ("SPA") with Star Media Group Berhad ("STAR"), on the acquisition of land at Seksyen 13, Petaling Jaya ("the Land") for a consideration of RM135,000,000.00 ("Purchase Consideration"). In return, JIC constructed Tower A for STAR.

As security for the performance of JIC's obligations under the SPA, JIC provided inter-alia, an irrevocable and on demand bank guarantee in favour of STAR for the sum of RM50.0 million ("the Bank Guarantee") guaranteeing the completion and delivery of vacant possession by the Purchaser of Tower A within 3 years from the vacant possession date or 3 years from the date of approval of the Agreed Plans for Tower A, whichever later ("the Completion Period").

On 15 February 2018, STAR had called the RM50 million bank guarantees for the project on the ground that JIC had not delivered the vacant possession based on the completion period. On 19 February 2018, JIC instructed its solicitors to file with the High Court in Kuala Lumpur an injunction (either on an ex-parte basis or if the Court so directs, an inter-parte basis) to restrain the issuing financial institutions of the Bank Guarantee from releasing, and the beneficiary of the Bank Guarantee, i.e. STAR from receiving, the proceeds of the Bank Guarantee.

On 21 February 2018, the solicitors of JIC filed an injunction with the High Court in Kuala Lumpur to restrain the beneficiary of the Bank Guarantee, i.e. STAR from receiving the proceeds of the Bank Guarantee.

On 26 February 2018, High Court Judge had granted an interim stay restraining the issuing financial institutions from paying out the proceeds of the Bank Guarantee. The interim stay granted would last until the High Court could hear the inter-parte injunction applications filed by the solicitors of JIC on 7 March 2018.

On 28 February 2018, the Company received a notice of demand from the STAR under the Corporate Guarantee dated 17 October 2013, requiring the Company to complete or cause to be completed JIC obligations under the Sale and Purchase Agreement dated 19 August 2011 including but not limited to completing and delivering the STAR's Entitlement, i.e. the delivery of Tower A by end of June 2018. The STAR has requested the Company to give respond within next seven (7) days on whether the Company will complete and deliver the STAR's entitlement by end June 2018.

On 6 March 2018, the solicitors of JIC has served a notice of arbitration pursuant to clause 19.2 of the Sales and Purchase Agreement dated 19 August 2011 to resolve all disputes between the two parties by way of arbitration including issues arising from the claim by the STAR on interest as disclosed in Note 35 and the call on the bank guarantees.

The JIC has on 6 March 2018 responded to the STAR that JRB shall endeavour to cause to be completed the project and Tower A by 30 June 2018 as indicated in the notice of demand from the STAR dated 28 February 2018.

On 7 March 2018, the High Court has fixed the hearing of the 2 applications for injunction on 20 March 2018 and the ad interim stay restraining the issuing financial institutions from paying out the proceeds of the Bank Guarantee and the STAR from receiving the proceeds until the hearing on 20 March 2018. The hearing has been subsequently fixed on 26 March 2018, 6 April 2018 and 11 May 2018.

43. Material litigation (cont'd)

(c) Kuala Lumpur High Court Suit No. WA-24C (ARB) - 02/2018 (cont'd)

The Group had been advised by the legal counsel that it is only possible, but not probable that the action of the STAR to call on bank guarantees will succeed. Accordingly, no provision for any liability had been made in those financial statements.

(d) Kuala Lumpur High Court Suit No. WA-21NCvC-95-09/2017

JAKS Sdn. Bhd. was the main contractor for the project known as "Pakej 43 – Pembinaan Rangkaian Paip Pembetungan di Batu, Jinjang Kepong, Kuala Lumput (Reka & Bina)". Jabatan Perkhidmatan Pembetungan is the client for the project.

The New Way Trading ("the Claimant") was suing JAKS Sdn. Bhd. and Jabatan Perkhidmatan Pembentungan (JPP) as parties to the suit for the amount of RM645,209 being the total claim amount as at 19 September 2017.

The Claimant sued JAKS briefly for the following purported claim:-

1) Negligence in construction works and failure to ensure a proper system is organised to avoid leakage of underground piping which caused damage to the Claimant's access to building, business premises.

2) Failure to take cautious safety measures for construction works causing damage.

On 19 September 2017, the Claimant had filed a Writ of Summons & Statement of Claim with the Kuala Lumpur High Court (the "Court") and attended Case Management meetings held on 25 October 2017, 23 November 2017, 15 December 2017 and 3 January 2018 respectively, whereby the Court advised on the conduct of assessment on the damages and defects until the completion of construction works which is estimated to be by May 2018.

The next Case Management is fixed on 27 February 2018 for both parties to update the Court in relation to liability. At this point, the Plaintiff will prepare the Engineer's report on the defects/damages.

Both parties reached a settlement at the Mediation held on 27 February 2018.

44. Prior year adjustments

(a) In the previous financial year, the exchange differences arising from investment in joint ventures of the Group was not taken up. The financial statements for prior year have therefore been retrospectively restated.

As a result of the above, certain comparative amounts have been adjusted and disclosed below:

	As previously stated RM	Prior year adjustments RM	As restated RM
Group			
As at 31 December 2016			
Statements of financial position			
Investment in joint ventures	127,289,520	10,105,803	137,395,323
Reserves	66,523,820	10,105,803	76,629,623
For the financial year ended 31 December 2016			
Statements of profit or loss and other comprehensive income			
Foreign currency translation	2,976,716	10,203,883	13,180,599
Share of results of joint ventures	361,109	(98,080)	263,029

44. Prior year adjustments (cont'd)

(b) In the previous financial year, the amount due from customers on contracts and advance payments received from joint ventures were wrongly accounted for as amount due from joint ventures. The financial statements for prior year have therefore been retrospectively restated.

As a result of the above, certain comparative amounts have been adjusted and disclosed below:

	As previously stated RM	Prior year adjustments RM	As restated RM
Group			
As at 31 December 2016			
Statements of financial position			
Amount due from customers on contracts	101,770,479	162,503,165	264,273,644
Amount due from joint ventures	70,350,869	(60,558,815)	9,792,054
Other payables and accruals	(201,512,702)	(101,944,350)	(303,457,052)

These prior year adjustments do not affect the financial statements as at 1 January 2016 and has insignificant impact on profit or loss.

45. Comparatives

Certain comparative figures have been reclassified to conform with current year's presentation.

	As previously stated RM	Reclassification RM	As restated RM
Company			
As at 31 December 2016			
Statement of financial position			
Invesment in subsidiary companies	221,608,151	142,428,477	364,036,628
Amount due from subsidiary companies	425,122,664	(142,428,477)	282,694,187

46. Date of Authorisation for Issue

The financial statements of were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 23 April 2018.

PROPERTIES OF THE GROUP
AS AT 31 DECEMBER 2017

Location /Address	Tenure	Area	Age of Building Approximate Years	Existing Use	Net Book Value RM'000	Date Of Company Acquisition / Revaluation
PT No. 35295 H.S. (D) 283505 Mukim Damansara, Petaling Selangor	Leasehold Property (Duration - 99 years) (Expiry Date: 4/9/2097)	Land area: 182,952 sq feet	3 years	Investment Properties with Shopping Mall and Car Parks	330,603	23/8/2013
PN 97384, Lot 141, Seksyen 13, Bandar Petaling Jaya, Daerah Petaling, Selangor	Leasehold Land (Duration -99 years) (Expire Date : 21/5/2112)	Land area: 24,569 Sq metres	N/A	Investment Properties under construction (Business Hub)	204,058	9/8/2017
PN 97384, Lot 141 Seksyen 13, Bandar Petaling Jaya Daerah Petaling, Selangor	Leasehold Land (Duration - 99 years) (Expiry Date: 21/5/2112)	Land area: 121,500 sq feet	N/A	Investment Properties under construction	58,967	19/8/2011
No. 924/1F, Storey No.1st Floor, Building No. Block: Front Unit Type 3, Taman Desa Cheras, Kuala Lumpur	Freehold Property. 1st Floor of 3 Storey Shophouse	Building area : 64.82 sq. metres (697.72 sq. feet)	15 Years	Vacant	47	23/12/2003
PN 30824, Lot. No. 18503, Mukim of Rawang, District of Gombak, State of Selangor	Leasehold Land (Duration - 99 Years) (Expiry date 11/7/2060)	Land area: 1,496 sq. feet Built up area : 1,280 sq. feet	6 years	Shoplot for investment	196	27/3/2012
H S (D) 224763 Lot No. PTD 42125 Mukim Senai, Kulai Daerah Johor Bahru Johor Darul Takzim	Freehold Single-storey Terrace House	Land area: 133.96 sq. metres (1,442 sq. feet)	15 Years	Vacant	105	5/11/2003
H S (D) 224752 Lot No. PTD 42114 Mukim Senai, Kulai Daerah Johor Bahru Johor Darul Takzim	Freehold Single-storey Terrace House	Land area: 133.96 sq. metres (1,442 sq. feet)	15 Years	Vacant	110	5/11/2003
B-17-09 Villa Kejora Type A Rilau Penang	Freehold Apartment	700 sq. feet	19 Years	Apartment for investment	73	12/3/1999

ANALYSIS OF SHAREHOLDINGS
as at 6 April 2018

Share Capital	:	RM598,974,584.00
Issued Number of Shares	:	545,943,372 shares
Class of Share	:	Ordinary Shares
Voting Right	:	One Vote per Ordinary Share held

ANALYSIS OF SHAREHOLDINGS
as at 6 April 2018

Size of Holdings	No. of Shareholders	(%)	No. of Shares	(%)
1 – 99	977	7.701	35,461	0.006
100 – 1,000	6,245	49.224	1,895,284	0.347
1,001 – 10,000	3,554	28.013	18,331,196	3.358
10,001 – 100,000	1,568	12.359	52,982,211	9.705
100,001 – 27,297,167 (*)	342	2.695	441,438,620	80.858
27,297,167 and above (**)	1	0.008	31,260,600	5.726
	12,687	100.00	545,943,372	100.00

NOTES: * Less than 5% of the issued shares
** 5% and above of the issued shares

30 LARGEST SHAREHOLDERS
as at 6 April 2018

	Names	No. of Shares	(%)
1.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koon Yew Yin	31,260,600	5.726
2.	Kumpulan Wang Persaraan (Diperbadankan)	24,561,600	4.498
3.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ang Lam Poah	21,464,100	3.931
4.	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koon Yew Yin (M)	20,876,600	3.823
5.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LSF)	19,000,000	3.480
6.	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Kit Pheng (M)	18,733,900	3.431
7.	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koon Yew Yin	15,950,800	2.921
8.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koon Yew Yin	14,567,400	2.668
9.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Kit Pheng	14,400,000	2.637
10.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Kit Pheng	14,000,000	2.564

Analysis Of Shareholdings
as at 6 April 2018 (cont'd)

30 LARGEST SHAREHOLDERS (cont'd)
as at 6 April 2018

	Names	No. of Shares	(%)
11.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koon Yew Yin	11,171,700	2.046
12.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koon Yew Yin	9,520,100	1.743
13.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ang Lam Poah (KLC)	9,250,000	1.694
14.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ang Lam Poah	8,200,000	1.501
15.	Amsec Nominees (Tempatant) Sdn Bhd Pledged Securities Account for Mohamad Zaidee Bin Abang Hipni	8,200,000	1.501
16.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koon Yew Yin	7,816,200	1.431
17.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Original Invention Sdn Bhd	7,271,000	1.331
18.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Original Invention Sdn Bhd (Positif Tiara)	6,000,000	1.099
19.	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ang Lam Poah (M09)	5,600,000	1.025
20.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Original Invention Sdn Bhd (MY2532)	5,500,000	1.007
21.	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Jamian Bin Mohamad @ Md. Semaal (MX3357)	5,000,000	0.915
22.	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account – Ambank (M) Berhad for Ang Ken Seng	5,000,000	0.915
23.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Original Invention Sdn Bhd (51408459122A)	5,000,000	0.915
24.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yap Sung Pang	4,503,600	0.824
25.	TA Nominees (Asing) Sdn Bhd Pledged Securities Account for Sylvain Laine	4,431,600	0.811
26.	Malacca Equity Nominees (Tempatan) Sdn Bhd Exempt An for Phillip Capital Management Sdn Bhd	4,019,562	0.736
27.	Cartaban Nominees (Tempatan) Sdn Bhd Exempt An for Standard Chartered Bank Singapore Branch (SG PVB CL AC-LR)	4,000,000	0.732
28.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Swee Sek	4,000,000	0.732
29.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yap Sung Pang	3,858,500	0.706
30.	Teoh Teik Lin	3,768,800	0.690

Analysis Of Shareholdings
as at 6 April 2018 (cont'd)

DIRECTORS' SHAREHOLDING
as at 6 April 2018

	Ordinary Shares			
	Direct Interest		Indirect Interest	
Names of Directors	**No. of Shares**	**(%)**	**No. of Shares**	**(%)**
Ang Lam Poah	48,804,102	8.939	-	-
Dato' Razali Merican Bin Naina Merican	1,550,000	0.284	*29,571,000	5.416
Ang Lam Aik	-	-	-	-
Dato' Azman Bin Mahmood	-	-	-	-
Liew Jee Min @ Chong Jee Min	-	-	-	-
Tan Sri Datuk Hussin Bin Haji Ismail	-	-	-	-

	Long Term Incentive Plan ("LTIP Option")	
Names of Directors	**No. of LTIP Option**	**(%)**
Ang Lam Poah	-	-
Dato' Razali Merican Bin Naina Merican	-	-
Ang Lam Aik	750,000	7.222
Dato' Azman Bin Mahmood	-	-
Liew Jee Min @ Chong Jee Min	-	-
Tan Sri Datuk Hussin Bin Haji Ismail	-	-

NOTES:

* Deemed interest by virtue of his shareholdings in Original Invention Sdn Bhd

Shares in related corporation

By virtue of Ang Lam Poah and Dato' Razali Merican Bin Naina Merican's interest in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, they are deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in shares of the Company and its related corporations during the financial year.

Analysis Of Shareholdings
as at 6 April 2018 (cont'd)

SUBSTANTIAL SHAREHOLDERS
as at 6 April 2018

		Direct Interest		Indirect Interest	
	Substantial Shareholders	**No. of Shares**	**(%)**	**No. of Shares**	**(%)**
1.	Ang Lam Poah	48,804,102	8.939	-	-
2.	Original Invention Sdn Bhd	29,571,000	5.416		
3.	Dato' Razali Merican Bin Naina Merican	1,550,000	0.284	*29,571,000	5.416
4.	Koon Yew Yin	113,009,100	20.700	-	-
5.	Tan Kit Pheng	47,371,700	8.677	-	-

NOTES:

* Deemed interest by virtue of his shareholdings in Original Invention Sdn Bhd

NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixteenth Annual General Meeting of the Company will be held at Grand Pacific Event Hall, 3rd Floor, Evolve Concept Mall, Pacific Place @ Ara Damansara Jalan PJU 1A/4, Ara Damansara, 47301 Selangor Darul Ehsan on Tuesday, 26 June 2018 at 10.00 a.m. for the purpose of considering the following businesses:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon.

2. To re-elect the following directors who are retiring pursuant to the Company's Article of Association:

   (i) Tan Sri Datuk Hussin Bin Haji Ismail **Resolution 1**
   (ii) Ang Lam Poah **Resolution 2**

3. To approve the payment of Directors' Fees of RM5,000 per month for each of the Non-Executive Directors for the financial year ending 31 December 2018. **Resolution 3**

4. To approve the payment of Meeting Attendance Allowances of RM1,500 per meeting for each Director and an additional RM500 per meeting for the Chairman of the meeting with effect from June 2018 until July 2019. **Resolution 4**

5. To re-appoint Messrs UHY as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 5**

SPECIAL BUSINESS

6. To consider and if thought fit, pass the following resolution:

   ORDINARY RESOLUTION: **Resolution 6**
   Authority to allot shares pursuant to Sections 75 and 76 of the Companies Act 2016

   "THAT pursuant to Sections 75 and 76 of the Companies Act 2016 and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

   ORDINARY RESOLUTION: **Resolution 7**
   Continuation in office as Independent Non-Executive Director

   "THAT approval be and is hereby given to Mr Liew Jee Min @ Chong Jee Min who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company."

   ORDINARY RESOLUTION: **Resolution 8**
   Continuation in office as Independent Non-Executive Director

   "THAT approval be and is hereby given to Dato' Azman Bin Mahmood who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company."

LEONG OI WAH (MAICSA 7023802)
Company Secretary
Petaling Jaya
30 April 2018

Notice Of Sixteenth Annual General Meeting (cont'd)

Notes:

1. *A Member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a proxy or in the case of a corporation a duly authorised representative to attend and to vote in his stead.*

2. *When a Member appoints two or more proxies, the proxies shall not be valid unless the Member specifies the proportion of his shareholdings to be represented by each proxy.*

3. *The instrument appointing proxy shall be in writing under the hands of the appointed or of his attorney duly authorised in writing or, if such be executed appointed is a corporation under its common seal, or the hand of its attorney.*

4. *The instrument appointing a proxy together with the power of attorney (as the case may be) must be deposited at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur at least 48 hours before the time appointed for holding the meeting or adjourned meeting.*

5. *Depositors who appear in the Record of Depositors as at 19 June 2018 shall be regarded as Member of the Company entitled to attend the Sixteenth Annual General Meeting or appoint a proxy to attend and vote on his behalf.*

NOTES ON SPECIAL BUSINESS:

Resolution 6:

The proposed Resolution 6 will give powers to the Directors to issue up to a maximum ten per centum (10%) of the total number of issued shares of the Company for the time being for such purposes as the Directors would consider in the best interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting of the Company.

The general mandate sought for issue of securities is a renewal of the mandate that was approved by the shareholders on 22 June 2017. The Company had utilised the earlier mandate for the private placement of 49,631,200 ordinary shares of the Company on 30 March 2018 and raised proceeds of RM68,491,056. The status of utilisation of proceeds as at 15 April 2018 is as follows.

Proposed utilisation of proceeds	Proceeds raised RM'000	Utilised as at 15.4.2018 RM'000	Timeframe for utilisation
On-going projects undertaken by JRB and its subsidiaries ("JRB Group" or "Group")	45,000	8,500	Within 12 months
Working capital for the EVOLVE Concept Mall	20,000	1,000	Within12 months
Working capital	1,791	500	Within 6 months
Estimated expenses relating to the Proposed Placement	1,700	-	Within 3 months
	68,491	**10,000**	

The renewal of the general mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions or the issuance of shares as consideration for the acquisition of assets.

Notice Of Sixteenth Annual General Meeting (cont'd)

Resolutions 7 & 8:

Mr Liew Jee Min @ Chong Jee Min and Dato' Azman Bin Mahmood have both served as Independent Non-Executive Directors for more than 9 years.

The Nomination Committee and the Board have assessed the independence of Liew Jee Min @ Chong Jee Min and Dato' Azman Bin Mahmood at its meetings held on 28 February 2018 and have recommended that they continue to act as an Independent Non-Executive Director of the Company based on the following justifications:

a) They have completed the forms of declaration affirming their independence as per the definition of the Listing Requirements
b) They have actively participated in board discussion and provided an independent voice on the Board.
c) They provide a check and balance and bring an element of objectively to the Board of Directors.
d) They continue to be scrupulously independent in their thinking and in their effectiveness as constructive challengers of the Chief Executive Officer and Executive Directors.

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JAKS RESOURCES BERHAD
585648-T

PROXY FORM

Number of Shares Held	

*I/We ____ (Full Name in Block Letters) of

_________________ (NRIC New/Company No.:) of ______________________________

____ (Address) being a

member / members of JAKS Resources Berhad hereby appoint *Mr/Ms________________________

of____

(the next name and address should be completed where it is desired to appoint two/more proxies)

or *Mr/Ms ___________________________ of ______________________________

____

or failing *him/*her/*them, the Chairman of the Meeting as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf, and if necessary, to demand a poll, at the Sixteenth Annual General Meeting of the Company to be held at Grand Pacific Event Hall , 3rd Floor, Evolve Concept Mall, Pacific Place @ Ara Damansara Jalan PJU 1A/4, Ara Damansara, 47301 Selangor Darul Ehsan on Tuesday, 26 June 2018 at 10.00 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any item arising not summarised below, *my/our *proxy/proxies may vote or abstain from voting at his/her discretion.

No.	Resolutions	For#	Against#
1.	Re-election of Tan Sri Datuk Hussin Bin Haji Ismail as Director		
2.	Re-election of Mr Ang Lam Poah as Director		
3.	Payment of Directors' Fees		
4.	Payment of Meeting Allowance		
5.	Appointment of Messrs UHY as Auditors		
6.	Approval to allot shares pursuant to Sections 75 and 76 of the Companies Act 2016		
7.	To approve the continuation in office of Liew Jee Min @ Chong Jee Min as Independent Non-Executive Director.		
8.	To approve the continuation in office of Dato' Azman Bin Mahmood as Independent Non-Executive Director.		

 # Please indicate your vote "For" or "Against" with an "X" within the box provided.

** Delete if not applicable*

Signed this _______day of __________________ 2018

____
Signature/Common Seal of Shareholder(s)

Notes: -

1. *A Member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a proxy or in the case of a corporation a duly authorised representative to attend and to vote in his stead.*
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5. *Depositors who appear in the Record of Depositors as at 19 June 2018 shall be regarded as Member of the Company entitled to attend the Sixteenth Annual General Meeting or appoint a proxy to attend and vote on his behalf.*

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JAKS RESOURCES BERHAD (585648-T)

c/o TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD
Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur

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