ANNUAL REPORT 2014

ENERGIZING **GROWTH**

MUDAJAYA
GROUP BERHAD

VISION STATEMENT

To be the preferred leader in the construction and property development industry and to provide good infrastructure and energy requirement to society. We strive to look beyond the expectations and goals to stay ahead by integrating both technical excellence and commitment in building partnerships.

MISSION STATEMENT

As the preferred leader, Mudajaya Group seeks to continuously improve on their performance pertaining to providing international quality standards, timely completion of projects, customers' satisfaction and enhancement of shareholders' value.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Yusli bin Mohamed Yusoff
Independent Non-Executive Chairman

Mr. James Wong Tet Foh
Group Managing Director
& Chief Executive Officer

Mr. Wee Teck Nam
Non-Independent Non-Executive Director

Mr. Lee Seng Huang
Non-Independent Non-Executive Director

Mr. Chew Hoy Ping
Independent Non-Executive Director

Mr. Lee Eng Leong
Alternate Non-Independent Non-Executive Director to Mr. Lee Seng Huang
Deputy Chief Executive Officer

COMPANY SECRETARY

Mr. Chai Min Hon (MIA 11926)

REGISTERED OFFICE

Level 12, Menara Mudajaya
No. 12A, Jalan PJU 7/3
Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : (603) 7806 7899
Fax : (603) 7806 7900 / 7806 7901
E-mail : info@mudajaya.com
Website : http://www.mudajaya.com

REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : (603) 7841 8000
Fax : (603) 7841 8008

AUDITORS

KPMG
Chartered Accountants

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
United Overseas Bank (Malaysia) Bhd
OCBC Bank (Malaysia) Berhad
AmBank (M) Berhad
CIMB Bank Berhad
Standard Chartered Bank Malaysia Berhad
Deutsche Bank (Malaysia) Berhad
ICICI Bank Limited
Alliance Bank Malaysia Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

MILESTONES

1965
Company established as Chye Hin Construction Co Ltd.

1966
Construction projects started with involvement in the Muda Irrigation Project – a World Bank sponsored project for the irrigation of padi fields in the states of Kedah and Perlis.

1971
Successfully completed Muda Irrigation Project.

1972
Company name changed to Mudajaya Construction Sdn Bhd.

1997
Ventured into Township Development, Batu Kawah New Township in Kuching, Sarawak.

Company name changed to Mudajaya Corporation Berhad.

1998
Completed Major Civil Engineering Works of Sultan Salahuddin Abdul Aziz Power Station Phase III, 2 x 500MW, the first coal fired power plant in Malaysia, currently the largest thermal plant in Malaysia generating 2,420MW, and is the only power plant in Malaysia with triple fuel firing capacity, coal, gas and oil.

2001
First overseas venture – Highway project in Gujarat, India.

2004
Mudajaya Group Berhad listed on main market of Bursa Malaysia Securities Berhad.

Completed Foundation works of Tuanku Jaafar Power Station Stage III, a conventional thermal power plant (firing fuel-oil) 4 x 60MW units at that time, the first power plant project of the Company.

1975

Completed Superstructure of Prai Power Station Stage III, 350MW, single-shaft Prai Power Station is the first-of-its-kind in South East Asia that utilizes turbines to produce energy which are converted into electrical energy with the help of the generator.

1979

Construction and shore protection works at Lumut Naval Base Harbour, known as 'The Home of Royal Malaysian Navy (RMN).

1981

Completed Civil Works of Sultan Salahuddin Abdul Aziz Power Station Phase II, 2 x 300MW, the first coal fired power plant in Malaysia.

1989

Ventured into Property Development. Villa Angsana Condominium. A 756 units Condominium off Jalan Ipoh, Kuala Lumpur.

1996

SINCE 1965

2009

First Independent Power Producer (IPP) venture - 4 x 360MW coal-fired power plant in Chhattisgarh, India.

2011

Civil and Structural works for the Janamanjung IV 1 x 1000MW ultra-supercritical coal-fired power plant, the single largest unit in Southeast Asia.

2012

EPCC works Tanjung Bin IV 1 x 1000MW ultra-supercritical, coal-fired power plant, the single largest unit in Southeast Asia.

Mass Rapid Transit Sungai Buloh-Kajang Line Package V3 from Dataran Sunway Station to Section 17, first MRT project in Malaysia.

Corporate HQ - Menara Mudajaya completed.

2013

First solar energy project – 10MW solar farm in Gebeng, Pahang.

2014

First 2 x 7MW coal-fired IPP venture in Sulawesi, Indonesia.

12th ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of Mudajaya Group Berhad will be held at Level 11, Menara Mudajaya, No. 12A, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 17 June 2015 at 10.00 a.m. for the following purposes:-

NOTICE OF ANNUAL GENERAL MEETING

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 together with the Reports of the Directors' and the Auditors' thereon.
(Please refer to Explanatory Note A)

2. To re-elect the following Director who retires in accordance with Article 76 of the Company's Articles of Association:-
   - Mr. Lee Seng Huang **(Ordinary Resolution 1)**

3. To re-elect the following Directors who retire in accordance with Article 83 of the Company's Articles of Association:-
   - Mr. James Wong Tet Foh **(Ordinary Resolution 2)**
   - Mr. Chew Hoy Ping **(Ordinary Resolution 3)**

4. To consider and if thought fit, to pass the following ordinary resolution:-

   "THAT pursuant to Section 129(6) of the Companies Act 1965 (the "Act"), Mr. Wee Teck Nam be re-appointed as Director of the Company to hold office until the next Annual General Meeting ("AGM")." **(Ordinary Resolution 4)**

5. To approve the payment of Directors' fees for the financial year ended 31 December 2014. **(Ordinary Resolution 5)**

6. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.
(Ordinary Resolution 6)

SPECIAL BUSINESS

To consider, and if thought fit, to pass the following resolutions:-

7. **Authority to Allot Shares pursuant to Section 132D of the Act**

   "THAT pursuant to Section 132D of the Act and subject to the approval of all relevant regulatory authorities, the Directors be and are hereby authorised to allot and issue shares in the Company at any time until the conclusion of the next AGM and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per cent (10%) of the total issued and paid-up share capital of the Company for the time being and that the Directors be and are hereby further authorised to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad ("Bursa Securities")."
(Ordinary Resolution 7)

8. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Renewal of Shareholders' Mandate")**

   "THAT approval be and is hereby given, for the purposes of Chapter 10, Paragraph 10.09 of the Listing Requirements of Bursa Securities, for the Company and/or its subsidiary companies to enter into transactions falling within the types of recurrent related party transactions of a revenue or trading nature which are necessary for the day to day operations of the Group as set out in Section 4.1 and Section 4.2 of the Circular to Shareholders of the Company dated 26 May 2015 ("Circular"), with any party who is described as a related party in the Circular, provided that such transactions are carried out in the normal course of business, at arm's length and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and which will not be to the detriment of the minority shareholders of the Company and in accordance with the guidelines of the Company for Recurrent Related Party Transactions.

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

a) the conclusion of the next AGM of the Company, at which time it will lapse, unless by a resolution passed at the general meeting, the authority is renewed; or

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

c) revoked or varied by a resolution passed by the shareholders in a general meeting;

whichever is the earlier;

AND THAT proper disclosures of the various transactions and the aggregate value of the transactions will be disclosed in the Annual Report of the Company.

AND FURTHER THAT the Directors be and hereby authorised to complete and do all such acts and things as may be required by the relevant authorities (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution." **(Ordinary Resolution 8)**

9. **Proposed Renewal of Share Buy-Back Authority**

"THAT subject to provisions of the Act, the Articles of Association of the Company, the requirements of Bursa Securities and any other regulatory authorities, the Company be and is hereby authorised to utilise an amount not exceeding the audited retained profits and/or share premium account of the Company as at 31 December 2014 to purchase such number of ordinary shares of RM0.20 each of the Company ("Proposed Renewal of Share Buy-Back Authority") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares to be purchased and/or held as treasury shares pursuant to this resolution does not exceed ten per cent (10%) of the total issued and paid-up share capital of the Company as quoted on Bursa Securities as at the point of purchase.

AND THAT such authority is subject to annual renewal and shall commence upon the passing of this resolution and shall remain in force until:-

a) the conclusion of the next AGM of the Company unless the authority is renewed either unconditionally or subject to conditions;

b) the expiration of the period within which the next AGM after the date it is required by law to be held; or

c) revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting;

whichever is earlier, but shall not prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and any other relevant authorities.

THAT authority be and is hereby given to the Directors of the Company to decide in their discretion either to retain the shares purchased by the Company as treasury shares or to cancel them or to retain part of the shares so purchased as treasury shares and cancel the remainder shares or to resell the shares or distribute the shares as dividends.

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depository) Act, 1991 designated as Share Buy-Back Account(s) and the entering into any agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as the Directors may deem fit in the interest of the Company." **(Ordinary Resolution 9)**

10. To transact any other business of which due notice shall have been received.

BY ORDER OF THE BOARD

CHAI MIN HON
Company Secretary

Petaling Jaya
26 May 2015

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy or proxies may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. Each proxy appointed shall represent a minimum of one thousand (1,000) shares.

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

3. In the case of a corporate member, the Form of Proxy shall be under its Common Seal or under the hand of its attorney.

4. The Form of Proxy must be deposited at the Company's Registered Office situated at Level 12, Menara Mudajaya, No. 12A, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time set for holding the meeting or at any adjournment thereof.

5. In respect of deposited securities, only members whose names appear on the record of Depositors on 10 June 2015 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

Explanatory Note A

This agenda item is meant for discussion only as the provision of Section 169(1) of the Act does not require the Audited Financial Statements to be formally approved by the shareholders. As such, this item on the agenda is not put forward for voting.

Explanatory Notes on Special Business:-

1. **Authority to Allot Shares pursuant to Section 132D of the Act**

   The Company had, during its Eleventh AGM held on 18 June 2014, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Act. As at the date of this notice, the Company did not issue any shares pursuant to this mandate obtained.

   The proposed Ordinary Resolution 7, if passed, will empower the Directors from the conclusion of this AGM, to allot and issue up to a maximum of 10% of the issued share capital of the Company (excluding treasury shares) at the time of issue (other than bonus or rights issue) for such purposes as they consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next AGM of the Company.

   This mandate will provide flexibility to the Company for the allotment of shares for the purpose of funding working capital, future expansion and investment/acquisition(s). At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is sought, the Company will make an announcement in respect thereof.

2. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

   The explanatory notes for Ordinary Resolution 8 are set out in the Circular to Shareholders dated 26 May 2015.

3. **Proposed Renewal of Share Buy-Back Authority**

   The proposed Ordinary Resolution 9, if passed, will give the Directors of the Company authority to take all such steps as are necessary or expedient to implement, finalise, complete and/or to effect the purchase(s) of Shares by the Company as the Directors may deem fit and expedient in the best interest of the Company. The authority will, unless revoked or varied by the Company in a general meeting, continue to be in force until the conclusion of the next AGM of the Company or the expiry of the period within which the next AGM of the Company following the Twelfth AGM is required by law to be held.

   Further information on the Proposed Renewal of Share Buy-Back is set out in the Share Buy Back Statement to Shareholders dated 26 May 2015.


WE ARE COMMITTED TO BRINGING OUT THE BEST IN OUR PEOPLE TO ADVANCE THE FUTURE TOGETHER.

FIVE YEARS FINANCIAL HIGHLIGHTS

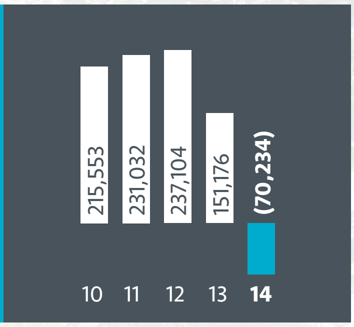
	2014 RM'000	2013 RM'000	2012 RM'000	2011 RM'000	2010 RM'000
ASSETS					
Non-Current Assets	**892,143**	**858,383**	722,812	505,875	406,147
Current Assets	**960,225**	**806,190**	921,698	930,780	713,560
Total Assets	**1,852,368**	**1,664,573**	1,644,510	1,436,655	1,119,707
EQUITY AND LIABILITIES					
Capital And Reserves					
Share Capital	**110,483**	**110,342**	109,949	109,665	82,248
Reserves	**991,046**	**1,099,541**	1,004,086	836,509	640,805
Equity Attributable To					
Equity Holders Of The Company	**1,101,529**	**1,209,883**	1,114,035	946,174	723,053
Non-Controlling Interest	**(15,859)**	**(18,076)**	(10,202)	61,551	37,935
Total Equity	**1,085,670**	**1,191,807**	1,103,833	1,007,725	760,988
Liabilities					
Non-Current Liabilities	**410,877**	**24,894**	621	256	256
Current Liabilities	**355,821**	**447,872**	540,056	428,674	358,463
Total Liabilities	**766,698**	**472,766**	540,677	428,930	358,719
Total Equity And Liabilities	**1,852,368**	**1,664,573**	1,644,510	1,436,655	1,119,707
GROUP RESULTS					
Profit/(Loss) Before Tax	**(61,605)**	195,627	284,116	293,948	278,386
Income Tax Expense	**(8,857)**	(21,960)	(10,563)	(17,020)	(41,388)
Non-Controlling Interest	**(228)**	22,491	36,449	(45,896)	(21,445)
Profit/(Loss) Attributable To Equity Holders Of The Company	**(70,234)**	151,176	237,104	231,032	215,553
SELECTED RATIOS					
Earnings/(Loss) Per Share (Sen)*	**(13.0)**	27.9	43.5	42.3	39.5
Net Dividend Per Share (%)	**30.0**	45.0	45.0	40.0	27.5
Net Assets Per Share attributable to equity holders of the Company (RM)*	**2.05**	2.20	2.05	1.73	1.76
Return On Equity (%)	**(6.4)**	12.5	21.3	24.4	29.8
Gearing Ratio (%)	**38.1**	2.3	-	-	-
Share Price (Year-End Closing) (RM)	**1.45**	2.90	2.62	2.19	4.27

* Comparatives have been restated to take into effect of:

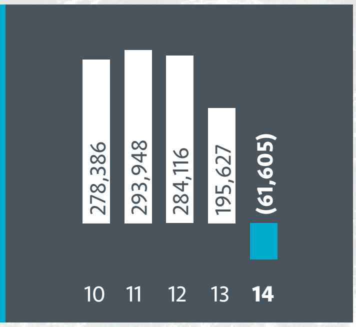
(i) The bonus shares issued on the basis of one (1) bonus share for three (3) existing ordinary shares of RM0.20 each ("Bonus Issue"). The Bonus Issue was completed on 19 July 2011.

FIVE YEARS FINANCIAL HIGHLIGHTS

PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM'000)

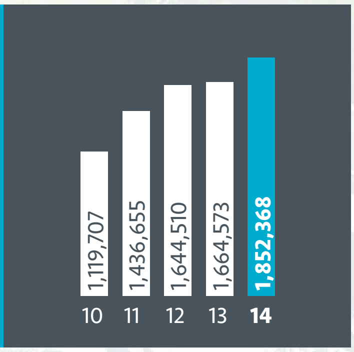


PROFIT/(LOSS) BEFORE TAX (RM'000)



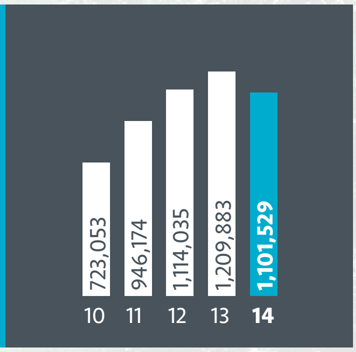
+11%

TOTAL ASSETS (RM'000)



-9%

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (RM'000)



DIRECTORS' PROFILE

DATO' YUSLI BIN MOHAMED YUSOFF

Independent Non-Executive Chairman

Chairman of the Combined Nomination and Remuneration Committee

Member of the Audit Committee

Dato' Yusli bin Mohamed Yusoff, a Malaysian aged 56, was appointed as an Independent Non-Executive Director of Mudajaya Group Berhad ("Mudajaya") on 13 July 2011 and was later redesignated as the Independent Non-Executive Chairman of Mudajaya on 30 September 2011. He was also appointed as a member of the Audit Committee on 1 March 2012 and the Chairman of the Combined Nomination and Remuneration Committee on 1 January 2015.

Dato' Yusli graduated from the University of Essex, United Kingdom with a Bachelor of Economics in 1981. He is a Member of the Institute of Chartered Accountants England and Wales, the Malaysian Institute of Accountants as well as an Honorary Member of the Institute of Internal Auditors Malaysia. He commenced his professional career in 1981 as an Accountant with Peat Marwick Mitchell & Co in London, United Kingdom before joining Hugin Sweda PLC in 1986, where he was Chief Accountant until 1990.

He returned to Malaysia in 1990 and served in various senior positions within a number of private and public listed companies in Malaysia, providing him with experience in a number of different industries including property and infrastructure development, telecommunications, engineering and merchant banking. He entered the stockbroking industry when he was appointed the Chief Executive Director of CIMB Securities Sdn Bhd from 2000 to 2004. He also served as Chairman of the Association of Stockbroking Companies Malaysia from 2003 to 2004.

From 2004 till 2011, he was the Executive Director/Chief Executive Officer of Bursa Malaysia Berhad, previously known as the Kuala Lumpur Stock Exchange. During the same period, he also sat on the Board of the Capital Market Development Fund and was an executive committee member of the Financial Reporting Foundation of Malaysia.

Currently, he sits as an Independent Non-Executive Director on the Board of Directors of a few public listed companies in Malaysia namely YTL Power International Berhad, Mulpha International Berhad, AirAsia X Berhad and Westports Holdings Berhad. He is also the Deputy Chairman of Pelaburan MARA Berhad and Chairman of PMB Tijari Berhad. Outside his professional engagements, he also serves as the Patron of the Victoria Institution Old Boys Association.

DIRECTORS' PROFILE

MR. JAMES WONG TET FOH

Group Managing Director &
Chief Executive Officer

Mr. James Wong Tet Foh, a Malaysian aged 54, was appointed as Executive Director of Mudajaya on 2 May 2014. He was re-designated as an Alternate Director to Mr. Anto A/L SF Joseph and as Deputy Chief Executive Officer of Mudajaya on 1 January 2015 and subsequently promoted as the Group Managing Director & Chief Executive Officer of Mudajaya on 1 April 2015. Mr. James Wong was appointed as Director and Chief Operating Officer (COO) of Mudajaya Corporation Berhad ("MCB") on 2 May 2013 and subsequently re-designated as the Managing Director of MCB on 2 May 2014.

Mr. James Wong graduated with a Bachelor of Science (1st Class Honours) in Civil Engineering in 1984 and a Master of Science in 1985 from Imperial College of Science, Technology & Medicine, United Kingdom. He also completed a part-time MBA (Finance) programme from Nottingham University Business School in 2015. James attained his Professional Engineer registration with the Board of Engineers Malaysia in 1989 after having spent the first five years of his career with a forensic engineering consultancy firm specializing in distressed buildings or infrastructure works covering the field of geotechnical, structural and material investigations.

He joined the UEM Group of Companies in 1989 where he served for 21 years in various capacities such as Chief Operating Officer for UE Construction Sdn Bhd (2002-2004) and Director of International Projects for UEM Builders Berhad (2004-2009). His stint with UEM covered projects in India, Middle East, Indonesia and Singapore. In 2009, he moved to Lafarge Concrete (M) Sdn Bhd as Vice President of Marketing and Strategy (Asia). Prior to his appointment at Mudajaya, he served as Business Development Director of IJM Corporation Bhd and subsequently as Managing Director of IJM's tolled highway concession asset companies in Malaysia and India.

DIRECTORS' PROFILE

MR. WEE TECK NAM

Non-Independent Non-Executive Director

Member of Audit Committee

Mr. Wee Teck Nam, a Malaysian aged 75, was appointed as an Executive Director of Mudajaya on 2 March 2004. Subsequently, he was re-designated as a Non-Independent Non-Executive Director of Mudajaya on 1 January 2015. He was appointed as a member of the Audit Committee on 1 January 2015.

Mr. Wee graduated with a Bachelor Degree in Mechanical Engineering from University of Sydney, Australia in 1964. Upon graduation, he worked for the Chemical Company of Malaysia, a member of the ICI Malaysia Group for over 9 years. From there, he progressed to be General Manager of Batu Arang Bricks and Tiles Bhd and Sim Lim Trading Sdn Bhd. Later he joined TDM Berhad as a Senior Manager, overseeing the total operations of 24,000 acres of palm oil estates and oil mills in Terengganu. In 1986, he pioneered Wormald International Ltd of Australia and built up its operations in Taiwan. In 1994, he became the General Manager and Chief Executive Officer of Shanghai Allied Cement Ltd, a joint venture company between Hong Kong and China. Eventually, Mr. Wee retired and returned to Malaysia in the early 1999. Mr. Wee was a Director of Mulpha Land Berhad from October 1998 to August 2001 and a Director of Mulpha International Bhd from October 1998 to July 2002.

MR. LEE SENG HUANG

Non-Independent Non-Executive Director

Member of the Combined Nomination and Remuneration Committee

Mr. Lee Seng Huang, a Malaysian aged 40, was appointed as a Non-Independent Non-Executive Director of Mudajaya on 17 March 2011. Currently, he is also a member of the Combined Nomination and Remuneration Committee.

Educated at the University of Sydney in Australia, Mr. Lee was appointed as an Executive Director and has been the Group Executive Chairman of Sun Hung Kai & Co. Ltd since 1 January 2007. He is also the Executive Chairman of Mulpha International Bhd (a Malaysian listed conglomerate) as well as Mulpha Australia Limited, and the non-executive chairman of Aveo Group, a leading retirement group listed on the Australian Securities Exchange.

DIRECTORS' PROFILE

MR. CHEW HOY PING

Independent Non-Executive Director

Chairman of Audit Committee

Member Combined Nomination and Remuneration Committee

Mr. Chew Hoy Ping, a Malaysian aged 57, is a member of the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA). He was appointed to the Board on 1 January 2015 as an Independent Non-Executive Director. He also serves as Chairman of the Audit Committee as well as a member of the Risk Management and Combined Nomination & Remuneration Committee.

Mr Chew began his career at Messrs Price Waterhouse (later PricewaterhouseCoopers or PwC) in 1976 and served in various capacities in the firm for almost 30 years, and was admitted as a partner of the firm in 1990. Whilst at PwC, he covered a wide range of professional service areas including business advisory, corporate restructuring & recovery as well as corporate finance. He also held several leadership roles including the Asia Pacific Chairman of Financial Advisory Services and was the Malaysian firm's Risk Management & Independence Leader, its Deputy Chairman of the Governance Board and a member of its Country Management Team. Mr Chew was seconded to the Houston, Texas office (1982-84) for overseas work experience & personal development and later to Bank Negara Malaysia (1986-88) for about a year and a half. In 2005, he became the Chief Financial Officer for Southern Bank Berhad ("SBB") and left in mid-2006 when SBB was acquired by Bumiputra Commerce Holdings Berhad (now CIMB).

Mr Chew is currently an Independent Non-Executive Director of Mulpha International Berhad, Malaysia Smelting Corporation Berhad and Carlsberg Brewery Malaysia Berhad. He is also the Chairman of the Audit Committees of each of these companies. He is also on the Board of Trustees of the World Wide Fund for Nature in Malaysia ("WWF-M").

MR. LEE ENG LEONG

Alternate Non-Independent Non-Executive Director to Mr. Lee Seng Huang

Deputy Chief Executive Officer

Mr. Lee Eng Leong, a Malaysian aged 47, was appointed as an Alternate Director to Mr Lee Seng Huang, a Non-Independent Non-Executive Director of Mudajaya on 17 October 2012. Subsequently, he was appointed as Deputy Chief Executive Officer of Mudajaya on 1 January 2015. Mr. Lee was appointed as an Executive Director of MCB on 1 August 2014.

Mr. Lee is currently the Alternate Non-Independent Non-Executive Director to Lee Seng Huang in Mulpha Land Berhad.

Mr. Lee is a member of the Malaysian Association of Certified Public Accountants and Malaysian Institute of Accountants. He was the Group Chief Financial Officer of Alliance Bank Malaysia Berhad ("the Bank") from 4 January 2010 to 2 October 2012. Prior to joining the Bank, he was the Chief Financial Officer of a major global company where he oversaw their finance operations covering the Asia region. For over 20 years, he has held various leadership roles in management positions within both local companies and MNCs in Asia.

Other information on Directors

1. None of the Directors has any family relationship with any Director and/or major shareholder of the Company except for Mr. Lee Seng Huang who is the son of Madam Yong Pit Chin, a major shareholder in Nautical Investments Ltd, which in turn is a major shareholder of Mulpha International Bhd.
2. Save as disclosed, none of the Directors has any conflict of interest with the Company.
3. None of the Directors have any conviction for offences within the past ten (10) years other than traffic offenses.
4. The details of the Directors' attendance at Board Meetings are set out on page 23 of this Annual Report.

MUDAJAYA GROUP BERHAD

MUDAJAYA GROUP BERHAD
(Investment holding)
Authorised Share Capital: RM250,000,000
Paid-up Share Capital: RM110,443,853

100%

MUDAJAYA CORPORATION BERHAD
(Civil engineering and building construction)
Authorised Share Capital: RM1,500,000,000
Paid-up Share Capital: RM284,000,000

GROUP STRUCTURE

100%
MUDAJAYA POWER INTERNATIONAL SDN BHD
(Civil engineering and building construction)
Authorised Share Capital: RM500,000
Paid-up Share Capital: RM200,000

100%
MUDAJAYA LAND SDN BHD
(Property development)
Authorised Share Capital: RM50,000,000
Paid-up Share Capital: RM50,000,000

100%
ENTRUTECH SDN BHD
(Engineering consultancy services and turnkey engineering projects)
Authorised Share Capital: RM10,000,000
Paid-up Share Capital: RM2,000,000

100%
MJC INDUSTRIES SDN BHD
(Manufacturing of concrete products and building materials)
Authorised Share Capital: RM500,000
Paid-up Share Capital: RM300,000

100%
MJC TRADING SDN BHD
(Trading in construction related materials)
Authorised Share Capital: RM500,000
Paid-up Share Capital: RM300,000

100%
MJC PLANTATIONS SDN BHD
(Dormant)
Authorised Share Capital: RM100,000
Paid-up Share Capital: RM10,000

100%
MGB ENTERPRISE SDN BHD
(Dormant)
Authorised Share Capital: RM100,000
Paid-up Share Capital: RM10,000

100%
MUDAJAYA ENERGY SDN BHD
(formerly known as MJC Management Services Sdn Bhd)

70%
MJC CITY DEVELOPMENT SDN BHD
(Property management & development)
Authorised Share Capital: RM50,000,000
Paid-up Share Capital: RM10,000,000

100%
MJC DEVELOPMENT SDN BHD
(Property management and development and building construction)
Authorised Share Capital: RM5,000,000
Paid-up Share Capital: RM100,000

100%
ACTIVE FLORA SDN BHD
(Investment holding)
Authorised Share Capital: RM100,000
Paid-up Share Capital: RM10.00

100%
POSITIVE RANGE SDN BHD
(Investment holding)
Authorised Share Capital: RM100,000
Paid-up Share Capital: RM1,000

100%
MJC PRECAST SDN BHD
(Manufacture of precast concrete and other related products)
Authorised Share Capital: RM10,000,000
Paid-up Share Capital: RM10,000,000

100%
MJC QUARRY SDN BHD
(Quarry operations)
Authorised Share Capital: RM10,000,000
Paid-up Share Capital: RM9,000,000

30% **30%**
SPECIAL UNIVERSAL SDN BHD
(Photovoltaic power plant)
Authorised Share Capital: RM25,000,000.00
Paid-up Share Capital: RM14,400,000.00

100%
INDAH KIRANA (M) SDN BHD
(Has not commenced operations)
Authorised Share Capital: RM100,000
Paid-up Share Capital: RM4,000

100%
PIALA TEBRAU (M) SDN BHD
(Dormant)
Authorised Share Capital: RM100,000
Paid-up Share Capital: RM2

70%
DESIRAN JOHAN SDN BHD
(Building construction and property development)
Authorised Share Capital: RM500,000
Paid-up Share Capital: RM500,000

100%
GREAT HILL INTERNATIONAL LTD
(Republic of Mauritius)
(Has not commenced operations)
Authorised Share Capital: USD1,000,000
Paid-up Share Capital: USD2

100%
MUDAJAYA INTERNATIONAL LTD
(Republic of Mauritius)
(Has not commenced operations)
Authorised Share Capital: # Stated Capital
Paid-up Share Capital: USD30,000

100%
ORACLE INTERNATIONAL CO LTD
(Negara Brunei Darussalam)
(Has not commenced operations)
Authorised Share Capital: USD1,000,000
Paid-up Share Capital: USD1

100%
MUDAJAYA INTERNATIONAL INVESTMENT LTD
(Negara Brunei Darussalam)
(Has not commenced operations)
Authorised Share Capital: USD1,000,000
Paid-up Share Capital: USD100,000

80%
MIPP INTERNATIONAL LTD
(Republic of Mauritius)
(Equipment procurement services)
Authorised Share Capital: # Stated capital
Paid-up Share Capital: USD2,000,000

75%
MUDAJAYA MIDDLE EAST LTD
(Kingdom of Saudi Arabia)
(Construction, property development and the provision of engineering and project management services in the Middle East region)
Authorised Share Capital: SAR500,000
Paid-up Share Capital: SAR500,000

74%
ELECTRIC POWER INTERNATIONAL LTD
(Republic of Mauritius)
(Dormant)
Authorised Share Capital: # Stated capital
Paid-up Share Capital: USD50,000

100%
MUDAJAYA CONSTRUCTION (INDIA) PRIVATE LIMITED
(India)
(Construction and related business)
Authorised Share Capital: INR500,000
Paid-up Share Capital: INR100,000

NOTE:

The Stated Capital in relation to a class or classes of par value shares issued by a company means the total of all amount received by the Company in respect of the nominal paid up value (par value) of the shares and share premium (if any) paid to the company in relation to those shares. There is no ceiling on the number of shares that can be issued by the company.

AS A LEADING COMPANY IN THE CONSTRUCTION, ENERGY AND PROPERTY SECTOR, WE HAVE RECEIVED REPUTABLE EXTERNAL RECOGNITIONS.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") of Mudajaya Group Berhad ("Mudajaya") remain committed to high standards of corporate governance in cultivating a responsible organisation that adopts practices in accordance to the Principles and Recommendations of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012").

The Board recognises that maintaining good corporate ethics is critical to business integrity and performance, and key to delivering shareholder value. The Board evaluates and, where appropriate, implements relevant proposals to ensure that Mudajaya continues to adhere to good corporate governance, relevant to developments in market practice and regulations.

This Statement outlines how Mudajaya has applied the Principles and Recommendations of the MCCG 2012 during the financial year following the release of this framework by the Securities Commission in late March 2012. The reasons for non-observance of specific Recommendations in the MCCG 2012 during the financial year under review are also included in this Statement.

Establish Clear Roles and Responsibilities of the Board and Management

1.1 Clear functions of the Board and Management

The Board's role is to control and provide stewardship of Mudajaya's business and affairs on behalf of shareholders. By pursuing its objective of creating long-term shareholder value, the Board takes into account the interests of all stakeholders in their decision making.

Beyond the matters reserved for the Board's decision, the Board has delegated the authority to achieve the corporate objective to the Group Chief Executive Officer ("CEO"). The Group CEO remains accountable to the Board for the authority that is delegated to him, and for the performance of the Group.

The Board monitors the decisions and actions of the Group CEO, and the performance of the Group to gain assurance that progress is being made towards the corporate objective, within the limits it has imposed.

1.2 Clear roles and responsibilities

The Board's responsibilities include providing strategic direction and approving corporate ambitions and targets, monitoring and reviewing corporate performance, ensuring adequate systems for good internal control and risk management are in place, overseeing succession planning, and sound financial and operational management to ensure that obligations to shareholders and other stakeholders are understood and met.

The Board shall be involved in any matters that may have a significant impact on Mudajaya's business, such as, but not limited to, issues within objectives and strategies, operations and finances, and organisation and employees.

The Board has established Board Committees, namely the Audit Committee, Combined Nomination and Remuneration Committee, Executive Committee, Risk Management Committee and Option Committee to examine specific matters within their respective terms of reference as approved by the Board and will report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

1.3 Formalised ethical standards through Code of Ethics

Code of Conduct

The Board has adopted and implemented a Code of Ethics and Conduct ("Code") which reflects Mudajaya's vision and core values of integrity, respect, trust and openness. It provides clear direction on conducting business, interacting with the community, government and business partners; and general workplace behaviour. It also includes guidance on disclosure of conflict of interests, maintaining confidentiality and disclosure of information, good practices and internal controls, and the duty to report where there is a breach of the Code.

The Code is reviewed and updated regularly by the Board to meet Mudajaya's needs and to address the changing conditions of its business environment.

The Code governs the conduct of all Mudajaya employees including the Board members. All employees have read and understood the Code. Ongoing training is provided to employees on the Code, in particular on how to deal with situations involving ethical dilemma to ensure that they continuously uphold high standard of conduct while performing their duties.

Compliance with the Code is monitored regularly by Mudajaya's Audit Committee. The Management of Mudajaya reports regularly to the Audit Committee on the compliance of the Code by Mudajaya and its employees.

A copy of the Code can be found in Mudajaya's website at :-

www.mudajaya.com/home/files/editor _ files//files/ce.pdf

Whistle-Blowing Policy

Mudajaya has an established whistle-blowing policy to provide an avenue for employees, suppliers, tenants and customers to voice their grievances and raise their concerns about any malpractices involving Mudajaya without any fear of repercussions.

To further strengthen its whistle-blowing policy, Mudajaya has introduced an Integrity Email Address for employees to express concerns on issues that breach the Code. Reports can be made anonymously without fear of retaliation. Mudajaya has a process in place to independently investigate all reports received to ensure the appropriate follow-up actions are taken.

If an employee has concerns about illegal or unethical conduct in the workplace, they can choose to report through the Integrity Email Address, their respective leaders or to Mudajaya's Audit Committee Chairman.

1.4 Strategies promoting sustainability

The Board is mindful of the importance of building a sustainable business, therefore takes into consideration its environmental, social and governance impact when developing Mudajaya's corporate strategy. Mudajaya's sustainability agenda includes the following:-

- Uphold high corporate governance standards and ethics across our organisation.
- Streamlining all policies, processes and internal controls, and strengthening compliance to local laws and regulations.
- Extend local and international standards on health, safety, security, environment, human rights and ethics to all business partners.

We take a proactive approach in managing potential environmental risks and impacts across our operations and comply with global standards such as ISO 9001, ISO 14001 and OHSAS 18001. We have also put in place processes to facilitate the disposal of construction waste in accordance with global environmental and safety standards. Annual recycling campaigns have been organised to promote recycling activities among our employees.

1.5 Access to information and advice

The Board and its Committees receives up-to-date information for review ahead of each meeting. The Board recognises that the decision-making process is highly dependent on the quality of information provided. Furthermore, every Director has access to all information on Mudajaya through the following means:

i) Group CEO, CFO and members of the senior management who attend Board and Committee meetings by invitation to report and update on areas of the business within their responsibility to give Board members thorough insights into the business. This includes financial, operational, customer satisfaction and services quality, regulatory and strategic information, and investor relations updates.

ii) Board and Committee papers are prepared for each item in the agenda and are issued to the Directors at least seven (7) days before the Board and Committee meetings.

iii) The Audit Committee Chairman meets with the Management, Head and senior members regularly to review the reports regarding internal control system and financial reporting.

STATEMENT ON CORPORATE GOVERNANCE

iv) Directors are provided with relevant information in between Board meetings. This includes important financial and operational updates.

v) Informal communication between the Directors, the CEO and other employees.

Access to Independent and Professional Advice

The Board or an individual Director may seek professional expert advice at Mudajaya's expense with prior approval from the Board on any matters in relation to the discharge of their responsibilities. No Director availed himself to this right during the year.

1.6 Qualified and competent Company Secretary

The Company Secretary ensures the flow of information to the Board and its Committees. Mr Chai Min Hon is the Company Secretary of Mudajaya. He is supported by a qualified MAICSA member. Together, they are responsible for developing and maintaining the processes that enable the Board to fulfill its role, ensure compliance with Board procedures and advise the Board on all governance matters.

The Board is regularly updated and advised by the Company Secretary, who is qualified, experienced and competent on new statutory and regulatory requirements, and the resultant implications to Mudajaya and the Directors in relation to their duties and responsibilities. The Company Secretary, who oversees adherence with board policies and procedures, briefs the Board on the proposed contents and timing of material announcements to be made to regulators.

The Company Secretary attends all Board and Board Committee meetings to ensure that meetings are properly convened, that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.

All Directors have access to the advice and services of the Company Secretary.

The removal of Company Secretary, if any, is a matter for the Board to decide collectively.

1.7 Board Charter

The Board is guided by the principles contained in the Code and by the Board's Charter which set out the practices and processes in the discharge of its responsibilities; the matters that are reserved for consideration and decision-making; the authority it has delegated to the Group CEO, including the limits which the Group CEO can execute the authority; and provides guidance on the division of responsibilities between the Board and Group CEO.

The Board Charter including the terms of reference of all the Board Committees are accessible in Mudajaya's website: www.mudajaya.com/home/files/editor _ files//files/BC.pdf

Strengthen Composition of the board

2.1 Combined Nomination and Remuneration Committee ("CNRC")

The current members of the Combined Nomination and Remuneration Committee ("CNRC") are Dato' Yusli bin Mohamed Yusoff (Chairman), Mr Chew Hoy Ping and Mr Lee Seng Huang. All members of the Committee are non-executive directors, majority of whom are independent.

The CNRC meets as and when required, and at least once a year. The CNRC met once during the year and the meeting was attended by all its members.

The role of the CNRC is to assist the Board in ensuring that the Board comprises individuals with the requisite skills, knowledge, experience and personal characteristics. The duties and responsibilities of the CNRC are as follows:

a) To identify and recommend to the Board, candidates for directorships of the Company to be filled by the Board or by the shareholders at an annual or extra-ordinary meeting. In making its recommendations, the CNRC will also consider candidates for directorships proposed by the Group CEO and, within the bounds of practicality, by any other senior executive or any director or shareholder.

In making its recommendations, the CNRC shall 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 CNRC shall also evaluate the candidates' ability to discharge such responsibilities / functions as are expected from independent non-executive directors.

b) To recommend to the Board, directors to fill the seats on Board Committees.

c) To review annually the required mix of skills and experience of the Board, including the core competencies which directors should bring to the Board.

d) To evaluate the effectiveness of the Board and Board Committees (including its size and composition) and the contribution of each individual director, including independent non-executive directors as well as the Group CEO. All assessments and evaluations carried out by the Committee in the discharge of all its functions shall be properly documented.

e) To determine appropriate training and orientation needs for Directors, review the fulfillment of such training, a disclose details in the annual report as appropriate, in accordance with Bursa Malaysia Securities Berhad's guidelines on continuing education.

f) To consider and recommend the Directors for re-election / re-appointment at each Annual General Meeting.

g) To ensure an appropriate framework and plan for Board succession for the Group.

h) To establish a competitive compensation package, which reflects market value, sustained individual performance, job responsibilities and the group's performance against financial objectives.

i) To review the directors' performance in line with the corporate objectives and decides upon the remuneration package of the executive directors.

j) To establish a formal and transparent procedure for developing policy on executive remuneration.

k) To review and recommend the entire individual remuneration packages for each of the executive directors to ensure the levels of remuneration be sufficiently attractive and be able to retain the executive directors needed to run the Company successfully.

l) To consider and examine such other matters as the Committee considers appropriate.

m) To consider other matters as referred to the Committee by the Board.

Activities Undertaken

The CNRC assessed the overall effectiveness of the Board, its Committees and the contribution and performance of each individual Director in 2014 including its size, structure and composition. The Board's performance evaluation is discussed in more detail in the section under "Performance evaluation" on page 20.

In carrying out its duties and responsibilities, the CNRC has full and unrestricted access to Mudajaya's records and personnel. The CNRC reports its recommendations back to the Board for its consideration and approval.

In its assessment, it was concluded that the Board's size is conducive for effective discussion and decision making and that the Board has an appropriate number of Independent Non-Executive Directors. The Board is satisfied that it has an appropriate balance of expertise, skills, and attributes among the Directors, including relevant core competencies.

The Independent Non-Executive Directors continue to demonstrate their independence through their engagement in meetings, providing objective challenges to the Management and bringing independent judgment to decisions taken by the Board.

2.2 Develop, maintain and review criteria for recruitment processes and annual assessment of Directors

Appointments to the Board and Re-election of Directors

The CNRC is responsible to ensure that the procedures for appointing new Directors are transparent and rigorous, and that appointments are made on merit. In evaluating the suitability of individuals for Board membership, the CNRC ensures that the Board comprises individuals with the necessary background, skills, knowledge, experience and personal characteristics to augment the present Board and meets its future needs.

Mudajaya's Articles of Association requires a minimum of two (2) Directors unless otherwise determined by shareholders in an Annual General Meeting ("AGM"). The Board may appoint an individual to be a Director, either as an addition to the existing Directors or to fill a casual vacancy. Any new Director appointed by the Board during the year is required to stand for election at the next AGM.

Other than those Directors appointed during the year, one-third of remaining Directors are required to retire by rotation and all Directors must submit themselves for re-election at each AGM at least once every three (3) years. Retiring Directors who are seeking re-election are subject to a Director assessment overseen by the CNRC. The re-election of each Director is voted as a separate resolution during Mudajaya's AGM.

Following the assessment, the Board, on the recommendation of the CNRC, determines whether it will endorse a retiring Director for re-election. Directors over seventy (70) years of age are required to seek shareholders' approval for re-appointment annually in accordance with Section 129(6) of the Companies Act 1965.

Performance Evaluation

The Board regularly evaluates its performance and governance processes with the aim of improving individual contributions, effectiveness of the Board and its committees, and Mudajaya's performance.

For the financial year 2014, the Board assessed the effectiveness of the Board, its Committees and the contribution of each Director. The evaluation includes a review of the administration of the Board and its Committees covering the operation of the Board and its Committees, agendas, reports and information produced for consideration and the Board's relationship with its Committees and Management.

The evaluation of individual Directors focused on the contribution of the Director to the work of the Board. Performance of individual Directors were assessed against a range of criteria including the ability of the Director to consistently take the perspective of creating shareholder value, to contribute to the development of strategy, to provide clear direction to the management, to contribute to the Board's cohesion, and to listen to and respect the ideas of fellow Directors and members of the Management.

The evaluation process is led by the Chairman of the CNRC and supported by the Company Secretary. The evaluation results were considered by the CNRC, which then made recommendations to the Board, aimed at helping the Board to discharge its duties more effectively.

Following the evaluation process, the CNRC would identify areas for improving the effectiveness of the Board and actions taken based on the feedback, if any.

During the meeting held in February 2015, the CNRC reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board, including the core-competencies of the Directors; the contribution of each individual Director; independence of the Independent Directors; effectiveness of the Board, as a whole, and the Board Committees; and also the retirement of Directors eligible for re-election.

2.3 Remuneration policies and procedures

The role of the CNRC is to assist the Board in overseeing the remuneration policy and its specific application to the Executive Directors and Group CEO, evaluating the performance of the Group CEO annually and determining the levels of reward to the Group CEO.

Non-Executive Directors' remuneration is a matter to be decided by the Board collectively with the Director concerned abstaining from deliberations or voting on decision in respect to his individual remuneration. The CNRC evaluated the Group CEO against the set performance criteria and reviewed the compensation package for the Group CEO, subject to the Board's approval.

The Board collectively determined the remuneration for the Non-Executive Directors based on the recommendation from the CNRC. Each of the Non-Executive Directors abstained from deliberating and voting on their own remuneration.

Directors' Remuneration

The objective of Mudajaya's policy on Director's remuneration is to attract and retain Directors needed to run the company successfully. Non-Executive Directors' remuneration reflects the experience, expertise and level of responsibilities undertaken by the Non-Executive Director concerned.

Details of the Directors' Remuneration

The details of the Directors' remuneration for the financial year ended 31 December 2014 and the remuneration bands analysis are as follows:-

	Executive (RM'000)	Non-Executive (RM'000)
Salaries and other emoluments	4,442	-
Bonus	446	-
Defined contribution plan	595	-
Estimated money value of benefits-in-kind	173	-
Fees	-	440
Other emoluments	-	198
Total	**5,656**	**638**

	Executive (RM'000)	Non-Executive (RM'000)
50,001 – 100,000	-	1
100,001 – 150,000	-	2
150,001 – 200,000	-	-
250,001 – 300,000	1	-
300,001 – 350,000	-	1
600,001 – 650,000	1	-
700,001 – 750,000	1	-
850,001 – 900,000	1	-
2,050,001 – 2,100,000	1	-

Reinforce Independence

3.1 Annual Assessment of Independence

The Board recognises the importance of independence and objectivity in the decision-making process. The Independent Directors bring the knowledge and experience of the regulatory environment and accounting regime in Malaysia. The Board considers that it should include significant representation by Directors who are capable and willing to make decisions in the best interests of the shareholders, free from interests or influences which conflict with their duties and are also independent of the Management.

Dato' Yusli bin Mohamed Yusoff, Mr Yee Swee Choon and Mr Henry Choo Hon Fai were the Independent Directors for the year 2014. The Board, via its Combined Nomination and Remuneration Committee assesses each Director's independence to ensure ongoing compliance with the independence requirement annually. The Independent Directors fulfill the criteria of "Independence" as prescribed under Chapter 1 of the Listing Requirements.

Mudajaya fulfills the requirement to have at least one-third of the Board comprised of Independent Non-Executive Directors. However, the Board has plans to increase the number of independent directors to futher strengthen the Board.

3.2 Tenure of Independent Directors

Mudajaya does not have term limits for Independent Directors. The calibre, qualification, experience and personal qualities, particularly of the Director's integrity and objectivity in discharging his responsibilities in the best interest of Mudajaya predominantly determines the ability of a Director to serve effectively as an Independent Director.

STATEMENT ON CORPORATE GOVERNANCE

Although term limits could help to ensure that new ideas and perspective would be available to the Board, they pose the disadvantage of losing experienced Independent Directors who over time have developed detailed insight in Mudajaya's operations and therefore, provide an increasing contribution to the effectiveness of the Board as a whole. The Board therefore is of the view that imposing a fixed term limit for Independent Directors does not necessarily assure their independence and objectivity.

Nevertheless, Mr Yee Swee Choon and Mr Henry Choo Hon Fai who were the Independent Directors of the Company for more than ten years had resigned from the Board on 1 January 2015 as a result of the Board's decision to re-constitute its membership to provide for a fresh balance of skills and perspectives. The Board is grateful for Mr Yee's and Mr Choo's contributions during their tenures as Independent Directors.

3.3 Shareholders' approval for the re-appointment of Independent Directors who have served for more than nine years

Currently, none of the Independent Directors of the Company has served the Board for more than nine years.

3.4 Separation of positions of the Chairman and Chief Executive Officer

There is a clear division of responsibility between the Chairman and the CEO to ensure that there is a balance of power and authority, such that no one individual has unfettered powers over decision making. The Chairman is responsible for the leadership and governance of the Board, ensuring its effectiveness. He engages directly with the CEO to monitor performance and oversees the implementation of strategies. The Chairman sets agendas for the meetings of the Board that focuses on the strategic direction and performance of Mudajaya.

The CEO is responsible for the day-to-day management of Mudajaya's operations and business as well as implementation of the Board's policies and decisions.

3.5 Board Composition and Balance

In leading a construction company, the Board seeks to continually evolve its membership by seeking Non-Executive Directors with diverse and complementary skills and perspectives, as well as experience which reflects the geographical spread of Mudajaya's operations.

The Board currently has five (5) Directors, comprising the Independent Non-Executive Chairman, one (1) Independent Non-Executive Director, one (1) Executive Director, two (2) Non-Independent Non-Executive Directors and one (1) Alternate Non-Independent Non-Executive Director.

The Board has an appropriate mix of relevant skills, knowledge and experience necessary to govern Mudajaya. The Non-Executive Directors contribute international and operational experience, and understanding of the financial and capital markets.

A brief description of the background of each Director is presented on pages 10 to 13 of the Annual Report.

The Board is satisfied that the current composition of Directors provides the appropriate balance and size necessary to promote all shareholders' interests and govern Mudajaya effectively. It also fairly represents the ownership structure of Mudajaya, with appropriate representations of minority interests through the Independent Non-Executive Directors.

Diversity of gender, ethnicity and age within the Board are also important, and this includes a mix of skills, experience and perspective. The Board recognizes that the evolution of this mix is a long-term process that is deliberated each time a vacancy arises to ensure a balanced and diverse Board composition is maintained. The Board does not have any such diversity policies and targets or any set measures to meet any target. Nevertheless, the Group is an equal opportunity employer and all appointments and employments are based strictly on merits and are not driven by any racial or gender or age bias.

The Board has plans to further strengthen the Board composition in the future with the appointment of additional directors of the right mix of skills, experience and gender.

The Directors are aware that they should notify the Chairman before accepting any new directorship.

Mr Chew Hoy Ping is the Independent Non-Executive Director and he is available to shareholders who have concerns that cannot be addressed through the Chairman and Group CEO.

Mudajaya has in place a liabilities insurance policy for Directors and officers in respect of liabilities arising from holding office in Mudajaya. The insurance does not, however, provide coverage in the event that a Director or a member of Management is proven to have acted negligently, fraudulently or dishonestly.

Foster Commitment

4.1 Time Commitment

Meetings for the year are scheduled at the end of the preceding year to enable the Directors to plan ahead and ensure that the Board and its Committee meetings are accounted for in their respective schedules. The Board meets for both scheduled meetings and on other occasions to deal with urgent matters. Due notice is given for all scheduled and additional meetings.

The Board met four (4) times during the year and attendance of Directors at Board meetings, was as below:-

Director	No. of meetings attended
Dato' Yusli bin Mohamed Yusoff (Chairman)	4/4
Mr. Wee Teck Nam	3/4
Mr. Lee Seng Huang (Alternate Director : Lee Eng Leong)	3/4
Mr. Anto A/L SF Joseph (resigned on 1 April 2015)	4/4
Mr. Ng Chee Kin (resigned on 1 January 2015)	4/4
Mr. Yong Yee Coi (resigned on 1 January 2015)	4/4
Mr. Yee Swee Choon (resigned on 1 January 2015)	4/4
Mr. Henry Choo Hon Fai (resigned on 1 January 2015)	4/4
Mr. James Wong Tet Foh (appointed on 2 May 2014, resigned on 1 January 2015 and re-appointed on 1 April 2015)	3/3
Mr. Chew Hoy Ping (appointed on 1 January 2015)	-

At Board meetings, the Chairman encourages constructive and healthy debates, and Directors are free to express their views. Any Director who has a direct or deemed interest in the subject matter shall abstain from deliberation and voting during the meeting. Decisions of the Board are made unanimously or by consensus. Where appropriate, decisions may be taken by way of Directors' Circular Resolutions between scheduled and special meetings. The proceedings of and resolutions passed at each Board and Board Committee meetings are minuted by the Company Secretary and kept in the statutory register at the registered office of Mudajaya.

Directors are to devote sufficient time and effort to carry out their responsibilities. The Board obtains this commitment from Directors at the time of appointment. It is also the Board's policy for Directors to notify the Chairman before accepting any new directorships notwithstanding that the Listing Requirements allow a Director to sit on the board of 5 listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

4.2 Directors' Training and Induction

All existing Directors have completed the Mandatory Accreditation Programme (MAP). The Board continues to evaluate and determine the training needs of its members to assist them in the discharge of their duties as Directors. Mudajaya also provided internal briefings to the Directors on key Corporate Governance developments and updated them on changes to the Listing Requirements, laws and regulations. The Directors were fully informed of the impact of such developments or changes.

The Directors are mindful that they continue to update their skills and knowledge to maximise their effectiveness during their tenure.

The Chairman is responsible for ensuring that induction and training programmes are provided and the Company Secretary organises the induction process. This includes briefings on Mudajaya's business, its governance process, meetings with senior management and visit to the business operations.

STATEMENT ON CORPORATE GOVERNANCE

During the financial year ended 31 December 2014, the Directors have attended conferences, seminars and trainings in the following areas of Leadership, Corporate Governance, Finance, Regulatory Development, Corporate Responsibility, Information Security and Business Interest as follows:-

Directors Training	Programmes	Organised By	Date
Dato' Yusli bin Mohamed Yusoff	Appreciation and Application of ASEAN Corporate Governance Scorecard	Bursa Malaysia Berhad and Minority Shareholder Watchdog Group	21 August 2014
	Enterprise Risk Management Awareness Program	Tricor Roots Consulting Sdn Bhd	16 December 2014
Anto a/l SF Joseph	Overview of ESG Index & ICB	Bursa Malaysia Berhad	20 August 2014
	Forbes Global CEO Conference	Forbes Asia	28 - 30 October 2014
Wee Teck Nam	Common Offences Committed by Directors Under CA 1965	The Malaysian Institute of Chartered Secretaries	11 November 2014
James Wong Tet Foh	Bursa: Advocacy Sessions on Corporate Disclosure for Directors	Bursa Malaysia Berhad	03 September 2014
	Mandatory Accreditation Programme for Directors of Public Listed Companies	Bursatra Sdn Bhd	19 & 20 November 2014
Ng Chee Kin	Enterprise Risk Management (ERM) Awareness Program (RAP)	Tricor Roots Consulting Sdn Bhd	16 December 2014
Yong Yee Coi	Bursa: Advocacy Sessions on Corporate Disclosure for Directors	Bursa Malaysia Berhad	06 May 2014
	Enterprise Risk Management (ERM) Awareness Program (RAP)	Tricor Roots Consulting Sdn Bhd	16 December 2014
Yee Swee Choon	MIA: Practical Aspects of Applying IFRS/MFRS - A Management Persepctive	Malaysian Institute of Accountants	22 & 23 January 2014
	Bursa: Advocacy Sessions on Corporate Disclosure for Directors	Bursa Malaysia Berhad	06 May 2014
	Updates of the 2013 & 2014 MFRS - Complaint MFRSs	Malaysian Institute of Accountants	21 & 22 July 2014
Lee Seng Huang	Revised Chapter 14A of the Main Board Rules on Connected Transactions	P.C. Woo & Co., Hong Kong	4 June 2014
Henry Choo Hon Fai	Rethinking Strategy: Has Competitive Advantage Ended?	Bursatra Sdn Bhd	19 June 2014
	Corporate Directors Advanced Programme 2014: Strategy & Risks – Managing Uncertainty	Malaysian Directors Academy	27 & 28 August 2014
Lee Eng Leong	Risk Management and Internal Control for Audit Committees – Post Workshop Discussion	Bursa Malaysia Berhad	30 October 2014
	MIA International Accountants Conference 2014	Malaysian Institute of Accountants	4 & 5 November 2014

Uphold Integrity In Financial Reporting

5.1 Compliance with applicable financial reporting standards

Financial Reporting

The Board is committed to providing a balanced, clear and meaningful assessment of the financial performance and prospects in all the disclosures made to the stakeholders and the regulatory authorities.

Timely release of announcements on quarterly and annual financial statements, annual report and analyst presentations reflects the Board's commitment to provide transparent and up-to-date disclosures to the public. The Board is assisted by the Audit Committee in governing Mudajaya's financial reporting processes and the quality of its financial reporting.

Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are required by the Companies Act 1965 to prepare financial statements which are in accordance with applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and of the results and cashflows of the Group and Company for the financial year then ended.

In preparing the financial statements, the Directors have: -

- adopted the appropriate accounting policies and applied them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured that applicable accounting standards have been followed, and any material discrepancies have been disclosed and explained in the financial statements.

The Directors are responsible for ensuring that the Group and Company keep proper accounting records to disclose with reasonable accuracy of the financial positions of the Group and Company which enable them to ensure that the financial statements comply with the Companies Act 1965 and the applicable approved accounting standards in Malaysia.

The Directors have the general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to detect and prevent fraud and other irregularities.

5.2 Assessment of suitability and independence of external auditors

Key features underlying the relationship of the Audit Committee with the internal audit function and external auditors are detailed on pages 33 to 35 of the Annual Report. A summary of the activities of the Audit Committee during the year are set out in page 35 of the Annual Report.

Mudajaya has in place the policies covering the provision of non-audit services, which are designed to ensure that such services do not impair the external auditors' independence or objectivity. The external auditors provide only audit-related services to Mudajaya.

The Board upholds the integrity of financial reporting by Mudajaya and as such, the external auditors have confirmed to the Board their independence in providing audit services up to the date of this statement.

The Audit Committee works closely with the audit partner assigned by KPMG to Mudajaya, to act as the key representative for overseeing the relationship of Mudajaya with the external auditors. In compliance with the Malaysian Institute of Accountants, KPMG rotates its audit partners every five (5) years to ensure objectivity, independence and integrity of the audit opinions.

During the year, KPMG charged Mudajaya RM350,000 (2013: RM289,000) for audit services. The external auditors attended two of the Audit Committee meetings held to review the Audit Findings 2014 and Audit Planning Memorandum 2014.

STATEMENT ON CORPORATE GOVERNANCE

Recognise and Manage Risks

6.1 Sound framework to manage risks

The Board has the ultimate responsibility of approving the Risk Management framework and policy as well as overseeing Mudajaya's Risk Management and Internal Control Framework.

Mudajaya has in place an on-going process for identifying, evaluating and managing significant risks that may affect the achievement of the business objectives of Mudajaya. In addition, the Board has implemented more stringent internal controls to futher strengthen its risk management process recently. The Board through its Risk Management Committee reviews the key risks identified on a regular basis to ensure proper management and mitigation of risks within its control.

6.2 Internal audit function

The Board has the ultimate responsibility for Mudajaya's system of internal control which includes the establishment of an appropriate control environment and framework, and the review of its effectiveness, adequacy and integrity. A sound system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable rather than absolute assurance against material misstatement or loss.

The Board has established procedures to review the key financial, operational and compliance controls. These procedures, which are subject to regular review, provide an on-going process for identifying, evaluating and managing the significant risks faced by Mudajaya.

The Statement on Risk Management and Internal Control set out in pages 30 to 31 of the Annual Report provides an overview on the state of internal controls within Mudajaya.

Ensure Timely and High Quality Disclosure

7.1 Corporate disclosure policy

Communications with Shareholders and Investors

Mudajaya recognises the importance of effective and timely communication with shareholders and the investment community at large to ensure they make informed decisions in the trading of Mudajaya securities.

Therefore, Mudajaya is committed to a proactive and continuous dialogue with all shareholders and investors which include appropriate disclosure and transparency of information to ensure that they make informed assessments of Mudajaya's value and prospects.

We are also pleased to highlight that Mudajaya has maintained the policy of proactive engagement with shareholders and investors throughout the past year. After each results announcement and any resultant major corporate exercise, Mudajaya has made appropriate disclosures to our investors and other financial intermediaries through disclosures to Bursa Securities, media, Mudajaya's Investor Relations website and other channels.

Information Disclosure

In accordance with the disclosure requirements and the Bursa Securities Listing Requirements, Mudajaya follows these three (3) main forms of information disclosure:

- Continuous disclosure – timely disclosure of events as they take place and this is our primary method of informing shareholders and the market
- Periodic disclosure – in the form of full year and quarterly reporting of financial results and major investments, capital expenditure and funding activities proposed by Mudajaya and the Annual Report as at 31 December 2014
- Specific information disclosure – as and when required, of administrative and corporate developments, usually in the form of Bursa releases

All information made available to Bursa Securities is immediately available to shareholders and the market on the Investor Relations section of Mudajaya's website : www.mudajaya.com/home/?cur=event/list

7.2 Leverage on information technology for effective dissemination of information

Investor Relations Website

In addition to statutory documents, the Investor Relations website also features in-depth information related to Mudajaya's financial results as well as other relevant financial data. These include announcements to Bursa Securities, media releases, investor briefings, quarterly results and annual reports.

In addition, Mudajaya's website also offers additional information which includes Board of Directors, Senior Management team as well as corporate governance commitments to investors.

We will continue our efforts to bring increased transparency to its financial reporting, and will continually add new interactive capabilities to its website.

Shareholders & Investor Queries

Whilst Mudajaya aims to provide sufficient information to shareholders and investors about Mudajaya and its activities, it also recognises that shareholders and investors may have specific queries and require additional information. To ensure that shareholders and investors can obtain all relevant information to assist them in exercising their rights as shareholders, they are encouraged to direct their queries to:

Investor Relations
Mudajaya Corporation Berhad
Level 12, Menara Mudajaya
No. 12A, Jalan PJU 7/3
Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan
Tel: 603-7806 7899

Strengthened relationship between Company and shareholders

8.1 Encourage shareholders participation at general meetings

Mudajaya fully recognises the rights of shareholders and encourages them to exercise of their rights at Mudajaya's AGM. The date, venue and time of these meetings are determined to provide maximum opportunity to as many shareholders as possible to attend personally.

The Notice of Meeting of the AGM is sent to shareholders at least 21 days ahead of the meeting date together with the Financial Statements and agenda for the meeting. In addition, a full copy of the Annual Report together with the Notice of Meeting and Proxy Form are posted on Mudajaya's website and lodged with Bursa Securities. It is also advertised in a major local newspaper.

In every AGM, the Management Team presents a comprehensive review of Mudajaya's financial performance for the year and outlines the prospects of Mudajaya for the subsequent financial year. Time is being set aside for shareholders' queries. Where it is not possible to provide immediate answers, Mudajaya will undertake to provide shareholders with written answers after the AGM.

All Directors are expected to attend the AGM where possible. Mudajaya also requires its external auditor to attend each AGM to be available to answer questions on the conduct of the audit and the preparation and content of the auditor's report.

8.2 Encourage poll voting

All resolutions put forth for shareholders approval at the 11th AGM held on 18 June 2014 were voted by a show of hands.

Mudajaya will adopt poll voting if there is/are substantive resolution(s) to be put forth for shareholders' approval at the general meetings going forward.

8.3 Effective communication and proactive engagement

Investor Meetings and Presentations

On a regular basis, outside Mudajaya's closed period, the Management holds meetings with analysts, fund managers and shareholders to provide updates on financial performance, corporate and regulatory developments. In these meetings, Mudajaya's management also addresses any issues with respect to the business outlook or operations.

Mudajaya is also an active participant in various investor conferences held locally and overseas throughout each financial year.

Our proactive efforts in reaching out to shareholders and the investment community at large have been acknowledged and recognised through the many nominations and awards presented to Mudajaya for shareholder value creation as well as corporate governance.

8.4 Option Committee

The Option Committee was established on 15 August 2011. The principal function of the Option Committee is to administer the Employees' Share Option Scheme ("ESOS") of the Company in accordance with the ESOS's By-Laws.

The Option Committee currently consists of Mr. James Wong Tet Foh as Chairman and Dato' Yusli bin Mohamed Yusoff and Mr. Lee Eng Leong as members.

During the year, the Option Committee has held one (1) meeting and was attended by all its members.

ADDITIONAL COMPLIANCE INFORMATION

Share Buy-Back

As at 1 January 2014, the Company had a balance of 9,216,900 ordinary shares of RM0.20 each as treasury shares.

During the financial year ended 31 December 2014, the Company repurchased 4,801,400 of its own shares from the open market of Bursa Securities for a total consideration of RM11,982,702. Details of the shares repurchased are as follows:-

2014 Month	No. of Shares purchased (Ordinary Shares of RM0.20 each)	Total consideration (RM)	Lowest Price paid per share (RM)	Highest Price paid per share (RM)	Average Price paid per share (RM)
Jan	737,300	1,972,881	2.631	2.711	2.678
Feb	467,200	1,241,594	2.617	2.690	2.656
Mar	-	-	-	-	-
Apr	313,000	817,531	2.580	2.660	2.609
May	671,700	1,685,957	2.473	2.628	2.550
Jun	643,500	1,607,239	2.490	2.510	2.499
Jul	710,200	1,739,423	2.400	2.512	2.472
Aug	735,100	1,778,728	2.175	2.469	2.400
Sep	503,400	1,052,677	2.030	2.151	2.085
Oct	20,000	39,600	1.980	1.980	1.980
Nov	-	-	-	-	-
Dec	-	-	-	-	-
	4,801,400	11,935,630			

As at 31 December 2014, 14,018,300 ordinary shares of RM0.20 each were retained as treasury shares.

Employees' Share Option Scheme

The Company has one Employees' Share Option Scheme ("ESOS") in existence during the financial year. Details of the scheme are as follows:-

	No. of options over ordinary shares of RM0.20 each		
	Directors and Chief Executives	Eligible Employees	Total
Total number of options granted	11,262,000	20,750,500	32,012,500
Total number of options exercised	(486,000)	(3,616,000)	(4,102,000)
Total options outstanding	10,776,000	17,134,500	27,910,500

Pursuant to the Company's ESOS By-Laws, not more than 50% of the options available under the scheme shall be allocated, in aggregate, to directors and senior management. Since the commencement of the scheme, 35.18% of the options granted under the scheme have been granted to directors and senior management.

Depository Receipt Programme

There were no depository receipt programmes sponsored by the Company during the financial year.

Sanctions/Penalties Imposed

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

Non-Audit Fees

There were no non-audit fees paid to the external auditors during the financial year.

Variation in Results

There were no material variances between the result for the financial year and the unaudited result, previously announced.

Profit Guarantees

There were no profit guarantees given by the Company during the financial year.

Material Contracts

To the best of the Board's belief and knowledge, there were no material contracts involving the Group with any of the major shareholders or Directors in office during the financial year.

Recurrent Related Party Transactions

There were no material recurrent related party transactions of a revenue nature during the financial year.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Board Responsibility

The Board of Directors acknowledges its overall responsibility for establishing and maintaining an adequate and effective system of risk management and internal control to safeguard shareholders' investments and the assets of Mudajaya Group Berhad and its subsidiaries ("Group"). The Board also affirms its commitment to maintaining a sound system of risk management and internal control as set out the Listing Requirements of Bursa Securities and the Malaysian Code on Corporate Governance.

The Board continually reviews the adequacy and effectiveness of the systems of risk management and internal control, and assesses for reasonable assurance that principal risks have been identified and managed within the Group's risk appetite and tolerances. Nevertheless, it must be acknowledged that due to the limitations inherent in any system of internal control, the system is designed to manage rather than to completely eliminate risks that may hinder the achievement of the Group's business objectives. Thus, the systems only provide reasonable but not absolute assurance against any material misstatement or loss.

The Group does not include material joint ventures and associates as the Group does not have management control over them.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the Group's risk management and internal control system is operating effectively, in all material aspects other than the lapse in internal control as disclosed below, based on the risk management and internal control framework of the Group.

Risk Management

The Board confirms that there is an ongoing process of identifying, evaluating and managing all significant risks faced by the Group throughout the year and up to the date of approval of this statement for inclusion in the Annual Report.

As the Group continuously explores and expands its operations locally and abroad, the Board recognises that the Group will be exposed to a certain degree of risk. To manage the significant risks faced by the Group, a Risk Management Committee ("RMC") chaired by the Independent Non-Executive Chairman together with certain Directors and senior management meets on a six monthly basis. The RMC reviews matters such as identification and responses to address significant risks, internal control systems and monitoring processes. The Board monitors the principal risks of the Group through the RMC and the Audit Committee.

Audit Committee

The Audit Committee, which is chaired by an Independent Non-Executive Director, is tasked by the Board with the duty of reviewing and monitoring the effectiveness of the Group's system of internal control with the assistance of the in-house Internal Audit department. On a quarterly basis, reports are prepared on the adequacy, efficiency and effectiveness of the system of internal control based on the current annual audit plan approved by the Audit Committee or where as directed by the Audit Committee. For the financial year, internal audit reports were issued for the first to the third quarter whereas a business risk profile report was carried out for the last quarter of the financial year.

Internal Control System

During the financial year, an internal management working group conducted a comprehensive review of additional costs incurred on a specific project undertaken by the Group where this review has uncovered certain irregular transactions leading to such additional costs. The findings from this review showed that these costs have been accounted for with no further material impact in the financial results for this financial year. This management review has revealed that during this time there were lapses and weaknesses in the system of internal control. The Board has obtained legal advice on this matter and has commissioned an independent international audit firm to conduct an investigation and advise the Board accordingly.

The Board has since undertaken corrective actions on identified weaknesses in the system of internal controls pertaining to projects sub-contractors' claims. The Board has also revised and introduced new policies and procedures to strengthen the related processes. It has also instituted legal and asset recovery actions against the former employee identified as responsible for the irregular transactions.

In addition, as part of its ongoing review, the Board also decided to reconstitute its members to provide fresh perspectives & oversight. This was done in January 2015 to the Board as a whole and as well as to the membership of the Audit Committee and the combined Nomination and Remuneration Committee.

The Board is committed in its efforts to strengthen the system of internal control as an ongoing exercise that will take some time to complete pending the results of the additional investigations being undertaken. In the medium term, the Group shall review and undertake a full reappraisal of the Group's state of corporate governance, system of internal control, risk management policies and procedures with improvements to be implemented as quickly as practicable. Throughout this reappraisal exercise, the Board will ensure that the principles set out in the Statement of Internal Control – Guidance for Directors of Public Listed Companies are adhered to.

Other key elements of the Group's internal control system include the following:-

- Clearly defined delegation of responsibilities, organisation structure and appropriate authority limits which have been established by the Board of Directors for the Audit Committee and management. Various Board Committees have been established to assist the Board in discharging its duties, namely:
    - Audit Committee
    - Investment Committee
    - Risk Management Committee
    - Combined Nomination and Remuneration Committee
    - Employee Share Option Committee
    - Executive Committee
    - Tender Committee
- Internal policies and guidelines are effectively communicated to all employees through standard operating policies and procedures, memorandums and handbooks;
- Financial and operation performance reports are submitted to the Board of Directors and senior management. Regular management meetings are held among the Executive Directors and divisional heads. During the meeting, reports and status updates of the projects are discussed and necessary actions are taken;
- Comprehensive and adequate financial information and key business indicators are presented to senior management and the Board to assist in the review of the Group's performance;
- An ISO 9001: 2008 Quality Management System which is subject to regular internal review and improvement continuously manages and controls the quality requirement of the Group's products and services;
- An ISO 14001: 2004 Environment Management System and OSHAS 18001: 2007 Occupational Health & Safety Management System certifications ensures that adequate controls and good governance are in place to manage environmental and safety matters in the Group. These are annually reviewed by independent external consultants familiar with the construction and development industry;
- All employees are governed by a Code of Conduct and are required to acknowledge having read and understood the Code upon commencement of employment.
- A whistle blowing process has been established to provide an avenue for whistle-blowers to communicate their concerns on matters of integrity in a confidential manner so that these can be investigated for the necessary corrective actions.
- Clear Group vision, mission, corporate philosophy and strategic direction are communicated to employees at all levels;
- Regular visits to operating units and project sites by the senior management, finance staff and internal auditors.

Internal Audit

The internal audit function of the Group is performed by the in-house Internal Audit Department, which reports directly to the Audit Committee.

The Internal Audit Department carries out independent reviews on the state of the internal control of the Group's business activities based on the current Audit Plan approved by the Audit Committee or where as directed by the Audit Committee. The findings and observations are reported to the Audit Committee on a quarterly basis. Follow-up audits were also carried out to determine the status of implementation of agreed corrective actions based on the previous audit findings reported.

The Internal Audit Department continually undertakes to review the system of internal control, procedures and operations so as to provide reasonable assurance that the internal control system is sound, adequate and operating satisfactorily.

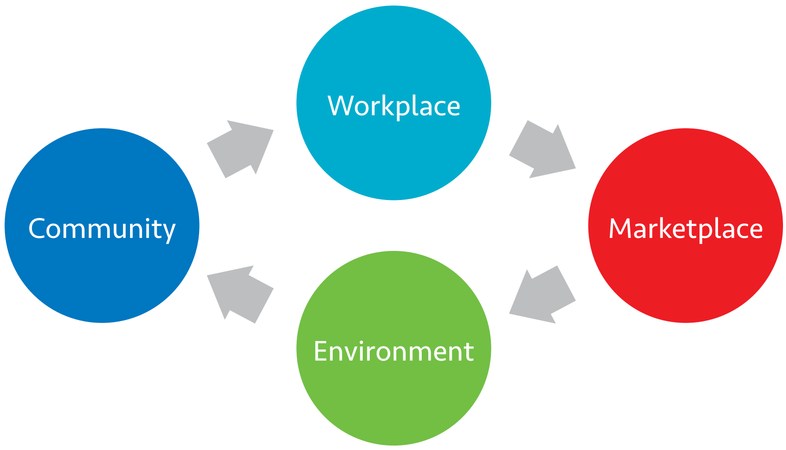
Review of the System of Risk Management and Internal Control

Except as reported above on the lapse in the system of internal control, the system of risk management and internal control for the financial year under review was considered to be adequate and operating satisfactorily. The Board will vigorously pursue the necessity for continuous improvements in its internal control system and risk management process in order to achieve its goals, enhance shareholder value and ensure sustainability over the long term.

During the year, some areas for improvement in the internal control system were reported by the Internal Audit Department to the Audit Committee. Management has been responsive to the issues raised and has taken appropriate measures to address the areas for improvement that have been highlighted.

The monitoring, review and reporting procedures and systems in place give reasonable assurance that the controls are adequate and appropriate to the Group's operations and that risks are managed with an acceptable level of the Group's risk appetite and tolerances. However, neither procedures nor systems provide absolute assurance due to human error, the deliberate circumvention of control procedures by employees and others or the occurrence of unforeseeable circumstances. The effectiveness of the system of internal control is constantly reviewed and enhanced in response to changes in the operating environment.

STATEMENT OF CORPORATE SOCIAL RESPONSIBILITY



Mudajaya is committed to upholding Corporate Social Responsibility (CSR) principles in accordance with industry best practices.

Mudajaya strives to be a responsible corporate citizen and is mindful that it is creating value for all stakeholders, emphasizing long-term sustainability and realizing that profits are not the only measure of value.

Throughout the year, Mudajaya has organised various technical in-house trainings and external courses for employees. The Group believes in grooming its own talent and continuously developing its pool of talented individuals. Mudajaya's aim is to attract, train and retain the right people that have the ability and motivation to perform and deliver excellence consistently.

As part of the Group's wider social responsibilities, Mudajaya has been providing training to undergraduates from local and overseas colleges and universities on a structured and one-off basis to provide them with basic and formal training in construction and property development throughout its offices and project sites in Selangor, Kuala Lumpur, Perak, Johor, Pahang and Sarawak. The Group has also provided internship opportunities to deserving individuals, often absorbing them into the company straight after graduation. In 2014, Mudajaya awarded 37 internships to Diploma and Degree holders who are Malaysian citizens. The aim is to promote and support homegrown talent, armed with local knowledge and sensitive to the different cultures and operating environment. These interns were placed in the Group's different business units across various verticals, including Engineering, Contracts, Marketing, Finance and Human Resources.

The Group also supports the community by contributing to fund-raising and donation drives. Mudajaya has made various contributions to charitable organizations over the years. In support of sports, the Group donated RM150,000 to Kesatuan Ragbi Malaysia in 2014. The Group believes an active lifestyle contributes to an employees overall well-being, ultimately increasing productivity. The contribution will hopefully further support and spur the development of the game in the country.

Mudajaya supports environmental protection initiatives and encourages employees to take a proactive approach towards the care of the environment. The Group recognizes that its actions have a significant impact on the environment and are committed towards pollution prevention, environmental protection and sustainability. Various programmes were introduced to raise environmental conservation awareness amongst staff such as promoting the use of recycled office stationeries and the conservation of energy resources.

Mudajaya incorporates environmental-friendly features into its design and build projects. Menara Mudajaya, the Group's office building in Mutiara Damansara, Petaling Jaya, incorporates 'green' features such as rain and ground water harvesting for use in common toilets, solar power panels for powering up the common areas, light sensors for common lighting and lower electricity consumption, and energy efficient light tubes and LED lights.

Mudajaya is committed towards continual improvement and round-the-clock application of best practice methodologies. The Group has been ISO 9001:2008 certified since 2002. The standard provides guidance and tools for companies and organizations who want to ensure that their products and services consistently meet customer's requirements and is a testament to the Group's commitment towards client satisfaction. Additionally, Mudajaya has been certified with the ISO 14001:2004 certification since 2012. The standard provides practical tools for companies and organizations of all kinds looking to manage their environmental responsibilities and is vital to the Group's continued efforts in maintaining the highest environmental standards possible. Since 2012, Mudajaya has been certified with the OHSAS 18001:2007 standard, which sets out the minimum requirements for occupational health and safety management best practice. Health and safety has always been a permanent feature of the Group's operations, and this is achieved through taking a proactive approach towards mitigating risks, ensuring employees operate in a secure environment at all times.

Mudajaya strives to ensure ethical conduct along the entire supply chain. The Group's vendors and suppliers are carefully selected to ensure that they too emphasize long-term sustainability in their products and services over short-term profits. To this end, as much as possible the Group ensures these providers adhere to internationally recognized management systems such as ISO 9001, ISO 14001 and OHSAS 18001.

Mudajaya continues to place great importance on accountability and transparency in the disclosure of information to stakeholders. The Group has established Investor Relations (IR) programmes that give stakeholders and investors insight into the Group. Visitors to the Group's website are encouraged to submit their feedback to further enhance the Group's services to all its stakeholders.

Going forward, Mudajaya will continue to remain focused on its CSR initiatives and implement activities that are a good fit to its core values. This approach will allow the Group to contribute effectively to society and the environment, now and far into the future.

AUDIT COMMITTEE REPORT

Objectives

The objective of the Audit Committee is to assist the Board of Directors in meeting its responsibilities relating to accounting and reporting practices of the Company and its subsidiary companies.

In addition, the Audit Committee shall:-

a) Oversee and appraise the quality of the audits conducted both by the Company's internal and external auditors;
b) Maintain open lines of communication between the Board of Directors, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities; and
c) Determine the adequacy of the Group's administrative, operating and accounting controls.

TERMS OF REFERENCE

Constitution

The Audit Committee ("the Committee") was established pursuant to a resolution of the Board of Directors passed on 29 March 2004. The Directors appointed to the Committee are as follows: -

Mr. Chew Hoy Ping	(Chairman)	-	Independent Non-Executive Director
Dato' Yusli bin Mohamed Yusoff	(Member)	-	Independent Non-Executive Director
Mr. Wee Teck Nam	(Member)	-	Non-Independent Non-Executive Director

Membership

The Committee shall be appointed by the Board from amongst its Directors (except alternate directors) which fulfils the following requirements:

(a) the audit committee must be composed of no fewer than three (3) members;
(b) all the audit committee members must be non-executive directors with a majority of them independent directors; and
(c) at least one member of the audit committee :

 (i) must be a member of the Malaysian Institute of Accountants; or
 (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
  (aa) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
  (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
 (iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

The members of the Committee shall elect a Chairman from among their members who shall be an independent director.

The Board shall, within three (3) months of a vacancy occurring in the Committee which result in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.

The Board shall review the term of office and performance of the Committee and each of its members at least once every three years.

AUDIT COMMITTEE REPORT

Rights

The Committee shall, in accordance with the procedure determined by the Board and at the cost of the Company:-

(a) have authority to investigate any matter within its terms of reference;
(b) have the resources which are required to perform its duties;
(c) have full and unrestricted access to any information pertaining to the Company;
(d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
(e) be able to obtain independent professional or other advice; and
(f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

Functions

The functions of the Committee shall include the following:

(1) review the following and report the same to the Board:

- (a) with the external auditor, the audit plan;
- (b) with the external auditor, his evaluation of the system of internal controls;
- (c) with the external auditor, his audit report;
- (d) the assistance given by the employees of the Company to the external auditor;
- (e) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- (f) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- (g) the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:
  - (i) changes in or implementation of major accounting policy changes;
  - (ii) significant and unusual events; and
  - (iii) compliance with accounting standards and other legal requirements;
- (h) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (i) any letter of resignation from the external auditors of the Company; and
- (j) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment; and

(2) recommend the nomination of a person or persons as external auditors.

Meetings

Meetings of the Committee shall be held not less than four (4) times a year. The external auditors may request a meeting if they consider that one is necessary and shall have the right to appear and be heard at any meeting of the Committee. The Chairman shall convene a meeting whenever any member of the Committee requests for a meeting. Written notice of the meeting together with the agenda shall be given to the members of the Committee and external auditor where applicable. The quorum for a meeting of the Committee shall be two (2) provided always that the majority of members present must be independent directors.

Other Board members and employees may attend any particular meeting only at the Committee's invitation.

The Company Secretary shall be the Secretary of the Committee.

Reporting Procedures

The Secretary shall maintain minutes of the proceedings of the meetings of the Committee and circulate such minutes to all members of the Committee.

Attendance at Meetings

During the financial year ended 31 December 2014, the Committee held five (5) meetings. The details of attendance of the Committee members are as follows: -

Committee Member		No. of meetings attended
Dato' Yusli bin Mohamed Yusoff		5/5
Mr. Chew Hoy Ping (Chairman)	(appointed on 1 January 2015)	-
Mr. Wee Teck Nam	(appointed on 1 January 2015)	-
Mr. Yee Swee Choon	(resigned on 1 January 2015)	5/5
Mr. Henry Choo Hon Fai	(resigned on 1 January 2015)	5/5

SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE

In line with the terms of reference of the Committee, the following activities were carried out by the Committee during the financial year ended 31 December 2014 in the discharge of its duties and responsibilities: -

- reviewed the unaudited quarterly financial results of the Group and its explanatory notes thereon prior to recommendation for the Board of Directors' consideration and approval with particular focus on compliance with accounting standards and regulatory requirements and the Group's accounting policies and practices;
- reviewed the annual report and audited financial statements of the Group prior to submission to the Board of Directors for their consideration and approval;
- reviewed the Internal Audit Reports and assessed the Internal Auditor's findings and the management's responses thereto and thereafter, reported to the Board of Directors;
- reviewed the Statement on Risk Management and Internal Control and Statement on Corporate Governance for inclusion in the Annual Report; and
- reviewed the Company's compliance with the Main Market Listing Requirements of Bursa Securities and the applicable approved accounting standards issued by Malaysian Accounting Standards Board.
- verified the allocation of options to ensure compliance with the criterias for allocation pursuant to the Employees' Share Option Scheme.

INTERNAL AUDIT FUNCTION

The Group's internal audit function is performed by the Internal Audit Department, which reports to the Audit Committee on its activities based on the approved annual audit plan. The Internal Audit Department provides the Audit Committee with independent and objective reports on the effectiveness of the internal control system within the Group and the extent of compliance of the divisions with the Group's established policies and procedures as well as relevant statutory requirements.

The principal objective of the internal audit function is to perform regular reviews on the Group's business activities and key business processes to ensure that the systems of internal controls, procedures and operations are properly administered. This is to provide reasonable assurance that the internal control system is sound, adequate and operating satisfactorily.

The attainment of such objective involves the major activities being carried out by the Internal Audit Department:-

a) Reviewed and appraised the adequacy, effectiveness and reliability of the internal control systems, policies and procedures;
b) Monitored the adequacy, reliability, integrity, security and timeliness of management information systems;
c) Determined the extent of compliance with relevant laws, codes, standards, regulations, policies, contracts, plans and procedures;
d) Identified and recommended solutions and appropriate controls for identified potential problems; and
e) Reviewed and verified the means used to safeguard assets.

Recommendations indicated in the internal audit reports were duly acted upon by the management.

The Group has employed an in-house internal audit team to perform the internal audit functions. For the year ended 31 December 2014, the department has incurred a cost of approximately RM300,000.

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

On behalf of the Board of Directors of Mudajaya Group Berhad, it gives me pleasure to present to you the Annual Report and financial statements of the Company and the Group of Companies ("Mudajaya" or "Group") for the financial year ended 31 December 2014.

ECONOMIC CLIMATE

In 2014, Malaysia's GDP grew at a faster pace of 6.0% (2013: 4.7%), spurred by the continued strength of private domestic demand and external trade improvement. Malaysia was among the fastest-growing economies in Asia, behind only to China and the Philippines.

The construction sector in Malaysia recorded stronger growth of 11.6% in 2014 (2013: 10.9%), spearheaded by the Government's public infrastructure projects. The sector's growth will continue to be underpinned by a combination of mega infrastructure projects related to the Economic Transformation Programme and private sector initiatives, such as the Klang Valley Mass Rapid Transit (MRT), Light Rapid Transit (LRT) 3, Kuala Lumpur-Singapore High Speed Rail, major highways, power plants, Refinery and Petrochemical Integrated Development (RAPID) Pengerang and Sarawak Corridor of Renewable Energy (SCORE).

FINANCIAL RESULTS AND OPERATIONAL ACTIVITIES

The Group recorded revenue of RM1,050.8 million and loss before tax of RM61.6 million for the year ended 31 December 2014, compared to RM1,535.8 million and profit before tax of RM195.6 million in 2013. The overall performance of the Group was affected by the additional costs incurred due to the acceleration of works and the general increase in construction-related costs for local projects. In addition, costs on Variation Orders ("VO") were incurred on the local projects and were taken up in the accounts, whilst only part of the revenue relating to the VO claims were recognized pending finalization of the overall claims with the clients.

Notwithstanding the financial results, the past year has seen the Group's on-going transformation plan make further progress. During this period of consolidation, the Group's focus has been on executing and delivering on its major projects, whilst broadening the income stream from mainly construction works which are subject to business cycles, to acquiring strategic assets that provide recurring income in the future.

CHAIRMAN'S STATEMENT

Construction projects continue to be the Group's main revenue contributor. On its construction front, major on-going projects include the Tanjung Bin IV 1000 MW coal-fired power plant, the MRT - Package V3 from Dataran Sunway to Section 17 and the Janamanjung IV 1000 MW coal-fired power plant, with the Equipment Procurement contract for the 4x360 MW coal-fired power plant in Chhattisgarh, India close to completion.

During the year 2014, Mudajaya successfully clinched two major projects, namely the offshore equipment procurement works contract for the 62 MW wind farm in Cebu, Philippines worth US$118.8 million (approx. RM375.4 million) and the main civil works for Pengerang Cogen Power Plant in Johor with a contract sum of RM55.5 million.

On 20 March 2015, the Group announced the discovery of an isolated case of irregular transactions in one local project involving a former employee of the Group. The financial impact of these irregularities has been fully accounted for in its 4th Quarter 2014 results and no further provisions for costs are required beyond what has been reported with regards to the Group's financial results for the year ended 31 December 2014. Following the discovery, the Group has moved swiftly to strengthen the internal controls of the operations to ensure there will be no repeat of a similar incident.

RETURNS TO SHAREHOLDERS

Mudajaya has declared a total interim single tier dividend equivalent to 30% (or 6.0 sen) per share of RM0.20 each for the financial year ended 31 December 2014.

With its current strong financial position coupled with the expected long-term stream of recurring income upon commercial operations of the Independent Power Producer ("IPP") project in Chhattisgarh, India and increased contribution from the property segment, the Group is expected to continue rewarding its shareholders in the future.

CORPORATE DEVELOPMENTS

During the financial year, the Group completed a number of corporate exercises.

Mudajaya Corporation Berhad ("MCB"), a wholly-owned subsidiary of the Group, had on 17 July 2014 acquired the remaining 1,000 ordinary shares it does not already own in Indah Kirana (M) Sdn. Bhd ("IKMSB"), a subsidiary of MCB, resulting in IKMSB becoming a wholly-owned subsidiary of MCB which in turn is a wholly-owned subsidiary of the Group.

Mudajaya Corporation Berhad ("MCB") had on 18 July 2014 acquired 100% of the total issued and paid-up capital of Piala Tebrau Sdn. Bhd. ("PTSB"), resulting in PTSB becoming a wholly-owned subsidiary of MCB.

Both IKMSB and PTSB are currently dormant companies which are intended to be used as vehicles for future projects.

Mudajaya Power International Sdn Bhd, a wholly-owned subsidiary of the Group, had on 23 July 2014 completed the acquisition of a 40% stake in Amihan Energy Corporation ("AEC"). AEC will undertake a wind energy project involving the potential development in stages of up to 200 MW wind energy farm in Cebu, Philippines, over the next few years.

CHAIRMAN'S STATEMENT

> "THE GROUP IS CONTINUALLY SEEKING TO **SECURE PROFITABLE PROJECTS** TO ENHANCE SHAREHOLDERS' VALUE."

Mudajaya Power International Sdn Bhd, has also acquired a 46% shareholding in PT Harmoni Energy Indonesia ("PT HEI"). PT HEI has a Power Purchase Agreement with PT PLN (Persero) for the development of 2x7 MW coal-fired power plant on a Build-Operate-Transfer concept for 25 years in Desa Baruta Analalaki, in Sulawesi, Indonesia, which is currently under construction.

CORPORATE STRATEGY AND PROSPECTS OF THE GROUP

Malaysia's GDP is forecasted to grow at a slower pace in 2015 of between 4.5%-5.5%. Domestic demand, continued expansion in all economic sectors and a resilient external sector will continue to be supportive of growth. Despite external shocks, the country is expected to remain on a steady growth trajectory amid strong underlying fundamentals.

The construction sector is projected to grow at a more moderate pace of 10.3% in 2015 (2014: 11.6%), despite the Government's Budget 2015 (Revision) decision to maintain the Development Expenditure of RM48.5 billion and reaffirm its commitment to implement the earmarked priority infrastructure projects. Regardless of the slower growth, Mudajaya will continue to participate in civil engineering and construction projects to further enhance its order book.

In the coming years, construction earnings are expected to be underpinned by Government initiatives involving large-scale infrastructure projects, which include the MRT Lines 2 and 3, LRT 3 and major highways. The Group stands to benefit from these infrastructure projects given its past track record in the industry.

Moving forward, the Group is continually seeking to secure profitable projects to enhance shareholders' value. The Group's good track record in its 50 years of experience in the construction industry, supported by a strong and professional management team coupled with its healthy financial position will provide the Group with competitive advantages in securing and undertaking new and major projects in the future.

In addition, initiatives to meet the ever-increasing energy demands of the country have been progressing rapidly. Through the Energy Commission, as the central statutory body responsible for regulating the energy sector for electricity supply, major power plant projects are expected to come on-stream, including Project 3A 1x1000 MW and Project 3B 2x1000 MW coal-fired power plants as well as Project 4A 1000-1400 MW gas fired power plant. Conventional power plant construction projects are massive undertakings, with long construction periods, complex technical requirements and large capital outlays. With Mudajaya's established track record, proven technical capabilities in power plant construction and healthy balance sheet, the Group will be in a strong position to capitalize on these energy sector initiatives.

CHAIRMAN'S STATEMENT

As part of the corporate direction to broaden and sustain the income stream, the Group intends to acquire strategic assets that satisfy the risk-return profile and provide future recurrent income streams. The Group will continue to seek out investments and expects further additions to its growing recurring income asset base through increased participation in conventional and renewable energy IPP's in the ASEAN region. Currently, the Group is exploring various business opportunities in India, Philippines, Indonesia, Myanmar and Vietnam.

Abroad, the Group's venture in the 4x360 MW coal-fired IPP project in Chhattisgarh, India will fortify the Group's presence in India, further strengthening the experience and track record of the Group as an emerging power player in the industry. Upon the commencement of commercial operations of the power plant in stages in 2015, the Group stands to benefit from a steady long-term stream of recurring income.

The Group's on-going diversification strategy will also see increased contribution from property development, going forward. The property arm's focus is now geared towards increasing the growth momentum through the launching of new projects such as the Lumi Tropicana development and a potential large township project in the Klang Valley.

Despite the underlying optimism, the Group remains cautious given the highly competitive environment in the construction and property sectors in Malaysia. The Group's attention is directed at accelerating the transformation from a pure construction outfit into areas that provide recurring income. This lessens the Group's exposure to the construction sector's business cycles and its impact on revenues. The Group's current financial strength, potential project wins and recurring income contributions have provided management with the opportunity to realize this transformation and chart the next phase of growth for the company.

Against this backdrop and barring any unforeseen circumstances, the Board expects the financial performance of the Group to improve substantially in 2015.

ACKNOWLEDGEMENT

I would like to sincerely thank Mr. Anto Joseph who served as the Group Managing Director & Chief Executive Officer and has been instrumental to the growth of the Group. I would like to also extend my appreciation to Mr. Ng Chee Kin and Mr. Yong Yee Coi, who served as Executive Directors of the Group for their expert guidance and services rendered during the course of their appointment. I would also like to thank and to bid farewell to our former Independent Non-Executive Directors, Mr. Yee Swee Choon and Mr. Henry Choo Hon Fai, for their many years of service.

On behalf of the Board of Directors, I would like to warmly welcome our new Group Managing Director & Chief Executive Officer, Mr. James Wong Tet Foh. Mr. James Wong brings with him his more than 25 years of invaluable experience with major infrastructure and construction groups to Mudajaya.

Additionally, I would like to welcome our new Independent Non-Executive Director and Audit Committee Chairman, Mr. Chew Hoy Ping to the Board. I would also like to extend a warm welcome to our new Deputy Chief Executive Officer, Mr. Lee Eng Leong. The Group stands to benefit greatly from these gentlemen's many years of vital and diverse experience.

I would like to express my sincere gratitude and appreciation to all the directors, members of the management and staff for their loyalty, commitment and dedication.

Last but not least, I would like to take this opportunity to thank our stakeholders - shareholders, financiers, suppliers, contractors and clients, for their continuous and unwavering support through the years.

Thank you.

Dato' Yusli bin Mohamed Yusoff
Chairman
26 May 2015

MANAGEMENT DISCUSSION & ANALYSIS

Overview of Business and Operations

The core business segments of the Group are Construction, Property Development, Trading, Manufacturing, and Power. The strategic business units are distinct and offer a different set of products and services.

The financial year under review saw the Group take a significant step forward in its transformation plan. The year's performance is a reflection of the Group's on-going reorganization of the business whilst operating under challenging market conditions.

Overview of Objectives and Strategies

The Group has been selective in its pursuit of construction projects to preserve its profit margins while it transitions from being largely dependent on construction projects as a source of revenue to pursuing strategic assets that provide recurring income. In the past year, the Group's concession assets division has continued to expand, formalizing various agreements and further acquiring assets of a recurring income nature.

In the long-term, the Group's growth strategy will continue to focus on broadening its revenue stream, preserving its healthy profit margins and capitalizing on investment opportunities. The strategic foray into concession assets such as Independent Power Production ("IPP") & renewable energy (RE) projects, and increased focus on property development are examples of the Group's transformation. The Group's healthy financial position allows it the flexibility to pursue investment opportunities as and when they arise, particularly those in the IPP and RE sectors.

Review of Financial Results

The Group reported revenue of RM1,050.8 million and loss before tax of RM61.6 million for the twelve months period ended 31 December 2014, compared with revenue of RM1,535.8 million and profit before tax of RM195.6 million respectively in 2013.

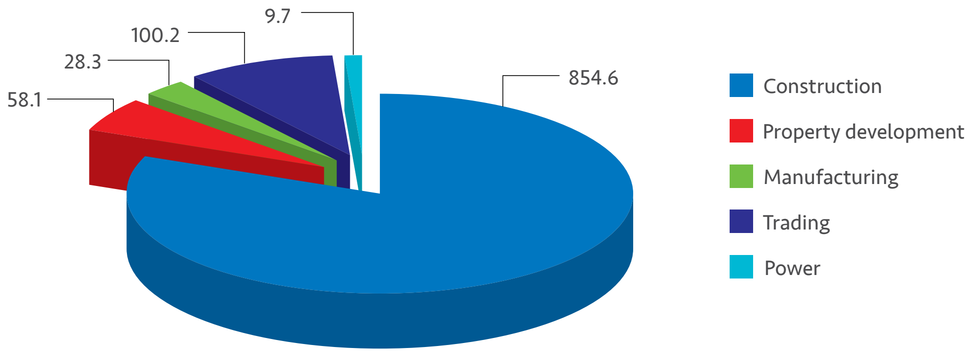
- **Performance overview**

	2014 RM '000	2013 RM '000
Revenue	1,050,805	1,535,786
Profit/(Loss) before tax	(61,605)	195,627
Profit/(Loss) attributable to Equity holders of the Company	(70,234)	151,176
Return on Equity (%)	(6.4)	12.5

As at 31 December 2014, the Group's Net Assets stood at RM1,085.7 million whilst the Net Asset per share was RM2.05. The Group continues to operate under healthy financial position with Net Current Assets of RM 604.4 million and Cash and Cash Equivalents of RM137.7 million.

- Segmental results for twelve months period ended 31 December 2014

SEGMENT REVENUE (RM million)



Review of Operating Activities

The major on-going construction projects are as follows:-

- Design and construction of civil structure works for a 1,000 MW Coal-Fired Power Plant at Tanjung Bin, Johor Darul Takzim
- Construction and completion of Projek Mass Rapid Transit Lembah Kelang Package V3 from Dataran Sunway Station to Section 17

Construction

The Construction segment undertakes civil engineering, construction works and engineering, and equipment procurement. The Group's construction operations are spearheaded by its 100%-owned subsidiary, Mudajaya Corporation Berhad ("MCB").

The construction sector in Malaysia grew at a faster pace in 2014, recording growth of 11.6% compared to 10.9% in the previous year. The construction sector however, has remained difficult. Local contractors, in their efforts to shore up the order book, continue to price their tenders aggressively to secure construction projects, overlooking the consequent negative impact on the bottom line. Increasing construction material prices and escalating labour costs due to a shortage in skilled and unskilled labour supply also poses a challenge to the sector. The highly competitive environment, coupled with the construction sector's cyclical nature and various risk factors such as rising raw material and labour costs has led to an industry-wide deterioration in profit margins. Strict compliance requirements to safety, health and environmental standards at construction sites also places pressure on costs, which in turn may cause a drag on the financials. Additionally, large infrastructure and power projects are often subject to public consultation and feedback, resulting in delays in contract awards.

The revenue derived from the construction sector has declined to RM849.8 million in the current financial year under review as compared to RM1,268.0 million recorded in the previous financial year. The loss before tax recorded was RM85.5 million in the current financial year compared to a profit before tax of RM177.4 million achieved in the previous financial year. The weak performance follows the substantial additional works incurred due to acceleration of works and general increase in construction related costs for a major local project. In addition, costs on Variation Orders ("VO") incurred on the local projects were taken up in the accounts, whilst only part of the revenue relating to the VO claims were recognized pending the finalization of the overall claims with the clients. The Group is confident in claiming these VO costs at a later date. The construction division of the Group continues to perform commendably due to its streamlined operations, optimization of resources such as plant, labour and material and good track record.

MANAGEMENT DISCUSSION & ANALYSIS

Other on-going construction projects include: -

- Offshore equipment procurement works contract for a wind energy farm in Cebu, Philippines
- Construction and completion of the main civil works for Pengerang Cogen Power Plant in Johor
- Construction and completion of the entrance/exit road from Projek Lebuhraya Utara Selatan (TPPT) to the construction site at Kampung Sungai Serai, Mukim Rawang
- Construction of a block of 44-storey service apartment and a block of 26-storey office tower with 5-storey podium and 3 level of basement car park (Crest, Sultan Ismail) on Persiaran Sultan Ismail, Kuala Lumpur

Power

The segment reported revenue and profit before tax of RM9.7 million and RM3.2 million for the twelve months period ended 31 December 2014. The results were contributed by the Group's subsidiary Special Universal Sdn Bhd ("SUSB"), derived from the 10 MW solar energy power plant at Gebeng, Pahang which has commenced commercial operations. Through Mudajaya Energy Sdn. Bhd. (formerly known as MJC Management Services Sdn. Bhd.), the Group had previously acquired an effective stake of 60% in SUSB which is aligned to the Group's corporate strategy to acquire assets that provide recurring income.

To leverage on the expertise and experience gained from the construction of power plants and construction of highways in India in the past, Mudajaya acquired a 26% equity stake in RKM Powergen Pte Ltd, which is developing a 4x360 MW coal-fired power plant in Chhattisgarh, India. The project represents a strategic long term move to stabilize earnings through recurring income streams. The IPP project is a coal-based thermal power station which consists of 4 generating units with a nominal capacity of 360 MW each, to be set up in two phases, comprising Phase 1 (Unit 1 of the generating units) and Phase 2 (Unit 2, 3 and 4 of the generating units). The project is targeted to come on-stream in phases starting from 2015.

Meanwhile, the Group's project in Indonesia, the Bau Bau 2 x 7 MW coal fired power plant at South Sulawesi, is now 85% complete and targeted to achieve operations by the second half of 2015.

To spur the development of alternative sources of energy, Malaysia and several ASEAN countries have offered attractive power tariffs to attract investors into the renewable energy sector. Taking advantage of these incentives, the Group is currently developing a wind energy project in Cebu, Philippines. The Group's wholly-owned subsidiary Mudajaya Power International Sdn. Bhd. owns a 40% stake in Amihan Energy Corporation ("AEC").

Property Development

The Property Development segment is involved in the development of residential and commercial properties. The revenue derived from the property sector has increased to RM58.1 million in the current financial year under review compared to RM51.5 million recorded in the previous financial year. The profit before tax increased to RM15.7 million in the current financial year compared to RM10.8 million achieved in the previous financial year. The higher revenue and profit were mainly attributable to higher sales and sales of higher profit margin properties during the year.

Batu Kawah New Township in Kuching, Sarawak is a 265-acre modern integrated award-winning township located 7 km from the capital city of Kuching. This township has received many accolades beginning with the SHEDA Excellence Award for Innovative Design and Lifestyle Concept in 2009 for One Residency, the SHEDA Merit Award for the Best Township Master Plan for Completed Project in 2011 and the SHEDA Excellence Award for Best Residential High Rise Strata Development for Skyvilla Residences in 2013. This self-contained township is undertaken via a 70% owned subsidiary of MCB, MJC City Development Sdn. Bhd. ("MJCC") through a joint venture with ASSAR Development Sdn. Bhd. MJCC has launched approximately RM790 million worth of mixed developments in Kuching since 1997.

Mudajaya Land Sdn. Bhd. ("MLSB"), a wholly-owned subsidiary of MCB, is developing a high-end residential bungalow project at the prestigious Damansara Heights in Kuala Lumpur. This is a joint venture between MLSB and Integrated Heights Sdn. Bhd. Lumi Tropicana, through Mayfair Ventures Sdn Bhd, a Joint Venture between Mudajaya (49%) and Mulpha Land Berhad (51%), will be launched in 2015. The mixed development project sits on a six-acre piece of prime land in Tropicana, Petaling Jaya with a GDV of approximately RM700 million. Menara Mudajaya sitting on the Corporate Business Park of Mutiara Damansara, Petaling Jaya is a 16-storey office building with a gross build-up area of approximately 138,000 square feet.

Others (Trading and Manufacturing)

The Trading segment is involved in the trading of construction materials. The division's activities are undertaken by MJC Trading Sdn. Bhd., a wholly-owned subsidiary of MCB.

The revenue derived from the trading sector has dropped to RM100.2 million in the current financial year compared to RM154.0 million recorded in the previous financial year. The profit before tax was RM3.2 million in the current financial year compared to RM4.8 million achieved in the previous financial year. The lower revenue and profit were mainly attributable to lower trading activities of construction materials during the year. The division continues to play a crucial role in ensuring reliable, cost effective and efficient supply of construction and building materials for the Group's construction and property development operations.

The Manufacturing segment is involved in the manufacturing of construction related products. The total revenue derived from the manufacturing sector has decreased to RM28.3 million in the current financial year compared to RM58.7 million recorded in the previous financial year. The profit before tax recorded was RM1.8 million in the current financial year compared to RM2.6 million achieved in the previous financial year. The lower revenue and profit were mainly attributable to lower volume of manufacturing activities during the year.

The manufacturing division's activities consist of production and sales of ready-mixed concrete and precast concrete beam via wholly-owned subsidiaries MJC Industries Sdn. Bhd. and MJC Precast Sdn. Bhd. The ready-mixed concrete operation provides integral support to the core construction, pre-cast concrete production and property development activities of the Group.

Major pre-cast concrete beam contracts secured and supplied in 2014 were the Mayang Inbound Ramp - Putrajaya, Mass Rapid Transit (MRT) -V3 project, Tanjung Bin project, Sunway BRT project – Mechanization of Oxidation Pond of Bus Rapid Transit, LRT – Package A Kelana Jaya Line Extension & Package B Ampang Line Project. In 2015, MJC Precast clinched the Westport and continuing LRT Line 2 projects worth approximately RM20 million.

Dividend

The Group has declared the following dividend:

	2014 RM '000	2013 RM '000
Dividends in respect of the financial year	32,484	48,735
Dividend Per Share (cents)	6	9
Net Dividend Per Share (%)	30	45

The Group's stable growth and net cash position has allowed it to continue to reward shareholders despite recording a loss, with dividend per share of 6 cents in 2014 compared to 9 cents last year.

MANAGEMENT DISCUSSION & ANALYSIS

OUTLOOK

Despite slower growth, the construction sector in Malaysia remains promising backed by the on-going infrastructure developments related to the Economic Transformation Programme (ETP) and mega projects in railways, highways, oil and gas constructions, and mixed developments. Projects of interest include the Refinery and Petrochemical Integrated Development (RAPID) in Pengerang, Johor and Iskandar Development Region in Johor. In addition, there is a long list of mega infrastructure projects including the Klang Valley MRT Sg Buloh - Serdang – Putrajaya (SBSP) Line 2 and highways such as the West Coast Expressway (WCE), Damansara-Shah Alam Highway (DASH), and Sungai Besi-Ulu Kelang Elevated Expressway (SUKE) to be launched in the near future.

The Group has submitted various tenders in excess of RM5 billion for civil, infrastructure and building works within the country. Mudajaya is confident of securing some of these tendered contracts.

The Group is leveraging on its financial strength and established track record and focusing in certain niche sectors particularly in the power sector, which is expected to generate higher profit margins. Malaysia's power sector remains encouraging with energy demand in the country and the region set to rise in line with population and economic growth. Power plant construction projects, to replace end-of-life plants and to meet increased energy needs provide excellent opportunities for the Group. Projects of interest include the upcoming coal-fired power plant projects announced recently by the Energy Commission. In renewable energy, the Group's foray into solar energy generation in Gebeng, Pahang has helped raise the company's profile as it seeks further opportunities in the sector.

Abroad, the Group has plans to expand its footprint in the power sector in the ASEAN region. In Indonesia for example, the Group has formalized agreements with its Joint Venture partners to enter into investments in coal-fired power plants.

On the property front, the Group has plans to expand its land-bank. Currently, the Group is in final discussions for a potential land swap deal involving a piece of freehold land in the Klang Valley. The Group plans to develop the sizable land into a township with a gross development value exceeding RM1.5 billion. Besides the land-swap deal, the Group's 70% owned subsidiary, MJCC which is developing the Batu Kawah Township in Kuching still has a land-bank of approximately 66.3 acres with projected Gross Development Value of RM1.5 billion. Going forward, the property arm is expected to play a bigger role in the Group as the sector typically enjoys higher profit margins.

The manufacturing segment is also expanding its core activities. MJC Precast is actively pursuing various projects and expanding its manufacturing capabilities.

Mudajaya will continue to explore opportunities to further strengthen its order book and maintain healthy financial growth. The financial performance of the Group for 2015 is expected to be satisfactory.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

for the year ended 31 December 2014

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities whilst the principal activities of the subsidiaries are disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
(Loss)/Profit for the year attributable to:		
Owners of the Company	(70,234)	33,975
Non-controlling interests	(228)	-
	(70,462)	33,975

RESERVES AND PROVISIONS

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

DIVIDENDS

Since the end of the previous financial year, the Company paid:

In respect of the financial year ended 31 December 2013:

(i) a third interim tax exempt (single-tier) dividend of 3.0 sen per share based on 552,069,766 ordinary shares of RM0.20 each less treasury share, totalling RM16,285,586 on 20 February 2014.

In respect of the financial year ended 31 December 2014:

(i) first interim tax exempt (single-tier) dividend of 3.0 sen per share based on 552,219,266 ordinary shares of RM0.20 each less treasury share, totalling RM16,253,936 on 21 May 2014.

(ii) second interim tax exempt (single-tier) dividend of 3.0 sen per share based on 552,330,766 ordinary shares of RM0.20 each less treasury share, totalling RM16,187,129 on 5 September 2014.

DIRECTORS' REPORT (CONT'D)

for the year ended 31 December 2014

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Dato' Yusli bin Mohamed Yusoff	
Wee Teck Nam	
Lee Seng Huang	
Lee Eng Leong (Alternate to Lee Seng Huang)	(Appointed on 1 January 2015)
Chew Hoy Ping	(Appointed on 1 January 2015)
James Wong Teh Foh (Alternate to Anto a/l SF Joseph)	(Appointed on 1 January 2015, ceased on 1 April 2015)
James Wong Teh Foh	(Appointed on 1 April 2015)
Ng Chee Kin	(Resigned on 1 January 2015)
Yong Yee Coi	(Resigned on 1 January 2015)
Yee Swee Choon	(Resigned on 1 January 2015)
Henry Choo Hon Fai	(Resigned on 1 January 2015)
Anto a/l SF Joseph	(Resigned on 1 April 2015)

DIRECTORS' INTERESTS

The interests and deemed interests in the shares and options over shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.20 each			
	At 1.1.2014	Acquired	Sold	At 31.12.2014
Interest in the Company:				
Direct interest				
Anto a/l SF Joseph	2,166,666	40,000	-	2,206,666
Wee Teck Nam	1,300,000	-	-	1,300,000
Ng Chee Kin	476,999	-	-	476,999
Yong Yee Coi	794,333	-	200,000	594,333
Yee Swee Choon	285,000	-	-	285,000
Indirect interest				
Wee Teck Nam	133,413,333	-	-	133,413,333
Anto a/l SF Joseph	133,686,666	-	-	133,686,666
Ng Chee Kin	647,333	-	334,200	313,133
Yee Swee Choon	43,333	-	-	43,333
Lee Seng Huang	120,287,000	-	-	120,287,000

	Number of option over ordinary shares of RM0.20 each			
	At 1.1.2014	Granted	Exercised	At 31.12.2014
Interest in the Company:				
Anto a/l SF Joseph	4,750,000	-	-	4,750,000
Wee Teck Nam	1,200,000	-	-	1,200,000
Ng Chee Kin	1,300,000	-	-	1,300,000
Yong Yee Coi	1,300,000	-	-	1,300,000
James Wong Teh Foh	1,200,000	-	-	1,200,000

DIRECTORS' REPORT (CONT'D)

for the year ended 31 December 2014

DIRECTORS' INTERESTS (CONT'D)

By virtue of their interest in the shares of the Company, Anto a/l SF Joseph, Wee Teck Nam, Ng Chee Kin, Yong Yee Coi and Yee Swee Choon are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Mudajaya Group Berhad has an interest.

None of the other Directors holding office at 31 December 2014 had any interest in the shares and options over ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the issue of the Employees Share Option Scheme ("ESOS").

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 706,300 new ordinary shares of RM0.20 for cash arising from the exercise of employees' share options at a weighted average exercise price of RM1.91 per ordinary share.

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

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

TREASURY SHARES

During the financial year, the Company repurchased 4,801,400 ordinary shares of RM0.20 each from the open market at an average price of RM2.50 per share for a total consideration of RM11,982,702 inclusive of transaction costs. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

As at 31 December 2014, a total of 14,018,300 ordinary shares of RM0.20 each were still retained as treasury shares in the Company in accordance with Section 67A of the Companies Act, 1965. Further relevant details are disclosed in Note 16 to the financial statements.

EMPLOYEES' SHARE OPTION SCHEME

Mudajaya Group Berhad's Employees' Share Option Scheme ("ESOS") is governed by the by-laws which was approved by the shareholders at the Extraordinary General Meeting held on 22 June 2011. The ESOS was implemented on 30 September 2011 and to be in force for a period of 5 years from date of implementation.

During the financial year, the Company granted 630,600 share options under the ESOS.

The salient features and other terms of the ESOS are disclosed in Note 19 to the financial statements.

EMPLOYEES' SHARE OPTION SCHEME (CONT'D)

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders, other than directors, who have been granted options to subscribe for less than 600,000 ordinary shares of RM0.20 each. The name of option holder granted options to subscribe for 600,000 or more ordinary shares of RM0.20 each during the financial year is as follows:

Name	Exercise price RM	At 1.1.2014	Granted	Exercised	At 31.12.2014
Teoh Teik Thiam	2.65	-	600,000	-	600,000

All share options were granted between 3 October 2011 to 18 February 2014 and will expire on 30 September 2016.

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

OTHER STATUTORY INFORMATION

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

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

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

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

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

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

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

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

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

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2014 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

DIRECTORS' REPORT (CONT'D)

for the year ended 31 December 2014

AUDITORS

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

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

James Wong Teh Foh

Dato' Yusli bin Mohamed Yusoff

Petaling Jaya,

Date: 28 April 2015

STATEMENT BY DIRECTORS

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

In the opinion of the Directors, the financial statements set out on pages 54 to 119 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 34 on page 120 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

James Wong Teh Foh

Dato' Yusli bin Mohamed Yusoff

Kuala Lumpur,
Date: 28 April 2015

STATUTORY DECLARATION

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

I, Loi Kent Liak, the officer primarily responsible for the financial management of Mudajaya Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 54 to 119 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Petaling Jaya on 28 April 2015.

Loi Kent Liak

Before me:

PESURUHJAYA SUMPAH
NO. B 460
S. AROKIADASS A.M.N
MALAYSIA
No. 34A(Tkt 1), Jalan SS2/67
47300 Petaling Jaya
Selangor Darul Ehsan

INDEPENDENT AUDITORS' REPORT

to the members of Mudajaya Group Berhad

Report on the Financial Statements

We have audited the financial statements of Mudajaya Group Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 54 to 119.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

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

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

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

(d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT (CONT'D)

to the members of Mudajaya Group Berhad

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 34 on page 120 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

The financial statements of the Group and of the Company as at and for the year ended 31 December 2013 were audited by another auditor who expressed an unmodified opinion on those statements on 26 March 2014.

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

KPMG

KPMG
Firm Number: AF 0758
Chartered Accountants

Tai Yoon Foo
Approval Number: 2948/05/16(J)
Chartered Accountant

Petaling Jaya,

Date: 28 April 2015

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Assets					
Property, plant and equipment	3	140,573	118,172	-	-
Investment property	4	47,581	48,240	-	-
Intangible assets	5	12,393	12,393	-	-
Investments in subsidiaries	6	-	-	314,149	314,149
Investments in associates	7	690,690	679,036	-	-
Other investments	9	542	542	-	-
Deferred tax assets	10	364	-	-	-
Total non-current assets		892,143	858,383	314,149	314,149
Inventories	11	6,374	5,397	-	-
Property development costs	12	61,172	43,405	-	-
Trade and other receivables	13	341,427	450,981	1,045	37,324
Other current assets	14	402,284	236,833	-	-
Tax recoverable		11,266	1,946	322	513
Cash and cash equivalents	15	137,702	67,628	15,433	816
Total current assets		960,225	806,190	16,800	38,653
Total assets		1,852,368	1,664,573	330,949	352,802
Equity					
Share capital		110,483	110,342	110,483	110,342
Share premium		221,739	219,819	221,739	219,819
Treasury shares		(34,688)	(22,705)	(34,688)	(22,705)
Capital reserve		4,900	4,900	-	-
Employees' share option reserve		23,759	20,897	23,759	20,897
Foreign currency translation reserve		(23,630)	(25,054)	-	-
Retained earnings		798,966	901,684	9,079	7,588
Equity attributable to owners of the Company	16	1,101,529	1,209,883	330,372	335,941
Non-controlling interests		(15,859)	(18,076)	-	-
Total equity		1,085,670	1,191,807	330,372	335,941
Liabilities					
Deferred tax	10	2,172	256	-	-
Borrowings	17	406,989	22,999	-	-
Refundable deposits		1,716	1,639	-	-
Total non-current liabilities		410,877	24,894	-	-
Trade and other payables	18	328,459	442,625	577	16,861
Amount due to customers on contracts	14	21,299	49	-	-
Borrowings	17	6,063	4,547	-	-
Tax payable		-	651	-	-
Total current liabilities		355,821	447,872	577	16,861
Total liabilities		766,698	472,766	577	16,861
Total equity and liabilities		1,852,368	1,664,573	330,949	352,802

The notes on pages 61 to 120 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Revenue	20	1,050,805	1,535,786	34,080	64,468
Cost of sales	21	(1,065,675)	(1,297,372)	-	-
Gross (loss)/profit		(14,870)	238,414	34,080	64,468
Other income	22	14,252	7,604	1,203	1,303
Administrative expenses		(45,655)	(51,454)	(1,123)	(1,514)
Results from operating activities	23	(46,273)	194,564	34,160	64,257
Finance costs		(18,617)	-	-	-
Share of profit of equity accounted associates, net of tax		3,285	1,063	-	-
(Loss)/Profit before tax		(61,605)	195,627	34,160	64,257
Tax expense	25	(8,857)	(21,960)	(185)	(26)
(Loss)/Profit for the year		(70,462)	173,667	33,975	64,231
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		1,424	5,098	-	-
Total comprehensive (loss)/ income for the year		(69,038)	178,765	33,975	64,231
(Loss)/Profit attributable to:					
Owners of the Company		(70,234)	151,176	33,975	64,231
Non-controlling interests		(228)	22,491	-	-
(Loss)/Profit for the year		(70,462)	173,667	33,975	64,231
Total comprehensive (loss)/ income attributable to:					
Owners of the Company		(68,810)	156,274	33,975	64,231
Non-controlling interests		(228)	22,491	-	-
Total comprehensive (loss)/ income for the year		(69,038)	178,765	33,975	64,231
Basic/ Diluted (loss)/earnings per ordinary share (sen):					
Basic (loss)/earnings per share	27	(13.01)	27.88		
Diluted (loss)/ earnings per share	27	(12.50)	27.00		

The notes on pages 61 to 120 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2014

Group	Note	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Employees' share capital reserve RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		Attributable to equity holders of the Company									
		Non-distributable						Distributable			
At 1 January 2014		110,342	219,819	4,900	20,897	(22,705)	(25,054)	901,684	1,209,883	(18,076)	1,191,807
Foreign currency translation differences for foreign operations		-	-	-	-	-	1,424	-	1,424	-	1,424
Loss for the year		-	-	-	-	-	-	(70,234)	(70,234)	(228)	(70,462)
Total comprehensive income/ (expenses)		-	-	-	-	-	1,424	(70,234)	(68,810)	(228)	(69,038)
Contribution by and distributions to owners of the Company											
Grant of equity-settled share options to employees		-	-	-	3,574	-	-	-	3,574	-	3,574
ESOS exercised	16	141	1,920	-	(712)	-	-	-	1,349	-	1,349
Purchase of treasury shares	16	-	-	-	-	(11,983)	-	-	(11,983)	-	(11,983)
Dividends to owners of the Company	26	-	-	-	-	-	-	(32,484)	(32,484)	-	(32,484)
Total transactions with owners of the Company		141	1,920	-	2,862	(11,983)	-	(32,484)	(39,544)	-	(39,544)
Issuance of ordinary shares of a subsidiary to non-controlling interest		-	-	-	-	-	-	-	-	4,010	4,010
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	(1,565)	(1,565)
At 31 December 2014		110,483	221,739	4,900	23,759	(34,688)	(23,630)	798,966	1,101,529	(15,859)	1,085,670
		Note 16	Note 16	Note 16	Note 16	Note 16	Note 16				

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

for the year ended 31 December 2014

		Attributable to equity holders of the Company									
		Non-distributable						Distributable			
Group	Note	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Employees' share capital reserve RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2013		109,949	214,481	4,900	16,054	(13,992)	(30,152)	812,795	1,114,035	(10,202)	1,103,833
Foreign currency translation differences for foreign operations		-	-	-	-	-	5,098	-	5,098	-	5,098
Profit for the year		-	-	-	-	-	-	151,176	151,176	22,491	173,667
Total comprehensive income		-	-	-	-	-	5,098	151,176	156,274	22,491	178,765
Contribution by and distributions to owners of the Company											
Grant of equity-settled share options to employees		-	-	-	6,825	-	-	-	6,825	-	6,825
ESOS exercised	16	393	5,338	-	(1,982)	-	-	-	3,749	-	3,749
Purchase of treasury shares	16	-	-	-	-	(8,713)	-	-	(8,713)	-	(8,713)
Dividends to owners of the Company	26	-	-	-	-	-	-	(62,287)	(62,287)	-	(62,287)
Total transactions with owners of the Company		393	5,338	-	4,843	(8,713)	-	(62,287)	(60,426)	-	(60,426)
Issuance of ordinary shares of a subsidiary to non-controlling interest		-	-	-	-	-	-	-	-	1,888	1,888
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	(32,253)	(32,253)
At 31 December 2013		110,342	219,819	4,900	20,897	(22,705)	(25,054)	901,684	1,209,883	(18,076)	1,191,807
		Note 16	Note 16	Note 16	Note 16	Note 16	Note 16				

The notes on pages 61 to 120 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

for the year ended 31 December 2014

		Attributable to owners of the Company					
		Non-distributable				Distributable	
Company	Note	Share capital RM'000	Shares premium RM'000	Employee's Share option reserve RM'000	Treasury share RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2013		109,949	214,481	16,054	(13,992)	5,644	332,136
Profit and total comprehensive income for the year		-	-	-	-	64,231	64,231
Contribution by and distributions to owners of the Company							
Grant of equity-settled share options to employees		-	-	6,825	-	-	6,825
ESOS exercised	16	393	5,338	(1,982)	-	-	3,749
Purchase of treasury shares	16	-	-	-	(8,713)	-	(8,713)
Dividends to owners of the Company	26	-	-	-	-	(62,287)	(62,287)
Total transactions with owners of the Company		393	5,338	4,843	(8,713)	(62,287)	(60,426)
At 31 December 2013/ 1 January 2014		110,342	219,819	20,897	(22,705)	7,588	335,941
Profit and total comprehensive income for the year		-	-	-	-	33,975	33,975
Contribution by and distributions to owners of the Company							
Grant of equity-settled share options to employees		-	-	3,574	-	-	3,574
ESOS exercised	16	141	1,920	(712)	-	-	1,349
Purchase of treasury shares	16	-	-	-	(11,983)	-	(11,983)
Dividends to owners of the Company	26	-	-	-	-	(32,484)	(32,484)
Total transactions with owners of the Company		141	1,920	2,862	(11,983)	(32,484)	(39,544)
At 31 December 2014		110,483	221,739	23,759	(34,688)	9,079	330,372
		Note 16	Note 16	Note 16	Note 16		

The notes on pages 61 to 120 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Cash flows from operating activities					
(Loss)/Profit before tax		(61,605)	195,627	34,160	64,257
Adjustments for:					
Interest income	22	(8,894)	(3,606)	(459)	(363)
Interest expense		18,617	-	-	-
Dividend income	20	-	-	(34,080)	(64,468)
Depreciation of property, plant and equipment	3	14,460	7,989	-	-
Depreciation of investment property	4	719	796	-	-
Gain on disposal of property, plant and equipment	22	(379)	(1,017)	-	-
Reversal of impairment losses of financial assets	23	(10)	(6)	-	-
ESOS expenses		3,599	6,843	25	18
Unrealised profit adjustment		(6,344)	6,508	-	-
Unrealised gain on foreign exchange	23	(2,172)	(525)	-	-
Share of profits of equity accounted associates		(3,285)	(1,063)	-	-
Operating (loss)/profit changes in working capital		(45,294)	211,546	(354)	(556)
Property development costs		(14,207)	8,452	-	-
Inventories		(977)	824	-	-
Trade and other receivables		(31,308)	(165,756)	39,853	(13,268)
Trade and other payables		(76,595)	(71,232)	(41)	(13,666)
Cash (used in)/generated from operations		(168,381)	(16,166)	39,458	(27,490)
Interest paid		(18,617)	-	-	-
Tax paid		(19,148)	(25,922)	(233)	(182)
Tax refunded		1,872	2,868	239	6
Net cash (used in)/generated from operating activities		(204,274)	(39,220)	39,464	(27,666)
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(40,517)	(82,134)	-	-
Proceeds from disposal of property, plant and equipment		475	1,059	-	-
Increase in other investments		-	(440)	-	-
Addition expenditure in investment property	4	(60)	(523)	-	-
Subscription of shares in associates	7	(1,984)	(84,353)	-	-
Advances to associates		(21,024)	-	-	-
Acquisition of non-controlling interests	6	(1)	(15,348)	-	-
Interest received		8,894	3,606	459	363
Dividend received		-	-	34,080	47,428
Change in pledged deposits	15	(1,666)	-	-	-
Net cash (used in)/generated from investing activities		(55,883)	(178,133)	34,539	47,791

STATEMENTS OF CASH FLOWS (CONT'D)

for the year ended 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Cash flows from financing activities					
Purchase of treasury shares	16	(11,983)	(8,713)	(11,983)	(8,713)
Issuance of ordinary shares of a subsidiary to non-controlling interest		4,010	-	-	-
Proceeds from ESOS exercised		1,324	3,749	1,324	3,749
Net drawdown of borrowings		385,506	27,546	-	-
Dividend paid to:					
- shareholders	26	(48,727)	(46,044)	(48,727)	(46,044)
- non-controlling interests		(1,565)	(32,253)	-	-
Net cash generated from/ (used in) financing activities		328,565	(55,715)	(59,386)	(51,008)
Net increase/(decrease) in cash and cash equivalents		68,408	(273,068)	14,617	(30,883)
Cash and cash equivalents at beginning of year		67,628	340,696	816	31,699
Cash and cash equivalents at end of year		136,036	67,628	15,433	816

Cash and cash equivalents

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

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Cash and bank balances	15	67,667	66,897	791	815
Deposits placed with licensed banks	15	70,035	731	14,642	1
		137,702	67,628	15,433	816
Less: Pledged deposits	15	(1,666)	-	-	-
		136,036	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

Mudajaya Group Berhad is a public limited liability company, incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business /registered office
Level 11 and Level 12 of Menara Mudajaya
No. 12A, Jalan PJU 7/3
Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associates. The financial statements of the Company as at and for the year ended 31 December 2014 also include joint operations.

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

These financial statements were authorised for issue by the Board of Directors on 28 April 2015.

1. 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 (FRS) and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the Group and Company:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to FRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to FRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to FRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to FRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to FRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to FRS 10, *Consolidated Financial Statements and FRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to FRS 10, *Consolidated Financial Statements, FRS 12, Disclosure of Interests in Other Entities and FRS 128, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to FRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- FRS 14, *Regulatory Deferral Accounts*
- Amendments to FRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to FRS 116, *Property, Plant and Equipment and FRS 138, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to FRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to FRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to FRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- FRS 9, *Financial Instruments (2014)*

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014.

- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016.

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the MFRS Framework.

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 *Agriculture* (MFRS 141) and IC Interpretation 15 *Agreements for Construction of Real Estate* (IC 15), including its parent, significant investor and venture (herein called 'Transitioning Entities').

Transitioning Entities will be allowed to defer adoption of the MFRS Framework. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2017.

The Group falls within the scope definition of Transitioning Entities and have opted to defer adoption of the MFRS Framework. Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2017. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

The Group is in the process of assessing the financial effects of the differences between the accounting standards under Financial Reporting Standards and under the MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2014 could be different if prepared under the MFRS Framework.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2 of 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 and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

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

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

1. BASIS OF PREPARATION (CONT'D)

(d) Use of estimates and judgements (Cont'd)

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:

(i) Property development and construction contracts

The Group recognises property development and construction contracts revenue and expenses in the profit or loss by using the percentage of completion which is determined by the proportions of costs incurred for the work performed to date bear to the estimated total costs.

Significant judgement is required in determining the stage of completion, the extent of the costs incurred and the estimated total revenue and costs, as well as recoverability of the property development and construction contracts costs. In making the judgement, the Group evaluates based on past experience, external economic factors and by relying on the work of specialist.

(ii) Depreciation of plant, machinery and equipment

The cost of plant, machinery and equipment for the manufacture of building materials is depreciated on a straight line basis over the assets' estimated useful lives. Management estimates the useful lives of these plant, machinery and equipment to be within 3 to 5 years. These are common life expectancies applied in the industry of building materials manufacturing. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. However, management believes that no reasonable probable change in the above key assumptions would cause a material impact to the future depreciation charges. The carrying amounts of the Group's plant, machinery and equipment at the reporting date is disclosed in Note 3. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 0.52% (2013: 0.10%) variance in the Group's profit for the year.

(iii) Employees share option scheme

The Group and the Company measure the cost of equity-settled transactions with employees by reference to 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 for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This estimate also requires 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. The assumptions and valuation models used are disclosed in Note 19.

(iv) Impairment of intangible assets

The Group determines whether goodwill is impaired at least on an annual basis. This requires estimation of the "value in use" of the cash generating units ("CGU") to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are disclosed in Note 5.

(v) Deferred tax

Deferred tax assets are recognised for all unused tax losses and capital allowances to the extent that it is probable that taxable profit will be available against which the losses and 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. Further details are disclosed in Note 10.

(vi) Valuation of investment in associates

The recoverable amount of investment in associates is based on the value in use of the cash generating units ("CGU"). Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the CGU and discount to the present value of those cash flows. Further details are disclosed in Note 7.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(ii) Business combinations

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

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

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

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

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

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

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(v) Associates

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

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

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

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

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

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses. The cost of the investment includes transaction costs.

(vi) Joint arrangements

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

Joint arrangements are classified and accounted for as follows:

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

- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vii) Non-controlling interests

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(vii) Non-controlling interests (Cont'd)

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

(viii) Transactions eliminated on consolidation

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

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

(b) Foreign currency

(i) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

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

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments 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 to occur 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) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, 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 to 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments

(i) Initial recognition and measurement

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise and measure financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

The Group and the Company have not designated any financial assets at fair value through profit and loss.

(b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

The Group and the Company have not designated any financial assets as held-to- maturity investments.

(c) Loans and receivables

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

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

(d) Available-for-sale financial assets

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(ii) Financial instrument categories and subsequent measurement (Cont'd)

Financial assets (Cont'd)

(d) Available-for-sale financial assets (Cont'd)

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

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see note 2(l)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) 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 the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(i) Recognition and measurement (Cont'd)

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

The current and comparative periods annual rates of depreciation are as follows:

• Leasehold land	1 2/3 %
• Buildings	2%
• Power plant	5%
• Factory	10%
• Plant, machinery and equipment	20% - 33 1/3%
• Office equipment, furniture and fittings	20% - 33 1/3%
• Motor vehicles	20% - 33 1/3%

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leased assets

(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 leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(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 in the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

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.

(f) Intangible assets

Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

Goodwill is not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

(g) Investment property

(i) Investment property carried at cost

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include freehold land and leasehold land which in substance is a finance lease held for a currently undetermined future use. Investment properties measured at cost are accounted for similarly to property, plant and equipment.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Investment property (Cont'd)

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(h) Construction contracts

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

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised 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 plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

(i) Property development costs

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Property development costs (Cont'd)

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

(j) Inventories

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

Cost of raw materials is determined on a weighted average or first-in-first-out basis, as appropriate, according to the category of inventories concerned. The cost of raw materials comprises costs of purchase. The cost of unsold properties comprises cost 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.

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(l) Impairment

(i) Financial assets

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

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

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

(ii) Other assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment (Cont'd)

(ii) Other assets (Cont'd)

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

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

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

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

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

(m) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

(iii) Share-based payment transactions

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

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

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

(o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Revenue and other income

(i) Goods sold

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

(ii) Construction contracts

Revenue from construction contracts is accounted for using the stage of completion method as described in Note 2(h).

(iii) Property development

Revenue from property development activities is recognised based on the stage of completion as described in Note 2(i).

(iv) Sale of power energy

Revenue from the sale of power energy generated from the solar power plant is recognised as and when the electricity is delivered to the off-taker, based on the actual electricity delivered from the date of their last meter reading and period end at a pre-determined rate.

(v) Rental income

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

(vi) Dividend income

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

(vii) Interest income

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

(q) Borrowing costs

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Borrowing costs (Cont'd)

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

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

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

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

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.

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) Earnings per ordinary share

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

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

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(t) Operating segments

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. PROPERTY, PLANT AND EQUIPMENT

Group Cost	Note	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Assets under construction RM'000	Power plant RM'000	Factory RM'000	Plant, machinery and equipment RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
At 1 January 2013		8,975	4,116	15,202	1,473	-	4,983	34,299	5,406	13,021	87,475
Additions		-	-	297	51,950	-	194	26,728	1,489	1,476	82,134
Transfer from investment property	4	-	-	1,668	-	-	-	-	-	-	1,668
Disposals		-	-	-	-	-	-	(6,492)	(32)	(279)	(6,803)
At 31 December 2013/ 1 January 2014		8,975	4,116	17,167	53,423	-	5,177	54,535	6,863	14,218	164,474
Additions		614	-	22	28,423	-	25	10,611	750	72	40,517
Disposals		-	(4,116)	-	-	-	-	(1,854)	(5)	(473)	(6,448)
Reclassification		-	-	-	(81,846)	81,846	-	-	-	-	-
At 31 December 2014		9,589	-	17,189	-	81,846	5,202	63,292	7,608	13,817	198,543

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

Group	Note	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Assets under construction RM'000	Power plant RM'000	Factory RM'000	Plant, machinery and equipment RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Accumulated depreciation											
At 1 January 2013		-	88	231	-	-	3,652	31,570	3,158	6,375	45,074
Depreciation charged for the year		-	406	334	-	-	199	3,768	1,062	2,220	7,989
Disposals		-	-	-	-	-	-	(6,490)	(20)	(251)	(6,761)
At 31 December 2013/ 1 January 2014		-	494	565	-	-	3,851	28,848	4,200	8,344	46,302
Depreciation charged for the year		-	62	844	-	3,284	-	7,362	1,012	1,896	14,460
Disposals		-	(556)	-	-	-	-	(1,789)	(1)	(446)	(2,792)
At 31 December 2014		-	-	1,409	-	3,284	3,851	34,421	5,211	9,794	57,970
Carrying amounts											
At 1 January 2013		8,975	4,028	14,971	1,473	-	1,331	2,729	2,248	6,646	42,401
At 31 December 2013/ 1 January 2014		8,975	3,622	16,602	53,423	-	1,326	25,687	2,663	5,874	118,172
At 31 December 2014		9,589	-	15,780	-	78,562	1,351	28,871	2,397	4,023	140,573

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. INVESTMENT PROPERTY

	Group	
	2014 RM'000	2013 RM'000
Cost:		
At 1 January	49,188	50,333
Transfer to property, plant and equipment (Note 3)	-	(1,668)
Additional expenditure in investment property	60	523
At 31 December	49,248	49,188
Accumulated depreciation:		
At 1 January	948	152
Depreciation for the year	719	796
At 31 December	1,667	948
Carrying amounts:		
At 31 December	47,581	48,240
Estimated fair value	91,133	84,490

The fair value of the investment property is derived based on sales comparison approach by reference to observed market price in other similar property transactions.

Sales price of comparable properties is close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

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

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Rental income	20	4,822	3,516	-	-
Property maintenance cost	21	(1,757)	(1,318)	-	-

5. INTANGIBLE ASSETS

Group	Note	Goodwill RM'000
Cost		
At 1 January 2013		-
Acquisition of subsidiaries		12,393
At 31 December 2013/1 January 2014/31 December 2014		12,393
Carrying amounts		
At 31 December 2013/1 January 2014/31 December 2014		12,393

5. INTANGIBLE ASSETS (CONT'D)

Goodwill

For the purpose of impairment testing, goodwill is allocated to the power business as a whole.

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

i. Cash flow projection were based on secured concession contracts covering a 20 year period with 0.5% of degradation rate for calculation of annual yield and energy generations.

ii. A 3% to 5% increase of operating expenses as the annual inflation rate.

iii. Major replacement of capital expenditure cost in year 10 for the continuing operation of power business.

iv. The discount rate is 6.69% per annum.

v. The feed-in tariff rates used range from RM0.80/kWh to RM0.95/kWh.

The estimated recoverable amount exceeds the carrying amount of the goodwill. Management considers that it is not reasonably possible for the change in key assumptions which could change so significantly as to eliminate this excess.

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014 RM'000	2013 RM'000
At cost:		
Unquoted shares	314,149	314,149

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity 2014 %	interest 2013 %
Held by the Company:				
Mudajaya Corporation Berhad ("MCB")	Malaysia	Civil engineering and building construction	100	100
Held through MCB:				
Mudajaya Power International Sdn. Bhd. ("MPISB")	Malaysia	Civil engineering and building construction	100	100
Mudajaya Land Sdn. Bhd.	Malaysia	Property development	100	100
MJC City Development Sdn. Bhd. ("MJCC")	Malaysia	Property management and development	70	70
MJC Development Sdn.Bhd. ("MJCD")	Malaysia	Property management and development and building construction	100	100

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity 2014 %	Effective interest 2013 %
MJC Industries Sdn. Bhd.	Malaysia	Manufacture of concrete products and building materials	100	100
MJC Precast Sdn. Bhd.	Malaysia	Manufacture of precast concrete and other related products	100	100
MJC Trading Sdn. Bhd.	Malaysia	Trading in construction related materials	100	100
Great Hill International Ltd.	Republic of Mauritius	Has not commenced operations	100	100
Mudajaya International Ltd.	Republic of Mauritius	Has not commenced operations	100	100
Oracle International Co.Ltd.	Negara Brunei Darussalam	Has not commenced operations	100	100
MJC Plantations Sdn. Bhd.	Malaysia	Dormant	100	100
Held through MCB:				
Mudajaya Energy Sdn. Bhd, ("MESB") (formerly known as MJC Management Services Sdn. Bhd.)	Malaysia	Investment holding	100	100
MIPP International Ltd.("MIPP")	Republic of Mauritius	Equipment procurement services	80	80
Entrutech Sdn. Bhd.	Malaysia	Engineering consultancy services and turnkey engineering projects	100	100
Indah Kirana (M) Sdn. Bhd.	Malaysia	Dormant	100	75
MGB Enterprise Sdn. Bhd.	Malaysia	Dormant	100	100
Electric Power International Ltd.	Republic of Mauritius	Dormant	74	74
Piala Tebrau (M) Sdn. Bhd.#	Malaysia	Dormant	100	-
MJC Quarry Sdn. Bhd.	Malaysia	Ceased operations	100	100
Mudajaya Middle East Ltd.# ("MMEL")	Kingdom of Saudi Arabia	General construction and investment holding	75	75
Mudajaya International Investment Ltd. # ("MIIL")	Negara Brunei Darussalam	Has not commenced operations	100	100
Desiran Johan Sdn. Bhd.	Malaysia	Property development	70	70

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest 2014 %	2013 %
Held through MIIL:				
Mudajaya Construction (India) Private Limited#	India	Construction and related business	100	100
Held through MESB:				
Active Flora Sdn. Bhd. ("AFSB")	Malaysia	Investment holding	100	100
Positive Range Sdn. Bhd. ("PRSB")	Malaysia	Investment holding	100	100
Held through AFSB and PRSB:				
Special Universal Sdn. Bhd. ("SUSB")	Malaysia	Photovoltaic power plant	60	60

All entities are audited by KPMG except for the following:

Not audited by member firms of KPMG International

Acquisition of subsidiaries

(i) Acquisition of non-controlling interest, Indah Kirana (M) Sdn. Bhd.

On 17 July 2014, MCB acquired the remaining 1,000 ordinary shares of RM1.00 each in Indah Kirana (M) Sdn. Bhd. ("IKMSB") from its non-controlling interest, Encik Sy Ahmad Bokharey Bin Syed Omar for a total consideration of Ringgit Malaysia One Thousand (RM1,000.00). Subsequent to the acquisition, IKMSB became a wholly-owned subsidiary of MCB.

(ii) Acquisitions of a subsidiary, Piala Tebrau (M) Sdn Bhd.

On 18 July 2014, MCB acquired 2 ordinary shares of RM1.00 each in Piala Tebrau (M) Sdn. Bhd. ("PTSB"), a company incorporated in Malaysia, representing 100% of the total issued and paid-up share capital of PTSB, for a total cash consideration of Ringgit Malaysia Two (RM2) only.

6.1 Non-controlling interest in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	MIPP RM'000	MJCC RM'000	SUSB RM'000	Other subsidiaries with immaterial NCI RM'000	Total RM'000
2014					
NCI percentage of ownership interest and voting interest	20%	30%	40%		
Carrying amount of NCI	(41,116)	18,889	6,925	(557)	(15,859)
(Loss)/Profit allocated to NCI	(3,612)	2,358	1,295	(269)	(228)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

6.1 Non-controlling interest in subsidiaries (Cont'd)

	MIPP RM'000	MJCC RM'000	SUSB RM'000	Other subsidiaries with immaterial NCI RM'000	Total RM'000
Summarised financial information before intra-group elimination					
As at 31 December					
Non-current assets	1	3,282	77,089		
Current assets	147,683	87,681	3,168		
Non-current liabilities	-	-	(46,989)		
Current liabilities	(121,755)	(21,802)	(15,954)		
Net assets	25,929	69,161	17,314		
Year ended 31 December					
Revenue	91,036	40,465	9,659		
Profit for the year	(24,403)	7,989	3,237		
Total comprehensive income	(23,443)	7,989	3,237		
Dividends paid to NCI	(966)	(600)	-		
2013					
NCI percentage of ownership interest and voting interest	20%	30%	40%		
Carrying amount of NCI	(36,559)	17,131	1,620	(268)	(18,076)
Profit allocated to NCI	20,781	1,906	(117)	(79)	22,491
Summarised financial information before intra-group elimination					
As at 31 December					
Non-current assets	3	3,365	51,950		
Current assets	165,478	79,381	856		
Non-current liabilities	-	-	(22,999)		
Current liabilities	(111,282)	(19,574)	(25,756)		
Net assets	54,199	63,172	4,051		
Year ended 31 December					
Revenue	466,648	49,724	-		
Profit for the year	140,415	6,031	(294)		
Total comprehensive income	145,658	6,031	(294)		
Dividends paid to NCI	32,185	(304)	-		

7. INVESTMENTS IN ASSOCIATES

	Group 2014 RM'000	Group 2013 RM'000
Unquoted shares, at cost	948,293	946,264
Share of post-acquisition reserves	(2,272)	(5,553)
	946,021	940,711
Less: Unrealised profits	(255,331)	(261,675)
	690,690	679,036

Details of the associates are as follows:

Name of associates	Country of incorporation	Principal activities	Effective equity interest 2014 %	Effective equity interest 2013 %	Accounting model applied
Held by the Company					
R.K.M Powergen Private Limited ("RKM") (i) #	India	Power plant operations	26	26	Equity method
Held through MJCD:					
Mayfair Ventures Sdn. Bhd ("MVSB")	Malaysia	Property development	49	49	Equity method
Held through MMEL:					
Mudajaya Power and Water Ltd. #	Kingdom of Saudi Arabia	Dormant	34	34	Equity method
Held through MPISB:					
Amihan Energy Corporation (ii) #	Philippines	Power plant	40	-	Equity method

Not audited by member firms of KPMG International

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. INVESTMENTS IN ASSOCIATES (CONT'D)

The summarised financial information in respect of the Group's material associate, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	RKM	
	2014 RM'000	2013 RM'000
Summarised statement of financial position		
Current assets	5,258,181	4,156,251
Non-current assets	63,135	201,127
Total assets	5,321,316	4,357,378
Current liabilities	190,608	99,186
Non-current liabilities	3,908,226	3,096,932
	4,098,834	3,196,118
Summarised statement of comprehensive income		
Profit for the year	16,431	4,048

The reconciliation of summarised financial information presented above to the carrying amount of the Group's interest in a material associate, is as follows:

	RKM	
	2014 RM'000	2013 RM'000
Net assets at 1 January	1,161,260	848,550
Additions	44,791	308,662
Profit for the year	16,431	4,048
	1,222,482	1,161,260
Interest in an associate	26%	26%
Group's share of net assets	317,845	301,928
Reconciliation of net assets to carrying amount as at 31 December		
Group's share of net assets	317,845	301,928
Goodwill	613,061	624,706
Elimination of unrealised profit	(255,331)	(261,675)
Carrying amount in the statement of financial position	675,575	664,959

7. INVESTMENTS IN ASSOCIATES (CONT'D)

The aggregate information of associates that are not individually material, is as follows:

	2014 RM'000	2013 RM'000
The Group's share of (loss)/profit for the year	(987)	10

(i) Shares held in RKM with a carrying amount of Indian Rupee ("INR") 5,245,051,250 (2013: INR 5,245,051,050) equivalent to RM296,498,092 (2013: 285,678,173) at exchange rate of RM1: INR17.69 (2013: 18,36)), are pledged against RKM's borrowings with a foreign financial institution.

RKM is currently undertaking a Coal-Fired Independent Power Producer Project with a project cost amounting to INR74,748 billion (RM4.07 billion) in the state of Chhattisgarh, India. The shareholders agreement dated 8 February 2007 between MCB and RK Powergen Private Limited ("RKP"), a company incorporated in India, provides for the subscription of shares in RKM to the extent of 26% and 74% by MCB and RKP respectively.

The recoverable amount of the Group's investment in the associate is based on the value in use and was determined by the cash generating unit's (CGU) valuation on the coal-fired power plant mentioned above performed by Fieldstone Capital Services Sdn. Bhd., an expert in the valuation of independent power plant. The value in use for the CGU was determined using a 20 years cash flows projection discounted at a pre tax rate of 13%. Based on the valuation performed, there is no indication of impairment.

The unrealised profit represents the unrealised gain on the equipment supply contract between a subsidiary, MIPP and RKM. This unrealised gain is eliminated to the extent of the Group's interest in RKM and will be credited to the statement of comprehensive income on a proportionate basis when the related asset in RKM is put to use or when it is sold to a third party.

(ii) Mudajaya Power International Sdn. Bhd. ("MPISB"), a wholly-owned subsidiary of Mudajaya Corporation Berhad ("MCB"), which in turn is a wholly-owned subsidiary of the Company, had on 26 October 2013 entered into a Share Purchase Agreement ("SPA") with Windelsey Inc to acquire 4,000 shares of capital stock of Php100.00 each in Amihan Energy Corporation ("AEC"), for a cash consideration of Php26,400,000.00 (approximately RM1.9 million). The acquisition was completed on 23 July 2014.

8. INVESTMENTS IN JOINT OPERATIONS

Details of the unincorporated joint operations are as follows:

Names of joint operations	Country	Principal activities	Proportion of ownership interest 2014 %	2013 %
Held through MCB:				
Mudajaya – BSBK Joint Venture	India	Engineering and construction of Chhattisgarh Road Project from Kumhari (KM 0) to Bemetera (KM 67.39) Section in Chhattisgarh, India	60	60
Bina Rezeki – Mudajaya Joint Venture	Malaysia	Design and construction of the Boulevard Plaza Development at Lot 3C7 at Putrajaya, Malaysia	51	51

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. INVESTMENTS IN JOINT OPERATIONS (CONT'D)

The aggregate amount of the current assets, non-current assets, current liabilities, noncurrent liabilities, income and expenses related to the group's interests in the joint operations are as follows:

	Group 2014 RM'000	Group 2013 RM'000
Assets and liabilities		
Current assets/total assets	1,627	17,239
Current liabilities/total liabilities	866	16,470
Income	-	-
Expenses	9	-

9. OTHER INVESTMENTS

	Group 2014 RM'000	Group 2013 RM'000
At cost:		
Club memberships	542	542
Unquoted shares	1,000	1,000
	1,542	1,542
Less: Accumulated impairment losses	(1,000)	(1,000)
	542	542

10. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Property, plant and equipment	364	-	(620)	(256)	(256)	(256)
Investment properties	-	-	(1,552)	-	(1,552)	-
Deferred tax tax assets/(liabilities)	364	-	(2,172)	(256)	(1,808)	(256)

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

Movement in temporary differences during the year

	At 1.1.2013 RM'000	Recognised in profit or loss (note 25) RM'000	At 1.1.2014 RM'000	Recognised in profit or loss (note 25) RM'000	At 1.1.2014 RM'000
Group					
Property, plant and equipment	(256)	-	(256)	-	(256)
Investment properties	-	-	-	(1,552)	(1,552)
	(256)	-	(256)	(1,552)	(1,808)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group 2014 RM'000	Group 2013 RM'000
Tax loss carry-forwards	71,879	1,412
Other deductible temporary differences	1,338	-
	73,217	1,412
Deferred tax assets at 24%	17,572	339

Deferred tax has not been recognised as there is no reasonable certainty that future taxable profits will be available against which they can be utilised.

11. INVENTORIES

	Group 2014 RM'000	Group 2013 RM'000
Cost		
Properties held for sale	3,138	3,418
Raw materials	3,236	1,979
	6,374	5,397

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. PROPERTY DEVELOPMENT COSTS

	Group 2014 RM'000	Group 2013 RM'000
Cumulative property development costs		
At 1 January:		
Leasehold land	44,474	44,474
Development costs	362,509	332,022
	406,983	376,496
Costs incurred during the year:		
Development costs	59,183	30,487
At 31 December	466,166	406,983
Cumulative costs recognised in statement of profit or loss and comprehensive income:		
At 1 January	(363,578)	(326,416)
Recognised during the year (Note 21)	(41,416)	(37,162)
At 31 December	(404,994)	(363,578)
Property development costs at 31 December	61,172	43,405

The leasehold land is registered under a third party and is being developed by a subsidiary pursuant to the Development Agreement and a Supplemental Agreement entered into between the subsidiary and the said third party on 22 July 1996 and 23 July 1996 respectively. The Development Agreement and Supplemental Agreement provide inter alia for the payment in kind in return for the land contributed by the third party.

13. TRADE AND OTHER RECEIVABLES

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Trade receivables					
Third parties		264,843	492,011	-	-
Retention sums		63,081	48,311	-	-
Advance payments received	(e)	(36,668)	(111,968)	-	-
Total trade receivables	(a)	291,256	428,354	-	-
Less: Allowance for impairment	(d)	(597)	(607)	-	-
		290,659	427,747	-	-
Other receivables					
Other receivables		10,816	15,515	-	-
Amount due from a subsidiary	(f)	-	-	1,043	37,322
Amount due from associates	(g)	21,024	-	-	-
Other receivables, net		31,840	15,515	1,043	37,322
Deposits	(h)	18,610	5,400	2	2
Advance payments	(i)	318	2,319	-	-
		50,768	23,234	1,045	37,324
		341,427	450,981	1,045	37,324

13. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2013: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(a) Trade receivables

Ageing analysis of trade receivables are as follows:

	Group 2014 RM'000	Group 2013 RM'000
Neither past due nor impaired (b)	96,714	392,945
1 to 30 days past due but not impaired	124,853	12,088
31 to 60 days past due but not impaired	7,664	3,835
61 to 90 days past due but not impaired	551	3,106
91 to 120 days past due but not impaired	575	-
More than 120 days past due but not impaired	60,302	15,773
Total receivables that are past due but not impaired (c)	193,945	34,802
Trade receivables that are impaired (d)	597	607
	291,256	428,354

Included in trade receivables at 31 December 2014 is amount due from an associate of RM141,129,000 (2013: RM168,815,000).

The retention sums are due upon the expiry of the defect liability period stated in the respective construction contracts. The defect liability periods range from 12 to 36 months.

(b) Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are credit worthy debtors with good payment record with the Group. More than 98% (2013: 92%) of the Group's trade receivables arise from customers with long term relationship with the Group.

(c) Receivables that are past due but not impaired

The Group has trade receivables amounting to approximately RM193,945,000 (2013: RM34,802,000) that are past due at the reporting date but not impaired.

From historical trend, almost all trade receivables of the Group are collected within the next 12 months subsequent to the immediate financial year end. These receivables are unsecured in nature.

(d) Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group Individually impaired 2014 RM'000	Group Individually impaired 2013 RM'000
Trade receivables – nominal amounts	597	607
Less: Allowance for impairment	(597)	(607)
	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. TRADE AND OTHER RECEIVABLES (CONT'D)

(d) Receivables that are impaired (Cont'd)

Movement in allowance accounts:

	Group	
	2014 RM'000	2013 RM'000
At 1 January	607	1,733
Written off	-	(1,120)
Reversal of impairment losses (Note 22)	(10)	(6)
At 31 December	597	607

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties or have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(e) Advance payments received

These are mainly contractual advance payments received from project clients in relation to the projects awarded to MCB.

(f) Amount due from a subsidiary

The amount due from a subsidiary is unsecured, non-interest bearing and repayable on demand.

(g) Amount due from associates

Amount due from associates are advances which is unsecured and repayable on demand. An amount of RM18,966,000 (2013: Nil) provided to Mayfair Ventures Sdn. Bhd. have been approved in the Mudajaya Group Berhad's Extraordinary General Meeting held on 12 December 2013 and is subject to interest rate at 8% (2013: Nil).

(h) Deposits

Included in deposits is an amount of RM12,349,000 (2013: Nil) paid to PT Indomuda Satria Internusa for the acquisition up to 70% equity shares in PT Harmoni Energy Indonesia. On 6 March 2015, the Group has acquired 46% shareholdings in PT Harmoni Energy Indonesia. The balance of the shareholdings shall be acquired at a later stage.

(i) Advance payments

These are mainly contractual advance payments to subcontractors for civil works and various equipment suppliers in relation to the equipment supply contract awarded to a subsidiary by the associate as detailed in Note 7. The civil works and equipment supply contract is in relation to construction of an independent power plant undertaken by the associate.

Further details on related party transactions are disclosed in Note 32.

14. OTHER CURRENT ASSETS

		Group	
	Note	2014 RM'000	2013 RM'000
Amounts due from contract customers	(a)	234,139	72,865
Contra properties	(b)	168,145	163,968
		402,284	236,833

14. OTHER CURRENT ASSETS (CONT'D)

(a) Amount due from /(to) customers on contracts

	Group 2014 RM'000	Group 2013 RM'000
Construction costs incurred to date	5,397,689	4,349,007
Attributable profits	1,533,323	1,565,124
	6,931,012	5,914,131
Less: Progress billings	(6,718,172)	(5,841,315)
	212,840	72,816
Presented as:		
Amounts due from customers on contracts	234,139	72,865
Amounts due to customers on contracts	(21,299)	(49)
	212,840	72,816

(b) Contra properties

In the previous financial year, a subsidiary, MCB entered into a Compromise and Settlement Agreement with one of its debtors whereby the amount due from the debtor will be settled via transfer of properties ("contra properties") to MCB. The contra properties comprise service apartments, office suites, and retail areas in Kuala Lumpur, Malaysia.

The properties secured by way of contra arrangement are classified as current assets as the Group has no intention to hold the properties for long term investment. Such properties are classified within current assets and is stated at cost less any accumulated impairment loss. Gain or loss is recognised in profit or loss when the selling price can be reliably measured.

15. CASH AND CASH EQUIVALENTS

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Cash and bank balances	67,667	66,897	791	815
Deposits with other financial institutions	70,035	731	14,642	1
	137,702	67,628	15,433	816

Other financial institutions include licensed investment banks and asset management companies in Malaysia.

Cash at banks and deposits earn interest at floating rates based on daily bank deposit rates that cater for immediate cash requirements of the Group and the Company. Deposits placed with licensed investment banks and asset management companies are in the form of units placed in money market funds. These deposits are on call and/or repo basis and bear a weighted average interest rates of between 1.93% and 3.78% (2013: 2.06% and 3.27%) per annum during the financial year.

Included in cash and bank balances is Designated Collection Accounts and Finance Service Reserve Account of RM1,666,000 (2013: Nil) charged for the term loans (Note 17(a)).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. CAPITAL AND RESERVES

(a) Share capital

	Group and Company			
Authorised share capital:	**Number of shares 2014 '000**	**Amount 2014 RM'000**	**Number of shares 2013 '000**	**Amount 2013 RM'000**
Ordinary shares of RM0.20 each				
At 1 January/31 December	1,250,000	250,000	1,250,000	250,000
Issued and fully paid:				
Ordinary shares of RM0.20 each				
At 1 January	551,712	110,342	549,744	109,949
ESOS exercised	706	141	1,968	393
	552,418	110,483	551,712	110,342

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. In respect of the Company's treasury shares that are held by the Group (see below), all rights are suspended until those shares are reissued.

(b) Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

(c) Capital reserve

The capital reserve represents reserves set aside for bonus issue of shares by subsidiaries through capitalisation of retained earnings since previous years.

(d) Employees' share option reserve

Employees' share option reserve represents the equity-settled share options granted to employees (Note 19). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity settled share options and is reduced by the expiry or exercise of the share options.

(e) Treasury shares

Treasury shares related to ordinary shares of the Company that are held by the Company. This amount relates to the acquisition cost of treasury shares net of the proceeds received on their subsequent sale or issuance.

The shareholders of the Company, by a special resolution passed in a general meeting held on 18 June 2014, renewed their approval for the Company's plan to repurchase its own ordinary shares. The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 4,801,400 (2013: 3,446,500) of its issued ordinary shares from the open market at an average price of RM2.50 (2013: RM2.53) per share. The total consideration paid for the repurchase was RM11,982,702 (2013: RM8,712,906) comprising consideration paid amounting to RM11,935,630 (2013: RM8,673,888) and transaction costs of RM47,072 (2013: RM39,018). The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67 A of the Companies Act, 1965.

16. CAPITAL AND RESERVES (CONT'D)

(e) Treasury shares (Cont'd)

Of the total 552,418,466 (2013: 551,712,166) issued and fully paid ordinary shares as at 31 December 2014, 14,018,300 (2013: 9,216,900) are held as treasury shares by the Company. As at 31 December 2014, the number of outstanding ordinary shares in issue after the set-off is therefore 538,400,166 (2013: 542,495,266) ordinary shares of RM0.20 (2013: RM0.20) each.

(f) Foreign currency translation reserve

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

17. BORROWINGS

		Group	
	Note	2014 RM'000	2013 RM'000
Current			
Secured:			
Term loans	(a)	6,063	4,547
Non-current			
Secured:			
Term loans	(a)	46,989	22,999
Islamic Medium Term Notes ("IMTN")	(b)	360,000	-
		406,989	22,999
		413,052	27,546

The remaining maturities of the borrowings as at 31 December 2014 are as follows:

	Group	
	2014 RM'000	2013 RM'000
Within one year	6,063	4,547
More than 1 year and less than 2 years	6,063	6,063
2 to 5 years	364,800	16,936
5 years and above	36,126	-
	413,052	27,546

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. BORROWINGS (CONT'D)

(a) Term loans

The term loans of the Group mainly comprise the following:

(i) A term loan of RM50,000,000 which bears interest rate of 2.00% (2013: 2.00%) per annum above the bank's cost of funds ("COF") and the bank's cost of maintaining statutory and liquidity reserves (if any,).

The loan is repayable by 37 equal quarterly installments commencing 6 months from the date of first drawdown.

(ii) A term loan of RM7,600,000 which bear interest rate of 2.00% (2013: 2.00%) per annum above the bank's COF and the bank's cost of maintaining statutory and liquidity reserves (if any).

The loan is repayable by 38 equal quarterly installments commencing 6 months from the date of first drawdown.

The loans are secured by the following:

(i) charge over cash deposits into Designated Collection Account ("DCA") and Finance Service Reserve Account ("FSRA") (Note 15) ;

(ii) assignment of contract proceeds;

(iii) assignment of all rights, interest and benefit under the all risk insurance policy and/or warranty by supplier/manufacturer;

(iv) letter of undertaking from MCB to replenish finance service reserve account ("FSRA"); and

(v) corporate guarantee by MCB.

Other information on financial risk of borrowings is disclosed in Note 29.

(b) IMTN

On 14 November 2013, the Company obtained the approval from the Security Commission Malaysia for the proposed establishment of an Islamic Commercial Paper ("ICP")" program ("ICP programme") and an Islamic Medium Term Notes ("IMTN") programme ("IMTN Programme") subject to a combined aggregate limit of up to RM1.0 billion in nominal value ("Sukuk Programme").

The Company has issued the first tranche of the IMTN amounted to RM360 million on January 2014.

18. TRADE AND OTHER PAYABLES

		Group		Company	
		2014	2013	2014	2013
	Note	RM'000	RM'000	RM'000	RM'000
Trade payables					
Third parties	(a)	290,683	361,679	-	-
Other payables					
Deposits		5,749	103	-	-
Accruals		20,839	9,227	577	618
Other payables		11,188	71,616	-	16,243
		37,776	80,946	577	16,861
		328,459	442,625	577	16,861

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 7 to 90 days (2013: 7 to 90 days).

19. EMPLOYEE BENEFITS

Employees' share option scheme ("ESOS")

The ESOS of the Company ("Mudajaya ESOS") became effective on 30 September 2011.

Pursuant to the Mudajaya ESOS, the following share options were granted by the Company to eligible employees, including executive directors of the Group:

- On 3 October 2011, a total of 21,051,700 share options were granted at a subscription price of RM1.90, per share;
- On 16 July 2012, a total of 4,103,500 share options were granted at a subscription price of RM2.73 per share;
- On 3 October 2012, a total of 826,700 share options were granted at a subscription price of RM2.70 per share;
- On 2 May 2013, a total of 2,195,000 share options were granted at a subscription price of RM2.44 per share;
- On 3 October 2013, a total of 3,205,000 share options were granted at a subscription price of RM2.75 per share.
- On 18 February 2014, a total of 630,600 share options were granted at a subscription price of RM2.65 per share.

The salient features of the Mudajaya ESOS are as follows:

(i) The scheme is in force for a period of 5 years from 30 September 2011, being the date of implementation;

(ii) The total number of ordinary shares to be issued by the Company under the ESOS shall not exceed 10% of the total issued and paid-up ordinary shares of the Company, such that not more than 50% of the shares available under the ESOS is allocated, in aggregate, to directors and senior management;

(iii) Not more than 10% of the shares available under the ESOS is allocated to any individual director or employee who, either individually or collectively through his/her associates, holds 20% or more in the issued and paid-up capital of the Company;

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. EMPLOYEE BENEFITS (CONT'D)

Employees' share option scheme ("ESOS") (Cont'd)

(iv) An executive director of the Group or an employee of the Group who is employed full time (at least one year of continuous service prior to and up to the Date of Offer) and is on the payroll of the Group, but does not include employees under probation, are eligible to participate in the scheme, subject to the final decision of the Board;

(v) The option price under the ESOS is the average of the mean market quotation of the shares of the Company as quoted in the Daily Official List issued by Bursa Malaysia Securities Berhad, for the five market days preceding the offer date, or the par value of the shares of the Company of RM0.20, whichever is the higher;

(vi) The options granted are exercisable after vesting periods and will expire in 5 years from 30 September 2011 unless it is extended; and

(vii) Options granted under the ESOS carry no dividend nor voting rights. Upon exercise of the options, shares issued rank pari passu in all respects with existing ordinary shares of the Company.

Group and Company — **Number of options**

2014	At 1.1.2014 '000	Granted '000	Exercised '000	At 31.12.2014 '000	Exercisable 31.12.2014 '000
Grant date					
3 October 2011	17,674	-	(697)	16,977	13,762
16 July 2012	3,109	-	(3)	3,106	3,464
3 October 2012	826	-	(6)	820	645
2 May 2013	2,180	-	-	2,180	1,537
3 October 2013	3,205	-	-	3,205	2,353
18 February 2014	-	631	-	631	315
	26,994	631	(706)	26,919	22,076
Weighted average exercise price ("WAEP") (RM)	2.16	2.65	1.91	2.18	2.19

2013	At 1.1.2013 '000	Granted '000	Exercised '000	At 31.12.2013 '000	Exercisable 31.12.2013 '000
Grant date					
3 October 2011	19,624	-	(1,950)	17,674	11,243
16 July 2012	3,112	-	(3)	3,109	2,386
3 October 2012	826	-	-	826	478
2 May 2013	-	2,195	(15)	2,180	886
3 October 2013	-	3,205	-	3,205	1,279
	23,562	5,400	(1,968)	26,994	16,272
WAEP (RM)	2.04	2.62	1.91	2.16	2.14

The options outstanding at 31 December 2014 have an exercise price in the range of RM1.90 to RM2.75 (2013: RM1.90 to RM2.75) and a weighted average contractual life of 2 years (2013: 3 years).

During the financial year, 706,300 share options were exercised. The weighted average share price at the date of exercise for the year was RM1.91 (2013: RM1.91).

19. EMPLOYEE BENEFITS (CONT'D)

Employees' share option scheme ("ESOS") (Cont'd)

Fair value of share options granted

The fair value of the share options granted under ESOS is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the instruments were granted.

The following table lists the inputs to the option pricing models:

	Grant date					
	18.2.2014	3.10.2013	2.5.2013	3.10.2012	16.7.2012	3.10.2011
Fair value of share options and assumptions						
Fair value at grant date	0.52	0.72	0.67	0.83	0.89	1.01
Dividend yield (%)	3.15	1.90	1.90	1.78	1.78	1.90
Expected volatility (%)	33.2	39.00	39.00	41.22	41.22	50.15
Risk-free interest rate (% p.a)	3.21	3.28	3.02	3.18	3.08	3.32
Expected life of option (years)	2	3	3	4	4	5
Weighted average share price (RM)	2.74	2.77	2.77	2.81	2.81	-

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

The Group recognised ESOS expenses in profit or loss amounting to RM3,574,000 (2013: RM6,825,000).

20. REVENUE

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Construction contracts	849,756	1,268,044	-	-
Sale of development properties	58,054	51,512	-	-
Sale of construction materials	128,514	212,714	-	-
Rental of office space	4,822	3,516	-	-
Power	9,659	-	-	-
Dividend income from a subsidiary	-	-	34,080	64,468
	1,050,805	1,535,786	34,080	64,468

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. COST OF SALES

	Group	
	2014 RM'000	2013 RM'000
Construction contract costs	903,566	1,063,839
Property development costs (Note 12)	41,416	37,162
Property maintenance cost	1,757	1,318
Cost of inventories sold	118,389	195,053
Power plant costs	547	-
	1,065,675	1,297,372

22. OTHER INCOME

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest income from loans and receivables	8,894	3,606	459	363
Rental of land and buildings	569	717	-	-
Reversal of allowance for impairment of trade receivables (Note 13(d))	10	6	-	-
Gain on disposal of property, plant and equipment	379	1,017	-	-
Net gain on foreign exchange	1,738	734	-	-
Miscellaneous	2,662	1,524	744	940
	14,252	7,604	1,203	1,303

23. RESULTS FROM OPERATING ACTIVITIES

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Results from operating activities is arrived at after charging/(crediting):					
Auditors' remuneration:					
- Audit fees					
Statutory auditors		350	289	95	82
Other auditors		30	36	-	-
- Non-audit fees					
Statutory auditors		15	-	-	-
Depreciation of property, plant and equipment	3	14,460	7,989	-	-
Depreciation of investment property	4	719	796	-	-
Gain on disposal of property, plant and equipment		(379)	(1,017)	-	-
Reversal of allowance for impairment of trade receivables	13	(10)	(6)	-	-
Employee benefits expenses	24	23,348	28,248	-	-
Net foreign exchange differences					
- realised		434	(209)	-	-
- unrealised		(2,172)	(525)	-	-
Non-executive directors' remuneration	24	638	740	638	740

24. EMPLOYEE BENEFITS EXPENSE AND KEY MANAGEMENT PERSONNEL COMPENSATION

	Group	
	2014 RM'000	2013 RM'000
Wages and salaries	17,135	19,056
Social security contributions	76	79
Contributions to defined contribution plan	2,060	1,743
Share options granted under ESOS	3,574	6,825
Other benefits	503	545
	23,348	28,248

Included in employee benefits expenses of the Group are executive directors' remuneration amounting to RM5,483,000 (2013: RM5,853,000) as further disclosed.

The key management personnel compensations are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Executive Director:				
Salaries and other emoluments	4,442	4,453	-	-
Bonus	446	723	-	-
Defined contribution plan	595	677	-	-
	5,483	5,853	-	-
Non-executive Directors:				
Fees	440	463	440	463
Other emoluments	198	277	198	277
	638	740	638	740
Total Directors' remuneration	6,121	6,593	638	740
Estimated money value of benefits-in-kind	173	140	-	-
Total key management personnel compensation	6,294	6,733	638	740

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

25. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current tax expense				
Current year	7,062	22,020	181	26
Under/(Over)provision in prior years	243	(60)	4	-
	7,305	21,960	185	26
Deferred tax expense				
Current year	490	-	-	-
Underprovision in prior years	1,062	-	-	-
	1,552	-	-	-
Total income tax expenses	8,857	21,960	185	26

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Reconciliation of tax expense				
(Loss)/Profit before tax	(61,605)	195,627	34,160	64,257
Income tax calculated using Malaysian tax rate of 25%	(15,401)	48,907	8,540	16,064
Non-deductible expenses	690	1,035	52	170
Non-taxable income	(1,381)	(27,922)	(8,411)	(16,208)
Effect of tax losses incurred in tax exempt jurisdiction	6,101	-	-	-
Under/(Over) provision in prior years	1,305	(60)	4	-
Deferred tax assets not recognised	17,233	-	-	-
Other item	310	-	-	-
	8,857	21,960	185	26

26. DIVIDENDS

Dividends recognised by the Group and the Company are:

	Sen per share	Total amount RM'000	Date of payment
2014			
First interim single-tier 2014 ordinary	3.0	16,254	21 May 2014
Second interim single-tier 2014 ordinary	3.0	16,187	5 September 2014
Under provision of dividends declared *		43	20 February 2014
		32,484	
2013			
Final single tier 2012 ordinary	2.5	13,552	16 July 2013
First interim single-tier 2013 ordinary	3.0	16,249	16 August 2013
Second interim single-tier 2013 ordinary	3.0	16,243	22 November 2013
Third interim single tier 2013 ordinary *	3.0	16,243	20 February 2014
		62,287	

* This relates to the under provision of third interim single tier dividend declared on 27 November 2013 and recognised in 2013.

27. EARNINGS PER ORDINARY SHARE

Basic (loss)/earnings per ordinary share

The calculation of basic (loss)/earnings per ordinary share at 31 December 2014 was based on the profit attributable to ordinary shareholders over weighted average number of ordinary shares outstanding as at 31 December, as follows:

(Loss)/Profit attributable to ordinary shareholders:

	Group	
	2014 RM'000	2013 RM'000
(Loss)/Profit for the year attributable to owners of the Company	(70,234)	151,176

	2014 '000	2013 '000
Weighted average number of ordinary shares at 31 December	540,020	542,263

	2014 Sen	2013 Sen
Basic (loss)/earnings per ordinary shares	(13.01)	27.88

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. EARNINGS PER ORDINARY SHARE (CONT'D)

Diluted (loss)/earnings per ordinary shares

The calculations of diluted (loss)/earnings per ordinary share at 31 December 2014 was based on profit/(loss) attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all diluted potential ordinary shares, calculated as follows:

(Loss)/profit attributable to ordinary shareholders (diluted):

	Group	
	2014 RM'000	2013 RM'000
(Loss)/Profit for the year attributable to ordinary Shareholders (basic)	(70,234)	151,176

	2014 '000	2013 '000
Weighted average number of ordinary shares at 31 December (basic)	540,020	542,263
Effect of share option on issue	22,201	17,662
Weighted average number of ordinary shares at 31 December (diluted)	562,221	559,925

The average market value of the Company's shares for purpose of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

	Group	
	2014 Sen	2013 Sen
Diluted (loss)/earnings per ordinary shares	(12.50)	27.00

28. OPERATING SEGMENTS

Segment information

The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Managing Director reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

(a) Construction contracts - undertaking civil engineering, constructions works and engineering and equipment procurement provider;
(b) Property development - the development of residential and commercial properties;
(c) Trading - trading in construction materials;
(d) Manufacturing - manufacturing of construction related products; and
(e) Power - sale of power energy.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain aspects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments have been entered into in the normal course of business and have been established on mutually agreed terms and conditions.

28. OPERATING SEGMENTS (CONT'D)

Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Managing Director. Segment total asset is used to measure the return on assets of each segment.

Segment liabilities

Segment liabilities information is based on the liabilities of a segments as included in the internal management reports that are reviewed by the Managing Director.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, and intangible assets other than goodwill.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. OPERATING SEGMENTS (CONT'D)

2014	Construction contracts RM'000	Property development RM'000	Manufacturing RM'000	Trading RM'000	Power RM'000	Others RM'000	Adjustments and eliminations RM'000	Note	Per consolidated financial statements RM'000
Revenue:									
External customers	849,756	58,054	28,334	100,180	9,659	4,822	-		1,050,805
Inter-segment	31,326	1,456	-	-	-	34,080	(66,862)	(i)	-
Total revenue	881,082	59,510	28,334	100,180	9,659	38,902	(66,862)		1,050,805
Results:									
Included in the measure of segment (loss)/ profit are:									
Interest income	6,864	739	288	103	900	-	-		8,894
Finance costs	15,843	-	-	-	2,774	-	-		18,617
Dividend income	29,562	-	-	-	-	34,080	(63,642)	(i)	-
Depreciation	9,220	1,096	1,522	-	3,284	57	-		15,179
Share of profit of associates	3,285	-	-	-	-	-	-		3,285
Profit after tax	(71,820)	11,700	1,110	2,576	3,213	39,674	(56,915)	(ii)	(70,462)
Assets:									
Included in the measure of segment assets are:									
Investment in associates	689,880	-	-	-	-	810	-		690,690
Additions to non-current assets	11,245	31	785	-	28,423	71	(22)	(iii)	40,577
Segment assets	1,592,950	180,014	29,777	10,871	92,658	352,405	(406,307)	(iv)	1,852,368
Segment liabilities	679,526	26,252	2,365	5,306	61,903	1,622	(10,276)	(v)	766,698

28. OPERATING SEGMENTS (CONT'D)

2013	Construction contracts RM'000	Property development RM'000	Manufacturing RM'000	Trading RM'000	Others RM'000	Adjustments and eliminations RM'000	Note	Per consolidated financial statements RM'000
Revenue:								
External customers	1,268,044	51,512	58,761	153,953	3,516	-		1,535,786
Inter-segment	16,036	1,396	-	-	64,468	(81,900)	(i)	-
Total revenue	1,284,080	52,908	58,761	153,953	67,984	(81,900)		1,535,786
Results:								
Included in the measure of segment loss)/profit are:								
Interest income	2,598	149	276	124	582	(123)		3,606
Dividend income	133,685	-	-	-	64,468	(198,153)	(i)	-
Depreciation	6,202	1,068	1,511	-	4	-		8,785
Share of profit of associates	1,063	-	-	-	-	-		1,063
Profit after tax	328,653	8,749	2,026	3,648	63,340	(232,749)	(ii)	173,667
Assets:								
Included in the measure of segment assets are:								
Investment in associates	679,036	-	-	-	-	-		679,036
Additions to non-current assets	27,902	1,223	1,858	-	51,956	(282)	(iii)	82,657
Segment assets	1,681,255	145,291	27,453	4,404	96,077	(289,907)	(iv)	1,664,573
Segment liabilities	356,049	19,501	3,987	33,531	71,946	(12,248)	(v)	472,766

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. OPERATING SEGMENTS (CONT'D)

(i) Inter-segment revenues and dividend incomes from subsidiaries are eliminated on consolidation.

(ii) The following items are (deducted from)/added to segment profit to arrive at "Profit after tax" presented in the consolidated statement of profit or loss and comprehensive income:

	Group 2014 RM'000	Group 2013 RM'000
(Loss)/Profit from inter-segment	(60,200)	(233,935)
Share of results of associates	3,285	1,063
	(56,915)	(232,749)

(iii) Additions to non-current assets consist of property, plant and equipment and investment property (Notes 3 and 4).

(iv) The following items are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	Group 2014 RM'000	Group 2013 RM'000
Inter-segment assets	(406,307)	(285,142)
Unallocated assets	-	(4,765)
	(406,307)	(289,907)

(v) The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	Group 2014 RM'000	Group 2013 RM'000
Deferred tax liabilities	(2,172)	256
Income tax payable	-	651
Unallocated liabilities	(8,104)	(13,155)
	(10,276)	(12,248)

Geographical segments

The Group operates in Malaysia, India, Republic of Mauritius and Negara Brunei Darussalam. In Malaysia, the Group's areas of operation are principally civil engineering and construction of highways, buildings and property development. Other operations include manufacturing and trading. In India, the main operation is civil engineering and construction of highways. The subsidiary in Republic of Mauritius and office in Negara Brunei Darussalam provides equipment procurement services. Revenue from external customers disclosed in geographical segments are based on the geographical locations of its customers.

28. OPERATING SEGMENTS (CONT'D)

Geographical segments (Cont'd)

	Total revenue from external customers		Segment assets		Additions to non-current assets	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Malaysia	960,063	1,069,138	1,708,120	1,479,950	40,577	82,657
India	90,742	466,648	2,160	2,391	-	-
Republic of Mauritius	-	-	125,078	168,821	-	-
Negara Brunei Darussalam	-	-	17,010	13,411	-	-
Consolidated	1,050,805	1,535,786	1,852,368	1,664,573	40,577	82,657

Major customers

Approximately 71% (2013:47%) of total revenue during the year is mainly contributed from three (3) (2013: three (3)) customers.

29. FINANCIAL INSTRUMENTS

29.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");
(b) Available-for-sale financial assets ("AFS") and
(c) Financial liabilities measured at amortised cost ("FL").

2014	Carrying amount RM'000	L&R RM'000	FL RM'000	AFS RM'000
Financial assets				
Group				
Other investment	542	-	-	542
Trade and other receivables	341,109	341,109	-	-
Cash and cash equivalents	137,702	137,702	-	-
	479,353	478,811	-	542
Financial assets				
Company				
Trade and other receivables	1,045	1,045	-	-
Cash and cash equivalents	15,433	15,433	-	-
	16,478	16,478	-	-
Financial liabilities				
Group				
Trade and other payables	328,459	-	328,459	-
Refundable deposits	1,716	-	1,716	-
Loans and borrowings	413,052	-	413,052	-
	743,227	-	743,227	-
Company				
Trade and other payables	577	-	577	-

29. FINANCIAL INSTRUMENTS (CONT'D)

29.1 Categories of financial instruments (Cont'd)

2013	Carrying amount RM'000	L&R RM'000	FL RM'000	AFS RM'000
Financial assets				
Group				
Other investments	542	-	-	542
Trade and other receivables	448,662	448,662	-	-
Cash and cash equivalents	67,628	67,628	-	-
	516,832	516,290	-	542
Financial assets				
Company				
Trade and other receivables	37,324	37,324	-	-
Cash and cash equivalents	816	816	-	-
	38,140	38,140	-	-
Financial liabilities				
Group				
Trade and other payables	442,625	-	442,625	-
Refundable deposits	1,639	-	1,639	-
Loans and borrowings	27,546	-	27,546	-
	471,810	-	471,810	-
Company				
Trade and other payables	16,861	-	16,861	-

29.2 Net gains and losses arising from financial instruments

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Loans and receivables	10,642	4,346	459	363
Financial liabilities measured at amortised cost	(18,770)	(49)	-	-
Net gains/(losses)	(8,128)	4,297	459	363

29.3 Financial risk management

The Group and the Company have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

29. FINANCIAL INSTRUMENTS (CONT'D)

29.4 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 and the Company's exposure to credit risk arises principally from their trade and other receivables.

Receivables

Risk management objectives, policies and processes for managing the risk

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers wish to trade on credit terms are subject to credit evaluations procedures and the exposure to credit risk is monitored on an ongoing basis.

For other financial assets (including deposits and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Exposure to credit risk, credit quality and collateral

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk arising from the financial assets is the carrying amount of each class of financial assets as recognised in the statements of financial position. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

At the end of the reporting period, approximately 96% (2013: 74%) of the Group's trade receivables were due from 5 major customers.

The exposure of credit risk for trade receivables as at the end of the reporting period by industry sector and geographic region were:

	2014		2013	
Group	**RM'000**	**% of total**	**RM'000**	**% of total**
By industry sector:				
Construction	279,806	97	393,563	92
Property development	3,979	1	20,217	5
Manufacturing	6,152	2	13,967	3
Others	722	-	-	-
	290,659	100	427,747	100
By geographical:				
Malaysia	149,530	51	333,280	78
India	141,129	49	94,467	22
	290,659	100	427,747	100

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

29.4 Credit risk (Cont'd)

Receivables (Cont'd)

Impairment losses

The ageing of receivables as at the end of the reporting period was disclosed in Note 13(a).

The movements in the allowance for impairment losses on receivables during the financial year were disclosed in Note 13(d).

Other financial assets

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in liquid securities and transactions involving financial instruments are with approved financial institutions.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group has only invested in domestic securities. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

The other financial assets are unsecured.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM347,887,000 (2013: RM395,338,000) representing the outstanding banking facilities of the subsidiaries as at end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

Inter-company balances

Risk management objectives, policies and processes for managing the risk

The Company provides advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk was represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the advances to the subsidiaries were not recoverable. The Company monitored these advances regularly.

29. FINANCIAL INSTRUMENTS (CONT'D)

29.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

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

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000	1-5 years RM'000	More than 5 years RM'000
2014						
Non-derivative financial liabilities						
Trade and other payables	328,459	-	328,459	328,459	-	-
Refundable deposits	1,716	-	1,716	-	1,716	-
Term loans	53,052	COF + 2.0%	66,396	8,892	32,205	25,299
Islamic Medium Term Notes ("IMTN")	360,000	4.6% or 4.8%	413,080	16,662	396,418	-
	743,227		809,651	354,013	430,339	25,299
2013						
Non-derivative financial liabilities						
Trade and other payables	442,625	-	442,625	442,625	-	-
Refundable deposits	1,639	-	1,639	-	1,639	-
Term loans	27,546	COF + 2.0%	28,006	4,547	23,459	-
	471,810		472,270	447,172	25,098	-

Company	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000	1-5 years RM'000
2014					
Non-derivative financial liabilities					
Trade and other payables	577	-	577	577	-
2013					
Non-derivative financial liabilities					
Trade and other payables	16,861	-	16,861	16,861	-

29. FINANCIAL INSTRUMENTS (CONT'D)

29.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

29.6.1 Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily Ringgit Malaysia ("RM"), United States Dollar ("US Dollar") and Indian Rupee ("INR"). The foreign currencies in which these transactions are denominated are mainly Euro Dollar ("Euro"), Singapore Dollar ("SGD") and Brunei Dollar ("BND").

Risk management objectives, policies and processes for managing the risk

As at the reporting date, the Group did not enter into any forward exchange contracts.

Exposure of foreign currency risk

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:

			Denominated in		
Group	***INR***	***SGD***	***BND***	***EURO***	***Total***
	RM'000	***RM'000***	***RM'000***	***RM'000***	***RM'000***
2014					
Trade and other receivables	-	-	-	2,984	2,984
Cash and bank balances	600	-	457	2	1,059
Net exposure	600	-	457	2,986	4,043
2013					
Trade and other receivables	1,167	-	219	3,187	4,573
Cash and bank balances	1,011	91	503	459	2,064
Net exposure	2,178	91	722	3,646	6,637

The Group has overseas operations and is exposed to currency risk as a result of the foreign currency transactions entered into by companies in currencies other than their functional currencies.

A 3% (2013: 3%) strengthening of the Ringgit Malaysia against the following currencies at the end of the reporting period would have increased (decreased) pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

29. FINANCIAL INSTRUMENTS (CONT'D)

29.6 Market risk (Cont'd)

29.6.1 Currency risk (Cont'd)

Currency risk sensitivity analysis

Group profit or loss	2014 RM'000	2013 RM'000
INR	18	65
SGD	-	3
BND	14	22
EURO	90	109

A 3% (2013: 3%) weakening of Ringgit Malaysia against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

29.6.2 Interest rate risk

The Group's fixed rate borrowing is exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investment in financial assets, short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate loans and borrowings. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Fixed rate instruments				
Islamic Medium Term Notes ("IMTN")	(360,000)	-	-	-
Floating rate instruments				
Deposits with other financial institution	70,035	731	14,642	1
Term loans	(53,052)	(27,546)	-	-
	16,983	(26,815)	14,642	1

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

29. FINANCIAL INSTRUMENTS (CONT'D)

29.6 Market risk (Cont'd)

29.6.2 Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis (Cont'd)

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

Group	100 bp increase RM'000	100 bp decrease RM'000
2014		
Floating rate instruments	127	(127)
2013		
Floating rate instruments	201	(201)
Company		
2014		
Floating rate instruments	110	(110)
2013		
Floating rate instruments	-	-

29.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables reasonably approximate fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices in an active market and the fair value cannot be reliably measured.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

Group	Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
2014						
Financial liabilities						
Refundable deposits	-	-	1,589	1,589	1,589	1,716
Term loans	-	-	53,052	53,052	53,052	53,052
Islamic Medium Term Notes ("IMTN")	-	-	360,113	360,113	360,113	360,000
	-	-	414,754	414,754	414,754	414,768

29. FINANCIAL INSTRUMENTS (CONT'D)

29.7 Fair value information (Cont'd)

Group	Fair value of financial instruments not carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2013						
Financial liabilities						
Refundable deposits	-	-	1,518	1,518	1,518	1,639
Term loans	-	-	27,546	27,546	27,546	27,546
	-	-	29,064	29,064	29,064	29,185

Policy on transfer between levels

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

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2013: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Type	Description of valuation technique and inputs used	Discount rate
Refundable deposits, term loans, Islamic Medium Term Notes ("IMTN")	Discounted cash flow using a rate based on the indicative current market rate of borrowing of the Group entities at the reporting date	Ranging from 4.6% to 8.0%

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and acceptable capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and make adjustments to it, in light of changes in economic conditions or expansion plans of the Group. The Group may adjust the capital structure by issuing new shares, returning capital to shareholders or adjusting dividend payment policies.

There are no externally imposed capital requirements.

31. OPERATING LEASES

Operating lease commitments - As lessor

The Group has entered into commercial property leases on its investment property. These non-cancellable leases have remaining lease terms between two and three years.

Future minimum rentals receivable under non-cancellable operating leases at the reporting date are as follows:

	Group	
	2014 RM'000	2013 RM'000
Within 1 year	4,263	3,745
Between 1 year to 3 years	709	3,305
	4,972	7,050

32. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly 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 include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its holding company, subsidiaries, associates and key management personnel.

32. RELATED PARTIES (CONT'D)

Significant related party transactions

The related party transactions of the Group and the Company, other than key management personnel compensation (see Note 24) and dividend income from subsidiaries (see Note 20), are as follows:

	Group	
	2014 RM'000	2013 RM'000
Associates		
R.K.M Powergen Private Limited		
Sales	(91,036)	(466,648)
Investment	-	70,286
Mayfair Ventures Sdn. Bhd.		
Working capital advances	18,966	-
Investment	-	12,598
Amihan Energy Corporation		
Working capital advances	2,058	-
Related parties		
Enerk International Holdings Ltd		
Progress claim on construction contracts	35,427	138,848
Mulpha International Berhad		
Rent receivable	(720)	(690)

Balances with related parties at the reporting date are disclosed in Note 13 and Note 7 to the financial statements. These transactions have been entered into on a negotiated term basis.

33. SUBSEQUENT EVENT

(i) On 6 March 2015, the Group via its subsidiary, Mudajaya Power International Sdn Bhd has acquired 46% shareholdings in PT Harmoni Energy Indonesia for a total consideration of USD 2 million or the equivalent of approximately RM6,480,000. The balance of the shareholdings shall be acquired at a later stage.

(ii) On 20 March 2015, the Group announced that in the internal investigation conducted which uncovered some irregular transactions involving a former employee has led to additional costs incurred on a specific project. All costs relating to the particular project have been fully accounted for as at 31 December 2014. The case is still under investigation and pending finalisation as of to date.

34. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Total retained earnings of the Company and its subsidiaries				
- realised	1,076,436	1,330,666	9,079	7,588
- unrealised	2,172	542	-	-
	1,078,608	1,331,208	9,079	7,588
Total share of accumulated losses of associates				
- realised	(1,292)	(5,553)	-	-
	1,077,316	1,325,655	9,079	7,588
Less: Consolidation adjustments	(278,350)	(423,971)	-	-
Total retained earnings	798,966	901,684	9,079	7,588

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

PROPERTIES OF THE GROUP

	Location	Acquisition	Year of Tenure	Age of building	Land area / built up area (sq.m)	Description	Net book value RM'000
1.	12A, Jalan PJU 7/3 Mutiara Damansara 47810 Petaling Jaya Selangor Darul Ehsan	2008	Freehold	3	4,269	Commercial land and office building	63,095
2.	Lot 2454 Kuching North Land District	2011	Leasehold (60 years from Year 1998)	N/A	43,440	Residential land	10,886
3.	Lot No. 31 Mukim Ijok Jalan Bukit Badong Daerah Kuala Selangor	2004	Freehold	N/A	20,234	Agriculture land	1,650
4.	Lot No. 32 & 33 Mukim Ijok Jalan Bukit Badong Daerah Kuala Selangor	1998	Freehold	18	40,486/ 2,480	Industrial land and building	4,058
5.	Lot 65 Mukim Ijok Jalan Bukit Badang Daerah Kuala Selangor	2012	Freehold	N/A	20,234	Agriculture land	3,250
6.	Villa Angsana Condominium 56, Off Jalan Ipoh 51000 Kuala Lumpur	1999	Freehold	16	260	One (1) unit of Condominium	278

ANALYSIS OF SHAREHOLDINGS

as at 27 April 2015

Authorised Share Capital	:	1,250,000,000 ordinary shares of RM0.20 each
Issued and Fully Paid-Up Share Capital	:	552,418,466 ordinary shares of RM0.20 each
Voting Rights	:	1 vote per shareholder on a show of hands / 1 vote per ordinary share on a poll

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares held	% [1]
Less than 100	328	4.14	14,396	0.00
100 - 1,000	797	10.07	627,143	0.12
1,001 - 10,000	4,836	61.10	22,498,300	4.18
10,001 - 100,000	1,718	21.71	49,992,301	9.28
100,001 to less than 5% of issued shares	233	2.94	157,702,193	29.29
5% and above of issued shares	3	0.04	307,565,833	57.13
Total	**7,915**	**100.00**	**538,400,166** [1]	**100.00**

(1) *Excluding a total of 14,018,300 ordinary shares of RM0.20 each bought-back by the Company and retained as treasury shares*

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

		Direct		Indirect	
	Name of Substantial Shareholders	Number of Shares held	% [1]	Number of Shares held	% [1]
1.	Dataran Sentral (M) Sdn Bhd	133,413,333	24.78	-	-
2.	Mulpha Infrastructure Holdings Sdn Bhd	120,287,000	22.34	-	-
3.	Lembaga Tabung Haji	53,865,500	10.00	-	-
4.	Winners Spectrum Investment Holdings Sdn Bhd	273,333	0.05	[2] 133,413,333	24.78
5.	First Positive Sdn Bhd	-	-	[2] 133,413,333	24.78
6.	Mulpha International Bhd	-	-	[3] 120,287,000	22.34
7.	Nautical Investments Ltd	-	-	[4] 120,287,000	22.34
8.	Lee Seng Huang	-	-	[5] 120,287,000	22.34
9.	Ng Ying Loong	3,500	0.01	[2][6] 133,686,666	24.83
10.	Anto a/l SF Joseph	2,266,666	0.42	[2][6] 133,686,666	24.83
11.	Wee Teck Nam	1,300,000	0.24	[2] 133,413,333	24.78
12.	Fairfax Asia Limited	-	-	[7] 39,497,200	7.34
13.	Odyssey Reinsurance Company	-	-	[8] 39,497,200	7.34
14.	Fairfax (Barbados) International Corp.	-	-	[9] 42,309,200	7.86
15.	FFHL Group Ltd	-	-	[10] 42,309,200	7.86
16.	Fairfax Financial Holdings Ltd	-	-	[11] 42,309,200	7.86

Notes :

(1) Excluding the 14,018,300 treasury shares held by the Company
(2) Deemed interest pursuant to Section 6A of the Companies Act 1965 ("the Act") by virtue of its shareholdings in Dataran Sentral (M) Sdn Bhd
(3) Deemed interest pursuant to Section 6A of the Act by virtue of its shareholdings in Mulpha Infrastructure Holdings Sdn Bhd
(4) Deemed interest pursuant to Section 6A of the Act by virtue of its shareholdings in Mulpha International Bhd
(5) Deemed interest pursuant to Section 6A of the Act by virtue of his indirect shareholdings in Nautical Investments Ltd
(6) Deemed interest pursuant to Section 6A of the Act by virtue of his shareholdings in Winners Spectrum Investment Holdings Sdn Bhd
(7) Deemed interest pursuant to Section 6A of the Act by virtue of its collective shareholdings in First Capital Insurance Limited, Falcon Insurance Company (Hong Kong) Ltd and The Pacific Insurance Berhad
(8) Deemed interest pursuant to Section 6A of the Act by virtue of its shareholdings in Fairfax Asia Limited
(9) Deemed interest pursuant to Section 6A of the Act by virtue of its shareholdings in Wentworth Insurance Company Ltd
(10) Deemed interest pursuant to Section 6A of the Act by virtue of its shareholdings in Fairfax (Barbados) International Corp.
(11) Deemed interest pursuant to Section 6A of the Act by virtue of its shareholdings in FFHL Group Ltd

ANALYSIS OF SHAREHOLDINGS

as at 27 April 2015

DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS

		Direct		Indirect	
	Name of Directors	**Number of Shares held**	**% (1)**	**Number of Shares held**	**% (1)**
1.	Dato' Yusli bin Mohamed Yusoff	-	-	-	-
2.	James Wong Tet Foh	-	-	-	-
3.	Wee Teck Nam	1,300,000	0.24	(2) 133,413,333	24.78
4.	Lee Seng Huang	-	-	(3) 120,287,000	22.34
5.	Chew Hoy Ping	-	-	-	-
6.	Lee Eng Leong (Alternate Director to Lee Seng Huang)	-	-	-	-

Notes:

(1) *Excluding the 14,018,300 treasury shares held by the Company*
(2) *Deemed interest pursuant to Section 6A of the Act by virtue of his shareholdings in Dataran Sentral (M) Sdn Bhd*
(3) *Deemed interest pursuant to Section 6A of the Act by virtue of his indirect shareholdings in Nautical Investments Ltd*

30 Largest Shareholders

No.	Name of Shareholders	No. of Shares	% (1)
1	CIMB Group Nominees (Tempatan) Sdn Bhd Dataran Sentral (M) Sdn Bhd (49994 HDOF)	133,413,333	24.78
2	Mulpha Infrastructure Holdings Sdn Bhd	120,287,000	22.34
3	Lembaga Tabung Haji	53,865,500	10.00
4	HSBC Nominees (Asing) Sdn Bhd Exempt AN for J.P. Morgan Bank Luxembourg S.A. (JPM INTL BK LTD)	26,572,200	4.94
5	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-Asing)	10,933,332	2.03
6	Global Investments (BVI) Ltd	10,666,666	1.98
7	Citigroup Nominees (Asing) Sdn Bhd CBHK for Falcon Insurance Company (Hong Kong) Limited (Investment Ac)	6,325,000	1.17
8	CIMSEC Nominees (Asing) Sdn Bhd CIMB for Global Investments (BVI) Ltd	5,333,333	0.99
9	The Pacific Insurance Berhad	5,000,000	0.93
10	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund RCER for Rock Creek Emerging Markets Fund SPC, Ltd	3,888,000	0.72
11	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	3,518,700	0.65
12	Citigroup Nominees (Asing) Sdn Bhd CBNY for Wentworth Insurance Company Ltd.	2,812,000	0.52

ANALYSIS OF SHAREHOLDINGS

as at 27 April 2015

30 Largest Shareholders

No.	Name of Shareholders	No. of Shares	% [1]
13	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund WTAU for WisdomTree Emerging Markets Smallcap Dividend Fund	2,732,365	0.51
14	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Anto A/L S F Joseph (PB)	2,266,666	0.42
15	Citigroup Nominees (Asing) Sdn Bhd CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	2,221,733	0.41
16	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JP Morgan Chase Bank, National Association (U.S.A.)	2,206,427	0.41
17	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Bank Julius Baer & Co. Ltd. (Singapore BCH)	2,133,300	0.40
18	CIMB Islamic Nominees (Tempatan) Sdn Bhd CIMB Islamic Trustee Bhd For BIMB i Dividend Fund	1,814,400	0.34
19	The Pacific Insurance Berhad (Fund A/C)	1,600,000	0.30
20	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund WTAS for WisdomTree Emerging Markets Equity Incomefund	1,559,900	0.29
21	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund SD4N for Government of the Province of Alberta	1,498,100	0.28
22	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Small Cap Series	1,458,766	0.27
23	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Wee Teck Nam (PB)	1,300,000	0.24
24	Loh Siew Hooi	1,258,400	0.23
25	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Citibank New York (Norges Bank 1)	1,169,900	0.22
26	Teh Boon Meng	1,115,333	0.21
27	HSBC Nominees (Asing) Sdn Bhd TNTC for New Zealand Superannuation Fund	1,082,300	0.20
28	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt AN for Kumpulan Sentiasa Cemerlang Sdn Bhd (TSTAC/CLNT)	950,999	0.18
29	Adrian Maurice A/L Silvadima Michael	821,333	0.15
30	Maybank Nominees (Tempatan) Sdn Bhd Jincan Sdn Bhd	820,000	0.15
	Total	**410,624,986**	**76.27**

MUDAJAYA GROUP BERHAD (605539-H)
(Incorporated in Malaysia)

No. of shares held	
CDS Account No.	

FORM OF PROXY

I/We (full name in capital letters)____

of (full address)____

being a member/members of Mudajaya Group Berhad, hereby appoint (full name in capital letters)____________________

____

of (full address)____

or failing him/her (full name in capital letters)____

of (full address)____

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Twelfth Annual General Meeting of the Company to be held at Level 11, Menara Mudajaya, No. 12A, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 17 June 2015 at 10.00 a.m. and any adjournment thereof.

Our proxy is to vote as indicated by an "X" in the appropriate space below. In the absence of specific directions, the proxy shall vote or abstain at his/her discretion.

No.	Ordinary Resolutions	For	Against
1.	To re-elect Mr. Lee Seng Huang as Director		
2.	To re-elect Mr. James Wong Tet Foh as Director		
3.	To re-elect Mr. Chew Hoy Ping as Director		
4.	To re-appoint Mr. Wee Teck Nam as Director pursuant to Section 129(6) of the Companies Act 1965		
5.	To approve the payment of Directors' fees		
6.	To re-appoint Messrs KPMG as Auditors		
7.	To approve the Authority to Allot and Issue Shares		
8.	To approve the Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
9.	To approve the Renewal of Share Buy-Back Authority		

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	Percentage
Proxy 1	%
Proxy 2	%
Total	100%

____

Signature of shareholder and /or common seal

Date :________________________________

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy or proxies may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act 1965 shall not apply to the Company. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. Each proxy appointed shall represent a minimum of one thousand (1,000) shares.
2. Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. In the case of a corporate member, the Form of Proxy shall be under its Common Seal or under the hand of its attorney.
4. The Form of Proxy must be deposited at the Company's Registered Office situated at Level 12, Menara Mudajaya, No. 12A, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time set for holding the meeting or at any adjournment thereof.
5. In respect of deposited securities, only members whose names appear on the record of Depositors on 10 June 2015 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

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STAMP

The Company Secretary

MUDAJAYA GROUP BERHAD

(605539-H)

Level 12, Menara Mudajaya
No. 12A, Jalan PJU 7/3
Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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