MUDAJAYA
GROUP BERHAD

2016
ANNUAL REPORT

CONTENTS

AT A GLANCE

REVENUE

RM759.1 MILLION

TOTAL ASSETS

RM2.0 BILLION

SHAREHOLDERS' FUNDS

RM727.3 MILLION

OVER

50 YEARS OF EXPERIENCE

14th ANNUAL GENERAL MEETING

Date : **15 JUNE 2017**

Time : 2.30 p.m.

Venue: Level 11, Menara Mudajaya

28 APRIL 2017

Notice of 14th Annual General Meeting and issuance of Annual Report 2016

FINANCIAL CALENDAR

ANNOUNCEMENT OF QUARTERLY RESULTS

27 MAY 2016

Announcement of the unaudited consolidated results for the 1st quarter ended **31 March 2016**

29 AUGUST 2016

Announcement of the unaudited consolidated results for the 2nd quarter ended **30 June 2016**

29 NOVEMBER 2016

Announcement of the unaudited consolidated results for the 3rd quarter ended **30 September 2016**

27 FEBRUARY 2017

Announcement of the unaudited consolidated results for the 4th quarter and financial year ended **31 December 2016**

SCAN HERE

NEW FEATURE IN THIS **ANNUAL REPORT**

The digital version of Mudajaya Annual Report 2016 is available from our website.
Go to http://www.mudajaya.com/ or scan the QR code with your smartphone.

Follow the steps below to scan the QR code reader in 3 easy steps:

Download the "QR Code Reader" on App Store or Google Play.

Run the QR Code Reader app and point your camera to the QR Code.

Get access to our digital version Mudajaya's Annual Report 2016.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Independent Non-Executive Chairman
Dato' Yusli Bin Mohamed Yusoff

Senior Independent Non-Executive Director
Chew Hoy Ping

Non-Independent Executive Director
Lee Eng Leong

Group Managing Director & Chief Executive Officer
James Wong Tet Foh

Non-Independent Non-Executive Director
Wee Teck Nam

AUDIT COMMITTEE

Chew Hoy Ping *(Chairman)*
Dato' Yusli Bin Mohamed Yusoff
Wee Teck Nam

COMBINED NOMINATION AND REMUNERATION COMMITTEE

Chew Hoy Ping *(Chairman)*
Dato' Yusli Bin Mohamed Yusoff

RISK MANAGEMENT COMMITTEE

Dato' Yusli Bin Mohamed Yusoff *(Chairman)*
Chew Hoy Ping
James Wong Tet Foh

INVESTMENT COMMITTEE

James Wong Tet Foh *(Chairman)*
Dato' Yusli Bin Mohamed Yusoff
Lee Eng Leong

OPTIONS COMMITTEE

James Wong Tet Foh *(Chairman)*
Lee Eng Leong
Kang Boon Beng
Ng Yee Ming

COMPANY SECRETARIES

Lee Suan Choo (MAICSA 7017562)
Cheah Wai Yuen (MAICSA 7025907)

REGISTERED OFFICE

Level 12, Menara Mudajaya
No. 12A, Jalan PJU 7/3
Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel No : (603) 7806 7899
Fax No : (603) 7806 7900 / 7806 7901

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd (378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel No : (603) 7849 0777
Fax No : (603) 7841 8151/52

AUDITORS

KPMG PLT
Chartered Accountants

PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Bhd
AmBank (M) Berhad
Standard Chartered Bank Malaysia Berhad
Bangkok Bank Berhad
CIMB Bank Berhad
OCBC Bank (Malaysia) Berhad
HSBC Bank Malaysia Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name : MUDAJYA
Stock Code : 5085

WEBSITE ADDRESS

www.mudajaya.com

INVESTOR RELATIONS

Email : info@mudajaya.com
Tel No : (603) 7806 7825

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 14th Annual General Meeting ("AGM") 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 on Thursday, 15 June 2017 at 2.30 p.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Directors' and Auditors' Reports thereon. **(Please refer to Explanatory Note 1)**

2. To re-elect Mr Chew Hoy Ping, who retires by rotation pursuant to Article 76 of the Company's Articles of Association and being eligible, has offered himself for re-election. **(Ordinary Resolution 1)**

3. To re-elect Mr Lee Eng Leong, who retires pursuant to Article 83 of the Company's Articles of Association and being eligible, has offered himself for re-election. **(Ordinary Resolution 2)**

4. To re-appoint Mr Wee Teck Nam as a Director of the Company. **(Ordinary Resolution 3)**

5. To approve the payment of Directors' fees for the financial year ended 31 December 2016. **(Ordinary Resolution 4)**

6. To approve the payment of Directors' remuneration and benefits (excluding Directors' fees) to the Non-Executive Directors from 31 January 2017 until the next AGM of the Company. **(Ordinary Resolution 5)**

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

AS SPECIAL BUSINESS

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

8. **ORDINARY RESOLUTION:**
   Authority to Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016

   "THAT subject always to the Companies Act 2016 ("the Act"), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company's Constitution and the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Act to issue and allot new shares in the Company at any time at such price, upon such terms and conditions, for such purposes and to such person(s) whomsoever as the Directors may in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and THAT the Directors be and are also empowered to obtain the approval from Bursa Securities for the listing of and quotation for the additional shares so issued and THAT such authority shall continue to be in force until the conclusion of the next AGM of the Company." **(Ordinary Resolution 7)**

NOTICE OF ANNUAL GENERAL MEETING

9. **ORDINARY RESOLUTION:**
Proposed Renewal of Authority for the Purchase by the Company of its Own Shares

"THAT subject to compliance with the Act, the Company's Constitution, the Main Market Listing Requirements of Bursa Securities and any other relevant rules and regulations that may be in force from time to time, the Company be and is hereby authorised to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities, upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company PROVIDED THAT:-

(a) the aggregate number of ordinary shares in the Company which may be purchased and/or held by the Company shall not exceed 10% of the total number of issued shares of the Company at any point in time; and

(b) the maximum funds to be allocated by the Company for the purpose of purchasing the ordinary shares shall not exceed the audited retained profits and/or share premium account of the Company.

THAT such authority shall commence upon the passing of this ordinary resolution and shall remain in force until:-

(i) the conclusion of the next AGM of the Company at which time such authority shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

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

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

whichever occurs first.

THAT authority be and is hereby given to the Directors of the Company to decide in their discretion to retain the ordinary shares in the Company so purchased by the Company as treasury shares and/or to cancel them and/or to resell the treasury shares and/or to distribute them as share dividend and/or subsequently cancel them or such other manner as allowed under the Act.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement, finalise or to give full effect to the aforesaid with full power to assent to any conditions, modifications, variations and/or amendments as may be required or imposed by the relevant authorities and to do all such acts and things (including executing all documents) as the Directors may deem fit and expedient in the best interest of the Company." **(Ordinary Resolution 8)**

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

By Order of the Board

LEE SUAN CHOO (MAICSA 7017562)
CHEAH WAI YUEN (MAICSA 7025907)
Company Secretaries

Petaling Jaya
28 April 2017

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. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
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 Proxy Form shall be under its Common Seal or under the hand of its attorney.
4. The Proxy Form 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 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 7 June 2017 shall be eligible to attend the meeting or appoint proxy(ies) to attend and vote on his behalf.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof), and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

1. **Audited Financial Statements for the financial year ended 31 December 2016**

   This agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Act requires the Audited Financial Statements to be laid at the AGM. As such, this agenda item does not require shareholders' approval and hence, is not put forward for voting.

2. **Re-Appointment of Director**

   There is no age limit to act as directors in a public company pursuant to the Companies Act 2016 which came in force on 31 January 2017. In this respect, Mr Wee Teck Nam, aged above 70 who was re-appointed pursuant to Section 129 of the Companies Act 1965 at the last AGM of the Company, will hold office until the conclusion of this 14th AGM.

   The proposed Ordinary Resolution 3, if passed, will enable Mr Wee Teck Nam, who has offered himself for re-appointment, to continue to act as a Director of the Company and he shall be subject to retirement by rotation at a later date.

3. **Directors' Remuneration and Benefits**

   Ordinary Resolution 5 relates to the proposed payment of Directors' remuneration and benefits (excluding Directors' fees) to the Non-Executive Directors from 31 January 2017 until the next AGM of the Company, which comprise the following:-

	Board Chairman	Chairman of the Audit Committee	Non-Executive Director
Fixed Allowance (payable on quarterly basis)	RM100,000 per annum	RM50,000 per annum	-
Meeting Allowance for attendance of Board and Board Committee Meetings, and general meetings	RM1,000 per meeting	RM1,000 per meeting	RM1,000 per meeting
Other Benefits	Company car	-	-

   The Fixed Allowances are given to the Board Chairman and Chairman of the Audit Committee, in recognition of their significant roles in leadership and oversight, and their wide-ranging scope of responsibilities.

4. **Authority to Issue Shares pursuant to Sections 75 and 76 of the Act**

   The proposed Ordinary Resolution 7 is to empower the Directors to issue shares in the Company up to an aggregate amount not exceeding 10% of the total number of issued shares of the Company for such purposes as they consider would be in the interest of the Company, such as investment(s), acquisition of asset(s) or working capital. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company. The Company did not issue any shares pursuant to the mandate granted last year. Nevertheless, a renewal of the mandate is sought to avoid any delay and cost involved in convening a general meeting to approve such issue of shares.

5. **Proposed Renewal of Authority for the Purchase by the Company of its Own Shares**

   The details on the proposed renewal of authority for the purchase by the Company of its own shares are set out in the Share Buy-back Statement dated 28 April 2017.

STATEMENT ACCOMPANYING NOTICE OF 14TH ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. **Details of persons who are standing for election as Directors (excluding Directors standing for re-election)**

   No individual is seeking for election as a Director at the 14th Annual General Meeting of the Company.

2. **A statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad**

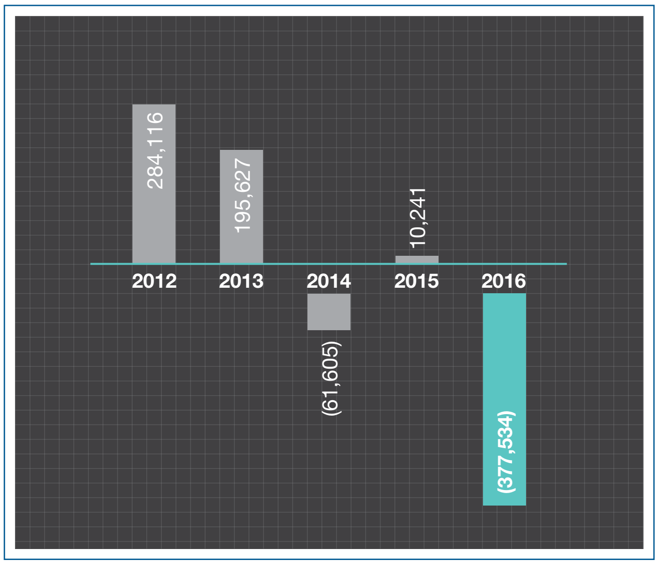
   The proposed Ordinary Resolution 7 for the general mandate for issue of securities is a renewal mandate. As at the date of this Notice, no new shares were issued pursuant to the said mandate granted to the Directors at the last Annual General Meeting held on 16 June 2016.

FIVE YEARS' FINANCIAL HIGHLIGHTS

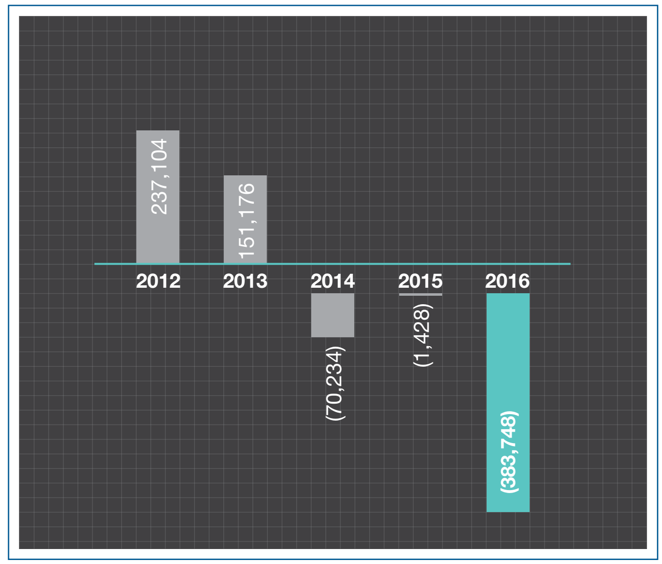
	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000	2012 RM'000
ASSETS					
Non-Current Assets	**736,560**	**871,254**	892,143	858,383	722,812
Current Assets	**1,312,882**	**1,169,716**	960,225	806,190	921,698
Total Assets	**2,049,442**	**2,040,970**	1,852,368	1,664,573	1,644,510
EQUITY AND LIABILITIES					
Capital And Reserves					
Share Capital	**110,483**	**110,483**	110,483	110,342	109,949
Reserves	**616,822**	**995,438**	991,046	1,099,541	1,004,086
Equity Attributable To Owners Of The Company	**727,305**	**1,105,921**	1,101,529	1,209,883	1,114,035
Non-Controlling Interest	**(18,181)**	**(15,939)**	(15,859)	(18,076)	(10,202)
Total Equity	**709,124**	**1,089,982**	1,085,670	1,191,807	1,103,833
Liabilities					
Non-Current Liabilities	**428,859**	**404,791**	410,877	24,894	621
Current Liabilities	**911,459**	**546,197**	355,821	447,872	540,056
Total Liabilities	**1,340,318**	**950,988**	766,698	472,766	540,677
Total Equity And Liabilities	**2,049,442**	**2,040,970**	1,852,368	1,664,573	1,644,510
GROUP RESULTS					
(Loss)/Profit Before Tax	**(377,534)**	10,241	(61,605)	195,627	284,116
Income Tax Expense	**(4,766)**	(7,849)	(8,857)	(21,960)	(10,563)
Non-Controlling Interest	**1,448**	3,820	(228)	22,491	36,449
(Loss)/Profit Attributable To Owners Of The Company	**(383,748)**	(1,428)	(70,234)	151,176	237,104
SELECTED RATIOS					
(Loss)/Earnings Per Share (Sen)	**(71.06)**	(0.26)	(13.0)	27.9	43.5
Net Dividend Per Share (%)	**-**	-	30.0	45.0	45.0
Net Assets Per Share Attributable To Owners of the Company (RM)	**1.35**	2.05	2.05	2.20	2.05
Return On Equity (%)	**(52.76)**	(0.13)	(6.4)	12.5	21.3
Gearing Ratio (%)	**115.2**	50.2	38.1	2.3	-
Share Price (Year-End Closing) (RM)	**0.91**	1.18	1.45	2.90	2.62

FIVE YEARS' FINANCIAL HIGHLIGHTS

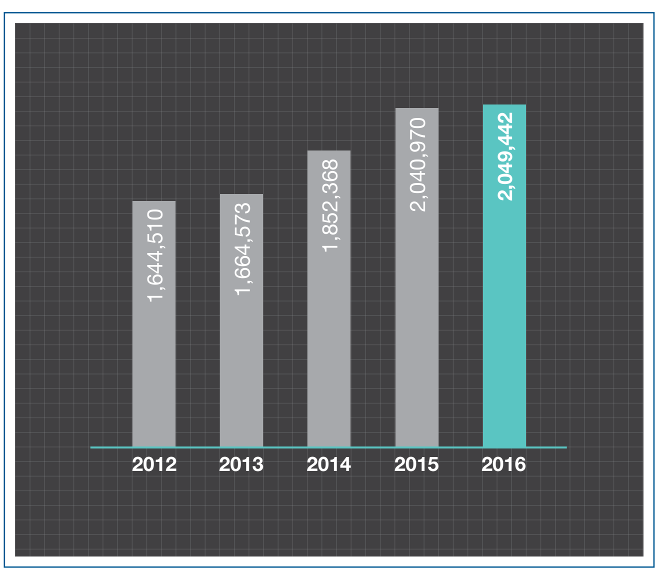
(LOSS)/PROFIT BEFORE TAX
(RM'000)



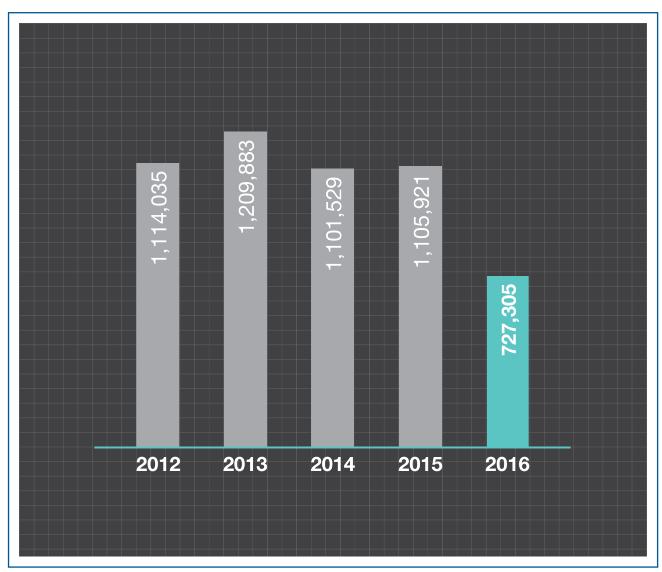
(LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
(RM'000)



TOTAL ASSETS
(RM'000)



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



GROUP STRUCTURE

MUDAJAYA GROUP BERHAD

- 100% MJC INDUSTRIES SDN BHD
  - 100% MJC PRECAST SDN BHD
    - 70% MUDAJAYA IBS SDN BHD
  - 100% MJC TRADING SDN BHD
- 100% MJC DEVELOPMENT SDN BHD
  - 49% MAYFAIR VENTURES SDN BHD
- 100% MUDAJAYA CORPORATION BERHAD
  - 100% DAYANG PERTIWI SDN BHD
  - 100% MJC QUARRY SDN BHD
  - 100% ENTRUTECH SDN BHD
  - 100% INDAH KIRANA (M) SDN BHD
  - 100% MUDAJAYA LAND SDN BHD
  - 100% PIALA TEBRAU (M) SDN BHD
  - 70% MJC CITY DEVELOPMENT SDN BHD
  - 70% DESIRAN JOHAN SDN BHD
  - 100% MUDAJAYA CITY CORPORATION SDN BHD
  - 100% MUDAJAYA HOLDINGS SDN BHD
  - 100% MUDAJAYA INDUSTRIES SDN BHD
  - 100% GREAT HILL INTERNATIONAL LTD (Mauritius)
  - 100% MUDAJAYA INTERNATIONAL LTD (Mauritius)
  - 100% ORACLE INTERNATIONAL CO. LTD (Brunei)
  - 80% MIPP INTERNATIONAL LTD (Mauritius)
  - 100% MUDAJAYA INTERNATIONAL INVESTMENT LTD (Brunei)
    - 100% MUDAJAYA CONSTRUCTION (INDIA) PRIVATE LIMITED (India)
  - 75% MUDAJAYA MIDDLE EAST LTD (Saudi Arabia)
    - 34% MUDAJAYA POWER AND WATER LTD (Saudi Arabia)
  - 74% ELECTRIC POWER INTERNATIONAL LTD (Mauritius)
  - 26% R.K.M POWERGEN PRIVATE LIMITED (India)
  - 30% MUSYATI MUDAJAYA JV SDN BHD (f.k.a Elite Spot Sdn Bhd)
- 100% MUDAJAYA ENERGY SDN BHD
  - 100% POSITIVE RANGE SDN BHD
    - 30% SPECIAL UNIVERSAL SDN BHD
  - 100% ACTIVE FLORA SDN BHD
    - 30% SPECIAL UNIVERSAL SDN BHD
  - 100% MUDAJAYA POWER INTERNATIONAL SDN BHD
    - 40% AMIHAN ENERGY CORPORATION (Philippines)
    - 95% PT MUDAJAYA ENERGI INDONESIA (Indonesia)
    - 46% PT HARMONI ENERGY INDONESIA (Indonesia)
  - 100% MUDAJAYA RE SDN BHD (f.k.a. MJC Plantations Sdn Bhd)
    - 100% SINAR KAMIRI SDN BHD (f.k.a. MGB Enterprise Sdn Bhd)
- 100% MUDAJAYA VENTURES LIMITED

BOARD OF DIRECTORS

1.
DATO' YUSLI BIN MOHAMED YUSOFF
Independent Non-Executive Chairman

2.
JAMES WONG TET FOH
Group Managing Director
& Chief Executive Officer

3.
CHEW HOY PING
Senior Independent
Non-Executive Director

4.
WEE TECK NAM
Non-Independent
Non-Executive Director

5.
LEE ENG LEONG
Non-Independent
Executive Director

DIRECTORS' PROFILE

DATO' YUSLI BIN MOHAMED YUSOFF

Independent Non-Executive Chairman

Male, Malaysian

Dato' Yusli, aged 58, graduated with a Bachelor of Economics Degree from University of Essex, England and is a member of the Institute of Chartered Accountants in England & Wales, Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants as well as an Honorary Member of the Institute of Internal Auditors Malaysia.

Dato' Yusli began his career with Peat Marwick Mitchell & Co. in London and has since held various key positions in a number of public listed and private companies in Malaysia, providing him with experience in property and infrastructure development, telecommunications, engineering, merchant banking and stockbroking. He was the Chief Executive Officer and Executive Director of Bursa Malaysia Berhad from 10 April 2004 to 31 March 2011.

Dato' Yusli was appointed to the Board on 13 July 2011 and he also serves as Chairman of the Risk Management Committee as well as a member of the Audit Committee, Investment Committee and Combined Nomination and Remuneration Committee.

Dato' Yusli's directorships in other listed issuers are Mulpha International Bhd, YTL Power International Berhad, AirAsia X Berhad and Westports Holdings Berhad. His directorships in public companies are Australasia Resources and Minerals Berhad, Malaysian Institute of Corporate Governance and Infinity Trustee Berhad.

DIRECTORS' PROFILE

JAMES WONG TET FOH

Group Managing Director & Chief Executive Officer

Male, Malaysian

Mr Wong, aged 56, 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.

Mr Wong attained his Professional Engineer registration with the Board of Engineers Malaysia in 1989 after having spent the first 5 years of his career with a forensic engineering consultancy firm specialising in distressed buildings or infrastructure works covering the fields of geotechnical, structural and material investigations.

Mr Wong 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 joining Mudajaya Group Berhad ("Mudajaya"), he served as Business Development Director of IJM Corporation Bhd and subsequently as Managing Director of IJM's toll highway concession asset companies in Malaysia and India.

Mr Wong was appointed to the Board as Executive Director on 2 May 2014. He was redesignated as 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. He was appointed as Director and Chief Operating Officer of Mudajaya Corporation Berhad on 2 May 2013 and subsequently redesignated as the Managing Director of Mudajaya Corporation Berhad on 2 May 2014.

Mr Wong serves as Chairman of the Investment Committee as well as a member of the Risk Management Committee and Options Committee. He also serves as a Council Member of Master Builders Association of Malaysia (MBAM).

Mr Wong has no directorships in public companies apart from Mudajaya Corporation Berhad. He has no directorships in other listed issuers.

DIRECTORS' PROFILE

CHEW HOY PING

Senior Independent Non-Executive Director

Male, Malaysian

Mr Chew, aged 59, is a member of the Malaysian Institute of Accountants (MIA) and Malaysian Institute of Certified Public Accountants (MICPA).

Mr Chew had a professional career primarily with PricewaterhouseCoopers ("PwC") where he worked for almost 30 years from 1976 until 2005, and as a partner of the firm from 1990. During his time with PwC, he covered a wide range of professional service areas including audit and accounting, business advisory, corporate finance and recovery. He held numerous leadership roles in PwC including Asia Pacific Chairman of Financial Advisory Services, Risk Management Leader, Deputy Chairman of Governance Board and a member of the Country Management Team. Mr Chew was seconded to PwC Houston in the United States (1982-1984) for overseas experience and later to Bank Negara Malaysia (1986-1988) to assist in the country's deposit taking cooperatives crisis at that time. Upon retiring from PwC, he became the Chief Financial Officer for Southern Bank Berhad (now CIMB) from 2005 till mid 2006.

Mr Chew was appointed to the Board on 1 January 2015 and he also serves as Chairman of the Audit Committee and Combined Nomination and Remuneration Committee as well as a member of the Risk Management Committee.

Mr Chew has no directorships in other listed issuers apart from Carlsberg Brewery Malaysia Berhad and Mulpha International Bhd, where he is an Independent Non-Executive Director and also the Chairman of their respective Audit Committees. He is also a Trustee on the Board of J.C. Jacobsen Foundation. He has no directorships in public companies in Malaysia.

WEE TECK NAM

Non-Independent Non-Executive Director

Male, Malaysian

Mr Wee, aged 76, graduated with a Bachelor Degree in Mechanical Engineering from University of Sydney, Australia.

Upon graduation, he worked for Chemical Company of Malaysia, a member of the ICI Malaysia Group for over 9 years. From there, he progressed to be the General Manager of Batu Arang Bricks and Tiles Bhd and Sim Lim Trading Sdn Bhd. Later he joined TDM Berhad as 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. He was a Director of Mulpha Land Berhad (now known as Thriven Global Berhad) from October 1998 to August 2001 and a Director of Mulpha International Bhd from October 1998 to July 2002.

Mr Wee was appointed to the Board as Executive Director on 2 March 2004. Subsequently, he was redesignated as Non-Independent Non-Executive Director of Mudajaya on 1 January 2015.

Mr Wee serves as a member of the Audit Committee.

Mr Wee has no directorships in other listed issuers or public companies.

DIRECTORS' PROFILE

LEE ENG LEONG

Non-Independent Executive Director

Male, Malaysian

Mr Lee, aged 49, is a member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants.

Mr Lee was formerly the Group Chief Financial Officer of Alliance Bank Malaysia Berhad from 4 January 2010 to 2 October 2012. Prior to joining Alliance Bank Malaysia Berhad, 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 multi-national companies in Asia.

Mr Lee was appointed as Alternate Director to Mr Lee Seng Huang on 17 October 2012. Subsequently, he was appointed as Deputy Chief Executive Officer of Mudajaya on 1 January 2015. On 2 December 2016, Mr Lee was appointed as Executive Director of Mudajaya.

Mr Lee serves as a member of the Investment Committee and Options Committee.

Mr Lee's directorship in other listed issuer in Malaysia is Thriven Global Berhad. His directorships in public companies in Malaysia are Mudajaya Corporation Berhad and Leisure Farm Polo Club Berhad.

NOTES:

1. **Family Relationship with Director and/or Major Shareholder**
   None of the Directors has any family relationship with any director and/or major shareholder of Mudajaya.

2. **Conflict of Interest**
   None of the Directors has any conflict of interest with Mudajaya.

3. **Conviction for Offences**
   None of the Directors has any conviction for offences within the past 5 years (other than traffic offences, if any). There were no public sanctions and/or penalties imposed on the Directors by the relevant regulatory bodies during the financial year.

4. **Attendance of Board Meetings**
   The attendance of the Directors at Board Meetings held during the financial year ended 31 December 2016 is disclosed in the Statement on Corporate Governance.

SENIOR MANAGEMENT PROFILE

ANTHONY TEOH TEIK THIAM

Executive Director

Male, Malaysian

Mr. Anthony Teoh Teik Thiam, aged 48, was appointed as Executive Director of Mudajaya Corporation Berhad on 1 February 2015. He joined Mudajaya Corporation Berhad in January 2014 as Director of Construction.

Mr. Anthony Teoh graduated with a Bachelor of Engineering (1st Class Honours) degree in Civil Engineering in 1993 from the University of Malaya. He attained his Professional Engineer registration with the Board of Engineers Malaysia in 1997 after having worked 4 years in both design office and project implementation. He is also a corporate member of The Institution of Engineer, Malaysia.

He started his career as a Design Engineer with Gamuda Berhad in 1993 and has served as Section Head from 1997 to 1999. He joined Zelan Construction Sdn Bhd ("ZCSB") as Technical Manager in 1999 and had since involved in various infrastructure projects in Malaysia, India and Indonesia as Project Manager and Project Coordinator. He was the General Manager of ZCSB from 2007 to 2009. He joined Macrobro Sdn Bhd as Head of Commercial from 2009 to July 2011 where he was involved in business development for new ventures in China and Australia as well as property development opportunities in Malaysia. Prior to joining Mudajaya, he was the Country Director for IJM India involved in the construction, real estate development and tollway business.

Mr. Anthony Teoh's directorship in public company is Mudajaya Corporation Berhad. He has no directorships in any listed issuers.

ANG KENG HONG

Director of Construction

Male, Malaysian

Mr. Ang Keng Hong, aged 47, was appointed as Director of Construction of Mudajaya Corporation Berhad on 1 February 2016. He joined Mudajaya Corporation Berhad in April 2014 as General Manager of Construction.

Mr. Ang graduated with a Diploma in Technology (Building) in 1992 from the Tunku Abdul Rahman College. He further attained his Master of Science in Construction Management (Project Management) in 1998 from Heriot-Watt University after having worked for 5 years in both award office and project implementation.

He started his career as a Project Coordinator with Lion Group in 1992 and had involved in various building projects till 1996 before joining Zelleco Construction Sdn Bhd and has served as Construction Manager involved in various building & infrastructure works till 2000 (took study leave from September 1997 to April 1998). He then joined Zelan Berhad in 2000 and had since involved in various building & Infrastructure works in Malaysia and Indonesia as Project Manager. He was the General Manager of Zelan Berhad from 2007 to 2009. He joined Team Builders LLC / Eminent Ace Sdn Bhd as Head of Operation from 2009 to 2014 where he was involved in business development for new ventures in middle east and property development opportunities in Malaysia. Prior to joining Mudajaya, he was the Director of Operation involved in the construction and real estate development.

Mr. Ang has no directorships in any listed issuers or public companies.

SENIOR MANAGEMENT PROFILE

SAMANTHA LEE TZE LIU

General Manager - Property

Female, Malaysian

Ms. Samantha Lee Tze Liu, aged 49 years, was appointed as the General Manager – Property on 1 November 2015. Ms. Samantha Lee is a Bachelor of Law graduate from the University of London. She has 22 years of experience in property and township development. She started her working career in 1993 with MBF Property Services as a Marketing Executive.

Ms. Lee later joined Mudajaya Corporation Berhad in 1995 as a Senior Marketing Executive and rose in ranks to Marketing & Sales Manager in 1997. She was appointed as the Director of MJC City Development Sdn Bhd in 2004 which undertakes the property development of Batu Kawah New Township in Kuching, Sarawak. She was promoted to the Assistant General Manager of the Property division in 2007.

Ms. Lee has no directorships in any listed issuers or public companies.

ADRIAN WONG FUK AEN

General Manager - Concession Assets

Male, Malaysian

Mr. Adrian Wong Fuk Aen, aged 47, joined Mudajaya Corporation Berhad as the General Manager - Concession Assets on 9 January 2017.

Mr. Adrian Wong was a Kuok Foundation Scholar and graduated with a B.Eng. in Mechanical (1st Class Honours) in 1996 from Royal Melbourne Institute of Technology (RMIT), Australia.

He possessed 20 years of experience in gas and coal fired power project development and asset management. He started his career as a maintenance and project engineer in Teknik Janakuasa Sdn Bhd & Malakoff Berhad in 1997 and joined the development team for the 2,100MW Tg Bin Coal Fired Plant in 2002 and subsequently for the 1,400MW Jimah Coal Fired Plant.

Before joining Mudajaya, he was the General Manager for Jimah Energy Ventures and Vice President 1 (Commercial, M'sia Assets) of Edra Global Energy.

Mr. Adrian Wong has no directorships in any listed issuers or public companies.

SENIOR MANAGEMENT PROFILE

YAM KEONG CHEE

General Manager - Manufacturing

Male, Malaysian

Mr. Yam Keong Chee, aged 55, joined MJC Precast Sdn Bhd as the General Manager on 16 March 2015.

Mr. Yam graduated with a BSc. in Civil Engineering in 1985 from Oklahoma State University, Stillwater, USA.

He has almost 30 years' proven experience in managing operations and large project deployment within the construction industry. Recognised as a hands-on leader with strong knowledge in the construction and civil engineering field. He has 17 years of working experience in India including the last 6 years with Raffles Education Corporation Ltd (a Singaporean company) as the Vice President of Indian Operations.

Mr. Yam has no directorships in any listed issuers or public companies.

KANG BOON BENG

Chief Financial Officer

Male, Malaysian

Mr. Kang Boon Beng, aged 46, joined Mudajaya Corporation Berhad as the Chief Financial Officer on 3 August 2015.

Mr. Kang graduated with a Bachelor of Arts (1st Class Honours) degree in Accounting & Finance in 1995 from Lancaster University, United Kingdom. He is a Fellow member of the Association of Chartered Certified Accountants (ACCA), United Kingdom and a Chartered Accountant of the Malaysian Institute of Accountants (MIA).

He has 20 years of working experience and has held various finance leadership roles in the local and multinational corporations with Asia responsibilities. He started his career with Sime Darby group in 1996 and his last position prior to joining Mudajaya was the Finance Director Asia for Valmont Industries Inc. USA.

Mr. Kang has no directorships in any listed issuers or public companies.

NG YEE MING

General Manager - Human Resource & Admin

Male, Malaysian

Mr. Ng Yee Ming, aged 50, joined Mudajaya Corporation Berhad as General Manager – Human Resource & Admin on 18 May 2015.

Mr. Ng graduated with a Bachelor of Science in Architectural Studies from University of Nebraska – Lincoln, US. The early years were spent doing Project Architectural role in Singapore before venturing into Human Resource. He possessed over 20 years of working experience in Human Resource leadership role, in both local conglomerates and multinational corporation, overseeing Malaysia and Singapore area. Before joining Mudajaya, he was the Senior General Manager for Group Human Resource in a local property developer corporation.

Mr. Ng has no directorships in any listed issuers or public companies.

NOTES:

1. **Family Relationship with Director and/or Major Shareholder**
   None of the Senior Management has any family relationship with any director and/or major shareholder of Mudajaya.

2. **Conflict of Interest**
   None of the Senior Management has any conflict of interest with Mudajaya.

3. **Conviction for Offences**
   None of the Senior Management has any conviction for offences within the past 5 years (other than traffic offences, if any). There were no public sanctions and/or penalties imposed on the Senior Management by the relevant regulatory bodies during the financial year.

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

On behalf of the Board of Directors of Mudajaya Group Berhad, it is my 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 2016.

DATO' YUSLI BIN MOHAMED YUSOFF

"In 2016, Malaysia's Gross Domestic Product ("GDP") grew at a slower pace of 4.2% (2015: 5.0%) despite considerable external and domestic headwinds."

TOTAL GROUP REVENUE FOR THE YEAR

ECONOMIC LANDSCAPE

In 2016, Malaysia's Gross Domestic Product ("GDP") grew at a slower pace of 4.2% (2015: 5.0%) despite considerable external and domestic headwinds. The global economic landscape was challenging given the subdued global demand and low commodity prices. International financial markets were also subjected to heightened uncertainty with significant reversal of capital flows from emerging economies. This was driven by the unexpected political developments in the advanced economies, such as the UK and the US, and the macroeconomic policies adopted by these economies. Domestically, the economy continued to face headwinds from the higher cost of living amid soft employment conditions. Concurrently, business and consumer sentiments were affected by a confluence of global and domestic factors, including the heightened volatility in financial markets and the significant underperformance of the ringgit.

FINANCIAL RESULTS AND OPERATIONAL ACTIVITIES – AN OVERVIEW

The Group recorded revenue of RM759.1 million and loss after tax ("LAT") of RM382.3 million for the year ended 31 December 2016, compared to RM543.5 million and profit after tax ("PAT") of RM2.4 million in 2015. The LAT was primarily due to equity accounting of losses from an associate and the recognition of an allowance for impairment of trade receivables and other current assets. Aside from the above one-off items, the Group's underlying business performance remains resilient and on the path to recovery.

The Group has remained at the forefront of the domestic construction sector, being involved in various mega projects which are technically challenging, despite operating in an increasingly competitive environment. During the year 2016, Mudajaya successfully clinched several major projects, including the Government-led infrastructure projects of Mass Rapid Transit ("MRT") 2 in the Klang Valley, the Pan Borneo Highway in Sarawak and the Penang Major Roads Package. This is in addition to on-going works at the Petronas's RAPID Project in Pengerang, Johor.

Significant milestones have been achieved in the power sector during the year. Through the Energy Commission, the Group was awarded the Large Scale Solar Photovoltaic ("LSSPV") project with a capacity of 49MW in Perak, Malaysia in December 2016. Additionally, the 4 x 360MW coal-fired power plant Independent Power Producer ("IPP") in India, in which the Group has a 26% stake via RKM Powergen Private Limited, has achieved Commercial Operation Date ("COD") in March 2016 for Units 1 and 2.

The Group's 2016 financial results and segmental performance are further detailed in the Management Discussion & Analysis section of this Annual Report.

CHAIRMAN'S STATEMENT

CORPORATE DEVELOPMENTS

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

On 13 January 2016, the Group had reorganised its structure to better reflect the Group's core business segments. The Company completed the acquisition of 3 wholly-owned subsidiaries from Mudajaya Corporation Berhad ("MCB") i.e MJC Industries Sdn Bhd ("MJCI"), MJC Development Sdn Bhd ("MJCD") and Mudajaya Energy Sdn Bhd ("MESB"). Following the above, on 22 March 2016, MJCI and MESB completed the acquisition of 3 wholly-owned subsidiaries of MCB i.e MJC Precast Sdn Bhd ("MJCP"), MJC Trading Sdn Bhd ("MJCT") and Mudajaya Power International Sdn Bhd ("MPI").

PT Mudajaya Energi Indonesia, the Group's indirect 95% owned subsidiary had on 5 April 2016, entered into a Conditional Shares Sale and Purchase Agreement ("CSPA") with PT Indomuda Satria Internusa ("PT ISI") and PT Harmoni Energi Indonesia Manokwari ("PT HEIM") to acquire 73.69% equity interest in PT HEIM ("Proposed Acquisition"). PT ISI's subsidiary, PT HEIM which is a special purpose vehicle, has a Power Purchase Agreement ("PPA") with PT PLN (Persero) Wilayah Papua Dan Papua Barat for the development of a 2x7 MW coal-fired steam power plant on a Build-Operate-Own basis for 25 years from the Commercial Operation Date in Manokwari, West Papua of Indonesia. The Proposed Acquisition is subject to certain conditions precedent ("CPs") in the CSPA which include a satisfactory result of financial, legal, technical and commercial due diligence exercises.

On 29 April 2016, the Company has incorporated a limited company known as Mudajaya Ventures Limited ("MVL") which has a paid-up share capital of USD1.00. Subsequently, MVL had established a USD200 million Euro Medium Term Note Programme ("EMTN") and successfully issued Series 1 US$60 million 7% Notes on 28 December 2016 which is due three years from date of issuance.

During the year, the Group invested RM4.5million representing a 30% stake in an associate company, Musyati Mudajaya Sdn. Bhd. ("MMJV"). MMJV was set-up to undertake the Pan Borneo Highway in the state of Sarawak for Phase 1 - Works Package Contract (Sg. Kua Bridge to Sg. Arip Bridge).

On 8 December 2016, MCB acquired 100% of the total issued and paid-up share capital of Dayang Pertiwi Sdn Bhd ("DPSB") for a total consideration of RM2.00.

LOOKING AHEAD

Malaysia's GDP is forecasted to grow at a faster pace of between 4.3-4.8% in 2017. Going forward, the global economy is expected to improve but remain on a moderate growth path. While there are indications of more sustained growth in the major economies in 2017, downside risks to global growth continue to prevail, arising from the volatility in commodity prices, policy uncertainties and growth prospects of the major developed economies, heightened risk aversions in the global financial markets as well as geopolitical developments.

While the external environment may continue to remain challenging, the Malaysian economy will experience sustained growth with the primary driver being domestic demand. Private consumption is anticipated to remain supported by wage and employment growth, with additional impetus coming from announced Government measures to support disposable income of households. Investment activity will continue to be anchored by the ongoing implementation of infrastructure projects and capital spending in the manufacturing and services sectors. The country is expected to remain on a steady growth trajectory amid strong underlying fundamentals.

In the construction sector, the Government's earmarked development expenditure will continue to drive growth in the industry. The Group will continue to be active in the domestic construction sector and 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, Light Rapid Transit ("LRT") 3, Kuala Lumpur-Singapore High Speed Rail ("HSR"), Bandar Malaysia and major highways. The Group's excellent track record in its 50 plus years of experience in the construction industry coupled with a strong and professional management team will provide the Group with a competitive edge in securing and undertaking new and major projects in the future.

In addition, to meet the country's increasing energy demands, a number of power generating projects in terms of conventional thermal as well as renewable energy projects are expected to come on-stream in the near-term. With Mudajaya's established track record and proven technical capabilities in power plant construction, the Group will be in a strong position to capitalise on these energy sector initiatives.

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 Indonesia and the Philippines with the intention to acquire strategic assets that satisfy the Group's risk-return hurdle and provide stable returns. Further abroad, the Group's venture in the 4x360 MW coal-fired IPP project in Chhattisgarh, India will fortify the Group's presence in India. Upon the commencement of full commercial operations of the power plant in stages, the Group will stand to reap the benefits from its investment in India.

The Group's property division is geared towards sustaining the segments growth through the launch of new projects in the established Batu Kawah township development in Kuching, Sarawak.

The Group's trading and manufacturing division which manufactures construction related products meanwhile aims to meet growing demand for ready-mixed, precast concrete and construction materials, internally for the Group's own construction projects as well as externally for the various mega-infrastructure developments.

Despite the underlying optimism, the Group remains cautious given the highly competitive environment in the domestic construction sector. The Group's focus 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 industry's cyclic nature, and its subsequent impact on profitability. The Group's track record, potential project wins and recurring income contributions have provided management with the opportunity to realise this transformation and chart the next phase of growth for the company.

APPRECIATION

I would like to thank Mr. Lee Seng Huang who served as Non-Independent Non-Executive Director for his many years of invaluable experience and contribution to the Group.

I would like to congratulate Mr. Chew Hoy Ping for his appointment to Senior Independent Non-Executive Director of the Group. His many years of immense corporate experience will continue to benefit the Group tremendously.

I would also like to warmly welcome the appointment of Mr. Lee Eng Leong as an Executive Director of the Group. His over 20 years of local and MNC experience will be a great addition to the Group going forward.

Additionally, 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, suppliers, contractors and clients, for their continuous and unwavering support over the years.

Thank you.

Dato' Yusli bin Mohamed Yusoff
Independent Non-Executive Chairman

10 April 2017

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS LANDSCAPE

The construction sector in Malaysia recorded slower growth of 7.4% in 2016 (2015: 8.2%), underpinned by the civil engineering sub-sector. The sector's growth continues to be driven by a combination of mega infrastructure projects such as the Klang Valley Mass Rapid Transit ("MRT") 2, Light Rapid Transit ("LRT") 3, Pan Borneo Highway and other major highways, Refinery and Petrochemical Integrated Development ("RAPID") Pengerang and power plant projects.

In the power sector, energy demand in Southeast Asia (ASEAN) is expected to increase because of anticipated industrial growth, high GDP and increased urbanization across the region. The International Energy Agency's (IEA) Southeast Asia Energy Outlook 2015 has reported that the region's total energy demand will increase by more than 50% between 2000 and 2013, and is forecasted to grow by 80% from 2013 to 2040. ASEAN's energy demand will continue to be heavily reliant on fossil-fuels over the forecast period, making up 78% of total energy demand in 2040 (2013: 74%), with coal demand more than tripling over the same period, making up 29% of the total energy mix by 2040. This is evidenced in Malaysia where the sector has witnessed the roll out of new thermal power plant projects in Johor, Negeri Sembilan and Melaka with a total generating capacity of about 4800MW.

Under the 11th Malaysia Plan, the country has also set a target to boost the country's electricity generation capacity through renewable energy ("RE") sources, including biomass, biogas, solar photovoltaic and mini hydro to 2,080MW contributing 7.8 % of total generating capacity in Peninsular Malaysia and Sabah by 2020.

The Malaysian Industrial Development Authority ("MIDA") had approved a total RM2.42 billion worth of solar investments in the 12 months to December 2016. The announcement by the Energy Commission ("EC") on the development of the Large Scale Solar Photovoltaic ("LSSPV") plants is another testament to the nation's commitment in developing the domestic green energy industry and represents a further boost to the industry players as RE has begun to take centre stage. Through the government initiatives, it is expected that more than 1500MWh of solar capacity will be added to the national energy mix by 2020. Increased renewable energy generation in Malaysia would reduce reliance on imported fuels and increase energy security in the country, as well as mitigate climate change through deployment of clean energy.

OVERVIEW OF BUSINESS AND OPERATIONS

The Group's core business segments are divided into Construction, Property, Power and Trading & Manufacturing.

For the financial year under review, the Group incurred a financial loss primarily due to equity accounting of losses from RKM Powergen Private Limited and allowance for asset impairment on power plant project. These impairments were provided for after the decision of Construction Industry Payment and Adjudication Act 2012 ("CIPAA") on variation order claims in the 1000MW Manjung 4 project as well as the commercial settlement of the 1000MW Tanjung Bin 4 project.

Notwithstanding the above performance, the Group's underlying business performance remains resilient.

OVERVIEW OF OBJECTIVES AND STRATEGIES

In the past year, the Group has been actively pursuing projects in the construction industry, a sector that will remain a key revenue driver while it transitions from being largely dependent on construction projects to pursuing strategic assets that provide more stability through recurring income. The Group has made further headway in its transformation and to this end, the Group's concession assets division has continued to successfully expand domestically and overseas, specifically through the LSSPV project in Perak, Malaysia and a coal-fired Independent Power Production ("IPP") project in West Papua, Indonesia respectively.

In the long-term, the Group's growth strategy will continue to focus on broadening its revenue stream, preserving its margins and capitalising on investment opportunities. The strategic foray into concession assets such as IPP & RE projects are prime examples of this. In the manufacturing and precast segment, the Group has formalised a number of agreements to tap into the increased demand for precast products from local infrastructure projects.

OVERVIEW OF FINANCIAL RESULTS

The Group reported revenue of RM759.1 million and loss after tax of RM382.3 million for the financial year ended 31 December 2016 compared to revenue of RM543.5 million and profit after tax of RM2.4 million respectively in 2015.

SEGMENTAL OVERVIEW

Construction

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

Despite being supported by mega-infrastructure projects, the Malaysian construction sector grew at a slower pace of 7.4% in 2016 compared to 8.2% in 2015. However this sector is projected to grow at a faster rate of 8.0% in 2017 compared to 2016.

The Group's construction segment reported revenue and LAT of RM628.9 million and RM230.5 million respectively for 2016 as compared to revenue of RM442.8 million and profit after tax (PAT) of RM14.9 million for 2015. Higher revenue in the current period was mainly due to the full year contribution from the Pengerang projects which commenced in the 3rd quarter of 2015. However, this was negated by additional costs from other projects as well as allowance for impairment of trade receivables and other current assets resulting from the dismissal of claims against CMC Machipex Sdn Bhd for Manjung 4 as well as settlement claims with GE Power Services (Malaysia) Sdn Bhd and Alstom Power Systems for Tanjung Bin 4. For the Manjung 4 project which is the 1X1000 MW Power Plant project located in the district of Manjung, Perak Darul Ridzuan, the dismissal of the claim filed under CIPAA by the Adjudicator resulted in a negative impact of RM98.4 million on the earnings of the Group for the current financial year as the said amount had been recognised as revenue in prior years. For the Tanjung Bin 4 project which is the 1X1000MW power plant project located in the district of Tanjung Bin, Johor Darul Takzim, the settlement agreement has resulted in a non-cash impairment of assets amounting to RM111.9 million for the current financial year. Notwithstanding the above settlement the Group retains its rights to any potential recovery from insurance proceeds that were part of its total claims on the Tanjung Bin 4 project.

Setting aside the CIPAA decision and GE settlement, the construction division's underlying performance remains resilient and continues to be the Group's main revenue driver.

OUR BUSINESS

(Revenue by Sectors for FY2016)

CONSTRUCTION

RM628.9 million

POWER

RM11.1 million

PROPERTY

RM30.3 million

TRADING, MANUFACTURING & OTHERS

RM88.8 million

MANAGEMENT DISCUSSION & ANALYSIS

The Group has secured several projects during the year 2016, namely the Construction and Completion of Package 2 (Ayer Itam to Lebuhraya Tun Dr. Lim Chong Eu By-Pass) of the Penang Major Roads and Third Link Project in the State of Penang worth RM810 million; the Projek Mass Rapid Transit Laluan 2: Sungai Buloh - Serdang - Putrajaya ("SSP") - Package V207: Construction and Completion of Viaduct Guideway and Other Associated Works from Universiti Putra Malaysia to Taman Pinggiran Putra (KVMRT Package V207) worth RM559 million; the Development and Upgrading of the Pan Borneo Highway in the State of Sarawak for Phase 1 - Works Package Contract (Sg. Kua Bridge to Sg. Arip Bridge) for a total contract sum of RM1,325 million (30% Joint Venture stake worth RM398 million); and the development of a Large Scale Solar Photovoltaic Plant ("LSSPV") of 49.00 MW on a Build-Own-Operate basis at Sungai Siput, Kuala Kangsar, Perak worth RM270 million.

Total contract wins for the 2016 year stands at over RM2 billion.

The Group's on-going construction projects include: -

- Construction and completion of the main civil works for Pengerang RAPID (Workers Village) in Johor
- Construction and completion of the main civil works for Pengerang RAPID Warehouse in Johor
- Construction and completion of the main civil works for Pengerang Cogen Power Plant in Johor
- Construction and completion of the main civil works for Pengerang Cogen Supplementary Order in Johor
- Construction and completion of Projek Mass Rapid Transit Lembah Kelang Package V3 from Dataran Sunway Station to Section 17
- Design and construction of civil structure works for a 1,000 MW Coal-Fired Power Plant at Tanjung Bin, Johor Darul Takzim

The construction division continues to perform commendably due to its streamlined operations, optimisation of resources such as plant, labour and material and good industry track record. The division will remain cautious in building up the order book while at the same time stepping up cost controls in its projects. The Group's construction arm will continue to embrace value engineering principles for the benefit of its clients and project deliverables.

Property

The Property segment is involved in the development of residential and commercial properties.

The property segment reported revenue and PAT of RM30.3 million and RM4.8 million respectively in 2016 as compared to revenue of RM50.1 million and PAT of RM10.8 million for the previous year. Performance was impacted by slowing sales in the 10 Damansara and Batu Kawah projects arising from the soft housing market and tightening credit control policies of lending institutions.

The property arm's 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

RM810
MILLION

THIRD LINK PROJECT IN THE STATE OF PENANG

Plan for Completed Project in 2011 and the SHEDA Excellence Award for Best Residential High Rise Strata Development for Skyvilla Residences in 2013.

Mudajaya Land Sdn. Bhd. ("MLSB"), a wholly-owned subsidiary of MCB, is the developer of 10 Damansara Heights, a high-end boutique bungalow development at the prestigious Damansara Heights in Kuala Lumpur. This is a joint venture between MLSB and Integrated Heights Sdn. Bhd. On the commercial sector, Menara Mudajaya which sits 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 and is currently nearly fully-tenanted.

In December 2016, the Group had entered into a proposed settlement agreement ("Settlement Agreement") with Thriven Global Berhad ("Thriven") and Mayfair Ventures Sdn Bhd ("Mayfair") to mutually terminate the Subscription and Share Sale Agreement ("SSA"), which had been entered into in August 2013. Mayfair is a Joint Venture between MJCD and Thriven that was set-up to develop the Lumi Tropicana development in Petaling Jaya. The divestment provides MJCD with the opportunity to realise its investment in Mayfair as part of the Group's ongoing streamlining of its operations via the disposal of non-core assets. The divestment is currently pending finalisation by Thriven.

Power

The Power segment consists of the Group's concession and independent power producer ("IPP") assets in the energy sector.

The power segment reported revenue and LAT of RM11.1 million and RM143.9 million respectively in 2016 as compared to revenue of RM11.4 million and LAT of RM6.5 million for the previous year. The sharp increase in LAT was primarily due to the equity accounting of losses from RKM Powergen Private Limited ("RKM"), a 26% associate which undertakes the 4x360MW coal-fired power plant IPP in Chhattisgarh, India as well as impairment of the Philippines wind farm related investment. As disclosed previously, Units 1 and 2 of the India IPP had achieved Commercial Operation Date ("COD") in March 2016. Consequently, after COD depreciation on Units 1 and 2 was recognised and charged to profit or loss, while the interest costs for units 1 and 2 could also no longer be capitalised and hence were also charged to profit or loss accordingly. It is to be noted however that these losses are mainly non-cashflow items.

In Indonesia, the Group continues to build upon its earlier foray in 2015 into Indonesia via its investment in the Bau Bau 2x7 MW coal-fired power plant IPP in South Sulawesi. In April 2016, the Group via its 95% owned subsidiary PT Mudajaya Energi Indonesia, had entered into a Conditional Shares Sale and Purchase Agreement with PT Indomuda Satria Internusa and PT Harmoni Energi Indonesia Manokwari ("PT HEIM") to acquire 73.69% equity interest in PT HEIM. PT HEIM which is a special purpose vehicle, has a PPA with PT PLN (Persero) Wilayah Papua Dan Papua Barat for the development of a 2x7 MW coal-fired steam power plant on a Build-Operate-Own basis for 25 years from the Commercial Operation Date in Manokwari, West Papua of Indonesia. These assets will serve to increase the Group's footprint in Indonesia and enable it to pursue further opportunities in the fast-developing country.

MANAGEMENT DISCUSSION & ANALYSIS

In India, RKM Powergen Private Limited in which Mudajaya has a 26% equity stake in, is developing a 4 x 360 MW coal-fired thermal power plant. The IPP project which consists of 4 generating units with a nominal capacity of 360 MW each, is 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). As disclosed previously, Units 1 and 2 which have achieved COD and are ready to commence the sale of power, are currently having their Power Purchase Agreement's ("PPA") finalised. The IPP is targeted to come on-stream in phases starting from 2017 and are expected to contribute positively to the Group's performance in the coming years.

In Malaysia, the award for the development of the RM270 million 49MW LSSPV plant in Sungai Siput, Perak has added to the Group's growing power concession assets portfolio domestically. The PPA, which has recently been signed with Tenaga Nasional Berhad, is for a tenure of 21 years from the commencement of the facility's commercial operations which is expected to be in August 2018. The award through the Energy Commission, is part of the country's push towards increasing renewables in the country's energy mix to reduce dependence on conventional sources. Once the construction of the 49MW LSSPV in Sungai Siput, Perak is completed, and coupled with the Group's existing 10MW solar farm in Gebeng, Pahang, Mudajaya's total solar energy capacity in Malaysia will stand at 59MW.

Trading, Manufacturing & Others

The Trading, Manufacturing & Others segment reported revenue and LAT of RM88.8 million and RM7.9 million respectively for 2016 as compared to revenue of RM39.2 million and PAT of RM24.2 million for 2015. The improvement in revenue in the current period was mainly due to increase in sales of construction materials to the RAPID Pengerang projects. However, the losses incurred was mainly due to higher installation costs for the precast products and also one-off costs related to the setting up of the Group's unsecured EMTN programme.

The trading segment is involved in the trading of construction materials. The division's activities are undertaken by MJCT, a wholly-owned subsidiary of MJCI. The division plays 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 division's activities consist of production of ready-mixed concrete and precast concrete beams via MJCP, a wholly-owned subsidiary of MJCI. The ready-mixed concrete operation provides integral support to the construction, pre-cast concrete production and property development activities of the Group.

Major precast concrete beam contracts secured and supplied during the year were the Klang Westports CT8 and CT9 Wharf, Klang Northport Container Terminal 4 (CT 4), Lebuhraya Persiaran Pantai Barat (Taiping-Banting) Section 9

and DUKE Phase 2 Sri Damansara Link projects.

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") in railways, highways, oil and gas construction, and mixed developments. Projects such as the High Speed Rail ("HSR"), East Coast Rail Line ("ECRL"), Refinery and Petrochemical Integrated Development ("RAPID") in Pengerang, Johor, the Klang Valley MRT Sg Buloh – Serdang – Putrajaya ("SBSP") Line 2, and highways like the West Coast Expressway ("WCE") and Pan Borneo Highway will continue to spearhead the sector's growth.

Domestically, the Group is leveraging on its financial strength and established track record in the power sector to generate higher profit margins. Power plant construction projects, to replace end-of life plants and to meet the increased energy needs of the nation provide opportunities to increase the Group's construction order book. In renewable energy, the Group's solar energy generation projects such as the 49MW LSSPV in Sungai Siput, Perak and the 10MW solar farm in Gebeng, Pahang has helped to raise the Group's profile as it seeks further opportunities in the RE sector.

Abroad, the Group has continued 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 through its subsidiary MJCC which is developing the Batu Kawah Township in Kuching, has a remaining land-bank of over 60 acres with projected Gross Development Value of RM1.5 billion. Going forward, the property arm is expected to contribute to the Group's earnings.

The manufacturing segment is also expanding its core activities. MJCP is actively pursuing various projects and expanding its manufacturing capabilities to meet the large demand from infrastructure projects such as the tunnel lining for LRT 3, and elevated highways and bridges for precast concrete products.

Mudajaya will continue to explore opportunities to further strengthen its order book and maintain sustainable growth.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") of Mudajaya Group Berhad ("Mudajaya" or "the Company") remains 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 governance practices is critical to business integrity and performance, and key to delivering shareholders' 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 ended 31 December 2016, 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.

1. 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 shareholders' value, the Board takes into account the interests of all stakeholders in its decision-making.

The Board shall be involved in matters that may have a significant impact on the Group's business such as, but not limited to, issues within the objectives, strategies, operations and financials of the Group.

Beyond the matters reserved for the Board's decision, the Board has delegated the authority to achieve the corporate objectives to the Group Managing Director & Chief Executive Officer ("Group CEO") and Executive Director, supported by an Executive Committee. The Group CEO and Executive Director remain accountable to the Board for the authorities that are delegated to them, 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.

To ensure the effective discharge of its functions and responsibilities, the Board has set and approved business authority limits which set out relevant matters which the Board may delegate to the Management. These authority limits are reviewed and revised as and when required, to ensure an optimum structure for efficient and effective decision-making in the Group.

1.2 Clear Roles and Responsibilities

The Board is responsible for the overall performance of the Group and focuses on strategies, performance, standards of conduct, financial and major business matters.

The main functions and roles of the Board are as follows:-

- Setting and reviewing the objectives, goals and strategic plans for the Group with a view to maximising shareholders' value.
- Adopting and monitoring progress of the Company's strategies, budgets, plans and policies.
- Overseeing the conduct of the Group's businesses to evaluate whether the businesses are properly managed.
- Identifying principal risks of the Group and ensuring the implementation of appropriate systems to mitigate and manage these risks.

- Considering Management's recommendations on key issues including acquisitions, divestments, restructuring, funding and significant capital expenditure.
- Succession planning for senior management.
- Reviewing the adequacy and integrity of the Group's internal control systems and management information systems.
- Overseeing the development and implementation of a shareholders' communication policy for the Company.

The roles of the Non-Executive Directors include ensuring the strategies, plans and policies proposed by Management are deliberated and considered, taking into account the overall strategies and directions of the Group and the interest of stakeholders, as well as advising and monitoring corporate governance framework, policies and practices.

The Board has established Board Committees, namely the Audit Committee ("AC"), Combined Nomination and Remuneration Committee ("CNRC"), Executive Committee, Investment Committee, Risk Management Committee and Options Committee to examine specific matters within their respective terms of reference as approved by the Board and these Board Committees will report to the Board with their proceedings and recommendations. The ultimate responsibility for decision-making, however, lies with the Board.

1.3 Formalised Ethical Standards through Code of Ethics and Conduct

Code of Ethics and 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. The Code provides clear direction on conduct of 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 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.

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 is made available on Mudajaya's website at www.mudajaya.com.

Whistleblowing Policy

Mudajaya has an established Whistleblowing 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 Whistleblowing 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 AC Chairman.

The Whistleblowing Policy is published on Mudajaya's website at www.mudajaya.com.

STATEMENT ON CORPORATE GOVERNANCE

1.4 Strategies promoting Sustainability

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

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

Mudajaya takes a proactive approach in managing potential environmental risks and impacts across the Group's operations and comply with global standards such as ISO 9001: 2008, ISO 14001: 2004 and OHSAS 18001: 2007. Mudajaya has 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 the employees.

The Group's corporate responsibility activities for the financial year under review are disclosed in the Corporate Responsibility Statement.

1.5 Access to Information and Advice

The Directors have full and unrestricted access to all information pertaining to the Group's business affairs, whether as a full Board or in their individual capacity, to enable them to discharge their duties.

The Board normally meets quarterly to review financial, operational and business performances, with additional meetings convened when necessary. In the intervals between Board meetings, Board decisions for urgent matters are obtained via circular resolutions, to which are attached sufficient information required for an informed decision.

All Directors are provided with an agenda and a set of agenda papers at least a week prior to the Board and Committee meetings to enable the Directors to review and consider the items to be deliberated at the meetings. The Directors may seek advice from the Management, or request further explanation, information or updates on the matters of the Company, where necessary.

The Board papers include, inter alia, the progress report on the Group's developments, business plan and budget, quarterly financial results and minutes/decisions of meetings of the Board Committees. Additionally, the Board is furnished with adhoc reports to ensure that it is apprised of key business, financial and operational matters, as and when the need arises.

In May 2016, the Company has implemented a paperless environment for all the Board and Board Committee meetings, which enables the Directors to access agenda papers via iPad instead of distribution of hard copies. In addition to agenda papers, various documents such as the Company's constitution, terms of reference, policies, rules and guidelines are also uploaded onto the iPad for convenient reference. With this initiative, Directors are able to have access to these documents in a timely and more efficient manner.

At the Board and Committee meetings, the Group CEO, Executive Director, Chief Financial Officer and members of the senior management who attend Board and Committee meetings by invitation, will report and update on areas within their responsibility to give the Directors thorough insights into the business and affairs of the Group. The Board is also provided with relevant information in between Board meetings, such as important financial and operational updates.

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. The proceedings of and resolutions passed at each Board and Board Committee meeting are minuted by the Company Secretaries.

STATEMENT ON CORPORATE GOVERNANCE

Access to Independent and Professional Advice

The Board or an individual Director may seek professional expert advice at the Company's expense with prior approval from the Board on any matters in relation to the discharge of their responsibilities, when considered necessary.

1.6 Qualified and Competent Company Secretaries

The Board is supported by suitably qualified and competent Company Secretaries who ensure the flow of information to the Board and its Committees. They are responsible for developing and maintaining the processes that enable the Board to fulfill its roles, ensuring compliance with the Company's constitution and the relevant guidelines, regulatory and statutory requirements, and advising the Board on all governance matters.

The Board is regularly updated and advised by the Company Secretaries on new statutory and regulatory requirements, and the implications on the Group and the Directors in relation to their duties and responsibilities. The Company Secretaries, whose appointment and removal are matters for the Board to decide, oversee the adherence to Board policies and procedures.

The Company Secretaries attend the Board and 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 Secretaries.

1.7 Board Charter

The Board is guided by the Board Charter which amongst others, sets 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 the Group CEO.

The Board Charter including the terms of reference of all the Board Committees are accessible in Mudajaya's website at www.mudajaya.com.

2. STRENGTHEN COMPOSITION OF THE BOARD

2.1 CNRC

The CNRC currently comprises all Independent Non-Executive Directors. In observance with the MCCG 2012, the CNRC is chaired by the Senior Independent Non-Executive Director. The members of the CNRC are as follows:-

(i) Chew Hoy Ping (Chairman)
(Senior Independent Non-Executive Director)

(ii) Dato' Yusli Bin Mohamed Yusoff
(Independent Non-Executive Director)

Mr Lee Seng Huang ceased to be a member of the CNRC on 2 December 2016 following his resignation as a Director of the Company.

The CNRC has written terms of reference dealing with its authority and duties, which is made available on Mudajaya's website at www.mudajaya.com. The duties and responsibilities of the CNRC are as follows:-

STATEMENT ON CORPORATE GOVERNANCE

(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 extraordinary 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 and disclose details in the annual report as appropriate, in accordance with Bursa Malaysia Securities Berhad's ("Bursa Securities") guidelines on continuing education.

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

(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 by CNRC

The CNRC meets as and when required, and at least once a year. The CNRC met 4 times during the financial year and the meetings were attended by a majority of its members.

The activities of the CNRC during the financial year are summarised as follows:-

(a) Reviewed the evaluation results of the Board and Board Committees, and independence assessment of the Independent Directors.

(b) Reviewed the results of the Director's Self & Peer Evaluation and mix of skills, competencies and experience of Directors.

(c) Reviewed the term of office, competency and performance of the AC and its members.

(d) Reviewed the evaluation results of the performance and contribution of the Group CEO.

(e) Reviewed and recommended the re-election and re-appointment of Directors.

(f) Reviewed the training programmes attended by the Directors and assessed the training needs of Directors.

(g) Reviewed and recommended for the Board's approval, the proposed process for the nomination and appointment of new Directors, as well as the criteria used in the selection process.

(h) Reviewed and recommended for the Board's approval, the proposed extension of the existing employees' share option scheme of the Company and proposed new allocation of options to the Executive Directors and Senior Management of the Group.

(i) Ratified and recommended for the Board's approval, the new composition of the Options Committee.

(j) Reviewed and recommended for the Board's approval, the proposed appointments of Executive Director of the Company and the Senior Independent Non-Executive Director.

(k) Reviewed and recommended for the Board's approval, the proposed amendments to the terms of reference of the CNRC.

In carrying out its duties and responsibilities, the CNRC has full and unrestricted access to the relevant records of the Company. The CNRC reports its proceedings and recommendations to the Board for its consideration and approval.

Details of the activities undertaken by the CNRC are set out in sections 2.2, 3.1 and 4.2 below.

2.2 Develop, Maintain and Review Criteria for Recruitment Process and Annual Assessment of Directors

Appointments of New Directors to the Board

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.

A proposed candidate is first considered by the CNRC which takes into account, among others, the skills and experience of the candidate, before making a recommendation to the Board for approval. A formal procedure and process has been established for the nomination and appointment of new Directors. The process for the nomination and appointment of new Directors is as follows:-

(a) The CNRC will assess and identify the skills required for the Board, taking into consideration the diversity factor, including but not limited to age, race, gender, experience and skills.

(b) Selection of candidate. Candidate may be nominated by the Chairman, Director, senior management or shareholder of the Company.

(c) Obtain the profile/curriculum vitae and relevant information from the candidate.

(d) Table the candidate's profile/curriculum vitae and relevant information to the CNRC for deliberation and assessment, based on the following:-

STATEMENT ON CORPORATE GOVERNANCE

i) background, character, competency, integrity and time commitment (i.e. number of existing directorships and other positions that involve significant time commitments);

ii) qualifications, skills, expertise and experience;

iii) professionalism; and

iv) in the case of candidates for the position of independent non-executive directors, the candidate's independence and ability to discharge such responsibilities as expected from independent non-executive directors, will be evaluated.

(e) Recommendation to the Board for approval.

(f) A formal invitation to join the Board to be extended by the Chairman after approval by the Board.

(g) Complete documentation process i.e. candidate to execute relevant documents required under the Companies Act 2016, Listing Requirements of Bursa Securities and other applicable regulations.

(h) Organise induction programme for the newly appointed Director.

Diversity of gender, ethnicity and age within the Board is also important, and this includes appropriate mix of skills, experience and competencies which are relevant to enhance the Board's composition. The Board recognises 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 a specific policy on gender diversity but the CNRC is mindful of its responsibilities to conduct all Board appointment processes in a manner that promotes gender diversity pursuant to the recommendation stated in the MCCG 2012. The CNRC will endeavour to consider women candidates in the recruitment exercise, when the need arises. 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.

On 2 December 2016, Mr Lee Eng Leong was appointed as Executive Director of the Company, in place of Mr Lee Seng Huang, the Non-Independent Non-Executive Director who resigned on the same day. Mr Lee Eng Leong was the Alternate Director to Mr Lee Seng Huang prior to his appointment as the Executive Director. The proposed appointment was duly considered by the CNRC taking into account his background, qualification, experience, competence, integrity and time commitment. Upon the recommendation of the CNRC, the Board approved the said appointment.

Re-Election and Re-Appointment of Directors

The Company's Articles of Association provides that one-third of the Directors for the time being, or if their number is not 3 or a multiple of 3, then the number nearest to one-third, shall retire from office at each AGM. Each Director shall retire once at least in each 3 years but shall be eligible for re-election. The Directors to retire in each year are those who have been longest in office since their last election or appointment. As for Directors who are appointed by the Board, they are subject to re-election at the next AGM following their appointment.

Pursuant to Section 129(2) of the Companies Act 1965, the office of a Director who is of or over the age of 70 years shall become vacant at the conclusion of the forthcoming AGM and subject to approval being obtained from the shareholders, may be re-appointed to hold office until the next AGM in accordance with Section 129(6) of the Companies Act 1965.

The performance of those Directors who are subject to re-election and re-appointment at the AGM will be subject to assessment conducted by the CNRC, whereupon the Committee's recommendations are made to the Board on the proposed re-election and re-appointment of the Directors concerned for shareholders' approval at the AGM. The re-election of each Director is voted as a separate resolution during the AGM.

Annual Assessment of Directors

The Board annually evaluates its performance and governance processes with the aim of improving individual Director's contributions, and effectiveness of the Board and its Committees.

During the financial year, a Board evaluation exercise was carried out to assess the effectiveness of the Board, its Committees and the contribution of each Director. The evaluation exercise was conducted via questionnaires, which were distributed to all the Directors and cover areas which include, amongst others, the Board's mix, composition and structure, operations, roles and responsibilities and performance/contribution of the Board Committees. The questionnaires are reviewed annually to continuously engage the Directors' perspectives on fresh and relevant areas.

The evaluation also encompassed Director's Self & Peer Evaluation, assessing the individual Director's contributions and interaction, quality of input and understanding of roles and responsibilities as a Director, as well as the assessment of mix of skills and experience. Performance of individual Directors were assessed against a range of criteria, as follows:-

(a) Participate actively in Board deliberations and share information/insights.

(b) Take strong constructive stands at Board or Committee meetings, where necessary.

(c) Regular and timely attendance of Board/Committee meetings.

(d) Maintain good relationship with other members of the Board and Management.

(e) Ensure that contribution is relevant; up-to-date with changes in laws/regulations and industry developments.

(f) Provide practical advice in Board/Committee deliberations.

(g) Apply analytical and conceptual skills to decision-making process.

(h) Exercise independence of judgement when considering issues before the Board.

(i) Communicate persuasively in a clear and non-confrontational manner.

(j) Has a clear understanding of the roles and responsibilities of a Director.

(k) Attend meetings well prepared.

(l) Take initiative to request for more information, where necessary.

The CNRC reviewed the overall results of the evaluations conducted and subsequently tabled the same to the Board and highlighted those areas which required further and continuous improvement.

The CNRC also reviewed and recommended to the Board, Dato' Yusli Bin Mohamed Yusoff, the retiring Director who was eligible to stand for re-election at the AGM in 2016, as well as the re-appointment of Mr Wee Teck Nam pursuant to Section 129(6) of the Companies Act 1965. The recommendation was based on the review and assessment of the performance of these Directors. The Board approved the CNRC's recommendation to support the re-election and re-appointment of these Directors at the AGM.

All assessments and evaluations carried out by the CNRC are documented and maintained by the Company Secretary.

2.3 Remuneration Policies and Procedures

The objective of Mudajaya's policy on Directors' remuneration is to attract and retain Directors of high calibre needed to run the Company successfully. The remuneration of the Executive Directors is structured on the basis of linking rewards to corporate and individual performance. Market survey data on the remuneration practices of comparable companies is taken into consideration in determining the remuneration packages for the Executive Directors.

STATEMENT ON CORPORATE GOVERNANCE

For Non-Executive Directors, the level of remuneration reflects their experience, expertise and level of responsibilities undertaken by the Non-Executive Directors concerned.

CNRC

The role of the CNRC is to assist the Board in overseeing the remuneration policy of the Group. The current CNRC consists of all Independent Non-Executive Directors, namely Mr. Chew Hoy Ping (Chairman) and Dato' Yusli Bin Mohamed Yusoff.

The responsibility of the CNRC is to review the Executive Directors' performance in line with the corporate objectives and decides and recommends for the Board's approval, their remuneration package. The CNRC also reviews the remuneration package of the Non-Executive Directors and recommend the same for shareholders' approval at the AGM of the Company.

The CNRC is authorised to commission independent advice for the purpose of discharging its duties and responsibilities.

The CNRC meets as and when required, and at least once a year. During the financial year, the CNRC evaluated the Group CEO and Executive Director against the set performance criteria, and reviewed and recommended their compensation packages for the Board's approval, with the Directors concerned abstaining from deliberation and voting on the same.

The Board collectively determined the remuneration for the Non-Executive Directors based on the recommendation from the Remuneration Committee. Each of the Non-Executive Directors abstained from deliberating and voting in respect to his individual remuneration. Directors' fees payable to the Non-Executive Directors are subject to the approval of shareholders at the AGM. The Non-Executive Directors are also paid meeting allowance for attendance of each Board or Committee meeting.

Details of Directors' Remuneration

Details of the aggregate remuneration of the Directors of the Company, categorised into appropriate components, for the financial year ended 31 December 2016 are as follows:-

	Executive Directors RM'000	Non-Executive Directors RM'000
Salaries and other emoluments	1,638	-
Bonus	423	-
Defined contribution plan	227	-
Estimated money value of benefits-in-kind	21	-
Fees	-	410
Other emoluments	-	162
Total:	**2,309**	**572**

The number of Directors whose total remuneration falls within the following bands is as follows:-

Range of Remuneration	Executive Directors	Non-Executive Directors
RM50,000 – RM100,000	-	2
RM100,000 – RM150,000	-	1
RM300,000 – RM350,000	-	1
RM850,000 – RM900,000	1	-
RM1,400,000 – RM1,450,000	1	-

3. REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independence

The Board acknowledges the importance of Independent Directors who are tasked with ensuring that there is a proper check and balance on the Board as they are able to provide unbiased and independent views in Board deliberations and decision-making of the Board taking into account the interests of the Group and the minority shareholders.

Taking into cognisance of the importance of the interests of the shareholders and stakeholders, the Board had on 2 December 2016, appointed Mr Chew Hoy Ping as Senior Independent Non-Executive Director, to whom any concern regarding the Company may be conveyed.

In its annual assessment, the CNRC reviewed the independence of Independent Directors. Based on their self-assessment of independence, the Independent Directors namely Dato' Yusli Bin Mohamed Yusoff and Mr Chew Hoy Ping have declared that they fulfilled the criteria of independence, as defined under the Main Market Listing Requirements of Bursa Securities and other independence criteria applied by the Company which took into account that the individual Director is independent of Management and free from any business or other relationship which could interfere with the exercise of independent and objective judgement. Based on the assessment, the Board is of the opinion that the Independent Directors consistently provided independent and objective judgement in all Board and Board Committee deliberations and is satisfied with the level of independence demonstrated by the Independent Directors and their ability to act in the best interest of the Company.

The Company fulfills the requirement to have at least one-third of the Board comprising Independent Non-Executive Directors. However, the Board has plans to increase the number of Independent Non-Executive Directors to further strengthen the Board's composition.

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.

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 of 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.

The Board may seek the shareholders' approval in the event it wishes to retain a Director as an Independent Director who has served in that capacity for more than 9 years and provide strong justification to shareholders at a general meeting.

STATEMENT ON CORPORATE GOVERNANCE

3.3 Shareholders' Approval to retain Independent Directors who have served for more than 9 years

Currently, none of the Independent Directors of the Company has served on the Board for a cumulative term of more than 9 years. Therefore, the Company is not required to seek the shareholders' approval for the retention of Independent Directors.

3.4 Separation of positions of the Chairman and Chief Executive Officer

There is a clear division of responsibilities between the Chairman and the Group 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 who is an Independent Non-Executive Director, is responsible for the leadership and governance of the Board, ensuring its effectiveness. He leads the Board effectively and encourages contribution from all members. He engages directly with the Group CEO to monitor performance and oversees the implementation of strategies.

The Group CEO is responsible for the day-to-day management of the Group'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 the Group's operations.

The Board currently has 5 Directors, comprising the Independent Non-Executive Chairman, Group CEO, Non-Independent Executive Director, an Independent Non-Executive Director and a Non-Independent Non-Executive Director.

The Board has an appropriate mix of relevant skills, knowledge and experience in the areas of business, accounting, finance, economics, construction, engineering, real estate investment and property development, which are relevant to the Group. The Non-Executive Directors contribute international and operational experience, and understanding of the financial and capital markets. A brief profile of each Director is set out under the Profile of Board of Directors of this Annual Report.

The Board is satisfied that the current composition of Directors provides the appropriate size and balance of expertise, skills and core competencies among the Directors, which are necessary to lead the Group effectively. It also fairly represents the ownership structure of Mudajaya, with appropriate representations of minority interests through the Independent Non-Executive Directors. The Independent Directors provide independent judgement, objectivity and check and balance on the Board.

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.

4. FOSTER COMMITMENT

4.1 Time Commitment

During the financial year, the level of time commitment given by the Directors was satisfactory, which was evidenced by the attendance record of the Directors at the Board meetings held.

In accordance with the Board Charter, Directors are required to notify the Chairman before accepting any new directorship and to indicate the time that will be spent on the new appointment.

To facilitate the Directors' time planning, a schedule of meetings comprising the dates of Board and Board Committee meetings and AGM, would be prepared and circulated to them at the end of every year.

A total of 5 Board meetings were held during the financial year ended 31 December 2016 and the record of attendance of the Directors is as follows:-

Name of Directors	Number of Meetings Attended	Percentage of Attendance (%)
Dato' Yusli Bin Mohamed Yusoff	5/5	100
James Wong Tet Foh	5/5	100
Chew Hoy Ping	5/5	100
Wee Teck Nam	5/5	100
Lee Seng Huang *(Resigned on 2 December 2016)*	4/5	80

All the Directors have complied with the minimum requirement of at least 50% on attendance of Board meetings during the financial year as stipulated in the Main Market Listing Requirements of Bursa Securities.

In compliance with Paragraph 15.06 of the Main Market Listing Requirements of Bursa Securities, the Directors of the Company hold not more than 5 directorships in public listed companies. This enables them to discharge their duties effectively by ensuring that their commitment, resources and time are focused on the affairs of the Group.

4.2 Directors' Training, Development and Induction

The Board acknowledges that continuous education is vital to gain insight into the state of economy, technological advances, regulatory updates and management strategies to enhance the skills and knowledge in discharging its responsibilities.

All the Directors, apart from attending the Mandatory Accredited Programme as required by Bursa Securities, have also attended other training programmes and seminars organised by the relevant regulatory authorities or professional bodies to broaden their knowledge and to keep abreast with the relevant changes in laws, regulations and the business environment. The Directors are mindful that they should continue to update their skills and knowledge to sustain their active participation in Board deliberations and maximise their effectiveness during their tenure.

The Directors have on-going access to continuing education programmes as they are kept informed of relevant training programmes by the Company Secretary. The records of all training programmes attended by the Directors are maintained by the Company Secretary.

STATEMENT ON CORPORATE GOVERNANCE

Annually, the Board (through the CNRC) reviewed the training programmes attended by the Directors and assessed the training needs of its members to assist them in the discharge of their duties as Directors. Details of the training programmes/seminars/conferences/workshops attended by the Directors during the financial year ended 31 December 2016 are as follows:-

Name of Directors	Title	Organiser	Date
Dato' Yusli Bin Mohamed Yusoff	1) Corporate Governance Breakfast Series : Future of Auditor Reporting – The Game Changer for Boardroom	Bursa Malaysia Berhad, Malaysian Institute of Accountants & Malaysian Institute of Certified Public Accountants	9 March 2016
	2) Ring the Bell for Gender Equality	Bursa Malaysia Berhad	11 March 2016
	3) Launch of the AGM Guide & Corporate Governance Breakfast Series : How to Leverage on AGMs for Better Engagement with Shareholders	Bursa Malaysia Berhad & Malaysian Institute of Chartered Secretaries and Administrators	21 November 2016
James Wong Tet Foh	1) Globe Trade Outlook 2016	HSBC Bank Malaysia	9 March 2016
	2) Members' Breakfast Talk	Malaysian Institute of Corporate Governance	21 April 2016
	3) Affin Hwang Capital : Infrastructure Conference - Improving Connectivity	Affin Hwang Capital	10 June 2016
	4) Power Sector Developments in Southeast Asia Expert Session	Malaysia External Trade Development Corporation	29 July 2016
	5) Exclusive Breakfast Talk	Malaysian Institute of Corporate Governance	20 July 2016
	6) The Fusionsolar Seminar 2016	Huawei Technology Co. Ltd	22 August 2016
	7) Financial Reporting - Pitfalls and what to watch out for	Bursatra Sdn Bhd	20 October 2016
Lee Eng Leong	1) Members' Breakfast Talk	Malaysian Institute of Corporate Governance	21 April 2016
	2) Corporate Governance Breakfast Series: The Strategy, the Leadership, the Stakeholders and the Board	Malaysian Directors Academy	6 May 2016
	3) Advocacy Sessions on Management Discussion & Analysis for CEOs & CFOs of Listed Issuers	Bursa Malaysia Berhad	26 September 2016

Name of Directors	Title	Organiser	Date
Chew Hoy Ping	1) AC Conference 2016	Malaysian Institute of Accountants & The Institute of Internal Auditors Malaysia	29 March 2016
	2) AC Institute Breakfast Roundtable 2016	KPMG	26 April 2016
	3) AC Workshop C : Related Party Transactions and Conflict of Interest Situations	Malaysian Institute of Accountants	15 June 2016
	4) AC Workshop D : Oversight of the Internal Audit Function	Malaysian Institute of Accountants	15 June 2016
	5) AC Workshop E : Understanding Complex Financial Reporting under MFRS/IFRS	Malaysian Institute of Accountants	13 July 2016
	6) AC Workshop F : The Statement on Risk Management and Internal Control	Malaysian Institute of Accountants	13 July 2016
	7) Expectations on PLCs and Directors in Disclosure & Compliance Requirements under the Listing Requirements	Bursatra Sdn Bhd	24 October 2016
Wee Teck Nam	MIA International Accountants Conference	Malaysian Institute of Accountants	15 & 16 November 2016
Lee Seng Huang *(Resigned on 2 December 2016)*	Environmental, Social and Governance Reporting	The Hong Kong Institute of Directors	26 May 2016

If new Directors are appointed to the Board, they will undergo an induction programme, which includes briefings on Mudajaya's business and its governance process, meetings with senior management and visit to the business operations.

5. 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 results, 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 AC in governing the Group's financial reporting processes and the quality of its financial reporting. The quarterly results and audited financial statements are reviewed by the AC and the external auditors (for audited financial statements) and approved by the Board before being released to Bursa Securities.

The AC Report as set out in this Annual Report, provides the details of the AC's activities in respect of financial reporting.

Directors' Responsibilities Statement 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 financial reporting 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 financial performance and cash flows of the Group and Company for the financial year.

In preparing the financial statements, the Directors have:

(a) ensured that the financial statements are in accordance with the provisions of the Companies Act 1965, the applicable financial reporting standards and the Main Market Listing Requirements of Bursa Securities;

(b) adopted the appropriate accounting policies and applied them consistently; and

(c) made judgments and estimates that are prudent and reasonable.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy, the financial position of the Company and the Group which enable them to ensure that the financial statements comply with the relevant statutory requirements.

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

The Company maintains a transparent relationship with its external auditors and seeks their professional advice to ensure that accounting standards are complied with. The AC discusses with the external auditors, the nature and scope of the audit and reporting obligations prior to the commencement of audit. The AC ensures that Management provides timely responses on all material queries raised by the external auditors.

During the financial year, the external auditors attended 3 of the total AC meetings held. The AC also met with the external auditors on 24 February 2016 and 25 November 2016 without the presence of the executive Board member and Management, to discuss the extent of assistance rendered by Management as well as issues and reservations arising from their audit.

The AC in reviewing the re-appointment of external auditors for tabling at the AGM, had considered their suitability, independence, objectivity and cost effectiveness based on the criteria prescribed under Paragraph 15.21 of the Main Market Listing Requirements of Bursa Securities. The assessment was undertaken via questionnaires to be completed by each member of the AC. The questionnaires which are used as an assessment tool, are based on a 4-scale rating or 'Yes' and 'No' answer, whichever is applicable for each question. The areas which are covered in the assessment encompassed the external auditors' performance in terms of skills, expertise and competencies, calibre of the external audit firm, independence and objectivity, audit scope and planning, reasonableness of audit fees, provision of non-audit services and quality of communications with the AC. This annual evaluation provides the AC with a disciplined approach for maintaining effective oversight of the external auditors' performance.

The evaluation results with recommendations made to further safeguard and improve the independence and quality of services rendered by the external auditors, are tabled at the AC meeting. The external auditors have also provided written confirmation on their independence in accordance with the terms of relevant professional and regulatory requirements.

The AC was satisfied with the suitability and independence of the external auditors and thereby recommended to the Board for their re-appointment at the AGM of the Company. The Board approved the AC's recommendation for the re-appointment of external auditors, subject to the shareholders' approval being sought at the AGM of the Company.

The Company has in place policies governing the provision of non-audit services, which are designed to ensure that such services do not impair the external auditors' independence or objectivity. Generally, the amount of non-audit fees is not significant as compared to the amount of audit fees. Audit and non-audit fees of the external auditors will be reviewed by the AC before recommending to the Board for approval.

6. 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 the Group's risk management and internal control framework.

Mudajaya has in place an ongoing process for identifying, evaluating and managing significant risks that may affect the achievement of the business objectives of the Group. In addition, the Board has implemented more stringent internal controls to further 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.

The Statement on Risk Management and Internal Control as set out in this Annual Report, provides an overview of the state of internal controls and risk management within the Group.

STATEMENT ON CORPORATE GOVERNANCE

6.2 Internal Audit Function

The Board has the ultimate responsibility for the Group'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, loss or fraud.

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

The Group has an established internal audit function performed in-house by the Internal Audit and Risk Management Department, which reports directly to the AC. Its principal objective is to undertake regular reviews of the systems of controls, procedures and operations so as to provide reasonable assurance that the internal control system is sound, adequate and operating satisfactorily.

The AC Report as set out in this Annual Report, provides the details of the activities of the internal audit function.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policies and Procedures

The Board acknowledges the need for shareholders and other stakeholders to be informed of all material business matters of the Company. Announcements to Bursa Securities are made on significant developments and matters of the Group. Financial results are released on a quarterly basis to provide shareholders and other stakeholders with a regular overview of the Group's performance. All announcements made by the Company to Bursa Securities are also available to shareholders and the market on the Investor Relations section of Mudajaya's website.

The Company also arranges press interviews and briefings, and releases press announcements to provide information on the Group's business activities, performance and major developments, as and when necessary.

While the Company endeavours to provide as much information as possible to its shareholders and other stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

7.2 Leverage on Information Technology for Effective Dissemination of Information

Company Website

The Company's website, www.mudajaya.com provides detailed information on the Group's businesses and latest development. The website has a section dedicated to investor relations and corporate governance which contains announcements to Bursa Securities, quarterly financial results and annual reports, among others.

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

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

Shareholders and Investors Queries

Whilst the Company 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 about the Group, they are encouraged to direct their queries to:

Investor Relations
Mudajaya Group Berhad
Level 12, Menara Mudajaya
No. 12A, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan
Tel No : (603) 7806 7899
Email : info@mudajaya.com

8. STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND SHAREHOLDERS

8.1 Encourage Shareholder Participation at General Meetings

General meetings represent the principal forum for dialogue and interaction with shareholders. The Board fully recognises the rights of shareholders and encourages them to exercise their rights at the AGM.

In 2016, the notice of AGM with sufficient information of business to be dealt with thereat, was sent to shareholders more than 21 days ahead of the meeting date together with the Annual Report. The notice of AGM is published in one national newspaper to provide for wider dissemination of such notice to encourage shareholder participation. In addition, the notice of AGM and Proxy Form which are contained in the Annual Report are posted on the websites of Mudajaya and Bursa Securities.

Each item of special business included in the notice of AGM is accompanied by an explanatory statement for the proposed resolution to facilitate better understanding and evaluation of issues involved.

8.2 Encourage poll voting

At the outset of general meetings, the Chairman would inform the shareholders of their right to request for poll vote. Generally, resolutions will be carried out by show of hands, except for related party transactions wherein poll will be conducted, as required under the Main Market Listing Requirements of Bursa Securities. The Board will endeavour to put substantive resolutions to be voted by way of poll and make an announcement of the detailed results to Bursa Securities.

All resolutions put forth for shareholders' approval at the 13th AGM held on 16 June 2016 were voted by a show of hands.

Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all resolutions set out in the notice of any general meeting held on or after 1 July 2016 must be put to vote by poll.

STATEMENT ON CORPORATE GOVERNANCE

8.3 Effective Communication and Proactive Engagements with Shareholders

At the general meetings, shareholders have direct access to the Board and are encouraged to participate in the question and answer session. The Chairman and Group CEO will respond to shareholders' questions during the AGM.

In every AGM, the Group CEO presents a comprehensive review of Mudajaya's financial performance for the year and outlines the prospects of Mudajaya for the subsequent financial year. The Chairman or Group CEO also shares with the shareholders, the Company's responses to questions submitted by the Minority Shareholder Watchdog Group in advance of the AGM. Time is being set aside for shareholders' queries.

At the AGM in 2016, all the Directors save for a Director who had conveyed his leave of absence, were present in person to engage directly with the shareholders. The external auditors also attended the AGM to answer questions from shareholders on the audited financial statements.

The outcome of the AGM was announced to Bursa Securities on the same day.

STATEMENT OF COMPLIANCE

The Board is of the view that apart from the noted departures, the Company has complied with the Principles and Recommendations of MCCG 2012.

This Statement on Corporate Governance was approved by the Board on 10 April 2017.

ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad:-

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

The Company did not undertake any corporate proposal to raise proceeds during the financial year ended 31 December 2016.

2. AUDIT AND NON-AUDIT FEES

The audit and non-audit fees paid/payable to the external auditors for services rendered to the Company and/or its subsidiaries for the financial year ended 31 December 2016 are as follows:-

	Group RM'000	Company RM'000
Audit fees		
- Statutory auditors	442	105
- Other auditors	7	-
Subtotal:	**449**	**105**
Non-audit fees		
- Statutory auditors	18	18
Subtotal:	**18**	**18**
Total:	**467**	**123**

3. MATERIAL CONTRACTS INVOLVING THE INTEREST OF DIRECTORS AND MAJOR SHAREHOLDERS

Other than those disclosed in the audited financial statements, there were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiaries involving the interest of directors and major shareholders during the financial year ended 31 December 2016.

4. EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Company has one ESOS in existence and during the financial year ended 31 December 2016, the Company granted 16,100,000 options over ordinary shares ("options") to the Directors and eligible employees. There was no exercise of options during the financial year.

The total number of options granted, exercised, rejected, forfeited and outstanding under the ESOS as at 31 December 2016 are set out below:-

	Directors	Eligible Employees	Total
Total number of options granted	9,200,000	37,920,700*	47,120,700
Total number of options exercised	-	(4,102,000)	(4,102,000)
Total number of options rejected and forfeited	-	(18,758,000)	(18,758,000)
Total options outstanding	9,200,000	15,060,700	24,260,700

* Include 5,655,000 options granted to senior management

ADDITIONAL COMPLIANCE INFORMATION

The Company did not grant any options to the Non-Executive Directors of the Company under the ESOS during the financial year.

Pursuant to the Company's ESOS By-Laws, not more than 50% of the options available under the ESOS shall be allocated, in aggregate, to Directors and senior management. Since the commencement of the ESOS up to 31 December 2016, 32% of the options granted under the ESOS has been granted to Directors and senior management.

5. RECURRENT RELATED PARTY TRANSACTIONS

Pursuant to Chapter 10, Paragraph 10.09 and Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the details of the recurrent related party transactions of a revenue or trading nature ("RRPT") conducted pursuant to the Shareholders' Mandate during the financial year ended 31 December 2016 are as follows:-

Transacting Party	Interested Related Parties	Relationship of Related Parties as at 31 December 2016	Nature of RRPT	Value RM
Mayfair Ventures Sdn Bhd ("MVSB"), a subsidiary of Thriven Global Berhad ("Thriven")	Mulpha International Bhd ("MIB") Group, Thriven Group, Dato' Yusli Bin Mohamed Yusoff, Chew Hoy Ping, Lee Eng Leong and Lee Seng Huang	MIB is an indirect major shareholder of the Company via Mulpha Infrastructure Holdings Sdn Bhd, a wholly-owned subsidiary of MIB, where Mulpha Infrastructure Holdings Sdn Bhd holds 18.63% shareholding in the Company. Thriven is a 24.45% owned associated company of MIB, hence is a person connected with MIB. Dato' Yusli Bin Mohamed Yusoff, the Independent Non-Executive Chairman of the Company, is also an Independent Non-Executive Director of MIB. Chew Hoy Ping, an Independent Non-Executive Director of the Company, is also an Independent Non-Executive Director of MIB. Lee Eng Leong, the Non-Independent Executive Director of the Company, is also a Non-Independent Non-Executive Director of Thriven. Lee Seng Huang is an indirect major shareholder of MIB and Thriven. He was also the Non-Independent Non-Executive Director of the Company within the preceding 6 months.	Project management services provided by MJC Development Sdn Bhd (a subsidiary of the Company) to MVSB	120,000

AUDIT COMMITTEE REPORT

CONSTITUTION AND COMPOSITION

The AC was established pursuant to a resolution of the Board passed on 29 March 2004. The AC comprises 3 members, a majority of whom are Independent Non-Executive Directors. The members are as follows:-

1. Chew Hoy Ping (Chairman)
   (Independent Non-Executive Director)

2. Dato' Yusli Bin Mohamed Yusoff (Member)
   (Independent Non-Executive Director)

3. Wee Teck Nam (Member)
   (Non-Independent Non-Executive Director)

All members of the AC are financially literate and well-equipped with relevant knowledge and experience to effectively discharge their duties and responsibilities as members of the AC. In particular, the AC Chairman, Mr Chew Hoy Ping is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants, as required under Chapter 15, Paragraph 15.09(1)(c)(i) of the Main Market Listing Requirements of Bursa Securities. Mr Chew Hoy Ping being the AC Chairman, is also an Independent Non-Executive Director, as required under Chapter 15, Paragraph 15.10 of the Main Market Listing Requirements of Bursa Securities.

The profile of each member of the AC is set out in the Profile of Board of Directors section.

TERMS OF REFERENCE

The terms of reference of the AC, which outline the AC's composition, rights, functions, authority, meetings and reporting procedures, are published on Mudajaya's website at www.mudajaya.com.

MEETINGS AND ATTENDANCE

During the financial year ended 31 December 2016, the AC held 5 meetings. The details of attendance of the AC members are as follows:-

Name of AC Members	Number of Meetings Attended
Chew Hoy Ping	5/5
Dato' Yusli Bin Mohamed Yusoff	5/5
Wee Teck Nam	5/5

The Group CEO, Deputy Chief Executive Officer, Chief Financial Officer, Deputy Financial Controller and Head of the Internal Audit and Risk Management Department ("IARMD") were invited to attend all the meetings for the purpose of briefing the AC on the activities involving their areas of responsibilities.

The external auditors were present at 3 of the total meetings held. During the year, the external auditors attended the meetings to discuss their audit planning strategy and plan, consideration of key audit matters, financial reporting requirements, compliance, risks and other matters that would affect the issuance of the audited financial statements. The AC also met with the external auditors twice during the year without the presence of the executive board members and Management.

The AC Chairman would brief the Board on the proceedings of each AC meeting. Minutes of each AC meeting were also tabled for confirmation at the following AC meeting and subsequently tabled to the Board for notation.

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES OF THE AC

During the financial year, the AC carried out its activities in line with its terms of reference, which are summarised as follows:-

1. Financial Reporting

- Reviewed and discussed with Management, the financial and cash flow reports of the Company and the Group at the AC meetings held on 24 February 2016, 25 May 2016, 25 August 2016, 25 November 2016 and 24 February 2017. The financial and cash flow reports were also tabled to the Board for notation.

  During the discussion, the AC had sought explanations and additional information from Management and the Chief Financial Officer including the reasons for variances or trends in the financial performance of the Company and the Group.
- Reviewed the quarterly financial results for the 4th quarter of 2015 and the annual audited financial statements of 2015 for recommendation to the Board for approval and release to Bursa Securities and Securities Commission, at the AC meetings held on 24 February 2016 and 31 March 2016 respectively.
- Reviewed the quarterly financial results for the 1st, 2nd, 3rd and 4th quarters of 2016, and the annual audited financial statements of 2016 for recommendation to the Board for approval and release to Bursa Securities and Securities Commission, focusing particularly on:
  - o compliance with accounting and financial reporting standards, legal and other regulatory requirements;
  - o significant and unusual events, including the latest status of the ongoing material litigation;
  - o the contents of the press statement on the outlook and prospects of the Group;
  - o cash flow, financing and going concern assumptions; and
  - o significant matters highlighted by the external auditors and significant judgments made by Management

  at the AC meetings held on 25 May 2016, 25 August 2016, 25 November 2016, 24 February 2017 and 29 March 2017 respectively.

2. Annual Report Requirements

- Reviewed and recommended to the Board for approval, the Statement on Risk Management and Internal Control for inclusion in the Annual Report 2015 upon clearance by the external auditors, at the AC meeting held on 31 March 2016.

  The AC was informed that the external auditors had reviewed the Statement on Risk Management and Internal Control and noted no non-compliance with the requirements under paragraphs 41 & 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("Guidelines").
- Reviewed and approved the AC Report for inclusion in the Annual Report 2015, at the AC meeting held on 31 March 2016.
- Reviewed and recommended to the Board for approval, the Statement on Risk Management and Internal Control for inclusion in the Annual Report 2016 upon clearance by the external auditors, at the AC meeting held on 24 February 2017.

  The AC was informed that the external auditors had reviewed the Statement on Risk Management and Internal Control and noted no non-compliance with the Guidelines.

3. **Internal Audit**

- Reviewed and approved the risk-based internal audit plan proposed by the IARMD to ensure adequacy of the scope and coverage of key business and operational units within the Group, at the AC meeting held on 25 May 2016.
- Reviewed and approved the internal audit reports presented by the IARMD on the audit findings and recommended corrective measures, as well as Management's responses and action plans in addressing the identified risks and internal control deficiencies, at the AC meetings held on 24 February 2016, 25 May 2016, 25 August 2016, 25 November 2016 and 24 February 2017.

  The risk-based audits were performed on selected business units within the Group based on the approved risk-based internal audit plan. The audit areas which were covered included the property, construction and solar plant projects, precast operations, suppliers' warranties and supply contract guarantees, project cost management, tender system and process, accounts and payments, and subcontractor claims and costs. After review by the AC, these internal audit reports as recorded in the minutes, were also tabled to the Board for notation.

4. **External Audit**

- Reviewed with the external auditors, the audit report, issues, reservations and Management responses arising from their audit of the financial statements for the year ended 31 December 2015, at the AC meeting held on 24 February 2016.

  The external auditors briefed the AC amongst others, on the audit status and outstanding matters, audit timeline, significant risk areas and audit findings.
- Reviewed with the external auditors on 24 February 2016, 25 November 2016 and 24 February 2017 without the presence of the executive board members and Management, the extent of assistance rendered by Management and issues arising from their audit.

  In addition, the Chairman and members of the AC periodically held informal discussions with the partner in-charge of the external auditors to ensure audit issues were addressed on a timely basis.
- In February 2016, the AC undertook an assessment of the suitability and independence of the external auditors for their re-appointment as Auditors of the Company at the 2016 AGM, which included a structured evaluation questionnaire completed by each member of the AC. The questionnaires which are used as an assessment tool, are based on a 4-scale rating or 'Yes' and 'No' answer, whichever is applicable for each question. The areas which were covered in the assessment encompassed the external auditors' performance in terms of skills, expertise and competencies, calibre of the external audit firm, independence and objectivity, audit scope and planning, reasonableness of audit fees, provision of non-audit services and quality of communications with the AC. This annual evaluation provides the AC with a disciplined approach for maintaining effective oversight of the external auditors' performance.

  The evaluation results with recommendations made to further safeguard and improve the independence and quality of services rendered by the external auditors, were tabled at the AC meeting held on 24 February 2016. The external auditors have also provided written confirmation on their independence in accordance with the terms of relevant professional and regulatory requirements. The AC was satisfied with the suitability and independence of the external auditors and thereby recommended to the Board for their re-appointment at the AGM of the Company.

  The Board at its meeting held on 25 February 2016 approved the AC's recommendation for the re-appointment of external auditors, subject to the shareholders' approval being sought at the AGM of the Company. The shareholders had duly approved the re-appointment of external auditors at the AGM held on 16 June 2016.

  In February 2017, the AC also assessed the suitability and independence of the external auditors for their re-appointment as Auditors of the Company at the forthcoming 2017 AGM, via the same assessment tool as described above. The evaluation results were tabled at the AC meeting held on 24 February 2017, and the AC was satisfied with the suitability and independence of the external auditors and thereby recommended to the Board for their re-appointment at the forthcoming AGM of the Company. The external auditors have also provided written confirmation on their independence in accordance with the terms of relevant professional and regulatory requirements.

AUDIT COMMITTEE REPORT

The Board at its meeting held on 27 February 2017 approved the AC's recommendation for the re-appointment of external auditors, subject to the shareholders' approval being sought at the forthcoming AGM of the Company. The evaluation results were also tabled at the said Board meeting.

- Reviewed with the external auditors on 31 March 2016, the annual audited financial statements including the Independent Auditors' Report for the financial year ended 31 December 2015.
- Reviewed and recommended to the Board for approval, the audit and non-audit fees of the external auditors for the financial year ended 31 December 2015, at the AC meeting held on 31 March 2016.

  The non-audit fees comprised the reviews of the Statement on Risk Management and Internal Control, and the realised and unrealised retained earnings. The amount of non-audit fees was not significant as compared to the amount of audit fees. The AC was satisfied that the provision of non-audit services by the external auditors did not impair their objectivity and independence as external auditors.
- Reviewed with the external auditors, their audit plan, scope of audit, audit timeline and focus areas on key audit matters and other significant audit matters prior to the commencement of audit of the financial statements for the year ended 31 December 2016, at the AC meeting held on 25 November 2016.

  With regard to the revised auditing standards adopted in Malaysia, which took effect from 16 December 2016, the external auditors briefed and presented to the AC, the mock format of the revised audit report together with the broad areas that would be covered under the key audit matters.
- Reviewed with the external auditors, the audit report, issues, reservations and Management responses arising from their audit of the financial statements for the year ended 31 December 2016, at the AC meeting held on 24 February 2017.

  The external auditors briefed the AC among others, on the audit status and outstanding matters, audit timeline, audit focus areas (i.e. key audit matters and other significant audit matters) and audit findings. The external auditors also highlighted on the new Guidelines on Management of Cyber Risk, which was issued by Securities Commission on 31 October 2016.
- Reviewed with the external auditors on 29 March 2017, the annual audited financial statements including the Independent Auditors' Report for the financial year ended 31 December 2016, where relevant disclosures in the annual audited financial statements were deliberated.

  The AC reviewed the potential key audit matters raised by the external auditors and ensured that adequate work had been done to support the audit conclusions and overall impact on the financial statements. The 3 key audit matters which were highlighted to the AC (as disclosed in the Independent Auditors' Report contained in the Audited Financial Statements) were:

  (a) Revenue, profit recognition and provisions on long term construction contracts;

  (b) Valuation of amount due from contract customers; and

  (c) Valuation of investment in an associate company, R.K.M. Powergen Private Limited.
- Reviewed and recommended to the Board for approval, the audit and non-audit fees of the external auditors for the financial year ended 31 December 2016, at the AC meeting held on 29 March 2017.

  The non-audit fees comprised the reviews of the Statement on Risk Management and Internal Control, and the realised and unrealised retained earnings. The amount of non-audit fees was not significant as compared to the amount of audit fees. The AC was satisfied that the provision of non-audit services by the external auditors did not impair their objectivity and independence as external auditors.

5. Risk Management

- Reviewed the half-yearly enterprise risk management reports submitted to the Risk Management Committee and the appropriateness of Management's responses to key risk areas and proposed recommendations for mitigation or improvements to be implemented, and assessed the adequacy and effectiveness of the risk management framework. These risk management reports were also tabled to the Board for notation.
- Reviewed with Management their representations and assurance that the risk management and internal control system was operating adequately and in all material aspects, based on the risk management framework and internal control system of the Company and the Group.
- Reviewed the Risk Registers for new construction projects of the Group, at the AC meeting held on 24 February 2017, where the key risks were highlighted and deliberated to ensure that these risks would be effectively managed and mitigated.

6. Related Party Transactions

- Reviewed the related party transactions entered into by the Company and the Group to ensure that the transactions entered into were at arm's length basis and on normal commercial terms, at the AC meetings held on 24 February 2016, 25 May 2016, 25 August 2016, 25 November 2016 and 24 February 2017.
- At the AC quarterly meetings, reviewed the audit reports on the recurrent related party transactions of a revenue or trading nature ("RRPT") entered into by the Group pursuant to the Shareholders' Mandate, to ensure that the RRPT were conducted on an arm's length basis or on commercial terms consistent with the Group's usual business practices and policies, and on transaction prices and terms not more favourable to the related parties than those generally available to the public.
- Reviewed, endorsed and recommended to the Board for approval, the Circular to Shareholders in relation to the proposed renewal of shareholders' mandate for RRPT ("RRPT Circular") as well as the Statement by AC contained in the RRPT Circular, at the AC meeting held on 31 March 2016.
- Reviewed, endorsed and recommended to the Board for approval, the proposed disposal of shares to and settlement arrangement with a related party in respect of a property project, at the AC meeting held on 25 November 2016.

  The AC, having considered all aspects of the said proposal, was of the opinion that the proposal was in the best interest of the Group; fair, reasonable and on normal commercial terms; and not detrimental to the interest of the minority shareholders of the Company.

7. Other Matters

- Reported to the Board on significant issues and concerns discussed during the AC meetings together with applicable recommendations. Minutes of the AC meetings were tabled and noted by the Board.
- The Chairman and members of the AC have held informal sessions and interactions with Management throughout the year that aimed at better understanding of business operations and risks related issues, and the resolution of issues.

INTERNAL AUDIT AND RISK MANAGEMENT FUNCTIONS

The Group has an established independent internal audit function performed in-house by the IARMD, which reports directly to the AC.

The main role of the IARMD is to undertake regular reviews of the systems of controls, procedures and operations so as to provide reasonable assurance to the AC regarding the adequacy and effectiveness of risk management, internal control and governance systems. The IARMD's scope of responsibilities encompasses all business and operational units within the Group.

AUDIT COMMITTEE REPORT

The IARMD adopts a risk-based audit approach in developing the internal audit plan for approval by the AC. The IARMD is guided by the Internal Audit Charter to facilitate Management to ensure the adequacy of the risk management and internal control systems, effective and efficient use of resources and assets, reporting and governance requirements.

The AC receives quarterly internal audit reports from the IARMD and discusses these reports to ensure recommendations in the reports are duly acted upon by Management.

Apart from the aforesaid internal audit mandate, the IARMD is responsible to facilitate and assist Management in maintaining a structured risk management framework to identify, evaluate and manage high and significant risks faced by the Group, as well as monitoring the effectiveness of the Group's risk management processes.

The attainment of such objectives involved the following activities being carried out by the IARMD during the financial year:-

(a) Prepared and tabled for the AC's approval, the risk-based internal audit plan at the AC meeting held on 25 May 2016.

(b) Performed risk-based audits on selected business units within the Group based on the approved internal audit plan. The audit areas which were covered included the property, construction and solar plant projects, precast operations, suppliers' warranties and supply contract guarantees, project cost management, tender system and process, accounts and payments, and subcontractor claims and costs.

(c) Tabled to the AC at its quarterly meetings, the audit reports for the above audits incorporating the audit findings, audit recommendations and Management responses. Follow-up audit was conducted and the status of implementation on the agreed action plans was reported to the AC.

(d) Tabled to the AC at its quarterly meetings, the audit reports on review of the adequacy and compliance with the procedures established to monitor RRPT entered into by the Group pursuant to the Shareholders' Mandate. The IARMD reported that the RRPT were reasonable and fair based on usual commercial terms, business practices and policies of the Group, and were properly authorised in accordance with the authority levels set out in the RRPT Circular.

(e) Reviewed the effectiveness of the audit process, organisation structure, resource requirements and assessed the performance of the overall internal audit function.

(f) The risk management framework is guided by the Group Risk Manual covering the policies and procedures given to all business and support units for compliance. This Group Risk Manual is updated in line with best practices and operational requirements. During the year, the IARMD included project risk management in addition to the existing enterprise risk management framework.

(g) Prepared and tabled to the AC, the Statement on Risk Management and Internal Control for inclusion in the Annual Report 2015, at the AC meeting held on 31 March 2016.

(h) Prepared and tabled to the AC, the Statement on Risk Management and Internal Control for inclusion in the Annual Report 2016, at the AC meeting held on 24 February 2017.

(i) Prepared and tabled to the AC, the Risk Registers for new construction projects of the Group, at the AC meeting held on 24 February 2017, where the key risks were highlighted.

In February 2016, the AC carried out an evaluation of the effectiveness of the internal audit function during the financial year 2015, which covered the adequacy of the scope, functions and resources as well as the competency of the internal audit function. The results of the said evaluation were tabled at the AC meeting held on 31 March 2016. In general, the AC was satisfied that the IARMD has been operating satisfactorily.

In February 2017, the AC also carried out an evaluation of the effectiveness of the internal audit function during the financial year 2016, which covered the areas mentioned above. The results of the said evaluation were tabled at the AC meeting held on 29 March 2017 and generally, the AC was satisfied with the performance of the IARMD.

The costs incurred by IARMD in discharging its functions and responsibilities during the financial year ended 31 December 2016 amounted to RM375,000.

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 maintain a sound system of risk management and internal control as mandated in the Listing Requirements of Bursa Securities and the recommendations of the Malaysian Code on Corporate Governance.

The Board continually reviews the adequacy and effectiveness of the Group's system 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 tolerance. Nevertheless, there are inherent limitations in any system which is designed to manage rather than to eliminate risks that may impact the achievement of the Group's business objectives. Accordingly, the system only provides reasonable but not absolute assurance against any material misstatement, loss or fraud.

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 under review and up to the date of approval of this statement for inclusion in the annual report. A risk management framework together with the standard operating policy and procedure, which has been communicated to the management team, serves as a guide to the Group's risk management policy, risk management processes and reporting framework. The Board has delegated the oversight of risk management to the Risk Management Committee ("RMC") and Audit Committee ("AC") who monitor and manage the principal risks of the Group. The Board retains the overall accountability for the Group's risks.

As the Group continuously explores and expands its operations locally and abroad, the Board recognises that the Group will be exposed to various risks from the business ventures undertaken. The RMC chaired by the Independent Non-Executive Chairman meets with certain Directors and senior management on a six-monthly basis to review and discuss the risk management actions taken.

The management team assists the RMC and the Board in implementing the process of identifying, evaluating and managing the significant risks applicable to their respective areas of business and in formulating suitable internal controls to mitigate and control these risks. Each business unit submits their risk register and risk assessment report which are presented via the risk management department to the RMC for their deliberation. The RMC reviews matters such as identification and responses to address significant risks, internal control systems, adequacy of risk mitigation actions within the Group's risk appetite and tolerance to enhance shareholders' investments, safeguarding of assets, enhance opportunities, reduce threats and maintain corporate sustainability. The RMC receives from the management the Enterprise Risk Management report every six months for review. This report summarises the risk assessment and mitigation actions on the Group's high and significant risks.

AUDIT COMMITTEE

The AC, 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 Group Internal Audit and Risk Management department ("GIARM"). 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 AC or where as directed by the AC.

KEY ELEMENTS OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Board is committed in its efforts to maintain a reliable system of internal control and ensure it is kept updated in line with changes in the operating and business environment. The Board regularly reviews the process of identifying, assessing and managing key business, operational and financial risks faced by its business units as well as planned strategies to determine whether risks are mitigated and well managed.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Other key elements of the Group's risk management and internal control system, which have been in place throughout the financial year under review and up to the date of the Directors' report are as follows:

- 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 communicated to all employees through standard operating policies and procedures, memoranda and handbooks.
- Monthly financial and operational performance reports are submitted to the Board of Directors and senior management. Monthly management meetings are held among the Executive Directors and divisional heads. During the meetings, reports and status updates of the projects are discussed and necessary actions are taken.
- Annual budgetary process that requires business units to prepare budgets and business plans approved by the Directors, and control measures to mitigate identified risks for the forthcoming year. Significant and key variances in the quarterly financial reports are highlighted against budgets and comparative results to the AC prior to presenting to the Board for approval. In addition, major project cost budgets are established with monthly tracking of actual costs so that such costs and project profitability are properly controlled and monitored independently by the Finance department.
- The enterprise risk management system in place is complemented by the process of risk identification and mitigation during major project tenders so that in the event the project tender is secured, project management shall follow through the risk mitigation measures during project execution.
- 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.
- Adequate insurances where applicable for projects and assets of the Group are taken up to cover any insurable adverse events that may result in losses to the Group.
- The Group does not in general include material joint ventures and associates where the Group does not have management control over them. The Group ensures that its interests and investments are protected by Board representation in these investments. Notwithstanding this, management oversees and monitors the administration, operations and performance of these material joint ventures and associates. Regular reviews, reporting of financial information and risk review ensure that their performance and risks are properly managed and controlled.
- The operations in our investment in the major associate known as R.K.M Powergen Private Limited ("RKM"), which is involved in the Chhattisgarh power plant in India, are subject to regulatory and operational requirements imposed by the regulator, Central Electricity Regulatory Commission of India. Apart from regulatory controls, the project finance lender also conducts quarterly reviews of the project viability and costs incurred by employing the services of an independent engineer, and this is reported to RKM and the Group for monitoring and control.
- The Construction and Precast Manufacturing divisions are accredited under the ISO 9001: 2008 Quality Management System, which is subject to internal review and improvement annually.
- An ISO 14001: 2004 Environment Management System and OHSAS 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 performance management system whereby defined criteria for performance and business objectives and targets are set for employees so that they can be rewarded according to the achievement of the targets set.
- The Group's vision, mission, corporate philosophy and strategic direction are communicated to employees at all levels.
- A whistle blowing process has been established to provide an avenue for whistle-blowers to communicate their concerns or on matters of integrity in a confidential manner so that these can be investigated for the necessary corrective actions.
- Regular visits to operating units and project sites by the senior management, finance staff and internal auditors.

The Board has received assurance from the Group Managing Director & 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, based on the risk management and internal control framework of the Group.

INTERNAL AUDIT

The internal audit function of the Group is performed by the in-house GIARM, which reports directly to the AC.

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

The GIARM continually reviews 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

The system of risk management and internal control for the financial year under review was considered to be adequate and operating satisfactorily. The Board undertakes to make continuous improvements in its internal control system and risk management process in order to achieve its goals, enhance shareholder value and ensure sustainability of the businesses over the long term.

During the year, some areas for improvement in the internal control system were reported by the GIARM to the AC. 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 within an acceptable level of the Group's risk appetite and tolerance. 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.

This Statement on Risk Management and Internal Control was approved by the Board of Directors on 27 February 2017.

CORPORATE RESPONSIBILITY STATEMENT

As a responsible corporate citizen, Mudajaya emphasises long-term sustainable value creation for all stakeholders, looking beyond the immediate bottom line as the only measure of performance.

To this end, the Group's corporate responsibility initiatives are directed towards the four key pillars of **Community**, **Workplace**, **Environment**, and **Marketplace**.

COMMUNITY

Drawing on the area close to its operations, Mudajaya has conceived a Corporate Responsibility ("CR") programme that centres on the community around its project sites, for example the areas where the Group is constructing power plants in Malaysia. These CR activities will leave a permanent impression on the environment and the people living in these areas and maintain goodwill amongst the community.

The Group also supports the community by actively contributing to and helping the underprivileged. **Feeding The Homeless**, which was held in August 2016, was a successful collaboration between Mudajaya Group Berhad and sister company Mulpha International Berhad, with Pertiwi Soup Kitchen, a long-running NGO that has worked closely with the less fortunate in providing nutritious food for many years. Held over the weekend, the initiative saw many of the Group's employees helping to coordinate and then distributing these packets of food right into the night.

The Group has also partnered with the **Persatuan Orang Tua Klang**, an old folks home in the Klang district. The on-going collaboration which has been well-received and benefitted not just the old folks, but also the Group's employees, who have witnessed first-hand some of the challenges the less fortunate older generation are currently facing as society advances. The Group helped to replace beds, mattresses as well as washing machine that has not functioned for months. Many have expressed appreciation for opening their eyes to the living conditions of this group of people. Just as children are our future, the elders in the society are what has enabled us to be where we are today. It is the Group's belief that no one should be left behind regardless of their circumstances.

Feeding The Homeless

Old Folks Home Klang

WORK PLACE

Mudajaya aims to be a preferred employer by offering a challenging and exciting environment along with avenues for personal development to attract and retain the best talents. To develop its human capital, Mudajaya has organised both internal and external courses, across various technical and management disciplines for its employees. The Group's aim is to bring together the right people to propel it through its next phase of growth.

The Group believes it is important to keep employees abreast of the latest developments within the organization & industry as well as creating two-way communication platforms. With the implementation of the organisational realignment, employee engagement sessions such as mini townhall meetings were organised to obtain on-the-ground feedback whilst enabling direct access to upper management.

In addition, 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, power and property development activities throughout its branch offices and project sites in Kuala Lumpur, Selangor, Johor and Sarawak. The Group has also provided internship opportunities to fresh deserving individuals, with the aim to support and promote home grown talent, armed with local knowledge and accustomed to the different cultures and operating environments in which it operates. These interns were placed in the Group's different business units across various verticals, including Engineering, Contracts, Marketing, Finance and Human Resources.

To enhance the workplace atmosphere as well as promote environmental awareness and participation and amongst staff, the Group initiated a Go Green campaign at its Headquarters in July 2016. Through the adoption of the 3R's at the workplace, the Group aims to reduce waste by minimising usage of paper, electricity and water. By placing recycling bins in convenient places throughout the office for example, the initiative has increased awareness of the benefits of recycling amongst employees and the adoption of practical techniques in their daily work routines. The Group hopes that by taking the first step through such everyday applications as sorting waste into different categories such as paper, plastic and tin/aluminium, employees would then apply these automatically in their home as well as social lives.

CORPORATE RESPONSIBILITY STATEMENT

Plant The Trees MBAM

ENVIRONMENT

Mudajaya recognizes that its actions have a significant impact on the environment and supports pollution prevention and environmental protection in all its projects and activities. Programmes aimed at raising environmental awareness amongst staff have been implemented, including promoting the conservation of energy resources. Reducing resource use enables the Group to combine environmental preservation with cost savings.

Additionally, to minimise its environmental footprint Mudajaya incorporates eco-friendly features into its design and build projects. Menara Mudajaya, the Group's headquarters in Mutiara Damansara, 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 energy efficient light tubes and LED lights for lower electricity consumption.

To reduce its carbon footprint, the Group had on September 2016 participated in a **Plant The Trees** campaign together with Master Builders Association of Malaysia ("MBAM") in Taman Alam, Kuala Selangor. Burning of fossil fuels, and CO_2 emission which lead to global warming has meant that the conservation of forests and planting of tree has become even more important. Trees, which take many years to mature, means that it is even more important that such initiatives are started today.

MARKET PLACE

The marketplace, which consists of both customers and suppliers are an equally important avenue for corporate and social initiatives. With the advent of responsible consumerism, companies are now continually required to re-assess their supply chain and ensure that their supplies are being sourced through ethical means, and not through exploitation. Consumer groups now have the power to create pressure on companies to be ethically responsible not only with their company operations and products, but also to oversee responsibility throughout their supply chain. Mudajaya works closely with suppliers to ensure standards and practices are maintained throughout the entire value chain. The Group's vendors and suppliers are carefully selected and undergo ad-hoc quality checks from time to time.

CERTIFICATIONS

Mudajaya adopts round-the-clock best practise methodologies in its management systems to ensure all client requirements are met.

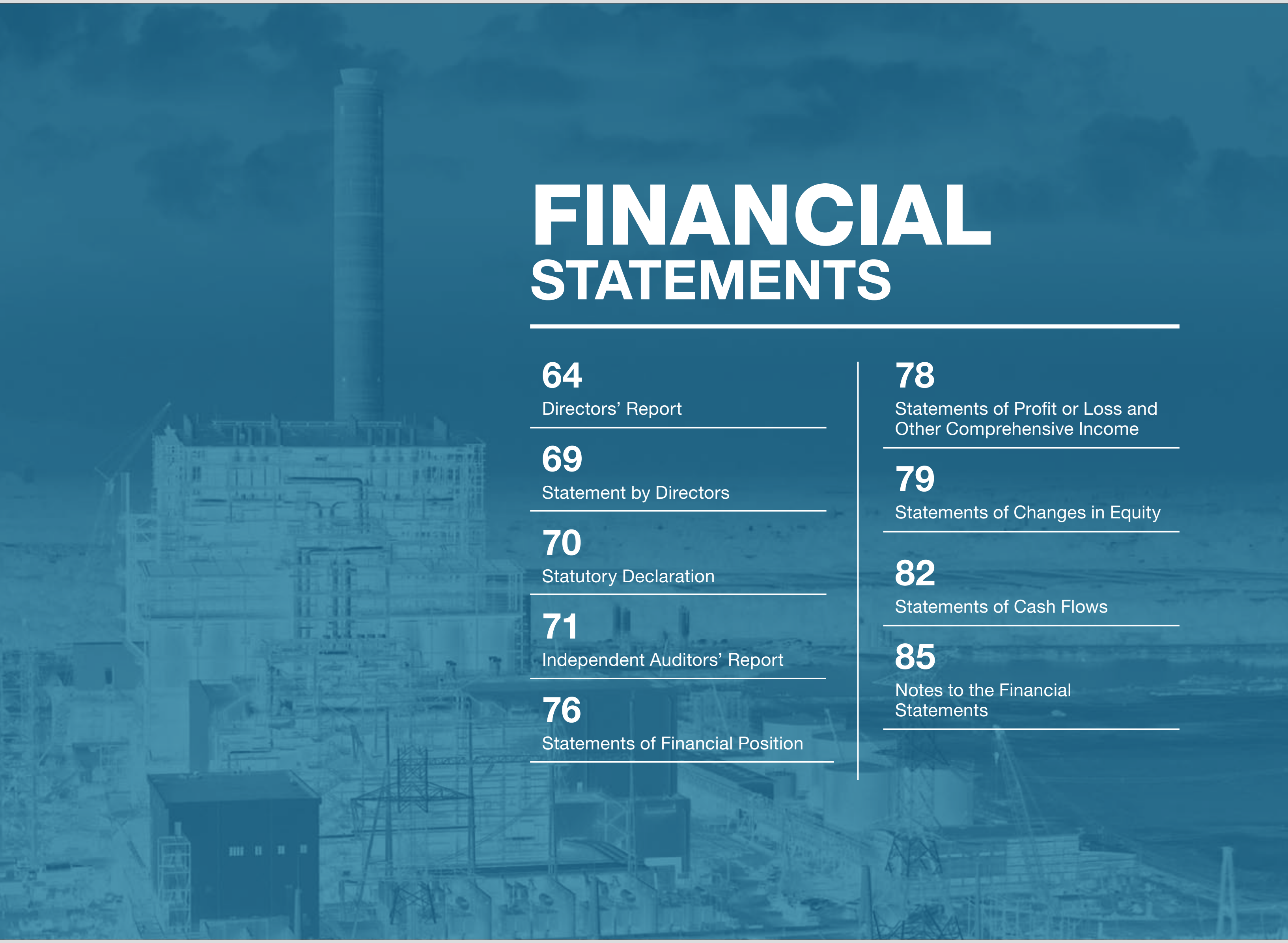
The Group is ISO 9001:2008 certified which is a testament to its commitment towards maintaining the highest standards of quality. The ISO 9001:2008 standard provides guidance for organisations who want to ensure that their products and services consistently meet customer's requirements.

Health and safety has always been a permanent feature in Mudajaya's operations. In addition to being OHSAS 18001:2007 certified, the Group takes a proactive approach towards mitigating occupational hazards and risks, ensuring employees operate in a secure environment at all times. The OHSAS 18001:2007 certification sets out the minimum requirements for occupational health and safety management best practise.

The ISO 14001:2004 certification meanwhile provides practical tools for companies and organizations of all kinds looking to manage their environmental responsibilities is vital to the Group's continued efforts in maintaining the highest environmental standards possible.

The internationally recognised ISO 9001, ISO 14001 and OHSAS 18001 certifications reaffirm the Group's commitment to excellence.

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



FINANCIAL STATEMENTS

DIRECTORS' REPORT
for the year ended 31 December 2016

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities whilst the principal activities of the subsidiaries are stated in Note 6 to the financial statements. There have been no significant change 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	(383,748)	(1,535)
Non-controlling interests	1,448	-
	(382,300)	(1,535)

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 Note 16 to the financial statements.

DIVIDENDS

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

DIRECTORS OF THE COMPANY

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

Dato' Yusli bin Mohamed Yusoff
James Wong Tet Foh
Wee Teck Nam
Chew Hoy Ping
Lee Eng Leong (Appointed on 2 December 2016)
Lee Seng Huang (Resigned on 2 December 2016)
Lee Eng Leong (Ceased as Alternate Director to Lee Seng Huang on 2 December 2016)

DIRECTORS' INTERESTS IN SHARES

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 1.1.2016	Acquired	Sold	At 31.12.2016
Interest in the Company:				
Direct interest				
Wee Teck Nam	1,059,300	-	160,000	899,300

	Number of ordinary shares of RM0.20 each			
	At 1.1.2016	Acquired	Sold	At 31.12.2016
Interest in the Company :				
Indirect interest				
Wee Teck Nam	103,413,333	6,500,000	-	109,913,333

	Number of options over ordinary shares of RM0.20 each			
	At 1.1.2016	Granted	Exercised	At 31.12.2016
Interest in the Company:				
James Wong Tet Foh	1,200,000	4,000,000	-	5,200,000
Lee Eng Leong	-	4,000,000	-	4,000,000

By virtue of his interest in the shares of the Company, Wee Teck Nam is 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 2016 had any interest in the shares and options over 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 those fees and other 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 except as disclosed in Note 31 to the financial statements.

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

DIRECTORS' REPORT
for the year ended 31 December 2016

ISSUE OF SHARES AND DEBENTURES

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

There were no debentures issued during the financial year.

TREASURY SHARES

There were no repurchase of ordinary shares during the financial year.

As at 31 December 2016, 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 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. On 1 August 2016, the Board has approved to extend the share options for a further period of 5 years which will expire on 28 September 2021.

On 15 July 2016, the Company granted 16,100,000 share options under the ESOS and the ESOS will expire on 28 September 2021.

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

Other than directors, the Companies Commission of Malaysia has permitted the Company to disclose only the names of option holders who were granted the options to subscribe for 550,000 or more ordinary shares of RM0.20 each during the financial year, as follows:

Name	At 1.1.2016	Granted	Exercised	At 31.12.2016
Teoh Teik Thiam	600,000	2,000,000	-	2,600,000
Ang Keng Hong	-	650,000	-	650,000
Kang Boon Beng	-	600,000	-	600,000
Lourdes Puspham Dass	-	600,000	-	600,000
Ng Yee Ming	-	600,000	-	600,000
Yam Keong Chee	-	600,000	-	600,000

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.

OTHER STATUTORY INFORMATION (CONT'D)

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, other than disclosed in the Note 7, Note 32 and Note 33 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2016 has 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.

SIGNIFICANT EVENTS

Please refer to Note 32 of the financial statements for the details.

SUBSEQUENT EVENTS

Please refer to Note 33 of the financial statements for the details.

DIRECTORS' REPORT
for the year ended 31 December 2016

AUDITORS

The auditors, KPMG PLT (converted from a conventional partnership, KPMG on 27 December 2016), have indicated their willingness to accept re-appointment.

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

Wee Teck Nam
Director

James Wong Tet Foh
Director

Petaling Jaya

10 April 2017

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 76 to 151 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016 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 152 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:

Wee Teck Nam
Director

James Wong Tet Foh
Director

Petaling Jaya

10 April 2017

STATUTORY DECLARATION

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

I, **Kang Boon Beng**, 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 76 to 152 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, Kang Boon Beng, NRIC: 710327-08-5453 in Petaling Jaya on 10 April 2017.

Kang Boon Beng

Before me:

Wong Choy Yin
(No. B508)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

To the members of **Mudajaya Group Berhad** (Company No. 605539-H)
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Mudajaya Group Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 76 to 151.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

KEY AUDIT MATTERS

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

Revenue, profit recognition and provisions on long term construction contracts

(Refer to Note 2(p) - Significant accounting policy: Revenue and other income, Note 2(o) - Significant accounting policy: Provision and Note 20 - Revenue and Note 21 - Cost of sales).

The key audit matter

The Group has significant long term construction contracts. The recognition of revenue and profit on these contracts is based on reference to the proportion of contract costs incurred for the work performed to date to the estimated total costs of the contract at completion.

Profit on contracts is a key audit matter because of the judgement and estimates exercised by the management on the following areas:

- revenue recognition arising from variations to the original contracts
- assessment of contract costs
- assessment of stage of completion of the contract
- appropriateness of provision for foreseeable losses and liquidated damages

INDEPENDENT AUDITORS' REPORT

To the members of **Mudajaya Group Berhad** (Company No. 605539-H)
(Incorporated in Malaysia)

KEY AUDIT MATTERS (CONT'D)

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- challenging the management on the preparation of forecast budget and appropriateness of assumptions used based on historical performance in the Group and industry knowledge, including obtaining and assessing information provided by management to determine whether the forecast assumptions are consistent with the terms of the relevant contracts. These assumptions normally apply to the computation of variations, claims and compensation events included in the forecast;
- inspecting correspondence and meeting minutes with customers concerning variations, claims and compensation events, and obtaining third party assessments of these from technical personnel engaged by the Group;
- evaluating the management's updated budget costs and forecast costs to complete by assessing the basis of their calculation, which included supplier quotes, forecast estimates and contracts awarded to suppliers;
- checking the status of the contracts by enquiring the project director and testing progress billings issued;
- comparing the forecast costs of individual contract against the corresponding income to determine whether provision for foreseeable losses, if any, has been adequately made for loss making contracts; and
- assessing the exposures to liquidated damages for late delivery of the construction works by making enquiries and reading correspondences and minutes of meetings with contract customers on the expected delivery date and the ability of the Group to deliver on time based on historical progress of the construction works.

Valuation of amount due from contract customers

(Refer to Note 2(h) - Significant accounting policy: Construction contracts and Note 14 - Other current assets).

The key audit matter

As at 31 December 2016, the Group has significant amount due from contract customers of RM281,545,000. 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.

We identified the valuation of amount due from contract customers as a key audit matter due to the management judgment involved in assessing the recoverability of the amount arising from variation claims.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- checking the variation claims by comparing the claims raised by the Group to the terms and the rates stipulated in the contract;
- checking to accounting standards to ensure that the accounting treatments are in compliance with the applicable accounting standards; and
- checking to the subsequent events that may give rise to the impairment of amount due from contract customers such as settlement agreement with customer.

KEY AUDIT MATTERS (CONT'D)

Valuation of investment in an associate – R.K.M. Powergen Private Limited ("RKM")

(Refer to Note 2(l) - Significant accounting policy: Impairment and Note 7 – Investment in associates).

The key audit matter

The Group has 26% equity interest in RKM and the carrying amount of the Group's investment in RKM amounted to RM541,567,000. RKM owns coal-fired power plants in Chhattigarh, India, which are the core assets of RKM.

Due to the delay in the commencement in the operation of these power plants and change of the Power Purchase Agreement in India, there is a significant risk of impairment in the power plants which in turn affects the carrying amount of the Group's investment in RKM.

How the matter was addressed in our audit

The power plants were valued internally by the Group using a discounted cash flow projection model which was subsequently reviewed by an external valuer engaged by the Directors. In respect of these assets, we assessed and challenged the valuation approach and assumptions used. This included understanding and challenging the independence of the external valuer, their scope of work, growth rate and discount rate assumptions used by the external valuer. We have also engaged specialist within KPMG to test these key assumptions by comparing them against published market data of similar industry and the tariff rates achieved in India.

We have determined that there is no key audit matter in the audit of the financial statements of the Company to communicate in our auditors report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Statement on Risk Management and Internal Control but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT
To the members of **Mudajaya Group Berhad** (Company No. 605539-H)
(Incorporated in Malaysia)

KEY AUDIT MATTERS (CONT'D)

Responsibilities of the Directors for the Financial Statements (cont'd)

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT
To the members of **Mudajaya Group Berhad** (Company No. 605539-H)
(Incorporated in Malaysia)

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 34 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTER

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

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Tai Yoon Foo
Approval number: 2948/05/18(J)
Chartered Accountant

Petaling Jaya, Malaysia

Date: 10 April 2017

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Assets					
Property, plant and equipment	3	113,172	127,418	-	-
Investment property	4	49,116	46,786	-	-
Intangible asset	5	11,153	11,773	-	-
Investments in subsidiaries	6	-	-	317,771	314,149
Investments in associates	7	561,810	684,274	-	-
Other investments	9	816	542	-	-
Deferred tax assets	10	493	461	-	-
Total non-current assets		736,560	871,254	317,771	314,149
Inventories	11	41,718	32,591	-	-
Property development costs	12	39,235	38,721	-	-
Trade and other receivables	13	402,715	352,109	25,425	18,045
Other current assets	14	485,121	662,679	-	-
Tax recoverable		15,973	13,440	494	368
Cash and cash equivalents	15	328,120	70,176	35	35
Total current assets		1,312,882	1,169,716	25,954	18,448
Total assets		2,049,442	2,040,970	343,725	332,597
Equity					
Share capital		110,483	110,483	110,483	110,483
Share premium		221,739	221,739	221,739	221,739
Treasury shares		(34,688)	(34,688)	(34,688)	(34,688)
Capital reserve		4,900	4,900	-	-
Employees' share option reserve		8,535	8,609	8,535	8,609
Foreign currency translation reserve		(13,955)	(17,670)	-	-
Retained earnings		430,291	812,548	24,335	25,870
Equity attributable to owners of the Company	16	727,305	1,105,921	330,404	332,013
Non-controlling interests		(18,181)	(15,939)	-	-
Total equity		709,124	1,089,982	330,404	332,013

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Liabilities					
Deferred tax liabilities	10	2,224	2,043	-	-
Loans and borrowings	17	424,596	400,926	-	-
Refundable deposits		2,039	1,822	-	-
Total non-current liabilities		428,859	404,791	-	-
Trade and other payables	18	500,974	388,047	13,321	584
Amount due to contract customers	14	17,945	12,087	-	-
Loans and borrowings	17	392,076	146,063	-	-
Tax liabilities		464	-	-	-
Total current liabilities		911,459	546,197	13,321	584
Total liabilities		1,340,318	950,988	13,321	584
Total equity and liabilities		2,049,442	2,040,970	343,725	332,597

The notes on pages 85 to 152 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Revenue	20	759,132	543,509	-	17,040
Cost of sales	21	(696,656)	(466,020)	-	-
Gross profit		62,476	77,489	-	17,040
Other income	22	16,139	22,334	1,354	915
Impairment loss on financial assets and other assets		(233,056)	(3,221)	(3)	-
Administrative expenses		(63,441)	(50,188)	(2,886)	(1,043)
Results from operating activities	23	(217,882)	46,414	(1,535)	16,912
Finance costs		(25,839)	(23,895)	-	-
Share of loss of equity accounted associates, net of tax		(133,813)	(12,278)	-	-
(Loss)/Profit before tax		(377,534)	10,241	(1,535)	16,912
Tax expense	25	(4,766)	(7,849)	-	(121)
(Loss)/Profit for the year		(382,300)	2,392	(1,535)	16,791
Other comprehensive (expense)/income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(13)	5,960	-	-
Total comprehensive (expense)/ income for the year		(382,313)	8,352	(1,535)	16,791
(Loss)/Profit attributable to:					
Owners of the Company		(383,748)	(1,428)	(1,535)	16,791
Non-controlling interests		1,448	3,820	-	-
(Loss)/Profit for the year		(382,300)	2,392	(1,535)	16,791
Total comprehensive (expense)/ income attributable to:					
Owners of the Company		(380,033)	4,532	(1,535)	16,791
Non-controlling interests		(2,280)	3,820	-	-
Total comprehensive (expense)/ income for the year		**(382,313)**	**8,352**	**(1,535)**	**16,791**
Basic/Diluted loss per ordinary share (sen):					
Basic and diluted loss per share	26	(71.06)	(0.26)		

The notes on pages 85 to 152 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2016

Group	Note	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Employees' share option 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 owners of the Company									
		← *Non-distributable*						*Distributable*			
At 1 January 2016		110,483	221,739	4,900	8,609	(34,688)	(17,670)	812,548	1,105,921	(15,939)	1,089,982
Acquisition of subsidiary to non-controlling interest		-	-	-	-	-	-	-	-	38	38
Foreign currency translation differences for foreign operations		-	-	-	-	-	3,715	-	3,715	(3,728)	(13)
(Loss)/Profit for the year		-	-	-	-	-	-	(383,748)	(383,748)	1,448	(382,300)
Total comprehensive income/(expenses)		-	-	-	-	-	3,715	(383,748)	(380,033)	(2,242)	(382,275)
Contribution by and distributions to owners of the Company											
Share-based payment transaction	16	-	-	-	(1,491)	-	-	1,491	-	-	-
Grant of equity-settled share options to employees	19	-	-	-	676	-	-	-	676	-	676
Modification of share-based payment transaction arising from extension of share options to employees	19	-	-	-	741	-	-	-	741	-	741
Total transactions with owners of the Company		-	-	-	(74)	-	-	1,491	1,417	-	1,417
At 31 December 2016		110,483	221,739	4,900	8,535	(34,688)	(13,955)	430,291	727,305	(18,181)	709,124
		Note 16	Note 16	Note 16	Note 16	Note 16	Note 16				

STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2016

Group	Note	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Employees' share option 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 owners of the Company									
		Non-distributable						Distributable			
At 1 January 2015		110,483	221,739	4,900	23,759	(34,688)	(23,630)	798,966	1,101,529	(15,859)	1,085,670
Foreign currency translation differences for foreign operations		-	-	-	-	-	5,960	-	5,960	-	5,960
(Loss)/Profit for the year		-	-	-	-	-	-	(1,428)	(1,428)	3,820	2,392
Total comprehensive income/(expenses)		-	-	-	-	-	5,960	(1,428)	4,532	3,820	8,352
Contribution by and distributions to owners of the Company											
Share-based payment transactions	16	-	-	-	(15,150)	-	-	15,010	(140)	-	(140)
Total transactions with owners of the Company		-	-	-	(15,150)	-	-	15,010	(140)	-	(140)
Issuance of ordinary shares of a subsidiary to non-controlling interests		-	-	-	-	-	-	-	-	300	300
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	(4,200)	(4,200)
At 31 December 2015		110,483	221,739	4,900	8,609	(34,688)	(17,670)	812,548	1,105,921	(15,939)	1,089,982
		Note 16	Note 16	Note 16	Note 16	Note 16	Note 16				

The notes on pages 85 to 152 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2016

Company	Note	Share capital RM'000	Share premium RM'000	Employee's Share option reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000
		← Attributable to owners of the Company →					
		← Non-distributable →				Distributable	
At 1 January 2015		110,483	221,739	23,759	(34,688)	9,079	330,372
Profit and total comprehensive income for the year		-	-	-	-	16,791	16,791
Contribution by and distributions to owners of the Company							
Share-based payment transactions	16	-	-	(15,150)	-	-	(15,150)
Total transactions with owners of the Company		-	-	(15,150)	-	-	(15,150)
At 31 December 2015/ 1 January 2016		110,483	221,739	8,609	(34,688)	25,870	332,013
Loss and total comprehensive loss for the year		-	-	-	-	(1,535)	(1,535)
Contribution by and distributions to owners of the Company							
Share-based payment transactions	16	-	-	(1,491)	-	-	(1,491)
Grant of equity-settled share options to employees	19	-	-	676	-	-	676
Modification of share-based payment transaction arising from extension of share options to employees	19	-	-	741	-	-	741
Total transactions with owners of the Company		-	-	(74)	-	(1,535)	(1,609)
At 31 December 2016		110,483	221,739	8,535	(34,688)	24,335	330,404
		Note 16	Note 16	Note 16	Note 16		

The notes on pages 85 to 152 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Cash flows from operating activities					
(Loss)/Profit before tax		(377,534)	10,241	(1,535)	16,912
Adjustments for:					
Interest income	22	(8,383)	(7,220)	(3)	(364)
Interest expense		25,839	23,895	-	-
Dividend income	20	-	-	-	(17,040)
Depreciation of property, plant and equipment	3	14,729	14,608	-	-
Depreciation of investment property	4	985	720	-	-
Amortisation of intangible asset	5	620	620	-	-
Gain on disposal of property, plant and equipment	22	(177)	(531)	-	-
Impairment loss of investment in an associate	7	1,804	810	-	-
Impairment loss of other assets	23	200,877	-	-	-
Impairment loss of trade and other receivables	23	30,375	2,411	6	-
Reversal of allowance for impairment of trade receivables	23	-	(5)	-	-
ESOS expenses/(Reversal of ESOS expenses)	24	1,417	(140)	-	-
Reversal of unrealised profit adjustment	22	(2,783)	(192)	-	-
Net unrealised loss on foreign exchange	23	(1,720)	(11,795)	-	(8)
Share of loss of equity accounted associates		133,813	12,278	-	-
Operating profit/(loss) before changes in working capital		19,862	45,700	(1,532)	(500)
Property development costs		(514)	22,451	-	-
Inventories		(9,127)	(26,217)	-	-
Trade and other receivables		(119,333)	(217,718)	4,618	(28,380)
Trade and other payables		116,803	50,482	(2,963)	(3,754)
Cash generated from/(used in) operations		7,691	(125,302)	123	(32,634)
Tax paid		(9,847)	(10,674)	(126)	(177)
Tax refunded		3,161	569	-	9
Net cash generated from/(used in) operating activities		1,005	(135,407)	(3)	(32,802)

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2016 (cont'd)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Cash flows from investing activities					
Purchase of property, plant and equipment	(ii)	(3,167)	(2,090)	-	-
Proceeds from disposal of property, plant and equipment		191	1,168	-	-
Addition expenditure in investment property	4	-	(55)	-	-
Acquisition of an associate		(4,501)	(6,480)	-	-
Advances to associates		-	(38,024)	-	-
Addition in other investment		(274)	-	-	-
Interest received		8,383	7,220	3	364
Dividend received		-	-	-	17,040
Change in pledged deposits		(9,062)	860	-	-
Net cash (used in)/generated from investing activities		(8,430)	(37,401)	3	17,404
Cash flows from financing activities					
Issuance of ordinary shares of a subsidiary to non-controlling interest		-	300	-	-
Net drawdown of loans and borrowings		261,247	133,937	-	-
Repayment from an associate		13,108	-	-	-
Repayment of financial lease liabilities		(17)	-	-	-
Interest paid		(25,839)	(23,895)	-	-
Dividend paid to:					
- non-controlling interests		-	(4,200)	-	-
Net cash generated from financing activities		248,499	106,142	-	-
Net increase/(decrease) in cash and cash equivalents		241,074	(66,666)	-	(15,398)
Cash and cash equivalents at beginning of year		69,370	136,036	35	15,433
Cash and cash equivalents at end of year		310,444	69,370	35	35

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2016 (cont'd)

(i) 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 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Cash and bank balances	15	300,018	60,927	35	35
Deposits placed with financial institutions	15	28,102	9,249	-	-
		328,120	70,176	35	35
Less: Pledged deposits	15	(9,868)	(806)	-	-
Less: Bank overdrafts	17	(7,808)	-	-	-
		310,444	69,370	35	35

(ii) Acquisition of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM3,812,000 (2015: RM2,090,000), of which RM645,000 (2015: Nil) were acquired by means of finance leases.

NOTES TO THE FINANCIAL STATEMENTS

Mudajaya Group Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. 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 2016 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 2016 also include joint operations.

The Company is principally engaged in investment holding while the principal activities of the subsidiaries are as stated in Note 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 10 April 2017.

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 the Company:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017
- Amendments to FRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to FRS Standards 2014-2016 Cycle)*
- Amendments to FRS 107, *Statement of Cash Flows - Disclosure Initiative*
- Amendments to FRS 112, *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018
- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

The Group's financial statements for annual period beginning on 1 January 2018 will be prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by the MASB and International Financial Reporting Standards ("IFRSs").

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 2016 could be different if prepared under the MFRS Framework.

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

- from the annual period beginning on 1 January 2017 for the amendments that are effective for annual periods beginning on or after 1 January 2017;
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018; and
- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(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.

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:

1. BASIS OF PREPARATION (CONT'D)

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

(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 property, plant 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 0.10% (2015: 15.76%) 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) 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.

(v) 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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(iv) Acquisition from entities under common controls

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established: for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

(v) 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.

(vi) 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(vii) Joint arrangements

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

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company 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 or the Company 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.

(viii) 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.

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.

(ix) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity-accounted associates and joint venture 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency (cont'd)

(i) Foreign currency transactions (cont'd)

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.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group and 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (cont'd)

(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.

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)).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (cont'd)

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(i) Recognition and measurement (cont'd)

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:

• 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.

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 asset

Intangible asset acquired by the Group, which have definite useful lives are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised from the date that they are available for use. Amortisation is recognised in profit or loss on a straight-line basis over the useful lives of the intangible asset of 20 years.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Investment property (cont'd)

(i) Investment property carried at cost (cont'd)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 to the estimated total property development costs.

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

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

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

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as accrued billings within 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 method, 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 overdraft and pledged deposits.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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, amount due from contract customers and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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.

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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Employee benefits (cont'd)

(iii) Share-based payment transactions (cont'd)

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.

(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).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 & Chief Executive Officer 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

3. PROPERTY, PLANT AND EQUIPMENT

Group

Cost	Note	Freehold 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 2015		9,589	17,189	-	81,846	5,202	63,292	7,608	13,817	198,543
Additions		-	33	-	-	-	251	703	1,103	2,090
Disposals		-	-	-	-	-	(170)	(340)	(3,247)	(3,757)
At 31 December 2015/ 1 January 2016		9,589	17,222	-	81,846	5,202	63,373	7,971	11,673	196,876
Additions		-	841	760	-	44	899	493	775	3,812
Disposals		(17)	483	-	(1,473)	-	(438)	(72)	(664)	(2,181)
Written off		-	-	-	-	-	-	(84)	(107)	(191)
Transfer to investment property	4	-	(3,331)	-	-	-	-	-	-	(3,331)
At 31 December 2016		9,572	15,215	760	80,373	5,246	63,834	8,308	11,677	194,985

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

Group

Cost	Note	Freehold 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 2015		-	1,409	-	3,284	3,851	34,421	5,211	9,794	57,970
Depreciation charged for the year		-	665	-	3,807	168	7,539	948	1,481	14,608
Disposals		-	-	-	-	-	(158)	(240)	(2,722)	(3,120)
At 31 December 2015/ 1 January 2016		-	2,074	-	7,091	4,019	41,802	5,919	8,553	69,458
Depreciation charged for the year		-	549	-	3,807	166	7,752	986	1,469	14,729
Disposals		-	(946)	-	-	183	(747)	(97)	(560)	(2,167)
Written off		-	-	-	-	-	-	(84)	(107)	(191)
Transfer to investment property	4	-	(16)	-	-	-	-	-	-	(16)
At 31 December 2016		-	1,661	-	10,898	4,368	48,807	6,724	9,355	81,813
Carrying amounts										
At 1 January 2015		9,589	15,780	-	78,562	1,351	28,871	2,397	4,023	140,573
At 31 December 2015/ 1 January 2016		9,589	15,148	-	74,755	1,183	21,571	2,052	3,120	127,418
At 31 December 2016		9,572	13,554	760	69,475	878	15,027	1,584	2,322	113,172

Included in the net carrying amounts of property, plant and equipment of the Group which are held under hire purchase arrangements amounted to RM760,000 (2015 : Nil).

NOTES TO THE FINANCIAL STATEMENTS

4. INVESTMENT PROPERTY

	Group	
	2016 RM'000	2015 RM'000
Cost		
At 1 January	49,173	49,248
Transfer from property, plant and equipment (Note 3)	3,331	-
Additional expenditure in investment property	-	55
Reversal on realised gain arise from cost reduction	-	(130)
At 31 December	52,504	49,173
Accumulated depreciation		
At 1 January	2,387	1,667
Transfer from property, plant and equipment (Note 3)	16	-
Depreciation for the year	985	720
At 31 December	3,388	2,387
Carrying amounts		
At 31 December	49,116	46,786
Estimated fair value	87,814	97,881

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.

Estimated fair value of comparable properties in 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.

During the financial year, an investment property with carrying amount of RM49,116,000 was pledged to secure the Group's revolving credits (Note 17(e)) and bank overdrafts (Note 17(f)).

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

		Group	
	Note	2016 RM'000	2015 RM'000
Rental income	20	6,752	5,368
Property maintenance cost	21	(2,823)	(1,994)

5. INTANGIBLE ASSET

	Group 2016 RM'000	Group 2015 RM'000
Cost		
At 1 January /31 December	12,393	12,393
Accumulated amortisation		
At 1 January	620	-
Amortisation for the year	620	620
At 31 December	1,240	620
Carrying amounts		
At 31 December	11,153	11,773

6. INVESTMENTS IN SUBSIDIARIES

	Company 2016 RM'000	Company 2015 RM'000
At cost:		
Unquoted shares	317,771	314,149

Details of the subsidiaries are as follows

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest 2016 %	Effective equity interest 2015 %
Held by the Company:				
Mudajaya Corporation Berhad ("MCB")	Malaysia	Civil engineering and building construction	100	100
MJC Development Sdn. Bhd. ("MJCD")	Malaysia	Property management and development and building construction	100	100
MJC Industries Sdn. Bhd. ("MJCI")	Malaysia	Investment holding	100	100
Mudajaya Energy Sdn. Bhd. ("MESB")	Malaysia	Investment holding	100	100
Mudajaya Ventures Limited ("MVL")*	Federal Territory of Labuan, Malaysia	Investment holding	100	-

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows (cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest 2016 %	Effective equity interest 2015 %
Held through MCB:				
Mudajaya Land Sdn. Bhd.	Malaysia	Property development	100	100
MJC City Development Sdn. Bhd. ("MJCC")	Malaysia	Property management and development	70	70
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
Mudajaya RE Sdn. Bhd. (formerly known as MJC Plantations Sdn. Bhd.)	Malaysia	Dormant	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	100
Sinar Kamiri Sdn. Bhd. (formerly known as 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	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

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows (cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest 2016 %	Effective equity interest 2015 %
Held through MCB (cont'd):				
Desiran Johan Sdn. Bhd.	Malaysia	Property development and construction	70	70
Dayang Pertiwi Sdn. Bhd. #* ("DPSB")	Malaysia	Investment holding	100	-
Held through MIIL:				
Mudajaya Construction (India) Private Limited#*	India	Construction and related business	100	100
Held through MJCI:				
MJC Precast Sdn. Bhd. ("MJCP")	Malaysia	Manufacture of precast concrete and other related products	100	100
MJC Trading Sdn. Bhd. ("MJCT")	Malaysia	Trading in construction related materials	100	100
Held through MJCP:				
Mudajaya IBS Sdn. Bhd. ("MISB")	Malaysia	Manufacture of precast concrete and other related products	70	70
Held through MESB:				
Active Flora Sdn. Bhd. ("AFSB")	Malaysia	Investment holding	100	100
Positive Range Sdn. Bhd. ("PRSB")	Malaysia	Investment holding	100	100
Mudajaya Power International Sdn. Bhd. ("MPISB")	Malaysia	Civil engineering and building construction	100	100
Held through AFSB and PRSB:				
Special Universal Sdn. Bhd. ("SUSB")	Malaysia	Photovoltaic power plant	60	60
Held through MPISB:				
PT Mudajaya Energi Indonesia#	Indonesia	Investment holding	95	95

Not audited by member firms of KPMG International

* Consolidated based on management accounts

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Group restructuring activities

On 13 January 2016, the Company completed the acquisition of 3 wholly-owned subsidiaries of MCB i.e MJCI, MJCD and MESB. The Company acquired 300,000 ordinary shares of RM1.00 each in MJCI for a total consideration of RM2.53 million, 100,000 ordinary shares of RM1.00 each in MJCD for a total consideration of RM0.97 million and 120,000 ordinary shares of RM1.00 each in MESB for a total consideration of RM0.12 million, all representing 100% of the total issued and paid-up share capital of the respective companies.

On 22 March 2016, MJCI and MESB completed the acquisition of 3 wholly-owned subsidiaries of MCB i.e MJCP, MJCT and MPI. MJCI acquired 10,000,000 ordinary shares of RM1.00 each in MJCP for a total consideration of RM16.70 million and 300,000 ordinary shares of RM1.00 each in MJCT for a total consideration of RM5.37 million, whilst MESB acquired 200,000 ordinary shares of RM1.00 each in MPI for a total consideration of RM0.20 million, all representing 100% of the total issued and paid-up share capital of the respective companies.

Acquisition of subsidiaries

On 29 April 2016, the Company has incorporated a limited company, MVL which has a paid-up share capital of USD1.00. As a result of the incorporation, MVL became a wholly-owned subsidiary of the Company.

On 8 December 2016, MCB, a wholly-owned subsidiary of the Company acquired 2 ordinary shares of RM1.00 each, representing 100% of the total issued and paid-up share capital of DPSB for a total consideration of RM2.00. As a result of the acquisition, DPSB became an indirect wholly-owned subsidiary of the Company.

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
2016					
NCI percentage of ownership interest and voting interest	20%	30%	40%		
Carrying amount of NCI	(44,521)	18,933	9,477	(2,070)	(18,181)
(Loss)/Profit allocated to NCI	(98)	1,453	1,317	(1,224)	1,448

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

	MIPP RM'000	MJCC RM'000	SUSB RM'000
2016			
Summarised financial information before intra-group elimination			
As at 31 December			
Non-current assets	-	4,078	69,483
Current assets	148,438	93,462	3,666
Non-current liabilities	-	-	(34,863)
Current liabilities	(118,685)	(28,233)	(14,594)
Net assets	29,753	69,307	23,692
Year ended 31 December			
Revenue	-	23,945	11,086
(Loss)/Profit for the year	(488)	4,844	3,293
Total comprehensive (expense)/ income	(489)	4,844	3,293
Dividends paid to NCI	-	-	-

	MIPP RM'000	MJCC RM'000	SUSB RM'000	Other subsidiaries with immaterial NCI RM'000	Total RM'000
2015					
NCI percentage of ownership interest and voting interest	20%	30%	40%		
Carrying amount of NCI	(41,225)	17,480	8,159	(353)	(15,939)
(Loss)/Profit allocated to NCI	(110)	2,791	1,234	(95)	3,820

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

	MIPP RM'000	MJCC RM'000	SUSB RM'000
2015			
Summarised financial information before intra-group elimination			
As at 31 December			
Non-current assets	1	3,412	73,283
Current assets	134,455	79,728	2,604
Non-current liabilities	-	(105)	(40,926)
Current liabilities	(104,215)	(18,572)	(14,562)
Net assets	30,241	64,463	20,399
Year ended 31 December			
Revenue	1,700	30,585	11,402
Profit for the year	(740)	9,302	3,085
Total comprehensive income	4,312	9,302	3,085
Dividends paid to NCI	-	(4,200)	-

7. INVESTMENTS IN ASSOCIATES

	Group	
	2016 RM'000	2015 RM'000
Unquoted shares, at cost	964,439	954,069
Share of post-acquisition reserves	(147,659)	(13,846)
Less: Impairment loss	(2,614)	(810)
	814,166	939,413
Less: Unrealised profits	(252,356)	(255,139)
	561,810	684,274

During the financial year, RM5,869,000 of deposit paid to PT Indomuda Satria Internusa in prior year was reclassified to investment in associates upon completion of the acquisition of PT Harmoni Energy Indonesia.

7. INVESTMENTS IN ASSOCIATES (CONT'D)

Details of the associates are as follows:

Name of associates	Note	Country of incorporation	Principal activities	Effective equity interest 2016 %	Effective equity interest 2015 %	Accounting model applied
Held by MCB:						
R.K.M Powergen Private Limited ("RKM") #	(i)	India	Power producer	26	26	Equity method
Musyati Mudajaya JV Sdn Bhd ("MMJV") (formerly known as Elite Sdn. Bhd.) #	(ii)	Malaysia	Construction and upgrading of The Pan Borneo Highway in the State of Sarawak	30	-	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 #		Philippines	Power producer	40	40	Equity method
PT Harmoni Energy Indonesia # ("PT Harmoni")		Indonesia	Power producer	46	46	Equity method

Not audited by member firms of KPMG International

7. INVESTMENTS IN ASSOCIATES (CONT'D)

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

	2016		2015	
	RKM RM'000	PT Harmoni RM'000	RKM RM'000	PT Harmoni RM'000
Summarised statement of financial position				
Current assets	28,221	12,876	323,396	11,619
Non-current assets	7,522,407	167,742	6,666,747	151,683
Total assets	7,550,628	180,618	6,990,143	163,302
Current liabilities	1,169,530	116,610	226,006	113,432
Non-current liabilities	5,513,885	26,218	5,339,347	60,754
Total liabilities	6,683,415	142,828	5,565,353	174,186
Summarised statement of comprehensive income				
Loss for the year	(508,037)	(2,163)	(18,823)	(11,970)

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

	2016		2015	
	RKM RM'000	PT Harmoni RM'000	RKM RM'000	PT Harmoni RM'000
Net assets at 1 January	1,424,790	(10,884)	1,222,482	-
(Reduction)/Addition	(49,540)	50,837	221,131	1,086
Loss for the year	(508,037)	(2,163)	(18,823)	(11,970)
	867,213	37,790	1,424,790	(10,884)
Interest in an associate	26%	46%	26%	46%
Group's share of net assets	225,475	17,383	370,445	(5,007)

2016	RKM RM'000	PT Harmoni RM'000	Other immaterial associate RM'000	Total RM'000
Reconciliation of net assets carrying amount as at 31 December				
Group's share of net assets	225,475	17,383	14,394	257,252
Addition of investment in associate	-	5,870	-	5,870
Goodwill	613,061	5,980	-	619,041
Reduction	(44,613)	(23,384)	-	(67,997)
Elimination of unrealised profit	(252,356)	-	-	(252,356)
Carrying amount in the statement of financial position	541,567	5,849	14,394	561,810

7. INVESTMENTS IN ASSOCIATES (CONT'D)

2015	RKM RM'000	PT Harmoni RM'000	Other immaterial associate RM'000	Total RM'000
Reconciliation of net assets carrying amount as at 31 December				
Group's share of net assets	370,445	(5,007)	12,427	377,865
Goodwill	613,061	5,980	-	619,041
Reduction	(57,493)	-	-	(57,493)
Elimination of unrealised profit	(255,139)	-	-	(255,139)
Carrying amount in the statement of financial position	670,874	973	12,427	684,274

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

	2016 RM'000	2015 RM'000
The Group's share of loss for the year	(243)	(1,878)

(i) RKM is currently undertaking a 4x360MW Coal-Fired Independent Power Producer Project with a project cost amounting to INR127.06 billion (RM8.41 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 term loan availed by RKM are secured by way of pledging of equity shares of RKM by its promoters in favour of the term loan lenders. 15% of RKM shares held by MCB is pledged for the purpose.

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 12.9%. 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.

Operationally, RKM notified the Company on 3 April 2017 that its Unit 1 has commenced the sale of 200 MW to several power distribution companies in the State of Uttar Pradesh in April 2017 pursuant to the Power Purchase Agreement dated 15 March 2016. The balance of 150 MW will commence power sales pending an approval from Uttar Pradesh Power Corporation Ltd.

(ii) On 15 August 2016, MCB, a wholly-owned subsidiary of the Company acquired 1 ordinary share of RM1.00 each, representing 50% of the total issued and paid-up share capital of MMJV (formerly known as Elite Sdn. Bhd.) from a third party for a total consideration of RM1.00. Subsequently, MMJV has increased its issued and paid-up share capital from 2 ordinary shares of RM1.00 each to 15,000,000 ordinary shares of RM1.00 each. On 15 September 2016, MCB subscribed for 2,999,999 ordinary shares of RM1.00 each in MMJV for a total consideration of RM2,999,999 and another 1,500,000 ordinary shares of RM1.00 each in MMJV for a total consideration of RM1,500,000 on 12 October 2016, all representing 30% of the total issued and paid-up share capital of MMJV, making MMJV an associate of MCB.

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENTS IN JOINT OPERATIONS

Details of the joint operations are as follows:

Names of joint operations	Country	Principal activities	Proportion of ownership interest 2016 %	2015 %
Held through MCB:				
Mudajaya – BSBK Joint Venture* - joint operation	India	Engineering and construction of Chhattisgarh Road Project from Kumhari (KM 0) to Bemetera (KM67.39) Section in Chhattisgarh, India	60	60
Bina Rezeki – Mudajaya Joint Venture* - joint operation	Malaysia	Design and construction of the Boulevard Plaza Development at Lot 3C7 at Putrajaya, Malaysia	51	51

* Consolidated based on management accounts

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

	Group 2016 RM'000	2015 RM'000
Assets and liabilities		
Current assets/total assets	2,067	2,069
Current liabilities/total liabilities	(1,023)	(1,027)
Income	2	285
Expenses	-	(4)

9. OTHER INVESTMENTS

	Group 2016 RM'000	2015 RM'000
At cost:		
Club memberships	542	542
Unquoted shares	1,274	1,000
	1,816	1,542
Less: Accumulated impairment losses	(1,000)	(1,000)
	816	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	**2016 RM'000**	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Property, plant and equipment	493	461	(600)	(600)	(107)	(139)
Investment properties	-	-	(2,026)	(1,443)	(2,026)	(1,443)
Accrued rental income	-	-	(34)	-	(34)	-
Others	-	-	436	-	436	-
Deferred tax assets/(liabilities)	493	461	(2,224)	(2,043)	(1,731)	(1,582)

Movement in temporary differences during the year

Group	**At 1.1.2015 RM'000**	**Recognised in profit or loss (Note 25) RM'000**	**At 31.12.2015/ 1.1.2016 RM'000**	**Recognised in profit or loss (Note 25) RM'000**	**At 31.12.2016 RM'000**
Property, plant and equipment	(256)	117	(139)	32	(107)
Investment properties	(1,552)	109	(1,443)	(583)	(2,026)
Accrued rental income	-	-	-	(34)	(34)
Others	-	-	-	436	436
	(1,808)	226	(1,582)	(149)	(1,731)

Unrecognised deferred tax assets

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

	Group	
	2016 RM'000	**2015 RM'000**
Tax loss carry-forwards	270,193	33,655
Other deductible temporary differences	9,636	7,565
	279,829	41,220
Deferred tax assets at 24%	67,159	9,893

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.

NOTES TO THE FINANCIAL STATEMENTS

11. INVENTORIES

	Group 2016 RM'000	Group 2015 RM'000
Cost		
Properties held for sale	38,615	30,879
Raw materials	3,103	1,712
	41,718	32,591

12. PROPERTY DEVELOPMENT COSTS

	Group 2016 RM'000	Group 2015 RM'000
Cumulative property development costs		
At 1 January:		
Leasehold land	44,474	44,474
Development costs	423,588	421,692
	468,062	466,166
Costs incurred during the year:		
Development costs	22,068	29,637
Transferred to inventories	(7,736)	(27,741)
At 31 December	482,394	468,062
Cumulative costs recognised in statement of profit or loss and other comprehensive income:		
At 1 January	(429,341)	(404,994)
Recognised during the year (Note 21)	(13,818)	(24,347)
At 31 December	(443,159)	(429,341)
Property development costs at 31 December	39,235	38,721

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 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Trade receivables					
Third parties		337,958	277,280	-	-
Retention sums		30,913	38,317	-	-
Advance payments received	(e)	(74,158)	(80,253)	-	-
Total trade receivables	(a)	294,713	235,344	-	-
Less: Allowance for impairment	(d)	(27,650)	(592)	-	-
		267,063	234,752	-	-
Other receivables					
Other receivables		40,575	26,326	-	-
Amount due from subsidiaries	(f)	-	-	25,413	14,402
Amount due from associates	(g)	72,000	62,907	-	-
Less: Allowance for impairment		(5,136)	(2,411)	-	-
		107,439	86,822	25,413	14,402
Deposits	(h)	7,514	8,823	2	3,623
Advance payments	(i)	20,473	21,613	10	20
Goods and Service Tax ("GST") receivables	(j)	226	99	-	-
		135,653	117,357	25,425	18,045
		402,715	352,109	25,425	18,045

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2015: 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 2016 RM'000	Group 2015 RM'000
Neither past due nor impaired (b)	86,892	81,852
1 to 30 days past due but not impaired	11,106	5,301
31 to 60 days past due but not impaired	2,567	906
61 to 90 days past due but not impaired	337	1,384
91 to 120 days past due but not impaired	104	908
More than 120 days past due but not impaired	166,057	144,401
Total receivables that are past due but not impaired (c)	180,171	152,900
Trade receivables that are impaired (d)	27,650	592
	294,713	235,344

Included in trade receivables at 31 December 2016 is amount due from an associate of RM169,552,000 (2015: RM127,073,000).

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 24 months.

13. TRADE AND OTHER RECEIVABLES (CONT'D)

(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.

(c) Receivables that are past due but not impaired

The Group has trade receivables amounting to approximately RM180,171,000 (2015: RM152,900,000) 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	
	2016 RM'000	2015 RM'000
Trade receivables – nominal amounts	27,650	592
Less: Allowance for impairment	(27,650)	(592)
	-	-

Movement in allowance accounts:

	Group	
	2016 RM'000	2015 RM'000
At 1 January	592	597
Charge for the year	27,650	-
Reversal of impairment losses (Note 23)	-	(5)
Written off	(592)	-
At 31 December	27,650	592

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.

13. TRADE AND OTHER RECEIVABLES (CONT'D)

(f) Amount due from subsidiaries

The amount due from subsidiaries are 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. Included in the amount due from associates is the amount of RM40,519,000 (2015: RM30,556,000) which arose from advances to MVSB. The advances had been approved by the shareholders in the Company's Extraordinary General Meeting held on 12 December 2013. The advances are subject to interest rate at 8% (2015: 8%) per annum. Also included in the amount due from associates is advances of RM29,537,000 (2015: RM26,434,000) extended to PT Harmoni and is subject to interest rate at 12% (2015: 12%) per annum. The remaining balance is non-interest bearing.

(h) Deposits

Included in deposits in previous year was RM5,869,000 paid to PT Indomuda Satria Internusa for the acquisition of 46% equity shares in PT Harmoni (" the Acquisition"). During the financial year, the amount was classified to investment in associates upon completion of the Acquisition.

(i) Advance payments

These are mainly contractual advance payments to subcontractors for construction works.

(j) GST

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

14. OTHER CURRENT ASSETS

		Group	
	Note	2016 RM'000	2015 RM'000
Amounts due from contract customers	(a)	281,545	470,256
Contra properties	(b)	190,596	168,140
Recovered properties	(c)	12,980	24,283
		485,121	662,679

14. OTHER CURRENT ASSETS (CONT'D)

(a) Amount due from /(to) contract customers

	Group	
	2016 RM'000	2015 RM'000
Construction costs incurred to date	4,951,010	6,741,708
Attributable profits	1,810,801	2,019,427
	6,761,811	8,761,135
Less: Progress billings	(6,498,211)	(8,302,966)
	263,600	458,169
Presented as:		
Amounts due from contract customers	281,545	470,256
Amounts due to contract customers	(17,945)	(12,087)
	263,600	458,169

(b) Contra properties

In 2013, a subsidiary, MCB entered into a Compromise and Settlement Agreement with one of its debtors whereby the amount due from the debtor was settled via transfer of properties ("contra properties") to MCB. The contra properties comprise service apartments, office suites, retail units and parking lots in Kuala Lumpur, Malaysia.

On 6 April 2016, MCB entered into Final Settlement Agreement with the debtor and both parties agreed that MCB shall complete the balance of works in the Project on its own cost. The project was completed during the financial year.

During the financial year, certain contra properties are pledged to secure the Group's secured revolving credits (Note 17(e)).

The contra 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.

(c) Recovered properties

This relates to properties recovered from an asset recovery exercise arising from irregular transactions reported in the previous financial year. The titles of the properties and the related liabilities are registered under third parties.

The Group and the third parties had entered into the transfer agreement for the transfer of the assets to the Group in lieu of payment to the Group. The third parties have also granted Power of Attorney with wide powers to the Group to deal with the properties which include sale of the said properties.

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and bank balances	300,018	60,927	35	35
Deposits with financial institutions	28,102	9,249	-	-
	328,120	70,176	35	35

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

Cash at banks and deposits with financial institutions earned interest at floating rates based on daily 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 the interest rates from the range of 2.93% to 4.37% (2015: 3.52% to 3.97%) per annum during the financial year.

Included in cash and bank balances of the Group is the deposit with a financial institution of RM9,000,000 charged for the revolving credit (Note 17(e)).

Included in cash and bank balances of the Group is Designated Collection Accounts and Finance Service Reserve Account of RM868,000 (2015: RM806,000) charged for the term loans (Note 17(d)).

16. CAPITAL AND RESERVES

(a) Share capital

	Group and Company			
Authorised:	Number of shares 2016 '000	Amount 2016 RM'000	Number of shares 2015 '000	Amount 2015 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/31 December	552,418	110,483	552,418	110,483

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.

NOTES TO THE FINANCIAL STATEMENTS

16. CAPITAL AND RESERVES (CONT'D)

(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.

During the year, RM1,491,000 (2015: RM15,010,000) was transferred from the reserve to retained earnings upon forfeiture of the options upon resignation of employees.

(e) Treasury shares

Treasury shares relate 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 16 June 2016, gave mandate to the Board of Directors ("BOD") of the Company to repurchase its own ordinary shares. The BOD 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.

There was no repurchase of ordinary shares during the financial year.

Of the total 552,418,466 (2015: 552,418,466) issued and fully paid ordinary shares as at 31 December 2016, 14,018,300 (2015: 14,018,300) are held as treasury shares by the Company. As at 31 December 2016, the number of outstanding ordinary shares in issue after the set-off against treasury shares is therefore 538,400,166 (2015: 538,400,166) ordinary shares of RM0.20 (2015: 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. LOANS AND BORROWINGS

	Note	Group 2016 RM'000	Group 2015 RM'000
Non-current			
Unsecured:			
Islamic Medium Term Notes ("IMTN")	(a)	120,000	360,000
Euro Medium Term Notes ("EMTN")	(b)	269,310	-
		389,310	360,000
Secured:			
Finance lease liabilities	(c)	423	-
Term loans	(d)	34,863	40,926
		35,286	40,926
		424,596	400,926
Current			
Unsecured:			
Bank overdrafts	(f)	4,070	-
Revolving credit	(e)	40,000	140,000
Islamic Medium Term Notes ("IMTN")	(a)	240,000	-
Secured:			
Bank overdrafts	(f)	3,738	-
Revolving credit	(e)	98,000	-
Finance lease liabilities	(c)	205	-
Term loans	(d)	6,063	6,063
		392,076	146,063
		816,672	546,989

The maturities of the loan and borrowings as at 31 December 2016 are as follows:

	Group 2016 RM'000	Group 2015 RM'000
Within one year	392,076	146,063
More than 1 year and less than 2 years	6,487	246,063
2 to 5 years	407,499	138,189
5 years and above	10,610	16,674
	816,672	546,989

NOTES TO THE FINANCIAL STATEMENTS

17. LOANS AND BORROWINGS (CONT'D)

(a) IMTN

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

There were two tranches of IMTN totalling RM360 million issued under the SUKUK, with the following maturity dates:

	Amount RM'000	Maturity date
Tranche 1	240,000	23 January 2017
Tranche 2	120,000	23 January 2019

MCB has successfully redeemed the Tranche 1 on 23 January 2017.

(b) EMTN

On 28 December 2016, Mudajaya Ventures Limited ("MVL"), a wholly-owned subsidiary of the Company issued US$60 million Notes ("Notes") under the US$200 million Euro Medium Term Note Programme. The Notes bear an interest rate of 7% per annum payable semi-annually. The tenure of the Notes is 3 years from the issue date and will mature on 28 December 2019.

(c) Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
2016			
Less than one year	232	27	205
Between one and five years	445	22	423
	677	49	628
2015			
Less than one year	-	-	-
Between one and five years	-	-	-
	-	-	-

17. LOANS AND BORROWINGS (CONT'D)

(d) 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% (2015: 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 38 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% (2015: 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 FSRA; and

(v) corporate guarantee by MCB.

Other information on financial risk of borrowings is disclosed in Note 28.

(e) Revolving credits

Both unsecured and secured revolving credit facilities were drawn down for working capital requirements. The revolving credit which was rolled-over on a quarterly basis bear interest rate at 5.45% - 5.65% (2015: 5.65%) per annum. The revolving credits which were rolled-over on a monthly basis bear interest rate at 4.41% - 6.14% (2015: 4.60% – 6.14%) per annum. The interest rates are fixed at the date of each draw down and might be revised at the commencement of each roll-over period.

The secured revolving credits are secured by a charge over 19 units of service apartments of the Group (Note 14(b), an investment property of the Group (Note 4) and the deposit with a financial institution of RM9,000,000 of the Group (Note 15).

(f) Bank overdrafts

Both secured and unsecured bank overdrafts were drawn down for working capital requirements and bear interest at 7.06% (2015: Nil) per annum. The bank overdrafts are secured by a charge over an investment property (Note 4) of the Group.

NOTES TO THE FINANCIAL STATEMENTS

18. TRADE AND OTHER PAYABLES

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Trade payables					
Third parties	(a)	444,119	350,337	-	-
Other payables					
Deposits		766	759	-	-
Accruals		33,217	25,873	1,317	580
Other payables		7,871	11,078	-	4
Amount due to a subsidiary		-	-	12,004	-
Amount due to an associate		4,105	-	-	-
GST payable		10,896	-	-	-
		56,855	37,710	13,321	584
		500,974	388,047	13,321	584

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranging from 7 to 90 days (2015: 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; and
- On 15 July 2016, a total of 16,100,000 share options were granted at a subscription price of RM1.15 per share.

19. EMPLOYEE BENEFITS (CONT'D)

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

The salient features of the Mudajaya ESOS are as follows:

(i) The original scheme is in force for a period of 5 years from 30 September 2011, being the date of implementation and on 1 August 2016, the Board has approved to extend the share options for a further period of 5 years which will expire on 28 September 2021;

(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;

(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 RM0.20, whichever is the higher; and

(vi) 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.

	Number of options						
Group and Company 2016	**At 1.1.2016 '000**	**Granted '000**	**Rejected '000**	**Forfeited '000**	**Exercised '000**	**At 31.12.2016 '000**	**Exercisable 31.12.2016 '000**
Grant date							
3 October 2011	4,802	-	76	591	-	4,135	4,135
16 July 2012	960	-	-	211	-	749	749
3 October 2012	539	-	12	302	-	225	225
2 May 2013	1,520	-	15	90	-	1,415	1,415
3 October 2013	1,556	-	-	550	-	1,006	1,006
18 February 2014	631	-	-	-	-	631	631
15 July 2016	-	16,100	-	-	-	16,100	-
	10,008	16,100	103	1,744	-	24,261	8,161
Weighted average exercise price ("WAEP") (RM)	2.28	1.15	2.07	2.43	-	1.52	2.25

19. EMPLOYEE BENEFITS (CONT'D)

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

Group and Company 2015	Number of options						
	At 1.1.2015 '000	Granted '000	Rejected '000	Forfeited '000	Exercised '000	At 31.12.2015 '000	Exercisable 31.12.2015 '000
Grant date							
3 October 2011	16,977	-	-	12,175	-	4,802	4,802
16 July 2012	3,106	-	-	2,146	-	960	960
3 October 2012	820	-	-	281	-	539	539
2 May 2013	2,180	-	-	660	-	1,520	1,520
3 October 2013	3,205	-	-	1,649	-	1,556	1,556
18 February 2014	631	-	-	-	-	631	631
	26,919	-	-	16,911	-	10,008	10,008
Weighted average exercise price ("WAEP") (RM)	2.18	-	-	2.12	-	2.28	2.28

The options outstanding at 31 December 2016 have an exercise price in the range of RM1.15 to RM2.75 (2015: RM1.90 to RM2.75) and a weighted average contractual life of 5 years (2015: 1 year).

No option were exercised during the financial year.

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:

Fair value of share options and assumptions	Grant date						
	15.7.2016	18.2.2014	3.10.2013	2.5.2013	3.10.2012	16.7.2012	3.10.2011
Fair value at grant date	0.32	0.58	0.77	0.74	0.89	0.95	1.13
Dividend yield (%)	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Expected volatility (%)	35.00	35.00	35.00	35.00	35.00	35.00	35.00
Risk-free interest rate (% p.a)	3.20	3.20	3.20	3.20	3.20	3.20	3.20
Expected life of option (years)	5	5	5	5	5	5	5
Weighted average share price (RM)	1.22	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 an ESOS expense of RM1,417,000 (2015 : reversal of RM140,000) in profit or loss on the adjustments on the fair value of the extended granted share option amounted to RM741,000 and newly granted share option amounted to RM676,000 respectively.

20. REVENUE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Construction contracts	627,738	442,839	-	-
Sale of development properties	24,746	44,730	-	-
Sale of construction materials	88,810	39,170	-	-
Rental of office space (Note 4)	6,752	5,368	-	-
Power	11,086	11,402	-	-
Dividend income from a subsidiary	-	-	-	17,040
	759,132	543,509	-	17,040

21. COST OF SALES

	Group	
	2016 RM'000	2015 RM'000
Construction contract costs	594,923	381,381
Property development costs (Note 12)	13,818	24,347
Cost of inventories sold	80,047	56,770
Property maintenance cost (Note 4)	2,823	1,994
Power plant costs	5,045	1,528
	696,656	466,020

22. OTHER INCOME

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest income from loans and receivables	8,383	7,220	3	364
Rental of land and buildings	479	378	-	-
Reversal of allowance for impairment of trade receivables (Note 13(d))	-	5	-	-
Gain on disposal of property, plant and equipment	177	531	-	-
Reversal of unrealised profits on equipment supply contract	2,783	192	-	-
Net gain on foreign exchange	1,673	11,788	-	8
Miscellaneous	2,644	2,220	1,351	543
	16,139	22,334	1,354	915

23. RESULTS FROM OPERATING ACTIVITIES

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Results from operating activities is arrived at after charging/(crediting):					
Auditors' remuneration:					
- Audit fees					
Statutory auditors		442	393	105	105
Other auditors		7	19	-	-
- Non-audit fees					
Statutory auditors		18	285	18	-
Amortisation of intangible asset	5	620	620	-	-
Depreciation of property, plant and equipment	3	14,729	14,608	-	-
Depreciation of investment property	4	985	720	-	-
Gain on disposal of property, plant and equipment		(177)	(531)	-	-
Reversal of allowance for impairment of trade receivables	13	-	(5)	-	-
Impairment loss of investment in associate		1,804	810	-	-
Impairment loss of other assets		200,877	-	-	-
Impairment loss of trade and other receivables		30,375	2,411	6	-
Employee benefits expenses	24	32,559	26,533	-	-
Net foreign exchange differences					
- realised		47	7	-	-
- unrealised		(1,720)	(11,795)	-	(8)
Non-executive directors' remuneration	24	572	630	572	630

24. EMPLOYEE BENEFITS EXPENSE AND KEY MANAGEMENT PERSONNEL COMPENSATION

	Group 2016 RM'000	Group 2015 RM'000
Wages and salaries	27,847	23,872
Social security contributions	115	108
Contributions to defined contribution plan	2,648	2,230
Share options granted under ESOS (Note 19)	1,417	(140)
Other benefits	532	463
	32,559	26,533

24. EMPLOYEE BENEFITS EXPENSE AND KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

Included in employee benefits expenses of the Group are executive directors' remuneration amounting to RM2,288,000 (2015: RM5,146,000) as further disclosed.

The key management personnel compensations are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Executive Directors:				
Salaries and other emoluments	1,638	4,462	-	-
Bonus	423	44	-	-
Defined contribution plan	227	640	-	-
	2,288	5,146	-	-
Non-executive Directors:				
Fees	410	410	410	410
Other emoluments	162	220	162	220
	572	630	572	630
Total Directors' remuneration	2,860	5,776	572	630
Estimated money value of benefits-in-kind	21	91	-	-
Total key management personnel compensation	2,881	5,867	572	630

25. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income tax expense				
Current year	4,404	8,679	-	130
Under/(Over) provision in prior years	213	(604)	-	(9)
	4,617	8,075	-	121
Deferred tax expense (Note 10)				
Current year	193	(226)	-	-
Over provision in prior years	(44)	-	-	-
	149	(226)	-	-
Total tax expense	4,766	7,849	-	121

NOTES TO THE FINANCIAL STATEMENTS

25. TAX EXPENSE (CONT'D)

Recognised in profit or loss (cont'd)

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Reconciliation of tax expense				
(Loss)/Profit before tax	(377,534)	10,241	(1,535)	16,912
Income tax calculated using Malaysian tax rate of 24% (2015 : 25%)	(90,608)	2,560	(368)	4,228
Non-deductible expenses	4,120	1,577	368	253
Non-taxable income	(3,364)	(4,831)	-	(4,351)
Effect of share of associates' loss	32,115	3,069	-	-
Effect of tax losses incurred in tax exempt jurisdiction	5,670	396	-	-
Effect of deferred tax assets not recognised	56,917	5,909	-	-
Effect of changes in tax rate	-	256*	-	-
Other items	(253)	(483)	-	-
Under/(Over) provision in prior years	169	(604)	-	(9)
	4,766	7,849	-	121

* The change in Malaysia Corporate tax rate from 25% to 24% with effective from YA2016 was announced in the Malaysian 2015 Budget on 25 October 2013. Accordingly, deferred tax has been provided using 24%.

26. LOSS PER ORDINARY SHARE

Basic and diluted loss per ordinary share

The calculation of basic and diluted loss per ordinary share at 31 December 2016 was based on the loss attributable to ordinary shareholders over weighted average number of ordinary shares outstanding as at 31 December, as follows:

Loss attributable to ordinary shareholders:

	Group 2016 RM'000	Group 2015 RM'000
Loss for the year attributable to owners of the Company	(383,748)	(1,428)

	2016 '000	2015 '000
Weighted average number of ordinary shares at 31 December	540,020	540,020

	2016 Sen	2015 Sen
Basic and diluted loss per ordinary shares	(71.06)	(0.26)

The share option of 24,261,000 units (2015: 10,008,000 units) could potentially dilute the earning per share when it is exercised. However, they are anti-dilutive for the periods presented.

27. OPERATING SEGMENTS

Segment information

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group Managing Director & Chief Executive Officer 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 engineering, constructions works and equipment procurement;
(b)	Property	-	the development of residential and commercial properties plus rental income;
(c)	Power	-	sale of power energy; and
(d)	Trading and manufacturing	-	trading in construction materials and manufacturing of construction related products.

The management monitors the operating results of its business units separately for the purpose of making decisions about resources 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 normal course of business and have been established on mutually agreed terms and conditions.

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 Managing Director & Chief Executive Officer. 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 segment as included in the internal management reports that are reviewed by the Group Managing Director & Chief Executive Officer.

Segment capital expenditure

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

27. OPERATING SEGMENTS (CONT'D)

2016	Construction contracts RM'000	Property RM'000	Power RM'000	Trading, manufacturing and others RM'000	Adjustments and eliminations RM'000	Note	Per consolidated financial statements RM'000
Revenue:							
External customers	628,889	30,346	11,086	88,811	-		759,132
Inter-segment	1,514	1,170	-	17,558	(20,242)	(i)	-
Total revenue	630,403	31,516	11,086	106,369	(20,242)		759,132
Results:							
Included in the measure of segment profit/(loss) are:							
Interest income	1,070	3,592	3,791	318	(388)		8,383
Finance costs	(23,321)	(142)	(2,644)	(212)	480		(25,839)
Depreciation	(9,623)	(1,374)	(3,808)	(909)	-		(15,714)
Share of loss of associates	(485)	(243)	(133,085)	-	-		(133,813)
(Loss)/Profit after tax	(230,505)	4,820	(143,918)	(7,869)	(4,828)	(ii)	(382,300)
Assets:							
Included in the measure of segment assets are:							
Investment in associates	4,015	10,380	547,415	-	-		561,810
Additions to non-current assets	1,019	1,053	9	1,731	-	(iii)	3,812
Segment assets	1,862,220	228,223	125,469	733,654	(900,124)	(iv)	2,049,442
Segment liabilities	1,001,473	88,355	111,403	359,980	(220,893)	(v)	1,340,318

27. OPERATING SEGMENTS (CONT'D)

2015	Construction contracts RM'000	Property RM'000	Power RM'000	Trading, manufacturing and others RM'000	Adjustments and eliminations RM'000	Note	Per consolidated financial statements RM'000
Revenue:							
External customers	442,839	50,098	11,402	39,170	-		543,509
Inter-segment	9,992	1,624	-	42,288	(53,904)	(i)	-
Total revenue	452,831	51,722	11,402	81,458	(53,904)		543,509
Results:							
Included in the measure of segment profit/(loss) are:							
Interest income	1,299	2,645	2,205	1,071	-		7,220
Finance costs	(20,788)	(64)	(3,043)	-	-		(23,895)
Dividend income	-	-	-	17,040	(17,040)	(i)	-
Depreciation	(9,683)	(1,144)	(3,807)	(694)	-		(15,328)
Share of loss of associates	-	(1,809)	(10,469)	-	-		(12,278)
Profit/(Loss) after tax	14,929	10,816	(6,479)	24,209	(41,083)	(ii)	2,392
Assets:							
Included in the measure of segment assets are:							
Investment in associates	-	10,623	673,651	-	-		684,274
Additions to non-current assets	1,696	296	-	153	-	(iii)	2,145
Segment assets	1,917,027	149,736	107,579	475,250	(608,622)	(iv)	2,040,970
Segment liabilities	907,514	78,276	118,156	61,401	(214,359)	(v)	950,988

27. OPERATING SEGMENTS (CONT'D)

(i) Inter-segment revenues are eliminated on consolidation.

(ii) The following items are (deducted from)/added to segment profit to arrive at "Profit/(Loss) before tax" presented in the consolidated statement of profit or loss and other comprehensive income:

	Group 2016 RM'000	Group 2015 RM'000
Loss from inter-segment	(4,828)	(41,083)

(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 2016 RM'000	Group 2015 RM'000
Inter-segment assets	(900,124)	(608,622)

(v) The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	Group 2016 RM'000	Group 2015 RM'000
Unallocated liabilities	(220,893)	(214,359)

Geographical segments

The Group operates in Malaysia, Indonesia, 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. The subsidiary in Republic of Mauritius and office in Negara Brunei Darussalam provides equipment procurement services. The associates in Indonesia and India, are power operators. Revenue from external customers disclosed in geographical segments are based on the geographical locations of its customers.

	Total revenue from external customers		Segment assets		Additions to non-current assets	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysia	759,132	541,809	1,830,524	1,885,203	3,812	2,145
India	-	1,700	3,169	2,641	-	-
Republic of Mauritius	-	-	181,227	137,953	-	-
Negara Brunei Darussalam	-	-	34,522	15,173	-	-
Consolidated	759,132	543,509	2,049,442	2,040,970	3,812	2,145

Major customers

Approximately 78% (2015: 73%) of total revenue during the year is mainly contributed from three (3) (2015: three (3)) customers.

28. FINANCIAL INSTRUMENTS

28.1 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").

2016	Carrying amount RM'000	L&R RM'000	FL RM'000	AFS RM'000
Financial assets				
Group				
Other investment	816	-	-	816
Trade and other receivables	382,016	382,016	-	-
Cash and cash equivalents	328,120	328,120	-	-
	710,952	710,136	-	816
Financial assets				
Company				
Trade and other receivables	25,415	25,415	-	-
Cash and cash equivalents	35	35	-	-
	25,450	25,450	-	-
Financial liabilities				
Group				
Trade and other payables	490,078	-	490,078	-
Refundable deposits	2,039	-	2,039	-
Loans and borrowings	816,672	-	816,672	-
	1,308,789	-	1,308,789	-
Company				
Trade and other payables	13,321	-	13,321	-

NOTES TO THE FINANCIAL STATEMENTS

28. FINANCIAL INSTRUMENTS (CONT'D)

28.1 Categories of financial instruments (cont'd)

2015	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	330,397	330,397	-	-
Cash and cash equivalents	70,176	70,176	-	-
	401,115	400,573	-	542
Financial assets				
Company				
Trade and other receivables	18,025	18,025	-	-
Cash and cash equivalents	35	35	-	-
	18,060	18,060	-	-
Financial liabilities				
Group				
Trade and other payables	388,047	-	388,047	-
Refundable deposits	1,822	-	1,822	-
Loans and borrowings	546,989	-	546,989	-
	936,858	-	936,858	-
Company				
Trade and other payables	584	-	584	-

28.2 Net gains and losses arising from financial instruments

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Loans and receivables	(20,319)	16,602	(3)	372
Financial liabilities measured at amortised cost	(25,839)	(23,895)	-	-
Net (losses)/gains	(46,158)	(7,293)	(3)	372

28.3 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

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 Credit risk

Credit risk is the risk of a financial loss to the Group and the Company 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 87% (2015: 83%) 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:

	2016		2015	
Group	**RM'000**	**% of total**	**RM'000**	**% of total**
By industry sector:				
Construction	233,521	87	218,725	93
Property development	4,437	2	8,506	4
Power	1,986	1	-	-
Manufacturing, trading and others	27,119	10	7,521	3
	267,063	100	234,752	100
By geographical:				
Malaysia	97,511	37	107,679	46
India	169,552	63	127,073	54
	267,063	100	234,752	100

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 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 arising from financial guarantees amounted to RM237,475,000 (2015: RM314,206,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

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 and associates. The Company monitors the results of the subsidiaries and associates regularly.

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 Credit risk (cont'd)

Inter-company balances (cont'd)

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 and associates were not recoverable. The Company monitored these advances regularly.

28.5 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
2016						
Non-derivative financial liabilities						
Bank overdraft	7,808	BLR + 0.25%	7,808	7,808	-	-
Trade and other payables	490,078	-	490,078	490,078	-	-
Refundable deposits	2,039	-	2,039	-	2,039	-
Revolving credit	138,000	COF+1.25%-2.0%	138,000	138,000	-	-
Finance lease liabilities	628	2.7%	677	232	445	-
Term loans	40,926	COF + 2.0%	43,362	6,424	25,696	11,242
IMTN	360,000	4.6% - 4.8%	377,720	246,200	131,520	-
EMTN	269,310	7.0%	325,865	18,852	307,013	-
	1,308,789		1,385,549	907,594	466,713	11,242

28. FINANCIAL INSTRUMENTS (CONT'D)

28.5 Liquidity risk (cont'd)

Maturity analysis (cont'd)

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
2015						
Non-derivative financial liabilities						
Trade and other payables	388,047	-	388,047	388,047	-	-
Refundable deposits	1,822	-	1,822	-	1,822	-
Revolving Credit	140,000	COF+1.0%-1.5%	140,000	140,000	-	-
Term loans	46,989	COF + 2.0%	57,504	8,555	30,859	18,090
IMTN	360,000	4.6% - 4.8%	396,418	16,662	379,756	-
	936,858		983,791	553,264	412,437	18,090

Company	Carrying amount RM'000	Contractual interest rate RM'000	Contractual cash flows RM'000	Under 1 year RM'000
2016				
Non-derivative financial liabilities				
Trade and other payables	13,321	-	13,321	13,321
2015				
Non-derivative financial liabilities				
Trade and other payables	584	-	584	584

28.6 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.

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 Market risk (cont'd)

28.6.1 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 Indian Rupee ("INR"), Renminbi ("RMB"), Brunei Dollar ("BND"), Euro Dollar ("Euro"), Singapore Dollar ("SGD") and Australian Dollar ("AUD").

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 RM'000**	**RMB RM'000**	**BND RM'000**	**EURO RM'000**	**SGD RM'000**	**AUD RM'000**	**Total RM'000**
2016							
Trade and other receivables	-	16	36	-	-	-	52
Cash and bank balances	254	142	242	-	-	65	703
Trade and other payables	-	(116)	(1)	-	-	-	(117)
Net exposure	254	42	277	-	-	65	638
2015							
Trade and other receivables	-	492	180	-	-	-	672
Cash and bank balances	254	21	243	432	99	59	1,108
Trade and other payables	-	(117)	(158)	-	-	-	(275)
Net exposure	254	396	265	432	99	59	1,505

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% (2015: 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.

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 Market risk (cont'd)

28.6.1 Currency risk (cont'd)

Currency risk sensitivity analysis

Group profit or loss	2016 RM'000	2015 RM'000
INR	(8)	(8)
RMB	(1)	(12)
BND	(8)	(8)
EURO	-	(13)
SGD	-	(3)
AUD	(2)	(2)

A 3% (2015: 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.

28.6.2 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	
	2016 RM'000	2015 RM'000
Fixed rate instruments		
Amount due from associates	72,000	62,907
Euro Medium Term Notes ("EMTN")	(269,310)	-
Islamic Medium Term Notes ("IMTN")	(360,000)	(360,000)
Finance leases liabilities	(628)	-
	(557,938)	(297,093)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 Market risk (cont'd)

28.6.2 Interest rate risk (cont'd)

	Group	
	2016 RM'000	2015 RM'000
Floating rate instruments		
Deposits with other financial institution	28,102	9,249
Term loans	(40,926)	(46,989)
Revolving credits	(138,000)	(140,000)
Bank overdrafts	(7,808)	-
	(158,632)	(177,740)

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.

(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
2016		
Floating rate instruments	(1,206)	1,206
2015		
Floating rate instruments	(1,333)	1,333

NOTES TO THE FINANCIAL STATEMENTS

28. FINANCIAL INSTRUMENTS (CONT'D)

28.7 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.

	Fair value of financial instruments not carried at fair value					
Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2016						
Financial liabilities						
Refundable deposits	-	-	1,923	1,923	1,923	2,039
Finance lease liabilities	-	-	677	677	677	628
Term loans	-	-	40,926	40,926	40,926	40,926
Islamic Medium Term Notes ("IMTN")	-	-	332,232	332,232	332,232	360,000
Euro Medium Term Notes ("EMTN")	-	-	219,837	219,837	219,837	269,310
	-	-	595,595	595,595	595,595	672,903
2015						
Financial liabilities						
Refundable deposits	-	-	1,717	1,717	1,717	1,822
Term loans	-	-	46,989	46,989	46,989	46,989
Islamic Medium Term Notes ("IMTN")	-	-	355,840	355,840	355,840	360,000
	-	-	404,546	404,546	404,546	408,811

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.

28. FINANCIAL INSTRUMENTS (CONT'D)

28.7 Fair value information (cont'd)

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2015: 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
2016		
Refundable deposits, finance lease liabilities, term loans, IMTN, EMTN	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 2.7% - 7.0%
2015		
Refundable deposits, term loans, 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 4.8% - 5.2%

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.

29. 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	
	2016 RM'000	**2015 RM'000**
Within 1 year	5,077	4,634
Between 1 year to 5 years	4,467	5,054
More than 5 years	69	152
	9,613	9,840

NOTES TO THE FINANCIAL STATEMENTS

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. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control 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 and entity that provide key management personnel services to the Group. 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 subsidiaries, associates and key management personnel.

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 a subsidiary (see Note 20), are as follows:

	Group	
	2016 RM'000	**2015 RM'000**
Associates		
R.K.M Powergen Private Limited		
Sales	-	(1,700)
Mayfair Ventures Sdn. Bhd.		
(Repayment)/Working capital advances	(6,780)	11,590
PT Harmoni Energy Indonesia		
(Repayment)/Working capital advances	(2,223)	26,434
Musyati Mudajaya JV Sdn. Bhd. (formerly known as Elite Sdn. Bhd.)		
Repayment	(4,105)	-

Balances with related parties at the reporting date are disclosed in Note 13 and Note 18 to the financial statements.

These transactions have been entered into on a negotiated term basis.

32. SIGNIFICANT EVENTS

On 30 October 2015, Mudajaya Corporation Berhad ("MCB"), had filed for proceedings under Construction Industry Payment and Adjudication Act 2012 against CMC Machipex Sdn Bhd ("CMC") for a total principal amount of RM175,327,000.

On 13 January 2017, the Adjudicator dismissed the claim filed by MCB. Hence, the Group provided an allowance for impairment of trade receivables and amount due from contract customer amounted to RM98.4 million in the current financial year.

33. SUBSEQUENT EVENTS

(i) On 23 January 2017, MCB successfully redeemed the Tranche 1 of its IMTN of RM240 million which falls due on 23 January 2017.

(ii) On 17 February 2017, MCB completed the disposal of 10,000 ordinary shares in Mudajaya RE Sdn. Bhd. (formerly known as MJC Plantations Sdn. Bhd.), wholly-owned subsidiary of MCB to Mudajaya Energy Sdn. Bhd., a wholly-owned subsidiary of the Company for a total consideration of RM10,000.

(iii) On 20 February 2017, MCB completed the disposal of 10,000 ordinary shares in Sinar Kamiri Sdn. Bhd. (formerly known as MGB Enterprise Sdn. Bhd.) to Mudajaya RE Sdn. Bhd. (formerly known as MJC Plantations Sdn. Bhd.) for a total consideration of RM10,000.

(iv) On 3 March 2017, RKM notified the Company on 3 April 2017 that its Unit 1 has commenced the sale of 200 MW to several power distribution companies in the State of Uttar Pradesh in April 2017 pursuant to the Power Purchase Agreement dated 15 March 2016. The balance of 150 MW will commence power sales pending an approval from Uttar Pradesh Power Corporation Ltd.

(v) On 31 March 2017, MCB acquired 100% of the total issued and paid-up share capital with 2 ordinary shares each in Mudajaya City Corporation Sdn. Bhd., Mudajaya Holdings Sdn. Bhd. and Mudajaya Industries Sdn Bhd. As a result of the acquisition, those companies became indirect wholly-owned subsidiaries of the Company.

(vi) On 10 April 2017, MCB signed a Settlement Agreement with GE Power Services (Malaysia) Sdn Bhd and Alstom Power Systems (collectively referred to as "GE") in relation to the construction of a 1 x 1000 MW net coal fired power plant located at Tanjung Bin, Mukim Serkat, Johor Darul Takzim, Malaysia ("Tanjung Bin 4 Project") for RM60.0 million cash as full and final settlement of MCB's claims against GE. As a result of the Settlement Agreement, MCB recognised a non-cash impairment of assets relating to the Tanjung Bin 4 Project of RM111.9 million in the financial year ended 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

34. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AN 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained earnings of the Company and its subsidiaries				
- realised	794,247	1,091,295	24,335	25,870
- unrealised	4,437	10,213	-	-
	798,684	1,101,508	24,335	25,870
Total share of accumulated losses of associates				
- realised	(147,659)	(13,846)	-	-
	651,025	1,087,662	24,335	25,870
Less: Consolidation adjustments	(220,734)	(275,114)	-	-
Total retained earnings as per financial statements	430,291	812,548	24,335	25,870

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

as at 31 December 2016

Location	Year of Acquisition	Tenure	Age of building	Land area/ built up area (sq.m)	Description	Net book value RM'000
1. No. 12A, Jalan PJU 7/3 Mutiara Damansara 47810 Petaling Jaya Selangor Darul Ehsan	2008	Freehold	5	4,269	Commercial land and office building	60,278
2. Lot No.31 Mukim Ijok Jalan Bukit Badong Daerah Kuala Selangor	2004	Freehold	N/A	20,234	Agriculture land	1.650
3. Lot No.32 & 33 Mukim Ijok Jalan Bukit Badong Daerah Kuala Selangor	1998	Freehold	20	40,486/ 2,480	Industrial land and building	4,058
4. Lot 65 Mukim Ijok Jalan Bukit Badang Daerah Kuala Selangor	2012	Freehold	N/A	20,234	Agriculture land	3,864
5. Lot 2444 Block 217 Batu Kawan New Township Jalan Batu Kawah 93250 Kuching Sarawak	2000	Leasehold	16	107,639	Commercial building	1,777
6. Bd107-109, Bd207-209, Bd313-319 Batu Kawah New Township Jalan Batu Kawah 93250 Kuching Sarawak	2000	Leasehold	16	11,501	Office building	1,252

ANALYSIS OF SHAREHOLDINGS

as at 21 March 2017

Total Number of Issued Shares	:	552,418,466 ordinary shares (including 14,018,300 treasury shares)
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share on a poll

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares Held	% (1)
Less than 100	389	5.11	16,988	0.00
100 - 1,000	711	9.34	526,621	0.10
1,001 - 10,000	4,398	57.79	20,987,994	3.90
10,001 - 100,000	1,870	24.57	55,954,044	10.39
100,001 to less than 5% of issued shares	239	3.14	173,308,686	32.19
5% and above of issued shares	4	0.05	287,605,833	53.42
Total	**7,611**	**100.00**	**538,400,166** (1)	**100.00**

(1) Excluding 14,018,300 treasury shares retained by the Company.

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Number of Shares Held	Direct % (1)	Indirect Number of Shares Held	Indirect % (1)
Dataran Sentral (M) Sdn Bhd	109,913,333	20.42	-	-
Mulpha Infrastructure Holdings Sdn Bhd	100,327,000	18.63	-	-
Lembaga Tabung Haji	53,865,500	10.00	-	-
Winners Spectrum Investment Holdings Sdn Bhd	273,333	0.05	(2)109,913,333	20.42
First Positive Sdn Bhd	-	-	(2)109,913,333	20.42
Mulpha International Bhd	-	-	(3)100,327,000	18.63
Nautical Investments Limited	-	-	(4)100,327,000	18.63
Mountbatten Corporation	-	-	(5)100,327,000	18.63
Mount Glory Investments Limited	-	-	(6)100,327,000	18.63
Yong Pit Chin	-	-	(7)100,327,000	18.63
Lee Seng Huang	-	-	(8)100,327,000	18.63
Ng Ying Loong	3,500	0.001	(2)(9)110,186,666	20.47
Anto A/L SF Joseph	2,266,666	0.42	(2)(9)110,186,666	20.47
Wee Teck Nam	884,300	0.16	(19)(2)109,913,333	20.42
Fairfax Asia Limited	-	-	(10)41,557,200	7.72
Fairfax (Barbados) International Corp.	-	-	(11)(12)48,702,500	9.05
FFHL Group Ltd	-	-	(13)(18)78,702,500	14.62

ANALYSIS OF SHAREHOLDINGS
as at 21 March 2017

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS (CONT'D)

	Direct		Indirect	
Name of Substantial Shareholders	Number of Shares Held	% [1]	Number of Shares Held	% [1]
Fairfax Financial Holdings Ltd	-	-	[14]78,702,500	14.62
Odyssey Reinsurance Company	30,000,000	5.57	-	-
Odyssey Re Holdings Corporation	-	-	[15]76,642,500	14.24
Odyssey US Holdings Inc.	-	-	[16]76,642,500	14.24
Fairfax (U.S.) Inc.	-	-	[17]76,642,500	14.24

Notes :

(1) Excluding 14,018,300 treasury shares retained by the Company.

(2) Deemed interest pursuant to Section 8 of the Companies Act 2016 ("the Act") by virtue of its / his shareholding in Dataran Sentral (M) Sdn Bhd.

(3) Deemed interest pursuant to Section 8 of the Act by virtue of its shareholding in Mulpha Infrastructure Holdings Sdn Bhd.

(4) Deemed interest pursuant to Section 8 of the Act by virtue of its shareholding in Mulpha International Bhd.

(5) Deemed interest pursuant to Section 8 of the Act by virtue of its shareholding in Nautical Investments Limited.

(6) Deemed interest pursuant to Section 8 of the Act by virtue of its shareholding in Mountbatten Corporation.

(7) Deemed interest pursuant to Section 8 of the Act by virtue of her shareholding in Mount Glory Investments Limited.

(8) Deemed interest pursuant to Section 8 of the Act by virtue of his family relationship with Yong Pit Chin.

(9) Deemed interest pursuant to Section 8 of the Act by virtue of his shareholding in Winners Spectrum Investment Holdings Sdn Bhd.

(10) Deemed interest pursuant to Section 8 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.

(11) Deemed interest pursuant to Section 8 of the Act by virtue of its shareholding in Wentworth Insurance Company Ltd.

(12) Deemed interest pursuant to Section 8 of the Act by virtue of its shareholding in Fairfax Asia Limited.

(13) Deemed interest pursuant to Section 8 of the Act by virtue of its shareholding in Fairfax (Barbados) International Corp.

(14) Deemed interest pursuant to Section 8 of the Act by virtue of its shareholding in FFHL Group Ltd.

(15) Deemed interest pursuant to Section 8 of the Act by virtue of its shareholding in Odyssey Reinsurance Company.

(16) Deemed interest pursuant to Section 8 of the Act by virtue of its shareholding in Odyssey Re Holdings Corporation.

(17) Deemed interest pursuant to Section 8 of the Act by virtue of its shareholding in Odyssey US Holdings Inc.

(18) Deemed interest pursuant to Section 8 of the Act by virtue of its shareholding in Fairfax (U.S.) Inc.

(19) Deemed interest pursuant to Section 8 of the Act by virtue of his shareholding in First Positive Sdn Bhd.

ANALYSIS OF SHAREHOLDINGS
as at 21 March 2017

DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS

	Direct		Indirect	
Name of Directors	Number of Shares Held	% [1]	Number of Shares Held	% [1]
Dato' Yusli bin Mohamed Yusoff	-	-	-	-
James Wong Tet Foh	-	-	-	-
Chew Hoy Ping	-	-	-	-
Wee Teck Nam	884,300	0.16	[2]109,913,333	20.42
Lee Eng Leong	-	-	-	-

By virtue of Wee Teck Nam's substantial interest in the shares of Mudajaya Group Berhad, he is also deemed interested in the shares of all the subsidiaries to the extent that Mudajaya Group Berhad has an interest.

Notes:

(1) Excluding 14,018,300 treasury shares retained by the Company.

(2) Deemed interest pursuant to Section 8 of the Act by virtue of his shareholding in First Positive Sdn Bhd and Dataran Sentral (M) Sdn Bhd.

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)	103,413,333	19.21
2	Mulpha Infrastructure Holdings Sdn Bhd	100,327,000	18.63
3	Lembaga Tabung Haji	53,865,500	10.00
4	DB (Malaysia) Nominee (Asing) Sdn Bhd BNYM SA/NV for Odyssey Reinsurance Company	30,000,000	5.57
5	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Singapore JPMPB)	26,572,200	4.94
6	Alliancegroup Nominees (Asing) Sdn Bhd Exempt AN for Sun Hung Kai Investment Services Limited	11,760,000	2.18
7	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-Asing)	10,933,332	2.03
8	Global Investments (BVI) Ltd	10,666,666	1.98
9	Citigroup Nominees (Asing) Sdn Bhd CBNY for Wentworth Insurance Company Ltd.	7,145,300	1.33
10	The Pacific Insurance Berhad	7,060,000	1.31
11	Dataran Sentral (M) Sdn Bhd	6,500,000	1.21
12	Citigroup Nominees (Asing) Sdn Bhd CBHK for Falcon Insurance Company (Hong Kong) Limited (Investment AC)	6,325,000	1.17

ANALYSIS OF SHAREHOLDINGS
as at 21 March 2017

30 LARGEST SHAREHOLDERS (CONT'D)

No.	Name of Shareholders	No. of Shares	% [1]
13	CIMSEC Nominees (Asing) Sdn Bhd CIMB for Global Investments (BVI) Ltd	5,333,333	0.99
14	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	3,108,666	0.58
15	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Bank Julius Baer & Co. Ltd. (Singapore BCH)	2,383,300	0.44
16	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Anto A/L S F Joseph (PBCL-0G0155)	2,266,666	0.42
17	Citigroup Nominees (Asing) Sdn Bhd CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	2,021,733	0.38
18	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	1,984,380	0.37
19	CIMB Islamic Nominees (Tempatan) Sdn Bhd CIMB Islamic Trustee Bhd for BIMB i Dividend Fund	1,814,400	0.34
20	HSBC Nominees (Asing) Sdn Bhd BBH and CO Boston for Vanguard Emerging Markets Stock Index Fund	1,659,100	0.31
21	The Pacific Insurance Berhad (Fund A/C)	1,600,000	0.30
22	Citigroup Nominees (Asing) Sdn Bhd SBL Exempt AN for Macquarie Bank Limited	1,595,520	0.30
23	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt AN for DBS Bank Ltd (SFS)	1,480,000	0.27
24	Lim Khuan Eng	1,430,000	0.27
25	Loh Siew Hooi	1,380,000	0.26
26	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt AN for Kumpulan Sentiasa Cemerlang Sdn Bhd (TSTAC/CLNT)	1,265,666	0.24
27	Muhamad Aloysius Heng	1,146,600	0.21
28	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Erwin Selvarajah A/L Peter Selvarajah (M53001)	1,072,400	0.20
29	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Small Cap Series	1,023,966	0.19
30	T.T.A. Polymers (M) Sdn. Bhd.	1,008,833	0.19
	Total	**408,142,894**	**75.82**

This page has been intentionally left blank.

MUDAJAYA GROUP BERHAD (605539-H)
(Incorporated in Malaysia)

No. of Shares held	
CDS Account No.	

PROXY FORM

I/We ______________________ NRIC/Company No. ______________ Tel. No. ______________

of ____

being a member of the Company, hereby appoint ______________________ NRIC No. ______________

of ____

and/or ______________________ NRIC No. ______________

of ____

or failing him/her, the Chairman of the Meeting as my/our proxy to attend and vote on my/our behalf at the 14th 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 on **Thursday, 15 June 2017** at **2.30 p.m.** and at any adjournment thereof.

Please indicate with 'X' in the space below how you wish your votes to be cast. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion.

ORDINARY RESOLUTIONS		**FOR**	**AGAINST**
Resolution 1	Re-election of Mr Chew Hoy Ping		
Resolution 2	Re-election of Mr Lee Eng Leong		
Resolution 3	Re-appointment of Mr Wee Teck Nam		
Resolution 4	Approval of the payment of Directors' fees		
Resolution 5	Approval of the payment of Directors' remuneration and benefits		
Resolution 6	Re-appointment of KPMG PLT as Auditors		
Resolution 7	Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016		
Resolution 8	Proposed renewal of authority for the purchase by the Company of its own shares		

Dated this .... day of 2017

....

Signature of Member

For appointment of 2 proxies, the percentage of shareholdings to be represented by the proxies:

	No. of Shares	**Percentage**
1st Proxy		%
2nd Proxy		%
Total		100%

Common Seal
(for Corporate Members)

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. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
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 Proxy Form shall be under its Common Seal or under the hand of its attorney.
4. The Proxy Form 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 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 **7 June 2017** shall be eligible to attend the meeting or appoint proxy(ies) to attend and vote on his behalf.

Personal Data Privacy:
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the Personal Data Privacy terms set out in the Notice of Annual General Meeting dated 28 April 2017.

FOLD THIS FLAP TO SEAL

2ND FOLD HERE

AFFIX
STAMP
HERE

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

1ST FOLD HERE

Mudajaya Group Berhad
(605539-H)

Level 11, Menara Mudajaya,
No. 12A, Jalan PJU 7/3, Mutiara Damansara,
47810 Petaling Jaya, Selangor Darul Ehsan
Malaysia

T : (603) 7806 7899
F : (603) 7806 7901
E : info@mudajaya.com

www.mudajaya.com