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

MUDAJAYA GROUP BERHAD (605539-H)

ANNUAL REPORT 2017

MUDAJAYA
GROUP BERHAD

ANNUAL REPORT 2017

AT A GLANCE

REVENUE
RM545.4
MILLION

TOTAL ASSETS
RM1.8
BILLION

SHAREHOLDERS' FUNDS
RM664.8
MILLION

OVER
50
YEARS OF EXPERIENCE

FINANCIAL CALENDAR

ANNOUNCEMENT OF QUARTERLY RESULTS

30 MAY 2017
Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2017

29 AUG 2017
Announcement of the unaudited consolidated results for the 2nd quarter ended 30 June 2017

29 NOV 2017
Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2017

28 FEB 2018
Announcement of the unaudited consolidated results for the 4th quarter and financial year ended 31 December 2017

15TH ANNUAL GENERAL MEETING

DATE:
13 JUNE 2018
TIME:
2.30 p.m.

VENUE
Level 11, Menara Mudajaya

30 APRIL 2018

Notice of 15th Annual General Meeting and issuance of Annual Report 2017

The online version of Mudajaya Annual Report 2017 is available from our website. Go to http://www.mudajaya.com or scan the QR code with your smartphone.

ANNUAL REPORT

The arrowhead depicts resilience and togetherness while the group forges ahead, overcoming external conditions and headwinds.

ONLINE VERSION

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

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

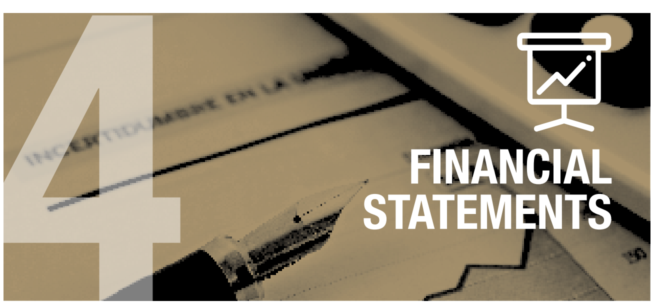
3 Get access to our online version Mudajaya's Annual Report 2017.

CONTENTS


1
CORPORATE INFORMATION


2
PERFORMANCE REVIEW


3
CORPORATE GOVERNANCE


4
FINANCIAL STATEMENTS


5
OTHER INFORMATION

10 Damansara Heights, Bukit Damansara, Kuala Lumpur

CORPORATE INFORMATION

BOARD OF DIRECTORS

Independent Non-Executive Chairman	**DATO' YUSLI BIN MOHAMED YUSOFF**
Group Managing Director & Chief Executive Officer	**IR. JAMES WONG TET FOH**
Non-Independent Executive Director	**LEE ENG LEONG**
Senior Independent Non-Executive Director	**CHEW HOY PING**
Independent Non-Executive Director	**DATO' AMIN RAFIE BIN OTHMAN**
Non-Independent Non-Executive Director	**WEE TECK NAM**
(Alternate Director to Lee Eng Leong) Non-Independent Non-Executive Director	**WINSON CHOW**

AUDIT COMMITTEE

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

COMBINED NOMINATION AND REMUNERATION COMMITTEE

Dato' Amin Rafie bin Othman (Chairman)
Dato' Yusli bin Mohamed Yusoff
Chew Hoy Ping

RISK MANAGEMENT COMMITTEE

Dato' Yusli bin Mohamed Yusoff (Chairman)
Chew Hoy Ping
Ir. James Wong Tet Foh

INVESTMENT COMMITTEE

Ir. James Wong Tet Foh (Chairman)
Dato' Yusli bin Mohamed Yusoff
Dato' Amin Rafie bin Othman
Lee Eng Leong

OPTIONS COMMITTEE

Ir. 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/ (603) 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) Berhad
OCBC Bank (Malaysia) Berhad
AmBank Islamic Berhad
Standard Chartered Bank Malaysia Berhad
Kuwait Finance House (Malaysia) Berhad
Bangkok Bank Berhad
CIMB Bank 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

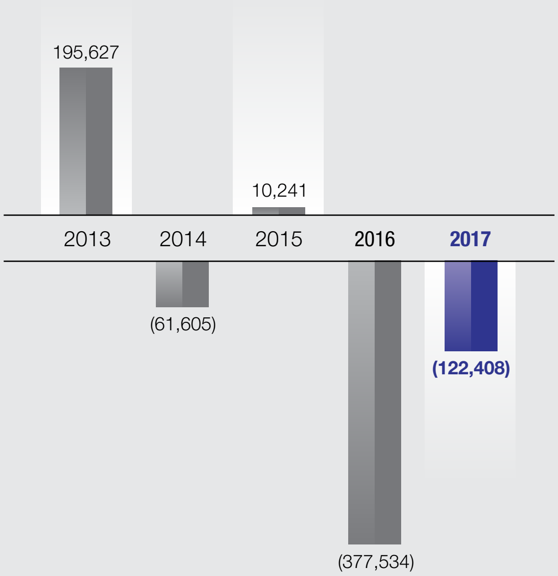
Email : info@mudajaya.com
Tel No : (603) 7806 7899

FIVE YEARS' FINANCIAL HIGHLIGHTS

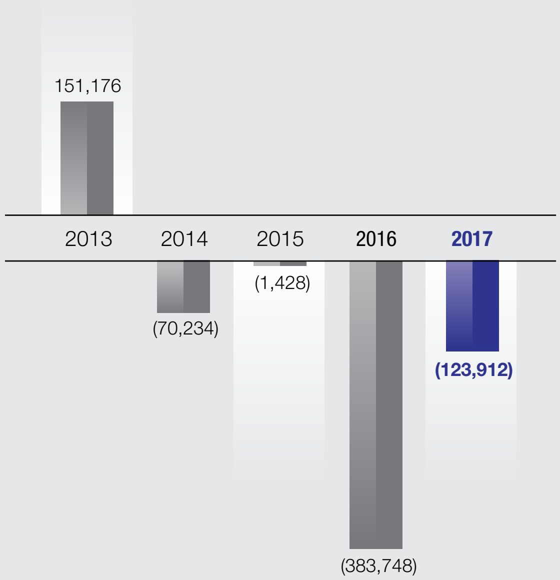
	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000
ASSETS					
Non-Current Assets	**624,978**	736,560	871,254	892,143	858,383
Current Assets	**1,222,359**	1,312,882	1,169,716	960,225	806,190
Total assets	**1,847,337**	2,049,442	2,040,970	1,852,368	1,664,573
EQUITY AND LIABILITIES					
Capital And Reserves					
Share Capital	**393,172**	110,483	110,483	110,483	110,342
Reserves	**271,613**	616,822	995,438	991,046	1,099,541
Equity Attributable To					
Owners Of The Company	**664,785**	727,305	1,105,921	1,101,529	1,209,883
Non-Controlling Interests	**(15,865)**	(18,181)	(15,939)	(15,859)	(18,076)
Total Equity	**648,920**	709,124	1,089,982	1,085,670	1,191,807
Liabilities					
Non-Current Liabilities	**415,065**	428,859	404,791	410,877	24,894
Current Liabilities	**783,352**	911,459	546,197	355,821	447,872
Total Liabilities	**1,198,417**	1,340,318	950,988	766,698	472,766
Total Equity And Liabilities	**1,847,337**	2,049,442	2,040,970	1,852,368	1,664,573
GROUP RESULTS					
(Loss)/Profit Before Tax	**(122,408)**	(377,534)	10,241	(61,605)	195,627
Taxation	**1,605**	(4,766)	(7,849)	(8,857)	(21,960)
Non-Controlling Interests	**3,109**	1,448	3,820	(228)	22,491
(Loss)/Profit Attributable To Owners Of The Company	**(123,912)**	(383,748)	(1,428)	(70,234)	151,176
SELECTED RATIOS					
(Loss)/Earnings Per Share (Sen)	**(22.46)**	(71.06)	(0.26)	(13.0)	27.9
Net Dividend Per Share (%)	**–**	–	–	30.0	45.0
Net Assets Per Share Attributable To Owners of the Company (RM)	**1.12**	1.35	2.05	2.05	2.20
Return On Equity (%)	**(18.64)**	(52.76)	(0.13)	(6.4)	12.5
Gearing Ratio (%)	**116.0**	115.2	50.2	38.1	2.3
Share Price (Year-End Closing) (RM)	**0.93**	0.91	1.18	1.45	2.90

FIVE YEARS' FINANCIAL HIGHLIGHTS

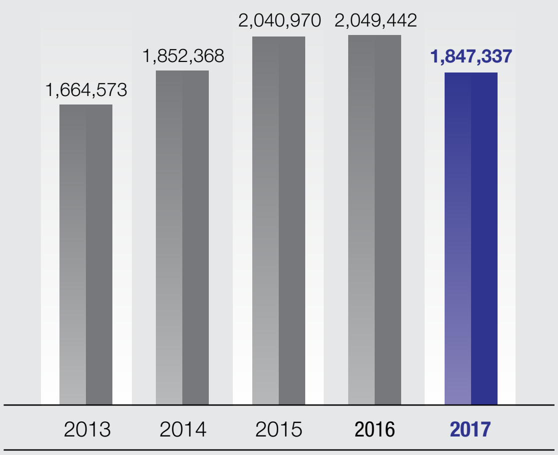
(LOSS)/PROFIT BEFORE TAX
(RM'000)



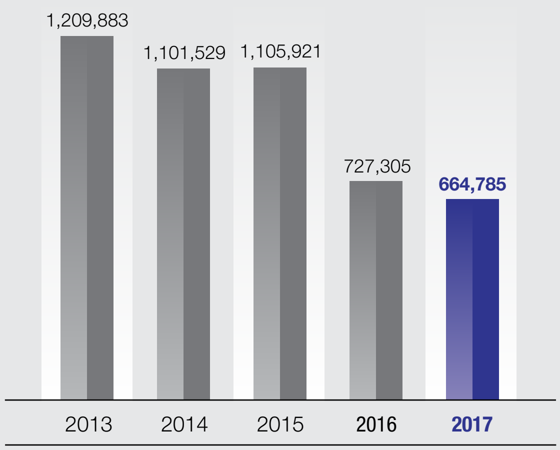
(LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
(RM'000)



TOTAL ASSETS
(RM'000)



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



BOARD OF DIRECTORS

FROM LEFT TO RIGHT

LEE ENG LEONG

Non-Independent
Executive Director

DATO' AMIN RAFIE BIN OTHMAN

Independent
Non-Executive Director

DATO' YUSLI BIN MOHAMED YUSOFF

Independent Non-Executive
Chairman

IR. JAMES WONG TET FOH

Group Managing Director
& Chief Executive Officer

CHEW HOY PING

Senior Independent
Non-Executive Director

WEE TECK NAM

Non-Independent
Non-Executive Director

WINSON CHOW

(Alternate Director to
Lee Eng Leong)
Non-Independent
Non-Executive Director

DIRECTORS' PROFILE

DATO' YUSLI BIN MOHAMED YUSOFF

Independent Non-Executive Chairman

Male, Malaysian

Dato' Yusli, aged 59, graduated with a Bachelor of Economics Degree from University of Essex, England and qualified as a member of the Institute of Chartered Accountants in England & Wales. He is a member of the Malaysian Institute of 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 Australaysia Resources and Minerals Berhad, Malaysian Institute of Corporate Governance and Infinity Trustee Berhad.

DIRECTORS' PROFILE

IR. JAMES WONG TET FOH

Group Managing Director & Chief Executive Officer

Male, Malaysian

Ir. James Wong, aged 57, 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 Master of Business Administration (Finance) Programme from Nottingham University Business School in 2015.

He attained his Professional Engineer registration with the Board of Engineers Malaysia (BEM) 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.

He joined the UEM Group of Companies in 1989 where he served for 21 years in various capacities such as Chief Operating Officer for UE Construction Sdn. Bhd. (2002-2004) and Director of International Projects for UEM Builders Berhad (2004-2009). His stint with UEM covered projects in India, Middle East, Indonesia and Singapore. In 2009, he moved to Lafarge Concrete (M) Sdn. Bhd. as Vice President of Marketing and Strategy (Asia). Prior to 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.

Ir. James 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.

Ir. James 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).

Ir. James Wong's directorship in public company is Mudajaya Corporation Berhad. He has no directorships in other listed issuers.

DIRECTORS' PROFILE

LEE ENG LEONG

Non-Independent Executive Director

Male, Malaysian

Mr. Lee, aged 50, is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public 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 directorships in other listed issuers in Malaysia are Mulpha International Bhd and Thriven Global Berhad. His directorships in public companies in Malaysia are Mudajaya Corporation Berhad and Leisure Farm Polo Club Berhad.

CHEW HOY PING

Senior Independent Non-Executive Director

Male, Malaysian

Mr. Chew, aged 60, is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants.

Mr. Chew had a professional career with PricewaterhouseCoopers ("PwC") commencing in 1976 and spanning 30 years, including 15 years as a partner of the firm. Whilst at PwC, he was engaged in a diverse range of professional services encompassing auditing, corporate finance and business recovery. He held various leadership roles in PwC including the Asia Pacific Chairman of Financial Advisory Services, Risk Management & Independence Leader, Deputy Chairman of the Governance Board and a member of the Country Management Team. Mr. Chew also served work experiences with PwC Houston, Texas (1982-1984) and Bank Negara Malaysia (1986-1988). After PwC, he was the Chief Financial Officer for Southern Bank Berhad (subsequently acquired by CIMB) for about a year until mid-2006.

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

Mr. Chew is also currently an Independent Non-Executive Director of Carlsberg Brewery Malaysia Berhad and Mulpha International Bhd where he is the Chair of their respective Audit Committees. He also sits on the Board of GE-Shen Corporation Berhad where he is a member of its Audit Committee. He has no other directorships in public companies in Malaysia.

DIRECTORS' **PROFILE**

DATO' AMIN RAFIE BIN OTHMAN

Independent Non-Executive Director

Male, Malaysian

Dato' Amin aged 58, graduated with a Degree in Economics and International Politics from University College of Wales, Aberystwyth and a Master of Business Administration Degree in Export Management and International Business from City University Business School, United Kingdom.

Dato' Amin is currently the Chief Investment Officer of Halim Mazmin Group of Companies. He was formerly the Deputy Chairman and Senior Independent Non-Executive Director of WZ Satu Berhad. In a career spanning over 30 years, Dato' Amin has served as the Independent Non-Executive Director of MYP Ltd, a company listed on the Singapore Stock Exchange. He was the Managing Director of Dubai Group Sdn. Bhd., Rio Capital Sdn. Bhd. and PJB Capital Sdn. Bhd.; Chief Executive Officer of Maybank Investment Management Sdn. Bhd.; Executive Director of Smith Zain Securities Sdn. Bhd.; and Senior General Manager and a Director of RHB Asset Management Sdn. Bhd.. He was also the past President of the Malaysian Association of Asset Managers and a member of the Listing Committee of Bursa Malaysia Securities Berhad.

Dato' Amin was appointed to the Board on 22 February 2018 and he also serves as Chairman of the Combined Nomination and Remuneration Committee as well as a member of the Investment Committee.

Dato' Amin has no directorships in other listed issuers or public companies.

WEE TECK NAM

Non-Independent Non-Executive Director

Male, Malaysian

Mr. Wee, aged 77, graduated with a Bachelor Degree in Mechanical Engineering from University of Sydney, Australia.

Upon graduation, Mr. Wee 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

WINSON CHOW

(Alternate Director to
Lee Eng Leong)
Non-Independent
Non-Executive Director

Male, Australian

Mr. Chow, aged 55, graduated with a Bachelor of Engineering with honours in Civil and Environmental Engineering from University of Newcastle Upon Tyne, Tyne and Wear, United Kingdom. He is a Chartered Engineer (Australia and United Kingdom), as well as a Registered Professional Engineer (Hong Kong). He is also a member of the Hong Kong Institution of Engineers, the Institution of Water and Environmental Management, United Kingdom and the Institution of Engineers, Australia.

Mr. Chow started out working as a Director in the investment and development arm of China Resources (Holdings) Co. Ltd, responsible for commercial property development in excess of USD500 million. He was then made the Managing Director of China Resources Property Co. Ltd. with a portfolio covering property development and management, a building construction contractor, serviced apartments, exhibitions and advertising space and a building materials trading firm, generating total annual revenue in the region of USD260 million. Mr. Chow was appointed as Chief Operating Officer of Mulpha Australia Limited, a wholly-owned subsidiary of Mulpha International Bhd in 2011. He was appointed as Chief Operating Officer of Mulpha International Bhd on 1 July 2016.

Mr. Chow was appointed to the Board as the Alternate Director to Mr. Lee Eng Leong on 9 May 2017.

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

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 2017 is disclosed in the Corporate Governance Overview Statement.

SENIOR MANAGEMENT **PROFILE**

IR. ANTHONY TEOH TEIK THIAM

Deputy Chief Executive Officer, Mudajaya Group Berhad
Deputy Managing Director, Mudajaya Corporation Berhad
Male, Malaysian

Ir. Anthony Teoh Teik Thiam, aged 49, 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 and he was subsequently promoted as the Deputy Chief Executive Officer of Mudajaya Group and Deputy Managing Director of Mudajaya Corporation Berhad on 1 January 2018.

Ir. 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 has since been 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.

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

ANG KENG HONG

Executive Director of Construction,
Mudajaya Corporation Berhad
Male, Malaysian

Mr. Ang Keng Hong, aged 48, 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 and he was subsequently promoted as the Executive Director of Construction of Mudajaya Corporation Berhad on 1 January 2018.

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 has recently attained his Association of Construction Project Managers Malaysia ("ACPM") Membership registered with the Construction Industry Development Board Malaysia ("CIDB").

He started his career as a Project Coordinator with Lion Group in 1992 and was 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,
Mudajaya Corporation Berhad
Female, Malaysian

Ms. Samantha Lee Tze Liu, aged 50 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,
Mudajaya Corporation Berhad
Male, Malaysian

Mr. Adrian Wong Fuk Aen, aged 48, 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,
Mudajaya Corporation Berhad
Male, Malaysian

Mr. Yam Keong Chee, aged 56, 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,
Mudajaya Corporation Berhad
Male, Malaysian

Mr. Kang Boon Beng, aged 47, 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.

SENIOR MANAGEMENT **PROFILE**

NG YEE MING

General Manager – Human Resource & Admin,
Mudajaya Corporation Berhad
Male, Malaysian

Mr. Ng Yee Ming, aged 51, 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. His specialisation is in the area of talent engagement, employee experience and employer branding. 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.

1 x 1000MW Net Coal-Fired Ultra-supercritical Power Plant, Tanjung Bin

CHAIRMAN'S STATEMENT

"ON BEHALF OF THE BOARD OF DIRECTORS OF MUDAJAYA GROUP BERHAD, IT IS MY PLEASURE TO PRESENT THE ANNUAL REPORT AND FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP OF COMPANIES ("MUDAJAYA" OR "GROUP") FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017."

DATO' YUSLI BIN MOHAMED YUSOFF

Independent Non-Executive Chairman,
Mudajaya Group Berhad

CHAIRMAN'S STATEMENT

MARKET

Malaysia's economic growth has rebounded from 4.2% in 2016 to a faster than expected 5.9% in 2017. The increase has been driven by local demand backed by strong employment and a healthier export sector, notably in improved terms of trade for commodities like oil and gas. The International Monetary Fund ("IMF") says, "the country is now well on its way to achieving high income status with the economy proving resilient and growing at a sustained pace despite a number of external shocks."

According to the IMF, the risks to the relatively high growth rate are "balanced". Externally, the downside risks include the retreat into trade protectionism, structurally weak growth in advanced economies and a slowdown in China, But the recent signoff of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ("CPTPP") – of which Malaysia is a signatory – should go some way to tempering the downside risks.

Domestically, inflation appears contained despite the rapid economic growth but there are risks associated with the "confidence effects related to the cyclical upturn, which could be stronger than anticipated, while exposures in the real estate sector pose a downside risk."

CORPORATE DEVELOPMENTS

2017 was another significant year for the Group with major projects in Malaysia, Indonesia and India. During the year, the Group has continued to make a concerted effort to develop a sustainable and recurring income flow through its "concession assets" in Pahang, Indonesia and India and adding the new 49MW solar photovoltaic power

Bandar Utama MRT Station, Sungai Buloh - Kajang (SBK MRT Line)

plant in Perak. In March, we signed a 21-year power purchase agreement with Tenaga Nasional Berhad and achieved financial closure in January 2018. The plant is expected to be operational in 2018. Unit 1 (of four) of RKM Powergen coal-fired power plant in Chhattisgarh, India, commenced sale of 200MW in April 2017.

In July 2017, Mudajaya also secured RM151.4 million in contracts from Petroliam Nasional Bhd's subsidiary PRPC Utilities and Facilities Sdn. Bhd. under the Refinery and Petrochemical Integrated Development ("RAPID") project in Pengerang. The projects involve construction of a data centre and telecom equipment room and electrical substation, in addition to Civil and Infrastructure Works at Area 8100 for Utilities, Interconnecting and Offsite ("UIO") – together valued at RM151.4 million.

The Group is continuing to pursue major infrastructure projects, securing a number of significant contracts during 2017 including LRT3 GS01, worth RM1.1 billion. There are currently RM2.6 billion on the order book with RM5.0 billion worth of tenders and proposals at various stages of evaluation.

ORDER BOOK

RM 2.6 BILLION

The Manufacturing – Precast business is expanding due to growing infrastructure demands following successful bids for MRT, LRT, ports and highway projects. The current 12 production lines for pre-cast cement products is being expanded to 14.

We are establishing strategic partnerships with major European, Japanese and Chinese companies including Siemens, GE/Alstom, Hazama Ando, Kajima, Sumec and China Railway Construction Corporation ("CRCC"). These partnerships will allow us to continue to expand domestically and regionally in infrastructure, manufacturing and power projects.

CHAIRMAN'S STATEMENT

FINANCIAL PERFORMANCE

The Group reported revenue of RM545.4 million and Loss Before Tax ("LBT") of RM122.4 million for the year ended 31 December 2017 as compared to revenue of RM759.1 million and LBT of RM377.5 million for 2016.

The completion or near completion of major ongoing construction projects led to the lower revenue in 2017. There was lower LBT in 2017 because of higher contribution from construction segment and the absence of impairment on receivables and other current assets relating to Tanjung Bin 4 project and Manjung 4 project which were recorded in 2016.

In view of the continuing losses incurred over the past two years, for the year ended 31 December 2017, the management has not declared any dividends and instead proposed to conserve cash, reducing the debts and bringing down the net gearing ratio mainly by monetising the assets in 2018 and beyond.

AWARDS

I am very pleased with the great work that our teams do across Malaysia and the wider region. The work we do and the reputation that we have earned over the years is due to the commitment, integrity, capability and expertise of our employees. It always gives me great pleasure when I see our teams acknowledged for their excellence. This year was no exception. In August, Mudajaya received the Anugerah Kecermelangan Industri Pembinaan Malaysia ("MCIEA") under the category of Penerima Sijil Khas MCIEA 2017 - Anugerah IBS from Lembaga Pembangunan Industri Pembinaan Malaysia ("CIDB") for Pengerang Workers' Village project. In addition, Mudajaya also received a Focused Recognition Award for its good performance in Warehouse and Workers' Village projects in RAPID Pengerang by Petronas Refinery & Petrochemical Corporation in conjunction with its Chief Executive Council Meeting in October.

HUMAN CAPITAL

The most important asset of any company is its human capital. At Mudajaya, our employees are an indispensable resource and the key reason for our ongoing success.

We have made it a priority to focus on the "employee experience" and continue to work on ways to retain our highly skilled and valued employees. We invest heavily in the growth, learning and development of our teams, we are strengthening our management and leadership capability and determined to be an employer of choice.

The Group organises internal and external courses across a number of aspects of the business including technical and management disciplines. We also have specific programmes for university undergraduates as well as offering internships.

Rapid technological changes, globalisation and economic liberalisation in recent years has made human capital investment a critical aspect of our business so that we can continue to grow, innovate and adapt to an ever-changing business environment.

CORPORATE GOVERNANCE

Good corporate governance is the cornerstone of any good business and we at Mudajaya are committed to high standards of governance. It reduces corporate risk, ensures the interests of all stakeholders are protected and that the company is properly controlled and directed. The Group recognises that maintaining good corporate governance practices is critical to business integrity and performance, and key to delivering shareholders' value.

Focused Recognition Award from PETRONAS for Achieving Construction Milestone for RAPID Warehouse and Workers' Village Projects in Pengerang, Johor. Award recipient on behalf of Mudajaya Corporation Berhad: Ir. James Wong (Second from right)

CHAIRMAN'S **STATEMENT**

In 2017, Securities Commission Malaysia ("SC") introduced the new Malaysian Code on Corporate Governance ("MCCG") and we are committed to embed the prescribed 36 practices into our existing corporate risk and compliance framework. The three key principles according to the new MCCG are Board leadership and effectiveness; effective audit, risk management, and internal controls; and corporate reporting and relationship with stakeholders.

WAY FORWARD

Malaysia's economic growth is expected to decelerate slightly in 2018 to 5% - 5.5%, which is still above its "potential rate" of 5%. Over the medium term, Gross Domestic Product ("GDP") growth is expected to approach its potential. The headline inflation is expected to lower in 2018, from 3.7% in 2017 to 2.5% - 3.5% because of a lower contribution from oil. The current account surplus is also expected to soften from 3.1% (2017) to an estimated 2.4% (2018).

Construction is set to remain the dominant part of the business into 2018. The sector grew by 6.7% in 2017 and is likely to remain at that level into 2018. The government's continued investment in infrastructure means construction will be a key revenue driver for Mudajaya for the foreseeable future. Currently there are RM2.6 billion of projects about to begin or already underway. The Group's strong, professional and experienced management team ensures that the Group will retain its competitive edge in securing and undertaking new and major projects in the future.

Despite the optimistic outlook both in terms of the broad economic outlook and our core business activities, we continue to remain focused on building organisational resilience and sustainability. We are making significant moves from a pure construction player to areas that provide recurring income by diversifying into facility management, exploring more conventional and renewable energy projects in Malaysia and the region, expanding our pre-cast manufacturing business and looking to develop strategic partnerships in infrastructure, manufacturing and power projects across Southeast Asia.

RAPID Workers' Village, Pengerang, Johor

ACKNOWLEDGEMENTS

To improve our governance and strategic business orientation, we are constantly looking to strengthen our Board composition. On behalf of the Board of Directors, I welcome Dato' Amin Rafie bin Othman on our Board as an Independent Non-Executive Director. I am confident that the business will benefit from his counsel and over three decades of rich industry experience.

I would like to express my sincere appreciation and gratitude to all our directors, members of management and staffs for their loyalty, commitment and dedication to this great company. I would also like to take this opportunity to thank our shareholders, as well as our many stakeholders comprising of customers, bankers, suppliers and contractors for their ongoing support.

Dato' Yusli bin Mohamed Yusoff
Independent Non-Executive Chairman
5 April 2018

MANAGEMENT DISCUSSION & ANALYSIS

Mutiara Damansara Station, Sungai Buloh - Kajang (SBK MRT Line)

> **THE ECONOMIC LANDSCAPE IN MALAYSIA HAS BEEN FAVOURABLE. GDP EXPANDED BY A FASTER THAN EXPECTED 5.9% IN 2017, OFF THE BACK OF A 4.2% RISE IN 2016, DRIVEN BY ROBUST DOMESTIC DEMAND AND STRONG EXTERNAL SECTOR.**

ECONOMIC LANDSCAPE

Construction, in particular, grew strongly in the 1st and 2nd quarters of 2017 but slowed in the second half of the year. Manufacturing, on the other hand, has expanded consistently over the same period due to sustained high level of capital expenditure.

The construction sector in Malaysia grew by 6.7% in 2017 (against 7.4% in 2016). Growth is expected to remain at that level for the coming 12 months at about 7.5%. While the property market is softer, there remains considerable infrastructure investment. In the property sector, over the past 12 months, properties valued between RM250k-500k have gained significant market share. But strict bank lending policies

MANAGEMENT **DISCUSSION & ANALYSIS**

THE COMPANY HAS ALSO WON **RM1.4 BILLION** WORTH OF **NEW MAJOR PROJECTS**

OUR CORE BUSINESS

(REVENUE BY SECTORS FOR FY2017)

CONSTRUCTION

RM 434.4 MILLION

PROPERTY

RM 18.6 MILLION

POWER

RM 21.1 MILLION

TRADING, MANUFACTURING & OTHERS

RM 71.3 MILLION

have led to higher loan rejection rates and prices have generally remained high, although that is likely to be offset by the increasing supply in recent years.

The Malaysian power sector had a disappointing 2017 growing by only 1% off the back of higher coal prices, a weaker Ringgit and lower demand. But with one of the highest overall electrication rates in South East Asia, growth is expected to pick up to about 3% in 2018. In the longer term, the outlook for the sector looks positive with the growth in public transport infrastructure likely to see a significant increase in power demand.

Malaysia has traditionally relied on conventional thermal plants powered by gas, but with cost pressures and concerns about energy security, the government is shifting away from gas and towards coal-fired power generation.

The government is also actively promoting and encouraging renewable energy as a clean source of power by setting new targets for renewable energy generation sources. Malaysia's 11th Plan sets a target to boost the country's electricity generation capacity through Renewable Energy ("RE") 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. In July 2017, the world's first green Sukuk was issued in Malaysia and half of all green bond issues in the ASEAN region have originated from the country indicating a growing acceptance of the green bond/sukuk market.

Manufacturing in Malaysia proved strong in 2017 growing 5.3% but that figure belies some significant fluctuations. November saw the strongest growth in more than 3.5 years off the back of strong domestic and international demand but with a drop in new orders at the end of last year conditions stagnated in December.

MANAGEMENT DISCUSSION & ANALYSIS

TWO-PRONGED STRATEGIES

While the construction sector remains a key revenue driver, the Group has continued to diversify into strategic assets that will provide more stability through recurring income. Specifically, it has followed a sustained expansion of its concession assets division.

The Group sees significant potential in RE as a source of recurring income. Under the National Renewable Energy Policy and Action Plan ("NREAP"), total generation capacity from renewables is set to increase from 9% in 2009 to 34% by 2050. In other words, The Group will continue to explore and leverage its capabilities to champion projects in the RE space.

Sustaining Group Performance

The Group has been able to replenish its order book through Rancangan Malaysia Kesebelas ("RMK11") and the Economic Transformation Programme ("ETP"), particularly for the Construction & Manufacturing Divisions with a range of significant projects. Current order book of RM2.6 billion will sustain the performance of the Group for the next 3 years.

On recurring income base, the Group has developed Special Universal Sdn. Bhd. (10MW solar power plant in Gebeng, Pahang) and Property (Menara Mudajaya - Rental Income) which are providing stable recurring income. In addition, via Sinar Kamiri Sdn. Bhd., the Group is currently developing a 49MW photovoltaic solar farm at Sungai Siput Perak. Upon completion of this project, it will enhance the Group's recurring income base further.

In addition, as part of the Group's 'Sustain' strategy, strategic partnerships have been developed with a number of European, Japanese and Chinese firms for infrastructure, manufacturing and power projects. They include Siemens, GE/Alstom, Hazama Ando, Kajima, Sumec and China Railway Construction Corporation ("CRCC").

Growth Strategy

The Group's growth strategy, on the other hand, comprises of four key components:

1. Diversifying into Facility Management, in particular operating and managing the Baruta Coal-Fired Power Plant and building maintenance at Menara Mudajaya;

2. Exploring privatisation/Independent Power Producer ("IPP") options with new conventional Thermal and Renewable Energy Projects in Malaysia and Region;

3. Expanding the Group's Precast Manufacturing business by actively participating in various infrastructure projects and offering our Precast expertise as well as exploring onshore & offshore supply using strategic partnerships; and

4. Unlocking asset values by evaluating proposals to maximise the value of group assets like Crest Office Tower Block at KLCC area and strategic stakes in the power assets of Mudajaya Energy Sdn. Bhd.. The exercise is expected to release valuable resource for projects with higher yield.

The Driving Force

To sustain our momentum and continue to tap new growth opportunities, the role of human capital is critical. Therefore, our priority is to build our resources, their skills and competencies as well as enhance their capacity to deliver par excellence. In 2017, we continued to invest in strengthening our people-capabilities in both technical and non-technical areas. We also looked at improving our policies and procedures to foster greater collaboration and team-work towards meeting the organisational objectives. Going forward, our efforts will be towards equipping our existing talent with the right tools and processes for them to enhance their productivity and performance, while building new talent pool with new skill-sets that can help bridge various gaps that may be detrimental to our continued success.

1,000MW Manjung 4, Southeast Asia's First Ultra-supercritical Coal-fired Power Plant, Manjung, Perak

MANAGEMENT DISCUSSION & ANALYSIS

SEGMENTAL OVERVIEW

CONSTRUCTION

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

During the year the Group secured Hevea Tower Complex, RAPID Data Centre, RAPID Package 8100, LRT-GS01 and LRT-PC02 projects. The LRT-GS01 was the biggest contract secured in 2017 and worth RM1.1 billion. The current order book remains at RM2.6 billion.

The outstanding orderbook for the year ending 31 December 2017 is as below:

Mass Rapid Transit (MRT) V3 Viaduct Work Package from Dataran Sunway to Section 17

PROJECT DESCRIPTION

JOHOR

Construction and completion of the main civil works for:

- Pengerang RAPID Workers' Village
- Pengerang RAPID Warehouse
- Pengerang Cogen power plant
- Pengerang Cogen power plant (supplementary order)

Procurement, Construction and Commissioning (PCC) of:

- Data Centre and Telecom Equipment Room (8810-BLD-810) and Electrical Substation (6850-SUB-841) for Utilities, Interconnecting and Offsite ("UIO")Facilities of RAPID Project ("Package 14-1708")
- Civil and Infrastructure Works at Area 8100 for Utilities, Interconnecting and Offsite ("UIO") Facilities of RAPID Project (Package 14-0308)

KLANG VALLEY

Construction and completion of:

- Viaduct guideway and other associated works from Universiti Putra Malaysia to Taman Pinggiran Putra in Putrajaya (KVMRT Package V207: MRT2)
- Light Rail Transit Line 3 from Bandar Utama to Johan Setia - Package PC2: manufacture, supply and delivery of precast pier caps and other works
- Guideway, stations, park and ride, ancillary buildings and other associated works for Package GS01 for the construction and completion of Light Rail Transit Line 3 ("LRT3") from Bandar Utama to Johan Setia
- "Cadangan Pembangunan sebuah kompleks pejabat 16 tingkat 'Hevea Tower' yang mengandungi unit pejabat dan 3 tingkat podium di atas sebahagian Lot PT 50830, Mukim Sungai Buloh, Daerah Petaling, Seksyen U4, 40150 Shah Alam, Selangor Darul Ehsan"

SARAWAK

- Development and upgrading of the proposed Pan Borneo Highway in the state of Sarawak for Phase 1 - Works Package Contract (Sg. Kua Bridge to Sg. Arip Bridge)

PERAK

- Development of Large Scale Solar Photovoltaic ("LSSPV") power plant of 49MWa.c. on Build-Own-Operate basis at Sungai Siput, Kuala Kangsar, Perak

MANAGEMENT DISCUSSION & ANALYSIS

PROPERTY

The Property segment is involved in the development of residential and commercial properties. The fall in revenue and profit before tax reflects a broader softening of the Malaysian property market.

During the year, the market response to our properties in Batu Kawah New Township, Kuching has been lukewarm. This property is a 265-acre modern integrated award-winning township about 7km from Sarawak's capital. It has received many accolades beginning with the SHEDA Excellence Award for Innovative Design and Lifestyle Concept in 2009 for One Residency, the SHEDA Merit Award for the Best Township Master Plan for Completed Project in 2011 and the SHEDA Excellence Award for Best Residential High Rise Strata Development for Skyvilla Residences in 2013. The estimated GDV on the remaining 66 acres of land in Batu Kawah is RM1.5 billion.

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.

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 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 MJC Development Sdn. Bhd. ("MJCD") and Thriven that was set-up to develop the Lumi Tropicana development in Petaling Jaya. The divestment provided 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 noncore assets. The divestment was completed in September 2017.

BATU KAWAH NEW TOWNSHIP GDV TO DATE

RM 864.8 MILLION

10 Damansara Heights, Bukit Damansara, Kuala Lumpur

MANAGEMENT DISCUSSION & ANALYSIS

POWER

49MWa.c. Large Scale Solar Photovoltaic power plant (LSSPV), Sungai Siput, Perak

The power segment consists of the Group's concession and independent power producer ("IPP") assets in the energy sector. In Malaysia, there are two solar projects marking the Group's commitment to developing a significant foothold in the nation's growing renewable power industry. This is consistent with the Malaysian Government's broader push towards increasing renewables as part of the energy mix and reducing the reliance on conventional fossil fuel sources.

Approval has been granted to build a 49MW Large Scale Solar Photovoltaic power plant in Sungai Siput, Perak, at a cost of RM306 million. The Power Purchase Agreement was signed with Tenaga Nasional Berhad in March 2017 lasting for a period of 21 years. Financial closure was achieved in November 2017. The plant is expected to commence operating later in 2018. This project is in addition to the Special Universal 10MW Solar Photovoltaic Farm in Gebeng, Pahang, which began commercial operations in 2014.

In Indonesia, the Group will continue to build upon its earlier foray in 2015 via its investment in the Bau Bau 2 x 7MW coal-fired power plant IPP in South Sulawesi. The assets will serve to increase the Group's footprint in Indonesia and enable it to pursue more opportunities in the country.

REVENUE

2017

RM 21.1

MILLION

MANAGEMENT DISCUSSION & ANALYSIS

TRADING, MANUFACTURING & OTHER SEGMENTS

This segment comprises primarily the trading, manufacturing and investment divisions of the Group. The trading segment is involved in the trading of construction materials. The division's activities are undertaken by MJC Trading Sdn. Bhd. ("MJCT"), a wholly-owned subsidiary of MJC Industries Sdn. Bhd. ("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.

Similarly, 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 products via MJC Precast Sdn. Bhd. ("MJCP"), a wholly-owned subsidiary of MJCI.

As the government continues to make major infrastructure investments, the Group's Precast business has been expanding after winning a series of MRT, LRT, Ports and Highway projects. There are currently 12 production lines but they are being expanded to 14, with monthly output capacity of 3,000m^3.

The longer-term future of the business is positive with negotiations underway on Malaysian road and rail infrastructure projects, industrialised building systems as well as working with Japanese company, Hamaza Ando, to export Mudajaya products.

Precast Manufacturing Plant in Mukim Ijok, Selangor

MANAGEMENT **DISCUSSION & ANALYSIS**

Recreational Facility for Residents of One Residency, Batu Kawah New Township, Kuching

One Residency Courtyard & Graden Villas, Batu Kawah New Township, Kuching

DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS AND FINANCIAL CONDITION OF THE GROUP

PROFIT OR LOSS ANALYSIS

	2017 RM '000	2016 RM '000	% FAVOURABLE (UNFAVOURABLE)
REVENUE BY BUSINESS SEGMENT			
Construction	**434,360**	628,889	(30.9%)
Property	**18,556**	30,346	(38.8%)
Power	**21,145**	11,086	90.7%
Trading, manufacturing & others	**71,319**	88,811	(19.7%)
Total	**545,380**	**759,132**	

	2017 RM '000	2016 RM '000	% FAVOURABLE (UNFAVOURABLE)
PROFIT/(LOSS) BEFORE TAX BY BUSINESS SEGMENT			
Construction	**10,549**	(230,381)	104.6%
Property	**7,953**	12,462	(36.2%)
Power	**(127,129)**	(143,918)	11.7%
Trading, manufacturing & others	**(13,362)**	(10,869)	(22.9%)
Adjustments and eliminations	**(419)**	(4,828)	91.3%
Loss before tax ("LBT")	**(122,408)**	(377,534)	67.6%
Finance cost	**(44,668)**	(25,839)	(72.9%)
Loss before interest and tax ("LBIT")	**(77,740)**	(351,695)	77.9%
Less: Share of associates results	**(137,218)**	(133,813)	(2.5%)
Profit/(Loss) before interest and tax (excluding share of associates results)	**59,478**	**(217,882)**	

MANAGEMENT DISCUSSION & ANALYSIS

GROUP PERFORMANCE

The Group reported revenue of RM545.4 million and LBT of RM122.4 million for the year ended 31 December 2017 as compared to revenue of RM759.1 million and LBT of RM377.5 million for 2016.

The lower revenue in 2017 was mainly due to completion or near completion of major ongoing construction projects whilst newly secured projects have just commenced construction works. The lower LBT was due to the higher contribution from construction segment and the absence of impairment on receivables and other current assets relating to Tanjung Bin 4 project and Manjung 4 project recorded in 2016. Excluding share of losses from associates, there has been a turnaround in profitability. The operating profit was up due to contributions from the Pengerang projects with tight cost control and Tanjung Bin 4 Insurance Settlement. In addition, cash generated from Operations continues to improve with close monitoring of collections and payments.

Mudajaya sustained its job wins during the year under review and recorded RM1.4 billion worth of contracts win during the year. Notable jobs secured include a sizeable RM1.1 billion package under the LRT 3 project from Bandar Utama to Johan Setia. The Group was also awarded new contracts valued at about RM150 million by Petronas, relating to its Refinery and Petrochemicals Integrated Development project ("RAPID") in Pengerang, Johor. The job wins balanced the completion of major projects such as the Tanjung Bin power plant and the V3 package of KV MRT Line 1 in 2016. Overall, Mudajaya's outstanding order book was maintained at a robust RM2.6 billion as at end-December 2017, which will sustain the Group over the next three years.

CONSTRUCTION

The construction sector in Malaysia grew by 6.7% in 2017, against 7.4% in 2016. The segment reported revenue and profit before tax ("PBT") of RM434.4 million and RM10.6 million respectively for the year ended 31 December 2017 as compared to revenue of RM628.9 million and LBT of RM230.4 million for 2016. Lower revenue in 2017 was mainly due to the completion of Tanjung Bin 4, MRT-V3 and two of the Pengerang projects. The improvement in PBT was attributable to current on-going construction projects which contributed positively to the Group's bottom line whilst LBT for 2016 was mainly due to the impairment of trade receivables and other current assets relating to Tanjung Bin 4 project and Manjung 4 project amounted to RM210.3 million.

Our growth in construction is underpinned by expansion in the civil-engineering sub-segment which continued to ride on the rollout of large public infrastructure projects.

RAPID Workers' Village, Pengerang, Johor

MANAGEMENT **DISCUSSION & ANALYSIS**

MJC Mutiara, Batu Kawah New Township, Kuching

PROPERTY

This segment reported revenue and PBT of RM18.6 million and RM8.0 million respectively for the year ended 31 December 2017 as compared to revenue of RM30.3 million and PBT of RM12.5 million for 2016. The lower revenue and PBT in 2017 was mainly due to lower sales of properties in Batu Kawah New Township, Kuching. In the broader market, residential property transaction volumes nationwide contracted, while the value was flat as consumer sentiments remained lukewarm. In Sarawak, the overall residential property transaction volumes dropped, while the transacted value increase moderately.

POWER

The segment reported revenue and LBT of RM21.1 million and RM127.1 million respectively for the year ended 31 December 2017 as compared to revenue of RM11.1 million and LBT of RM143.9 million for 2016. The Group's 10MW Gebeng solar plant has been contributing positively to the segment's revenue and profitability. However, LBT in 2017 was mainly due to share of losses from an associate, RKM Powergen in Chhattisgarh, India.

TRADING, MANUFACTURING AND OTHER SEGMENTS

This segment reported revenue and LBT of RM71.3 million and RM13.4 million respectively for the year ended 31 December 2017 as compared to revenue of RM88.8 million and LBT of RM10.9 million for 2016. The lower revenue in current period was mainly due to completion of MRT-V3 project and completion of two of the construction projects in Pengerang which affected the sales of construction materials to subcontractors. The LBT was mainly attributable to financing cost on the Group's borrowings.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL POSITION ANALYSIS

Total Assets	2017 RM '000	2016 Restated RM '000
Property, plant and equipment (PPE)	**48,018**	43,689
Investment properties	**50,935**	49,116
Intangible assets	**10,533**	11,153
Service concession assets	**74,839**	69,483
Investment in associates	**427,729**	561,810
Other investments	**5,291**	816
Inventories	**45,257**	41,718
Property development costs	**55,625**	39,235
Trade and other receivables	**312,662**	402,715
Cash and cash equivalents	**456,853**	328,120
Deferred tax asset	**7,633**	493
Other current assets	**334,023**	485,121
Tax recoverable	**17,939**	15,973
Total	**1,847,337**	**2,049,442**

The Group's total assets decreased by 9.9% mainly due to decrease in investment in associates which is attributable to share of associates losses during the year. Similarly, the decrease in other current assets was as a result of the outstanding from contract customers, attributable to completion or near completion of major ongoing construction projects.

The decrease in trade and other receivables is mainly due to repayments received from customers. The increase in property development costs is mainly due to development expenditures incurred in Batu Kawah New Township, Kuching. Increase in deferred tax asset is mainly due to recognition of unutilised tax losses based on foreseeable future changeable income.

Total Liabilities	2017 RM '000	2016 Restated RM '000
Trade & other payables	**351,247**	500,974
Amount due to contract customers	**68,818**	17,945
Loans & Borrowings	**752,554**	816,672
Deferred tax liabilities	**5,525**	2,224
Derivative financial liabilities	**12,323**	–
Others	**7,950**	2,503
Total	**1,198,417**	**1,340,318**

MANAGEMENT **DISCUSSION & ANALYSIS**

The Group's total liabilities decreased by 10.6%, mainly due to a decrease in trade and other payables arising from repayment to creditors. Whereas the decrease in loans and borrowings was due to repayments of Islamic Medium Term Notes ("IMTN") during the year, to the tune of RM240 million after offsetting the banking facilities drawn down during the financial year.

Derivative financial liabilities is arising from the cross currency interest rate swap entered into the Group to manage foreign currency exposure from the Group's term loan denominated in currencies other than the functional currency of the Group entities.

Total Equity	**2017 RM '000**	**2016 RM '000**
Share capital	**393,172**	110,483
Share premium	**–**	221,739
Capital reserve	**4,900**	4,900
Other reserves	**266,713**	390,183
Non-controlling interests	**(15,865)**	(18,181)
Total	**648,920**	**709,124**

The total equity decreased by 8.5% due to share of associates losses during the financial year. The share capital on the other hand increased by RM60.95 million due to the issuance of 53,000,000 ordinary shares via Private Placement. The share premium was recognised as share capital pursuant to the transitional provisions set out in Section 618(2) of the Companies Act 2016.

Cash Flow Analysis	**2017 RM '000**	**2016 RM '000**
Net cash generated from operating activities	**167,074**	2,463
Net cash generated used in investing activities	**(237,152)**	(9,888)
Net cash (used in)/generated from financing activities	**(14,147)**	248,499
Net (decrease)/increase in cash and cash equivalents	**(84,225)**	241,074
Cash and cash equivalents* at 1 January	**310,444**	69,370
Cash and cash equivalents* at 31 December	**226,219**	**310,444**

* *excluded pledged deposits and bank overdrafts*

In the year under review, cash and cash equivalents decreased by 27.1%, whereas the net cash generated from operating activities increased primarily due to the repayments from debtors. The net cash used in investing activities had increased as deposits that were pledged for banking facilities have been excluded from cash and cash equivalents.

Net cash used in financing activities was due to repayments of IMTN at RM240 million after offsetting the banking facilities drawdown during the financial year.

MANAGEMENT DISCUSSION & ANALYSIS

Centralised Maintenance Workshop, Pengerang, Johor

ANTICIPATED OR KNOWN RISKS

CONSTRUCTION

The construction sector in Malaysia has been operating with traditional proven practices and tried-and-tested methodologies. However, there is an increasing pressure to improve operational efficiencies, reduce costs and deliver better safety and quality outcomes. The opportunities are limitless opportunities with innovative building and delivery methods, predictive issues management, Building Information Modelling ("BIM") etc. Deployment of technology for innovation is the way forward and the businesses are at risk of losing their competitiveness if they fail to transform their business models with clear cost-value benefits.

There are also other risks which directly and negatively impact our costs, productivity and performance in the long-run. For instance, the industry continues to be disadvantaged with issues, such as cyclical downturns, which makes it challenging for us to plan our manpower. Other risks are associated with operations and logistics (accidents, faulty work, equipment damages, transportation, contractual disputes); technical requirements (shortage of skilled labour, materials, technology, government and regulatory standards and compliance); and financial aspects (seamless project funding; performance of contractors, timely and inadequate resources, project delays etc).

The execution risks are significant, with cost overruns, collection problems and contractual disputes being common. The highly competitive operating landscape often results in thin margins. Given the slew of large local infrastructure jobs in recent years, construction firms also face lumpy order books. Players are exposed to the need for contract replenishment, while public job opportunities are subject to government budgetary policies. Additionally, the Group's focus on infrastructure-related sub-sectors of the construction industry exposes it to the risk of changes in the Government's fiscal policies and delays in the rollout of projects, which are not uncommon.

Mitigation:

Mudajaya is an established local contractor with over 5 decades of experience in civil construction. To manage various predictable and unpredictable risks, we have developed a systematic risk monitoring, assessment and management framework. Our objective is to closely inspect our work sites and project requirements to be able to put identify potential risks and prepare contingency plans to insure us against any unforeseen crisis. The Group is selective on project bidding to minimise execution and credit risks whilst maintaining a healthy project margin for projects we work on.

To further manage the risk exposure, the Group ensure that there is no over-reliance on a single project or client or a more balanced portfolio of project in terms of project size, type and customer base.

MANAGEMENT DISCUSSION & ANALYSIS

PROPERTY

There are inherent and external risks in the property sector, which pose potential threats to our continuing performance. The inherent risks are mostly related to long gestation periods, fast changing consumer behaviour and dynamics of business, and effective project management. Above all, the inherent risk in property sector is the one related to the design, quality, and pricing. Whereas the external risks come in the form of fluctuating market and demand cycles, obsolete pricing models and diminishing margins due to increase in raw materials, stringent regulatory guidelines, permits and licensing, and increasing pressure to optimise financial returns.

Mitigation:

One of the important ways to mitigate the inherent risks of property sector is to catch the pulse of the consumers, have a vision and foresight to understand the emerging as well as future trends. In addition, it is important to have a resource allocation strategy, which helps to minimise wastage, control costs and optimise performance. At a macro-level, it may be important to diversify our portfolio to cater to different consumer segments and markets; have a better perspective on the maximum investment at risk and manage our costs better by closely monitoring our projects and land holdings. The Group continue to be cautious on new launches in the current down cycle of the market and ensure that its product offering meet customer's demand.

POWER

In the power sector, the challenges are slightly more different, where the financial viability of the projects precedes our intent and capability to diversify our portfolio, especially to include renewable energy sector. The risk posed in the power sector are related to technology deployments, advanced skills, generation capacities and transmission infrastructure, and above all, the local regulations and policies in the power and energy space. The long commissioning cycles and complex procurement procedures also pose a threat by way of project delays and investment risks. Another risk in relation to the power sector in countries such as Malaysia is the market for conventional vs. alternative energy, the demand, the price volatility etc. which have direct impact on profits. These are in addition to the risks of insufficient capital or investments or credit, which impede the power infrastructure development and maintenance.

Despite the potential benefits to be derived from our investments, power plants typically require long gestation/ development periods (although development period for RE solar plants is short) and may not be earnings/ cashflow accretive in the near term.

Mitigation:

Our risk mitigation strategy in the power sector emphasises on the need to tap the power sector value chain to build viable partnerships to share risks. We also keep a close tab on our internal controls as well as our compliance mechanisms to safeguard our current and future investments and interests in the power sector.

We also anticipate the extraneous factors such as the mid and long-term market and regulatory risks in addition to recording the positive impact of our power projects in terms of social, economic and environmental equity created. We also continue to assess the impact of our future power investments on the Group's financial profile and debt-servicing ability.

TRADING, MANUFACTURING AND OTHER SEGMENTS

The major risks under Trading and Manufacturing are credit risks and the quality of product manafactured.

Mitigation:

We established a comprehensive credit profile for all our customers and maintaining effective credit control policy.

For quality control, we have a list of long term quality suppliers and conduct stringent quality control during the production process.

MANAGEMENT DISCUSSION & ANALYSIS

SIGNIFICANT MILESTONES

22 MAR 2017

Letter of Award to Sinar Kamiri Sdn. Bhd. (formerly known as MGB Enterprise Sdn. Bhd.) for the Large Scale Solar Photovoltaic power plant of 49MWa.c. at Sungai Siput, Kuala Kangsar, Perak.

04 APR 2017

MCB accepted the award of a contract on 3 April 2017 from Prasarana Malaysia Berhad to undertake the construction and completion of light rail transit line 3 from Bandar Utama to Johan Setia - Package PC2: manufacture, supply and delivery of precast pier caps and other related works. The contract sum is RM58.29 million. The Project is expected to be fully completed by end of 2019.

10 APR 2017

Settlement Agreement between Mudajaya Corporation Berhad with GE Power Services (Malaysia) Sdn. Bhd. and Alstom Power Systems. The Settlement provided the Group with cash of RM60.0 million that it can deploy towards new and existing projects, and still retain its rights to any recovery from insurance proceeds that were part of its total claims, via GE as the consortium leader for the Project.

22 MAY 2017

MCB has on 19 May 2017, received a letter of notification from RKM stating that power sale of 150 Mega Watts ("MW") to several power distribution companies in the State of Uttar Pradesh has commenced from 17 May 2017 based on a schedule to supply from Uttar Pradesh Power Corporation Ltd. ("UPPCL") dated 15 May 2017 for the balance of 150MW, pursuant to the Power Purchase Agreement dated 15 March 2016. The power sales commencement contributed positively to the earnings of the Group for the financial year ending 2017.

31 JUL 2017

MCB was awarded the following contracts on 25 July 2017 and 26 July 2017 by PRPC Utilities and Facilities Sdn. Bhd., a subsidiary under the Petroliam Nasional Berhad ("PETRONAS") group to undertake the Procurement, Construction and Commissioning for Utilities, Interconnecting and Offsite ("UIO") Facilities of the RAPID Project in Pengerang, Johor for a total contract sum of RM151.38 million:-

(a) Procurement, Construction and Commissioning ("PCC") of Data Centre and Telecom Equipment Room (8810-BLD-810) and Electrical Substation (6850-SUB-841) for Utilities, Interconnecting and Offsite ("UIO") Facilities of RAPID Project (Package 14-1708) and;

(b) Procurement, Construction and Commissioning ("PCC") of Civil and Infrastructure Works at Area 8100 for Utilities, Interconnecting and Offsite ("UIO") Facilities of RAPID Project (Package 14-0308).

03 OCT 2017

MCB accepted the letter of award and the letter of addendum dated 14 September 2017 and 26 September 2017 respectively from KLIAA-KLIACS Consortium to undertake the "Cadangan Pembangunan sebuah kompleks pejabat 16 tingkat 'Hevea Tower' yang mengandungi unit pejabat dan 3 tingkat podium di atas sebahagian Lot PT 50830, Mukim Sungai Buloh, Daerah Petaling, Seksyen U4, 40150 Shah Alam, Selangor Darul Ehsan". The contract sum for the Project is RM118.6 million. The Project is targeted to be completed by September 2019.

9 OCT 2017

MCB acknowledged receipt of the Letter of Acceptance from Prasarana Malaysia Berhad to undertake the construction and completion of guideway, stations, park and ride, ancillary buildings and other associated works for Package GS01 for the construction and completion of Light Rail Transit Line 3 ("LRT3") from Bandar Utama to Johan Setia.

The contract sum for the Project is RM1.16 billion, which comprises RM1.09 billion being the tender sum and RM65.39 million being 6% GST on the tender sum. The Project is expected to be completed by February 2021 with a construction period of 39 months from the date of the Letter of Acceptance.

16 NOV 2017

MCB received RM32.28 million in total as full and final settlement of the claim from the insurance companies ("Insurance Claim Settlement"). As a result of the Insurance Claim Settlement, the Group recognised RM32.28 million in the current financial year as partial reversal of the impairment that was provided in the previous financial year.

30 JAN 2018

Sinar Kamiri Sdn. Bhd., an indirect wholly-owned subsidiary of Mudajaya, issued RM245.0 million Green SRI Sukuk Wakalah under the Shariah Principle of Wakalah Bi Al-Istithmar and based on the Securities Commission's SRI Sukuk Framework.

28 FEB 2018

MCB entered into a conditional Share Sale and Purchase Agreement ("SSPA") for the proposed disposal of 7.07% equity interest in R.K.M. Powergen Private Limited ("RKM"), comprising 140,000,000 ordinary shares to Apollo Ventures Co. Ltd. ("Apollo") for a total cash consideration of USD19.5 million (equivalent to approximately RM76.6 million based on the exchange rate of USD3.9282:RM1.00)

MANAGEMENT **DISCUSSION & ANALYSIS**

Papillion Street Mall by MJC City Development, Batu Kawah New Township, Kuching

OUTLOOK

We maintain a positive outlook on the construction sector as growth is expected to stay strong on the back of the implementation of sizeable infrastructure jobs such as KVMRT Line 2, LRT 3, and the Pan Borneo Highway. Over the medium term, the rollout of planned projects such as the East Coast Rail Line ("ECRL"), the KL-Singapore High Speed Rail ("HSR") and KVMRT Line 3 is anticipated to keep job opportunities ample.

In other words, as the broader Malaysian economy strengthens and the construction sector remains strong, the outlook for Mudajaya is positive.The ongoing infrastructure developments related to the Economic Transformation Programme ("ETP") in rail, roads, oil and gas and ports will positively contribute to the sector's growth. Some of the high-potential ETP projects include the Pan Borneo Highway, the Light Rail Transit ("LRT") in Kuala Lumpur, the High-Speed Rail (HSR), East Coast Rail Line ("ECRL"), Refinery and Petrochemical Integrated development ("RAPID") in Pengerang, Johor and the expansions of LEKIR Bulk Terminal, Kuantan, West and North Ports. The strength of this segment to the Group's future bottom line is evident, especially with our plan to participate in selective projects and tighten the cost controls.

Domestically, the property segment reflects the softening of the broader market with reduced revenue and profits. The Group through its subsidiary MJCC which is developing the Batu Kawah Township in Kuching, has a remaining land-bank of 66 acres with projected Gross Development Value of RM1.5 billion. Going forward, the property arm is expected to contribute to the Group's earnings through diversification into facility management including Menara Mudajaya.

The Group is continuing to leverage on its financial strength and established track record in the power sector which is continuing to see a growing revenue stream.

MANAGEMENT DISCUSSION & ANALYSIS

10MW Solar Photovoltaic Farm in Gebeng, Pahang

In power sector, Mudajaya continues to eye investment opportunities in regional power assets to bolster recurring income. Mudajaya has issued RM245 million of sukuk in January 2018 to fund the construction of the solar photovoltaic plant in Sungai Siput, Perak.

The manufacturing segment continues to expand its core activities, consistent with the broader market in Malaysia. There is growing demand for precast concrete products as a result of large infrastructure projects including the LRT, MRT, ports and highways. The Group is continuing to explore opportunities to build on its manufacturing expertise with the intention to increase its capacity further and expand product offerings.

More broadly, in 2018 and beyond, Mudajaya will continue to explore opportunities to further strengthen its order book and maintain sustainable growth. The fact that we have several billion Ringgit worth of projects on the book and at least RM5.0 billion worth of tenders and proposals at various stages of evaluation is a sign of confidence for the company's future.

ACKNOWLEDGEMENTS

The ongoing success of Mudajaya is due to the commitment, loyalty and expertise of all our stakeholders including our employees, clients, suppliers, contractors, financiers, partners and shareholders. We highly value the contribution of our multiple stakeholders to successfully meet the objectives and performance targets of the Group year on year.

Skyvilla Luxury Condominium, Batu Kawah New Township, Kuching

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of Mudajaya (or "the Company") is pleased to provide an overview of the Company's corporate governance practices during the financial year ended 31 December 2017 with reference to the 3 key Principles as set out in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017"). The Company's application of each Practice set out in MCCG 2017 during the financial year 2017 is disclosed in the Company's Corporate Governance Report ("CG Report") which is available on the Company's website at www.mudajaya.com as well as via the Company's announcement made to Bursa Malaysia Securities Berhad ("Bursa Securities").

The Board remains committed to high standards of corporate governance driven by the ultimate objective of protecting and enhancing shareholders' value and the financial performance of the Company and its subsidiaries ("the Group").

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 continues to reinforce the existing corporate governance practices in order to remain relevant with the developments in market practice and regulations.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

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 (a Management-level 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 is responsible for the overall performance of the Group and focuses on strategies, performance, standards of conduct, financial and major business matters.

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"), Risk Management Committee, Investment Committee and Options Committee to examine specific matters within their respective terms of reference as approved by the Board. Although specific powers are delegated to the Board Committees, the Board keeps itself abreast of the key issues and decisions made by each Board Committee through the reports by the Chairmen of the Board Committees and the tabling of minutes of the Board Committee meetings at Board meetings. The ultimate responsibility for decision-making, however, lies with the Board.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

Separation of Positions of the Chairman and Group CEO

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 active participation and 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 businesses as well as implementation of the Board's policies and decisions.

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 fulfil 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 also oversee the adherence to Board policies and procedures.

Board Meetings and 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 5 business days 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. 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.

Board Charter

The Board is guided by the Board Charter which amongst others, sets out the roles and responsibilities of the Board, Board Committees and Management in upholding good corporate governance standards and practices. The Board Charter also reflects the matters reserved for the Board's consideration and approval; the division of responsibilities between the Chairman and the Group CEO; financial reporting; investor relations and shareholder communication. The Board Charter is accessible in Mudajaya's website at www.mudajaya.com.

Code of Ethics and Conduct

The Board has a formalised Code of Ethics and Conduct ("the Code") which reflects Mudajaya's vision and core values of integrity, respect, trust and openness. The Code provides clear direction on conduct of business; dealing 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; compliance with the relevant laws and regulations; and the duty to report where there is a breach of the Code. The Code is made available on Mudajaya's website at www.mudajaya.com.

Whistleblowing Policy

Mudajaya has in place a Whistleblowing Policy to provide an avenue and mechanism to all employees and stakeholders of the Group to report concerns about any suspected wrongdoing, inappropriate behaviour or misconduct relating to fraud, corrupt practices and/or abuse, for investigation and Management's action. Reports can be made anonymously without fear of retaliation or repercussions and will be treated confidentially. There is a process in place to independently investigate all reports received to ensure the appropriate follow-up actions are taken. The Whistleblowing Policy is published on Mudajaya's website at www.mudajaya.com.

II. Board Composition

The Board currently has 6 members, comprising the Independent Non-Executive Chairman, Group CEO, Executive Director, 2 Independent Non-Executive Directors and a Non-Independent Non-Executive Director. Half of the Board members consists of Independent Non-Executive Directors, to ensure balance of power and authority on the Board.

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. A brief profile of each Director is set out under the Directors' Profile section 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. The Independent Directors provide independent judgement, objectivity and check and balance on the Board.

CNRC

The CNRC comprises all Independent Non-Executive Directors. In observance with MCCG 2017, the CNRC is chaired by an Independent Non-Executive Director, Dato' Amin Rafie bin Othman.

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

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.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

(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 appointment of Mr Winson Chow as Alternate Director to Mr Lee Eng Leong, the Executive Director of the Company.

The CNRC reports its proceedings and recommendations to the Board for its consideration and approval.

Appointment 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 based 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.

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 MCCG 2017. The CNRC will endeavour to consider women candidates in the recruitment exercise, when the need arises.

Tenure of Independent Directors and 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.

In its annual assessment, the CNRC reviewed the independence of Independent Directors. 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Re-election 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 Annual General Meeting ("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.

The performance of those Directors who are subject to re-election at the AGM will be subject to assessment conducted by the CNRC, whereupon the CNRC's recommendations are made to the Board on the proposed re-election 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 Evaluation 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 performance and effectiveness of the Board, Board Committees and the contribution of each Director based on a set of pre-determined criteria.

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.

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.

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

A total of 8 Board meetings were held during the financial year ended 31 December 2017 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	8/8	100%
James Wong Tet Foh	7/8	88%
Lee Eng Leong	8/8	100%
Chew Hoy Ping	8/8	100%
Wee Teck Nam	8/8	100%

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

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.

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.

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 2017 are as follows:-

Name of Directors	Title	Organiser	Date
Dato' Yusli bin Mohamed Yusoff	1) Audit Committee Institute Breakfast Roundtable 2017	KPMG	28 April 2017
	2) Current Issues in Corporate Governance	The Iclif Leadership and Governance Centre	14 & 15 August 2017
	3) Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers: Corporate Disclosure Framework and Directors' Disclosure Obligations under the Listing Requirements	Bursa Malaysia Berhad	3 October 2017
	4) Audit Committee Leadership Track: Effective Oversight of Internal Audit Functions – Are Boards in Sync with Regulatory Expectations?	The Institute of Internal Auditors Malaysia	9 October 2017
	5) Corporate Governance Breakfast Series: Leading Change @ The Brain	Bursa Malaysia Berhad & The Iclif Leadership and Governance Centre	5 December 2017

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Name of Directors	Title	Organiser	Date
James Wong Tet Foh	1) Sustainability Engagement Series for Directors/Chief Executive Officers	Bursa Malaysia Berhad	13 March 2017
	2) Riding the Wave of Regulatory Changes	Federation of Public Listed Companies Bhd	11 & 12 July 2017
	3) MIA 50th Anniversary Commemorative Lecture	Malaysian Institute of Accountants	11 September 2017
Lee Eng Leong	1) Sustainability Engagement Series for Chief Financial Officers & Chief Sustainability Officers	Bursa Malaysia Berhad & Ernst & Young	12 April 2017
	2) Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers: Corporate Disclosure Framework and Directors' Disclosure Obligations under the Listing Requirements	Bursa Malaysia Berhad	27 September 2017
	3) CFO Dialogue 2017: The New Business As Usual – Globalisation, Digitalisation & Disruption	Malaysian Institute of Accountants	31 October 2017
	4) MIA International Accountants Conference 2017	Malaysian Institute of Accountants	7 & 8 November 2017
	5) Corporate Governance Breakfast Series: Leading Change @ The Brain	Bursa Malaysia Berhad & The Iclif Leadership and Governance Centre	5 December 2017
Chew Hoy Ping	1) Audit Committee Conference 2017	Malaysian Institute of Accountants & The Institute of Internal Auditors Malaysia	5 April 2017
	2) Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers: Corporate Disclosure Framework and Directors' Disclosure Obligations under the Listing Requirements	Bursa Malaysia Berhad	3 October 2017
	3) Implementing the Companies Act 2016 & Malaysian Code on Corporate Governance 2017 – What every Director needs to know	Bursatra Sdn. Bhd.	5 December 2017

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

Name of Directors	Title	Organiser	Date
Wee Teck Nam	Directors Risk Management Programme – I am ready to manage risks	Bursa Malaysia Berhad	13 September 2017
Winson Chow (Alternate to Lee Eng Leong)	1) Mandatory Accreditation Programme (MAP)	The Iclif Leadership and Governance Centre	10 & 11 August 2017
	2) MIPIM Asia Summit 2017 – "Excelling in a fast changing world"	MIPIM Asia	28 & 29 November 2017

III. Remuneration

Remuneration Policies and Procedures

The objective of Mudajaya's remuneration policies is to attract and retain Directors and key senior management 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. For Non-Executive Directors, the level of remuneration reflects their experience, expertise and level of responsibilities undertaken by the Non-Executive Directors concerned.

Market survey data on the remuneration practices of comparable companies is taken into consideration in determining the remuneration packages for the Directors and key senior management.

CNRC

The role of the CNRC is to assist the Board in overseeing the remuneration policies of the Group. The CNRC is authorised to commission independent advice for the purpose of discharging its duties and responsibilities.

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 CNRC also considered and reviewed the proposed Long-Term Incentive ("LTI") Scheme for senior management of the Group. This LTI Scheme was established with the objective of attracting, retaining and motivating the senior management to drive the Group's performance and long-term objectives. In February 2018, the Board, upon recommendation of the CNRC, approved the LTI Scheme.

The Board collectively determined the remuneration for the Non-Executive Directors based on the recommendation from the CNRC. Each of the Non-Executive Directors abstained from deliberating and voting in respect to his individual remuneration. Directors' fees and benefits payable to the Non-Executive Directors are subject to the approval of shareholders at the AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Details of Directors' Remuneration

Details of remunerations of the Directors of Mudajaya (received or to be received from the Company and on a group basis respectively) for the financial year ended 31 December 2017 are as follows:

Name of Directors	Directors' Fees RM'000	Salaries RM'000	Bonuses RM'000	Defined Contribution Plan RM'000	Fixed Allowances RM'000	Meeting Attendance Allowances RM'000	Benefits-in-kind RM'000	Total RM'000
Executive Directors								
James Wong Tet Foh	–	529	126	85	–	–	–	740
Lee Eng Leong	–	331	79	49	–	–	–	459
Non-Executive Directors								
Dato' Yusli bin Mohamed Yusoff	200	–	–	–	100	21	–	321
Chew Hoy Ping	70	–	–	–	50	18	–	138
Wee Teck Nam	70	–	–	–	–	13	–	83
Received or to be received from the Company	**340**	**860**	**205**	**134**	**150**	**52**	**–**	**1,741**
Executive Directors								
James Wong Tet Foh	–	529	126	85	–	–	32	772
Lee Eng Leong	–	331	79	49	–	–	–	459
Non-Executive Director								
Dato' Yusli bin Mohamed Yusoff	–	–	–	–	–	–	23	23
Received from a subsidiary	**–**	**860**	**205**	**134**	**–**	**–**	**55**	**1,254**
Total Group	**340**	**1,720**	**410**	**268**	**150**	**52**	**55**	**2,995**

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

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 comprises 3 members, a majority of whom are Independent Non-Executive Directors. The AC is chaired by Mr Chew Hoy Ping, an Independent Non-Executive Director, who is not the Chairman of the Board. 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. They also have sufficient understanding of the Company's businesses.

In 2017, the AC members had attended seminars, conferences and workshops to keep themselves abreast of the latest developments in accounting/auditing standards, regulatory requirements and corporate governance.

The AC Report as set out in this Annual Report, provides the details of the AC's activities which among others, include the annual assessment on the suitability, objectivity and independence of the external auditors.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

II. Risk Management and Internal Control Framework

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. 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.

Internal Audit and Risk Management Functions

The Board has the ultimate responsibility for the Group's system of internal controls 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 controls 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 main role is to undertake regular reviews of the Group's systems of controls, procedures and operations so as to provide independent and objective assurance to the AC regarding the adequacy and effectiveness of internal control, risk management and governance systems.

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

Directors' Responsibilities Statement in respect of the Audited Financial Statements

The Directors are required by the Companies Act 2016 to prepare financial statements which are in accordance with applicable approved accounting standards and give a true and fair view of the financial position of the Company and the Group at the end of the financial year, as well as of the financial performance and cash flows of the Company and the Group 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 2016, 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 judgements 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

Periodic and Continuous Disclosure

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.

Company Website

The Company's website, www.mudajaya.com provides detailed information on the Group's businesses and latest development. The website has a dedicated section on 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 and corporate information.

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

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

II. Conduct of General Meetings

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 2017, the notice of AGM with sufficient information of businesses to be dealt with thereat, was sent to shareholders more than 28 days ahead of the meeting date together with the Annual Report. The notice of AGM was 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 were contained in the Annual Report, were posted on the websites of Mudajaya and Bursa Securities.

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

Notice of the forthcoming AGM which will be held on 13 June 2018, will also be given to shareholders more than 28 days prior to the meeting.

Effective Communication and Proactive Engagements with Shareholders

At the general meetings, shareholders have direct access to the Board and senior management, and they are encouraged to participate in the question and answer session.

In every AGM, the Group CEO presents a comprehensive review of the Group's financial performance for the year and outlines the prospects/strategies 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 2017 AGM, all the Directors were present in person to engage directly with shareholders. Amongst them, Mr Chew Hoy Ping who is the Chairman of the AC and CNRC, and Dato' Yusli bin Mohamed Yusoff, the Chairman of the Risk Management Committee, were present at the AGM to provide responses to questions addressed to them by shareholders. In addition, the external auditors, KPMG PLT were in attendance to answer questions from shareholders on the audited financial statements. The senior management of the Company were also present to respond to any enquiries from shareholders.

Electronic Poll Voting

All the Company's shareholders are entitled to appoint representatives or proxy/proxies to vote on their behalf in their absence at general meetings.

The voting at the 2017 AGM was conducted on a poll in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Securities by way of electronic voting.

This Corporate Governance Overview Statement was approved by the Board on 16 April 2018.

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

On 29 September 2017, the Company completed its Private Placement exercise with the listing of 53,000,000 ordinary shares on the Main Market of Bursa Malaysia Securities Berhad. The 53,000,000 ordinary shares which were issued at RM1.15 per share, had raised gross proceeds of RM60.95 million. The proceeds raised from the Private Placement had been fully utilised as at 31 December 2017 in the following manner:-

Purpose	Utilisation RM'000
Funding of the Company's investment in a subsidiary	60,878
Expenses in relation to the Private Placement	72
Total:	**60,950**

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 2017 are as follows:-

	Group RM'000	Company RM'000
Audit fees		
- Statutory auditors	452	132
- Other auditors	18	–
Subtotal:	**470**	**132**
Non-audit fees		
- Statutory auditors	10	18
Subtotal:	**10**	**18**
Total:	**480**	**150**

ADDITIONAL COMPLIANCE INFORMATION

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 or major shareholders during the financial year ended 31 December 2017.

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

The Company has one ESOS in existence and during the financial year ended 31 December 2017, the Company granted 600,000 options over ordinary shares ("options") to an eligible employee. 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 2017 are set out below:-

	Directors	Eligible Employees	Total
Total number of options granted	9,200,000	38,520,700*	47,720,700
Total number of options exercised	-	(4,102,000)	(4,102,000)
Total number of options rejected and forfeited	-	(19,729,400)	(19,729,400)
Total options outstanding	**9,200,000**	**14,689,300**	**23,889,300**

** Include 6,255,000 options granted to senior management*

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 2017, 32% of the options granted under the ESOS has been granted to Directors and senior management.

ADDITIONAL COMPLIANCE INFORMATION

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 2017 are as follows:-

Transacting Party	Interested Related Party	Relationship of Related Parties	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 15.31% shareholding in the Company. Lee Seng Huang is an indirect major shareholder of the Company, MIB and Thriven. Thriven is a 24.39% 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 a Non-Independent Non-Executive Director of Thriven. He is also the Non-Independent Executive Director of MIB.	Project management services provided by MJC Development Sdn. Bhd. ("MJC"), a subsidiary of the Company, to MVSB	7,987

Note:

The Company had on 2 December 2016, announced that MJC had entered into a Settlement Agreement with Thriven and MVSB on 2 December 2016 to mutually terminate the Subscription and Shareholders' Agreement ("SSA") dated 30 August 2013, and the supplemental letters to the SSA dated 13 November 2013 and 20 November 2013. The Settlement Agreement involved among others, the proposed disposal of MJC's 49% equity stake in MVSB to Thriven ("Disposal").

The Company had on 5 September 2017, announced that the Disposal had been completed on 5 September 2017, being the immediate business day after the stipulated completion date following the full payment of the sale consideration by Thriven to MJC and the payment of the settlement sum by MVSB to MJC. Consequently, the joint venture between MJC and Thriven in MVSB had been terminated.

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)
   (Senior 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 Malaysia Securities Berhad ("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 Board has reviewed the term of office of the AC and conducted an annual assessment of the composition, performance and effectiveness of the AC and its members based on the recommendations of the Combined Nomination and Remuneration Committee. The Board is satisfied that the AC and its members have discharged their functions, duties and responsibilities in accordance with the AC's terms of reference, supporting the Board in ensuring the Group upholds appropriate corporate governance standards.

The profile of each member of the AC is set out in the Directors' Profile section of this Annual Report.

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 2017, 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

AUDIT COMMITTEE REPORT

The Group CEO, Executive Director, 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 meetings held. The AC also conducted private sessions with the external auditors on matters arising from their audit of the Group, without the presence of the executive board members and Management at 2 of these 3 meetings attended by the external auditors.

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.

SUMMARY OF ACTIVITIES OF THE AC

During the financial year up to the issuance date of this Annual Report, 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 2017, 29 May 2017, 28 August 2017, 27 November 2017 and 26 February 2018. The financial and cash flow reports were also tabled to the Board for notation.

- Reviewed the quarterly financial results for the 4th quarter 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, at the AC meetings held on 24 February 2017 and 29 March 2017 respectively.

- Reviewed the quarterly financial results for the 1st, 2nd, 3rd and 4th quarters of 2017, and the annual audited financial statements of 2017 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 changes in or adoption of accounting policies and practices changes;
  o significant matters including financial reporting issues, significant judgements made by Management, as well as significant and unusual events or transactions;
  o the outlook and prospects of the Group;
  o cash flow, financing and going concern assumptions; and
  o significant audit issues and adjustments arising from audit

  at the AC meetings held on 29 May 2017, 28 August 2017, 27 November 2017, 26 February 2018 and 30 March 2018 respectively.

- Reviewed and discussed with Management on the impact and key changes required under the new Malaysian Financial Reporting Standards ("MFRS") 9 and 15, which is applicable for the financial year beginning on or after 1 January 2018, at the AC meeting held on 26 February 2018.

AUDIT COMMITTEE **REPORT**

2. Annual Report Requirements

- Reviewed and recommended to the Board for approval, the Statement on Risk Management and Internal Control for inclusion in the 2016 Annual Report, 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 to ensure that the disclosures were in compliance with the requirements under paragraphs 41 & 42 of the *Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers* ("Guidelines").

- Reviewed and approved the AC Report for inclusion in the 2016 Annual Report, at the AC meeting held on 29 March 2017.

- Reviewed and recommended to the Board for approval, the Statement on Risk Management and Internal Control for inclusion in the 2017 Annual Report, at the AC meeting held on 26 February 2018.

  The AC was informed that the external auditors had reviewed the Statement on Risk Management and Internal Control to ensure that the disclosures were in compliance with the Guidelines.

- Reviewed and approved the AC Report for inclusion in the 2017 Annual Report, at the AC meeting held on 30 March 2018.

3. Internal Audit

- Reviewed the internal audit reports presented by the IARMD on the audit findings and recommendations, 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 2017, 29 May 2017, 28 August 2017, 27 November 2017 and 26 February 2018. A total of 15 audit engagements were completed in 2017.

  Risk-based audits were performed on selected business units within the Group based on the approved internal audit plan and those requested by Management. The audit areas which were covered included amongst others, the project cost management, purchasing processes, subcontractor claims and costs, contracts system and a power plant in Indonesia. After review by the AC, these internal audit reports were also tabled to the Board for notation.

  At each AC meeting, the IARMD provided an update on status of implementation of prior quarter audit report recommendations until they were fully implemented. Where appropriate, the AC was also apprised of key initiatives and continuous improvement activities being undertaken by the IARMD.

- Reviewed and approved the risk-based 3-year internal audit plan (2017-2019) to ensure the adequacy of the scope and coverage of key business and operational units within the Group, at the AC meeting held on 29 May 2017.

AUDIT COMMITTEE REPORT

4. External Audit

- Reviewed with the external auditors, the audit report, issues, outstanding matters, audit focus areas, audit findings and conclusions, as well as 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.

- Reviewed with the external auditors on 24 February 2017, 27 November 2017 and 26 February 2018 without the presence of the executive board members and Management, the extent of assistance rendered by Management and issues arising from their audit. The AC was satisfied with the openness in communication and interaction with the engagement partner and his team, which demonstrated their independence and professionalism.

  In addition, the Chairman and members of the AC periodically held informal discussions with the engagement partner of the external auditors to ensure audit issues were addressed on a timely basis.

- In February 2017, 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 2017 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 were tabled at the AC meeting held on 24 February 2017. The external auditors have also provided written confirmation on their independence in accordance with the terms of the 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 27 February 2017 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 15 June 2017.

- 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.

- 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 meetings held on 29 March 2017 and 29 May 2017 on the revised audit fees.

  The non-audit fees comprised the reviews of the Statement on Risk Management and Internal Control, and the realised and unrealised retained earnings. As 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.

AUDIT COMMITTEE **REPORT**

- Reviewed with the external auditors, their audit plan and strategy, scope of audit, audit timeline and focus areas on potential key audit matters and other significant audit matters prior to the commencement of audit of the financial statements for the year ended 31 December 2017, at the AC meeting held on 27 November 2017.

  The external auditors also briefed the AC on the new accounting standards namely MFRS 15 *(Revenue from contracts with customers)* and MFRS 9 *(Financial instruments)* which would take effect on 1 January 2018, and MFRS 16 *(Leases)* which would take effect from 1 January 2019. KPMG's assessment of readiness of the Group was also highlighted.

- Reviewed with the external auditors, the audit report, issues, outstanding matters, audit focus areas, audit findings and conclusions, as well as Management responses arising from their audit of the financial statements for the year ended 31 December 2017, at the AC meeting held on 26 February 2018.

  Pursuant to the new and revised Auditor Reporting Standards which took effect from 16 December 2016, the AC reviewed the 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 2 key audit matters which were highlighted to the AC (to be disclosed in the Independent Auditors' Report contained in the Audited Financial Statements) were:

  (a) Revenue, profit recognition and provisions on long-term construction contracts; and
  (b) Valuation of investment in an associate company, R.K.M. Powergen Private Limited.

- In February 2018, the AC also assessed the suitability and independence of the external auditors for their re-appointment as Auditors of the Company at the forthcoming 2018 AGM, via the same assessment tool as described above. The evaluation results were tabled at the AC meeting held on 26 February 2018, 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 the relevant professional and regulatory requirements.

  The Board at its meeting held on 28 February 2018 approved the AC's recommendation based on the evaluation results, for the re-appointment of external auditors, subject to the shareholders' approval being sought at the forthcoming AGM of the Company.

- Reviewed with the external auditors on 30 March 2018, the annual audited financial statements including the Independent Auditors' Report for the financial year ended 31 December 2017, where relevant disclosures in the annual audited financial statements were deliberated.

- 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 2017, at the AC meeting held on 30 March 2018.

  The non-audit fees comprised the review of the Statement on Risk Management and Internal Control. The amount of non-audit fees was not significant as compared to the amount of audit fees. In this respect, 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.

AUDIT COMMITTEE REPORT

5. **Risk Management**

- Reviewed the project risk registers of 2 new projects and their mitigation plans, at the AC meeting held on 24 February 2017.

- Reviewed the half-yearly enterprise risk management reports submitted to the Risk Management Committee, and the appropriateness of Management's responses to significant risk areas and proposed recommendations for mitigation. These risk management reports were tabled to the Board for notation.

- Assessed the adequacy and effectiveness of the risk management and internal control system.

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 2017, 29 May 2017, 28 August 2017, 27 November 2017 and 26 February 2018.

- At the AC meetings held on 24 February 2017, 29 May 2017 and 28 August 2017, 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.

7. **Other Matters**

- At the AC meeting held on 27 November 2017, reviewed the audit report from IARMD verifying that the allocation of share options to eligible employees of the Group in 2016 was in compliance with the terms/criteria set out in the Bylaws of the Company's Employees Share Option Scheme.

- Reported to the Board at its quarterly meetings 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 which were aimed at obtaining a better understanding of business operations and risks related issues, and the resolution of issues.

AUDIT COMMITTEE **REPORT**

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 Group's systems of controls, procedures and operations so as to provide independent and objective assurance to the AC regarding the adequacy and effectiveness of internal control, risk management and governance systems.

The IARMD adopts a risk-based approach in developing the annual internal audit plan for approval by the AC. The IARMD is guided by the Internal Audit Charter on their authority, duties and responsibilities.

The AC reviews the quarterly internal audit reports from IARMD based on the approved audit plan on the effectiveness and adequacy of the governance, risk management, operational and compliance processes. Follow-up reviews on a quarterly basis were also undertaken to ascertain the status of implementation of prior quarter audit recommendations, the results of which were reported to the AC. A total of 15 audit engagements were completed in 2017.

Apart from the aforesaid internal audit mandate, the IARMD is also responsible for facilitating and assisting Management in maintaining a structured risk management framework to identify, evaluate and manage the significant risks facing the Group. The IARMD submits semi-annual reports on enterprise risk management for the Group to the Risk Management Committee for review and deliberation.

The IARMD's scope of responsibilities extends to all business and operational units within the Group, which include financial, accounting, information systems, operational and support systems, and administrative activities.

In February 2017, the AC carried out an evaluation of the effectiveness of the internal audit function in respect of financial year 2016. The appraisal covered the adequacy of IARMD's scope, its functions, resources, authority and independence, as well as the competency of internal audit staff. The results of the evaluation were tabled at the AC meeting held on 29 March 2017. In general, the AC was satisfied with the performance and competency of the IARMD. Certain areas which required improvement were also highlighted.

In February 2018, the AC also undertook an evaluation of the effectiveness of the internal audit function for financial year 2017, which covered the abovementioned areas. The results of the evaluation were tabled at the AC meeting held on 30 March 2018. 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 2017 amounted to RM369,000.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

BOARD RESPONSIBILITY

The Board 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 the Group. The Board also affirms its commitment to maintaining a sound system of risk management and internal control as set out in the Listing Requirements of Bursa Securities and the recommendations of MCCG 2017.

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 tolerances. 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 provide 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 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 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 IARMD. 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.

STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**

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 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.

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 for the AC and Management. Various Board Committees have been established to assist the Board in discharging its duties, namely:

  - AC
  - Investment Committee
  - RMC
  - 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.
- Financial and operations performance reports are submitted to the Executive Directors and senior management. Management meetings are held among the Executive Directors and divisional heads; and during these 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 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 include material joint ventures and associates as 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 monthly reviews of the project progress and costs incurred by employing the services of an independent engineer, and this is reported to RKM and the Group for monitoring and control.

STATEMENT ON RISK MANAGEMENT AND INTERNAL 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 OSHAS 18001: 2007 Occupational Health & Safety Management System certifications ensures that adequate controls and good governance are in place to manage environmental and safety matters in the Group. These are annually reviewed by independent external consultants familiar with the construction and development industry.
- All employees are governed by a Code of Conduct and are required to acknowledge having read and understood the Code upon commencement of employment.
- A 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 whistleblowing 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 CEO 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 IARMD, which reports directly to the AC.

The IARMD 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 the previous audit findings reported.

The IARMD 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 pursue the necessity for continuous improvements in its internal control system and risk management process in order to achieve its goals, enhance shareholder value and ensure sustainability of the businesses over the long term.

During the year, some areas for improvement in the internal control system were reported by the IARMD 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 on 28 February 2018.

Menara Mudajaya, Mutiara Damansara

our SUSTAINABILITY COMMITMENT at MUDAJAYA

As an integrated services provider, with focus on construction, power, manufacturing and property sectors, our commitment goes beyond profits, to include providing safe and sustainable infrastructure, energy, business and life solutions. We are currently transitioning to better understand, qualify and pursue various programmes and targets to manage our Economic, Environmental and Social ("EES") impacts.

"WE ARE COMMITTED TO PUT THE BUILDING BLOCKS IN PLACE, IN TERMS OF OUR PROCESSES, PRODUCTS AND PERFORMANCE METRICS AS WELL AS TO STRENGTHEN OUR FOUNDATION, BEFORE WE DESIGN A SUSTAINABILITY ROADMAP FOR THE GROUP. SUSTAINABILITY IS A WORK-IN-PROGRESS AREA FOR OUR BUSINESS AND WE ASPIRE TO IMPROVE OUR STRATEGY, IMPLEMENTATION AS WELL AS REPORTING OVER THE NEXT 3 YEARS.

DATO' YUSLI BIN MOHAMED YUSOFF

Independent Non-Executive Chairman,
Mudajaya Group Berhad

In 2017, we have appraised our senior management on our status quo and the critical need to map sustainability to our business agenda. While the Board and the management continue to be uncompromising when it comes to compliance and regulations, as a Group, we have always embraced greater 'responsibility' towards our shareholders, our employees, our partners in business, and of course, the regulators and policy-makers. Over the years, Mudajaya has emerged as a credible and trusting partner, with strong commitment to deliver excellence and create value for our multiple stakeholders. This, as a premise, is our starting point for building our future sustainability programmes.

We endeavour to better understand the stakeholder' expectations and how we can support their aspirations, towards mitigating real EES concerns in relation to our business and operations. Our commitment to sustainability will require us to think beyond the 'business-as-usual' mind frame and meaningfully contribute to the growth of the organisation as well as the welfare of our many stakeholders.

”

SUSTAINABILITY STATEMENT

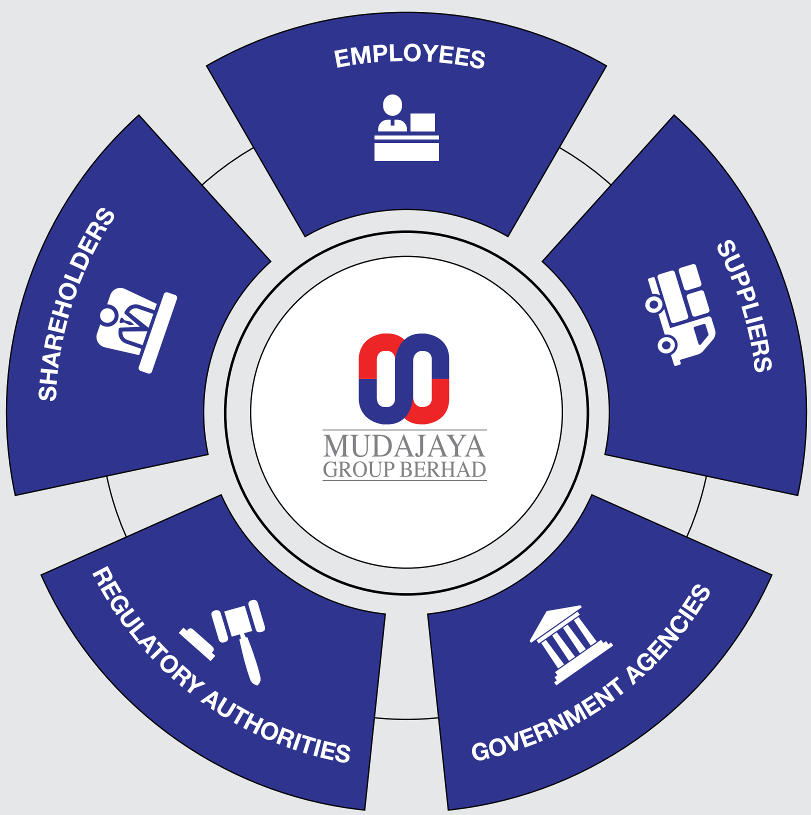
ABOUT OUR SUSTAINABILITY DISCLOSURES

1 SCOPE

Our Sustainability Statement includes various policies and initiatives that we have institutionalised and implemented for positive impact in workplace, marketplace, community and environment. Our statement has been prepared in compliance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements. The data and the information included in the report are in relation to our Malaysian operations during the period 1 January 2017 to 31 December 2017.

2 STAKEHOLDER ENGAGEMENT

We have not conducted any special stakeholder engagement exercise for the purpose of this Statement. However, we have mechanisms and systems in place to capture information and feedback from our multiple stakeholders throughout the year. For instance, we have monthly management sessions with our employees; we have regular performance review updates with our suppliers; and our interactions with regulatory authorities and government agencies is ongoing. We capture the feedback for deliberation at management-level, to arrive at issues material to our business, and strategise our mitigation action plan.



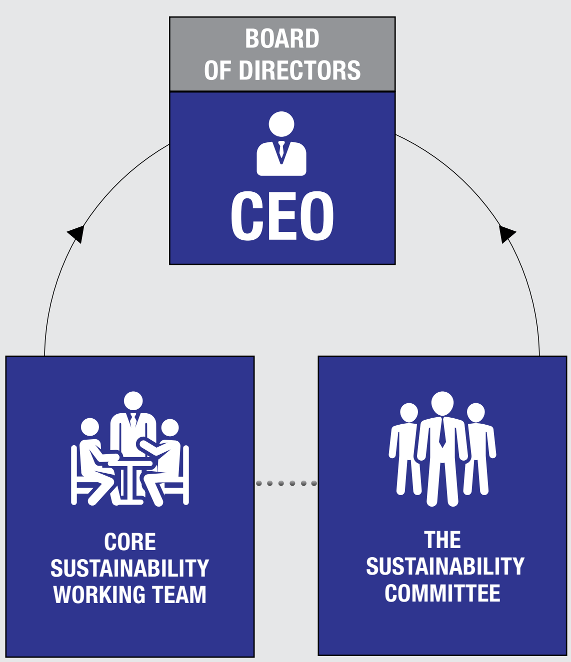
SUSTAINABILITY **STATEMENT**

3 APPROACH TO SUSTAINABILITY

As a responsible company, we map our growth strategies, but not without taking into consideration the various impacts of our business on our people, the economy, as well as the environment. Our Board of Directors and senior management are in the process of institutionalising a framework and processes, which going forward, will guide us to embed sustainable practices in our operations organisation-wide.

4 GOVERNANCE

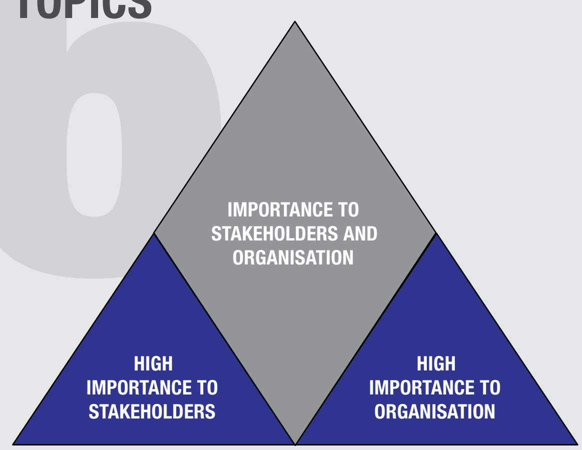
We are in the process of defining the Key Performance Indicators ("KPIs") for the Sustainability function, with a clear tracking and reporting mechanism internal and externally. In the interim, the current Corporate Social Responsibility mandate reports into the CEO, who tables relevant issues and various strategies for implementation with the Board for review and approval.



5 DISCLOSURE AND EXTERNAL ASSURANCE

We are at our early stages of reporting for sustainability and are streamlining our internal processes for quality/improved reporting over the next three years. Meanwhile, our reporting format follows Bursa Malaysia's Listing Requirement Guidelines and Reporting Framework. We have not submitted our Sustainability Statement 2017 for independent assurance.

6 MATERIAL TOPICS



Based on our analysis of the feedback and data from multiple stakeholders and platforms, on the next page are the 15 material topics (the matters which were important for both stakeholders and the organisation).

SUSTAINABILITY STATEMENT

STAKEHOLDER ENGAGEMENT AND MATERIALITY

STAKEHOLDERS	MODE OF ENGAGEMENT & FREQUENCY	15 MATERIAL TOPICS
CUSTOMERS & PARTNERS	• Meetings (Quarterly)	• Quality • Competitive price • Safety
EMPLOYEES	• Townhalls (Quarterly) • Management-Staff Reviews (Monthly) • Appraisals (Yearly) • Internal Employee Gatherings/ Events (Monthly)	• Work-life balance • Industry driven pay scale & benefits • Effective & fun engagement • Safety & wellbeing
REGULATORS AND POLICY-MAKERS	• Meetings (Adhoc, Quarterly & Yearly)	• Sectoral growth • Compliance • Local and government agenda
SUPPLIERS	• Performance Reviews (Half-yearly) • Procurement Processes (Half-yearly)	• Fair procurement • Transparency • Payments
COMMUNITY	• Events & Participation Co-organised (Bi-monthly)	• Improve quality of life • Sharing, educating & caring for environment, animals, community & employees

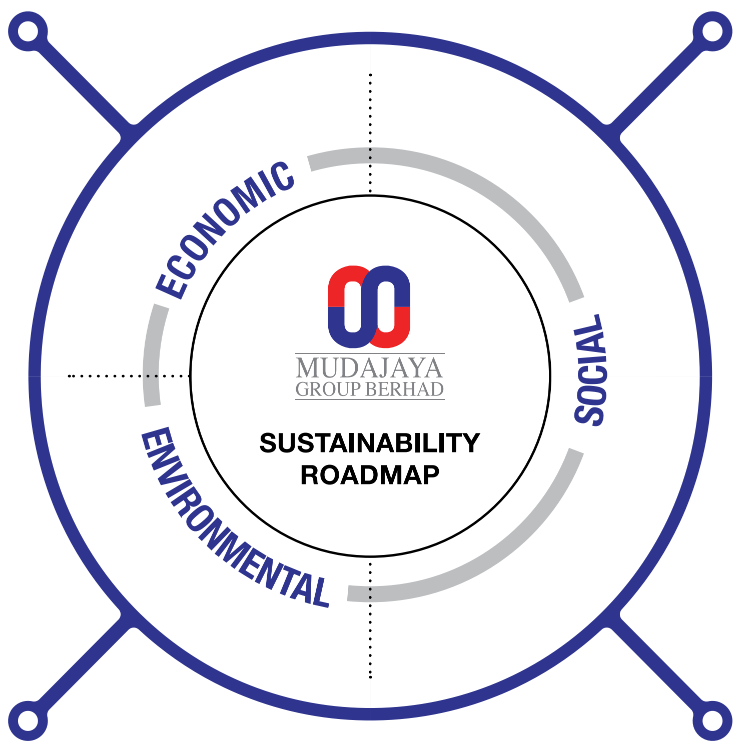
SUSTAINABILITY **STATEMENT**

OUR 3-YEAR SUSTAINABILITY ROADMAP

At corporate level, we are working with the management and our Sustainability Committee/Team to devise a 'Sustainability Roadmap' for Board approval. The roadmap includes policy interventions, focus areas and programme implementation recommendations for the period 2018-2020. Below are some of the priority areas covered in the roadmap.

MARKETPLACE

- Stakeholder engagement and feedback mechanisms
- Grievance management platforms
- Quality and service enhancing strategies



WORK PLACE

- Policies that foster openness, learning, inclusiveness & development
- Programmes that enhance fun, productivity, performance & innovativeness
- Measures to enrich employees experience, safety & growth

ENVIRONMENT

- Carbon footprint assessments and targets
- Water footprint assessments and targets
- Waste management gameplan

COMMUNITY

- Investment strategies to sustain community development
- Campaigns to address material topics
- Community feedback processes to capture impact

SUSTAINABILITY STATEMENT

ECONOMIC IMPACT - MARKETPLACE

Our commitment as well as our aspiration is always to operate to the highest standards of quality and performance, with the support of our capable and credible partners and suppliers. Our continuing mission is to uphold the principles of integrity and responsibility in all our business operations and dealings. Compliance is a must and non-negotiable, and we have policies that dictate consequences for non-adherence to regulatory norms and governance systems. With our key business focus in key sectors such as construction and energy, which are also the national key economic areas, we work to meaningfully contribute to national development agenda of inclusive growth. This means, we understand our responsibility to make sure that our partners and suppliers benefit from our growth, improving their socio-economic status and overall quality of life.

This section covers various aspects of governance and operations.

GOVERNANCE

At Mudajaya, we adhere to the principles of good governance and we are not only guided by our internal policies, but also by the regulatory and other legal requirements. Our objective is to ensure our customer, partner and supplier practices are equitable, fair, ethical, transparent and responsible by all means.

CUSTOMERS & PARTNERS

Quality and safety are paramount in undertaking our development projects in all our focus sectors. For instance, our ISO 9001:2008 certification in itself is a testimony for our strong commitment to meet high standards of quality. We are meticulous in our implementation mechanisms, which are designed to deliver consistent quality and safety performance in keeping with the expectations of our customers and partners. Similarly, we also operate to OHSAS 18001:2007 standards, which are a set of stringent guidelines and minimum requirements for occupational health and safety management practices. Our ISO14001:2004 certification evidences our continuous efforts to positively manage the impact of our projects on the environment. Going forward, we will continue to adhere to international standards and best practices, along with our compliance with local regulations, which help strengthen our relationships and reputation in the marketplace.

In 2017, we have successfully conducted internal and external surveillance audits to ensure the standards and our compliance frameworks are current and relevant. Below are the details of various independent audits conducted during the year under review.

- The Annual Quality, Health, Safety and Environment Internal Audits were conducted on all our processes and Project Sites by competent Internal Auditors. The outcome of the internal audits shows that our work processes and project sites complied with all our management system requirements.

- Quality Management System (ISO 9001:2008) external 3rd Party Surveillance Audit was conducted by our Certification body, Lloyd's Register ("LRQA") on 8th & 9th of June 2017. Only 1 minor Non-Conformity Report ("NCR") was raised by the external Auditors for a minor non-compliance from one of our project site on our Quality Management System.

- Health, Safety & Environment Management System (OHSAS 18001:2007 & ISO 14001:2004) external 3rd Party Surveillance Audit was conducted by our certification body, Bureau Veritas on 27th & 28th March 2017 on all our work processes and Project Site. We received positive findings, whereby our processes and Project Sites fully complied with Health, Safety & Environment Management System requirements.

SUSTAINABILITY **STATEMENT**

SUPPLIERS

Supply-chain and vendor management is extremely critical for business continuity and project performance. At Mudajaya, our supplier relationships are guided by our 'Supplier Code of Conduct' and the local laws and regulations. Our policies ensure fair treatment of suppliers, free of all forms of exploitation. We also have a responsible procurement and supplier assessment, which takes into account critical aspects such as quality and lead time, helping to control costs and meet the expectations of our quality-conscious customers. Our policies enable us to support local contractors within the set parameters of meritocracy, in addition to mentoring them for new skills and capabilities. We also support the local economy by prioritising business opportunities for domestic suppliers. For instance, in construction sector, bulk of the material such as concrete and steel are locally sourced. The annual projections are approximately 63,000 tonnes of steel and 148,000 m^3 of concrete.

AS AT 31 DECEMBER 2017:

We had **249 suppliers** and we have disbursed **RM 265** MILLION in **CONTRACT VALUE**.

On an average, **90%** of **OUR CONTRACTS** are for long-term duration of **2-3 years** and others range from **6 MONTHS** to **A YEAR**.

On an average, **14%** of total suppliers are **BUMIPUTRA CONTRACTORS** who were evaluated as equals, based on their capability assessments and competitive pricing.

A total of **RM 50** MILLION worth contracts were **awarded** to **BUMIPUTRAS**.

80% of our **SUPPLY CHAIN VENDORS** were vetted for quality and lead time; and we target to achieve **100%** by the **YEAR 2020**.

We organised **TECHNICAL AND VOCATIONAL WORKSHOPS** for **106 CONTRACTORS AND SUB-CONTRACTORS**, who have limited budgets for training, to ensure they are able to meet high standards and specifications.

SUSTAINABILITY STATEMENT

We adhere to the following key regulations and internal policies to safeguard the interests of our partners, suppliers and workers. Our financial and non-financial reporting also follow the local regulations and compliance requirements.

INTERNAL POLICIES
Management Information System ("MIS") Policy & Procedure
Occupational Health, Safety & Environment Policy
Environmental Management System
Quality Management System
Whistle-blowing Policy
Remuneration Policy & Procedures

REGULATORY AND COMPLIANCE CODES
Personal Data Protection Act 2010 of Malaysia
Malaysian Code of Practice on the Prevention and Eradication of Sexual Harassment at Workplace
Companies Act 2016

MUDAJAYA'S WHISTLE-BLOWING POLICY

Mudajaya's Whistle-blowing Policy empowers our suppliers, partners, and even employees to raise their voice against illegal activities, insider trading, abuse, all forms of corruption and malpractices. The whistle-blower is offered various platforms to submit their concerns and grievances with an assurance of keeping their identity confidential. We also safeguard the whistle-blower from any kind of negative impact due to his or her disclosures and is again assured of fair and unbiased treatment.

The whistle-blowers can make their reports, addressed to the Managing Director either through an email (hr@mudajaya.com) or a snail mail to our corporate headquarters. Our General Manager – Human Resource & Admin is responsible for the Administration, interpretation and application of the Whistle-blowing Policy and any amendment to this Policy needs to be vetted by the Head of Internal Audit, subject to the final approval of the Managing Director, and the Chairman.

OPERATIONS

Our major projects in Malaysia include large infrastructure construction, power installations, and transportation system, which are national key economic areas National Key Economic Areas ("NKEA"), with significant social and economic impacts. For instance, in recent years, we have been spearheading two of the six Mass Rail Transit ("MRT") work packages, namely MRT Line 1 Package V3 and MRT Line 2 Package V207 valued at RM1.4 billion. The MRT Mega project is set to bring socio-economic progress, through job creation for local small & medium enterprises (SMEs) and connecting major business districts and trade links. Similarly, we also completed construction of major power plants (Tanjung Bin 4; Manjung 4; Pengerang Cogen & Jimah, and RAPID Worker Village) valued at RM2.42 billion and contributing to meet the nation's increasing energy demand. On the property development front, we implemented the Batu Kawah Township development, which is located only 7km from the Airport. Through the development, we have catalysed economic activities, created local jobs and helped decentralise the congestion in the city towards the township. In short, we take pride in our role as a credible market player, positively contributing to creating socio-economic value through our projects.

SUSTAINABILITY **STATEMENT**

We completed

5 mega projects

in **CONSTRUCTION** and **POWER SECTORS**, with total contract sum of

RM 3.12 BILLION,

offering employment to **100 SMES; 20 BUMIPUTRA COMPANIES** and **DISADVANTAGED COMMUNITIES**.

We have implemented

OHSAS Standards

and reported:

- **5 MILLION MANHOURS** Zero Lost Time ("ZLT") Injuries in Tanjung Bin 4 Project
- **5.5 MILLION MANHOURS** ZLT injuries in MRT V3 project
- **1 MILLION** and **3 MILLION MANHOURS** ZLT injuries in Pengerang PCP and RAPID Worker Village projects respectively

On our construction sites, we provided **SAFE AND CLEAN-LIVING QUARTERS, POTABLE WATER, BASIC AMENITIES** for more than

3,000 LABOURERS,

with a Grievance Management System in place. We received **ZERO** number of complaints, which are usually expected to be **resolved within 24 hours** to the satisfaction of the complainants.

Our strict compliance with the construction standards and regulatory specifications helped achieve

5 Stars CIDB Shassic Score

in **BUILDING** and **INFRASTRUCTURE DEVELOPMENTS**
(MRT V3, RAPID Warehouse and RAPID Workers' Village)

SUSTAINABILITY STATEMENT

ENVIRONMENTAL IMPACT - ENVIRONMENT

Mudajaya is conscious of the environmental impact of its business and operations. All our projects sites are therefore governed by our customers' stringent policies on environmental protection, including aspects such as waste management etc. For instance, we conduct routine and scheduled monitoring of water, air, and noise pollution, as well as record and analyse key parameters to ensure they are within the levels set by regulation. Besides, we also abide by the local environmental regulations and compliance requirements, in addition to our own internal ISO 14001:2004 environmental guidelines. We appoint project-specific environmental management plan, which covers site waste management and disposal in line with the prescribed limits set by the Department of Environment ("DOE"). There are also site-specific environmental managers appointed to oversee the implementation of the plans, and also minimise the overall carbon footprint of respective projects.

This section includes information on our pioneering renewable energy project, in addition to our efforts to manage the environmental impacts of our project sites.

ENVIRONMENTAL STEWARDSHIP

At Mudajaya, we have adequate processes and international standards to address key environmental and social issues, as well as to champion projects in the renewable energy sector, which is also a key focus area of the Malaysian government.

In view of our commitment to and capabilities in environmental stewardship, most recently, we formed a special purpose vehicle - Sinar Kamiri Sdn. Bhd. ("SKSB") to undertake the development of a solar photovoltaic facility in Sungai Siput, Perak, Malaysia. With an installed capacity of 49MW, the Sinar Kamiri solar project is one of the large scale solar projects under the governments initiative to increase solar capacity by 2020, supplying clean energy to the national grid for 21 years. Besides, the project has the potential to stimulate socio-economic development of the surrounding communities.

Sinar Kamiri's Green SRI Sukuk (the proceeds of which will be used for the design, construction, ownership, operations and maintenance of the solar photovoltaic facility) has been recognised by RAM with a Tier-1 Environmental Benefit, which means the project is aligned towards low-carbon future and has demonstrable environmental benefits; and the project contributes towards improvements in greenhouse gas emissions. It also complies with the transparency and disclosure requirements of Securities Commission Malaysia's Sustainable & Responsible Investment ("SRI") Sukuk Framework and ICMA's Green Bond Principles ("GBP").

In 2017, we conducted an Environmental Assessment and prepared a report outlining the key environmental risks and mitigation action plans in relation to the construction and operation of the solar photovoltaic facility.

SUSTAINABILITY **STATEMENT**

Recipient of Anugerah Kecermelangan Industri Pembinaan Malaysia (MCIEA) IBS Award from Lembaga Pembangunan Industri Pembinaan Malaysia (CIDB) for Pengerang Workers' Village project. Award recipient on behalf of Mudajaya Corporation Berhad: Ir. Anthony Teoh (third from right)

EMISSIONS & WASTE MANAGEMENT

We record and report real-time emissions data from our construction sites to the respective DOE database for online monitoring by the regulator. To ensure compliance with emission limits, we apply stringent 'emissions-control equipment maintenance schedule' on all of our projects.

The construction waste such as used rods, concrete debris, contaminated solid waste are collected by appointed domestic contractors and sent for either landfill or incineration for disposal.

ENVIRONMENTAL MANAGEMENT AT PROJECT SITES

In construction sector, we deploy modular construction system, which expedites the construction process, while reducing environmental impact by limited material waste through structured manufacturing line.

In 2017, we spearheaded construction work of RAPID Worker's Village, which has been designed to minimise the consumption of non-renewable energy through sensitive design prescribed by CIDB Malaysia's Industrialised Building System (IBS). The design has benefitted 14,100 occupants, also minimising the carbon footprint throughout the construction and operation phases of development.

On property development front, our design philosophy emphasises on blending buildings into the green environment, creating nature-inspired living. Our commercial buildings are equipped with green building features such as rain-water harvesting, solar panels at rooftop, sensor lights and taps, charging stations for electric vehicles – all of which will help significantly reduce carbon footprint of the resident working population. We also have a policy to ensure that the trees growing on original project sites are preserved and featured in the design planning of the projects. Through our project, we raise community and citizen awareness on sustainable living, and help them reduce their carbon footprint.

ENVIRONMENTAL AWARENESS

To promote sustainable practices amongst our employees, in Q3 2017, we rolled-out an internal organisation-wide campaign on the impact of climate change and sustainability. We used various channels and platforms such as posters, intranet posts etc. to share trivia and tips on minimising environmental impact. During the year, we managed to create awareness with 100% of employees on paperless information transmission, recycling, and SOS to save energy. We also replaced/installed motion activated lights and water taps to save power and water consumption at our headquarters.

SUSTAINABILITY STATEMENT

SOCIAL IMPACT - WORKPLACE & COMMUNITY

Our people are the valuable machinery behind all our growth. We believe that organisations can perform their best, if their people are given sufficient opportunities to tap their full potential. At Mudajaya, we follow industry practices in terms of our equal, fair and growth-oriented human resource policies, which play a critical role in building a performance culture within the organisation. Our employee policies, at their best, help maintain healthy levels of communication with the management, high levels of motivation, and the spirit of team work for greater efficiencies and effective delivery at workplace. We also provide a work environment that is conducive to continuous learning and development. Our open-door policies also ensure that employees are free to express and share and pursue their career aspirations with Mudajaya. This section covers various policies governing employee benefits, their welfare and our community involvement.

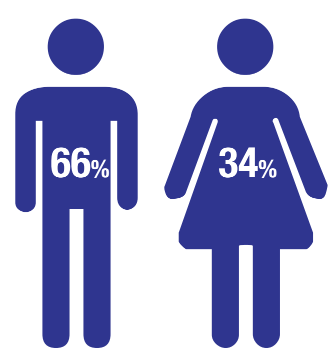
DIVERSITY FOR PERFORMANCE

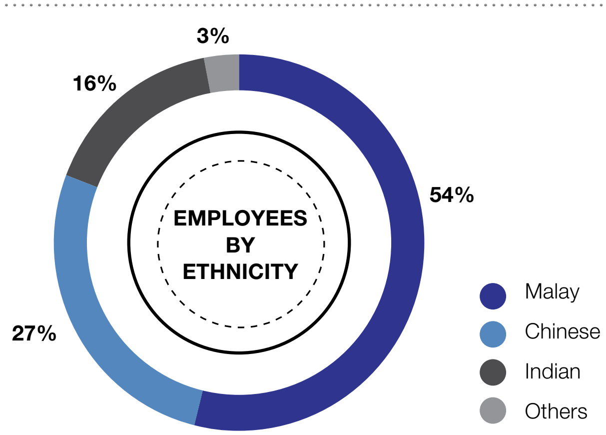
As business focused on diverse sectors, we believe there is a direct correlation between diversity and performance at workplace. Employees with diverse backgrounds, experience, skill-sets and attitudes tend to power organisations with new ideas, energy and drive to excel. Gender diversity also adds a new dimension to workplace, with high levels of emotional intelligence and values such as loyalty, compassion and integrity. Our recruitment policies, which also comply with Malaysian Employment Act 1955 and Children & Young Persons Employment Act 1966, consider diversity as one of the key determinants of talent acquisition and development. We do not discriminate employees on the basis of their ethnicity, gender, age, disability or status.

In 2017 **34%**, of our total workforce comprised of **women employees**, with nearly **21%** of them holding **MANAGERIAL POSITIONS**.

We are currently targeting to build more women talent for senior leadership roles . By 2020, we are targetting to increase the gender ratio across levels. Our organisation also reflects ethnic diversity in similar ratio as of the Nation, which makes the workplace culturally rich, with employees from different states of Malaysia.

EMPLOYEES BY GENDER





SUSTAINABILITY **STATEMENT**

AN INCLUSIVE APPROACH TO LEARNING

At Mudajaya, we encourage continuous learning and development for improving productivity as well as to keep employees equipped with new emerging skills and technologies. We take an inclusive approach to training and development by circulating training calendar to various Head of Department ("HODs") every six months, for them to update their training requirements for their respective teams. The annual training calendar has various categories of courses, to meet the diverse needs of the staff. Some of the courses include technical, self-development, supervisory or leadership, soft-skills, IT, trades etc. Every employee must annually complete eight (8) hours of mandatory training, especially in areas such as safety, software, qlassic awareness, contract and business management etc.

In 2017, we included training and development as part of the Staffs' yearly KPIs. This means, each of our employee must take responsibility to discuss his or her areas of development and skills with their immediate managers and ensure they complete minimum hours of training. This in itself helped increase the take-up rate of training programmes in the year under review. During the year under review, we invested approximately quarter of a million on staff training and development initiatives, which was 30% more compared to 2016.

125 **TRAINING PROGRAMMES**

12,000 **HOURS OF TRAINING**

>20% of the training programmes covered **TECHNICAL STANDARDS, INDUSTRY BEST PRACTICES** and **SAFETY** as well as other regulation, mainly conducted by **CIDB*** and **NIOSH#**

* *Construction Industry Development Board*
\# *National Institute of Occupational Safety and Health*

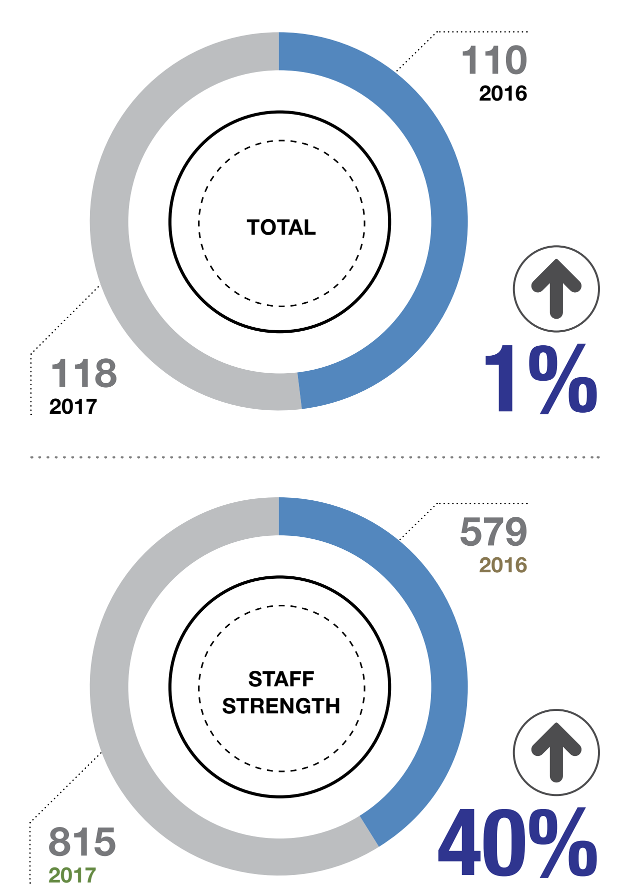
POLICIES FOR WORK-LIFE BALANCE

We believe that employee policies should promote productivity and performance, by the virtue of improving levels of motivation through employees' welfare and well-being. In 2016, we have introduced staggered and flexible worktime arrangements for employees who are primary care-givers of children and aged parents. In keeping with our diversity agenda, in addition to a maternity leave of 2 months, we have also introduced paternity leave of 2 days to support more balanced parenting roles amongst our employees.

In 2017, our progressive policies helped us to improve our staff-retention rate as well as maintain staff absenteeism rate at less than 3%. During the year, 25% of our office employees opted for flexible work arrangements.

TOTAL ATTRITION RATE BASED ON NO. OF EMPLOYEES

* As at 31 December 2017



SUSTAINABILITY STATEMENT

EMPLOYEE ENGAGEMENT

We place great emphasis on bridging the gap between multi-generational employees by creating various platforms for continuous engagement and team work. Our objective is to facilitate active dialogue to encourage team work as well as to improve understanding amongst employee at various levels and positions in the organisation. In the long-run, we believe these platforms, to include townhalls, employee engagement activities, intranet, more relevant and applicable benefits and even managerial meetings at individual department-level, will help move the organisation towards one vision and mission. Besides, our internal communications team is dedicated to champion various employee-focussed activities to promote positive work environment, healthy communications and recognition.

In 2017, we organised **four townhall meetings** with active participation of **100 employees and members** **OF THE MANAGEMENT**.

The format of these meetings encourages open dialogue with the Group Managing Director & Chief Executive Officer, share ideas and discuss various workplace related concerns and issues.

MERIT-BASED REMUNERATION & APPRAISAL SYSTEM

Our remuneration policy is strictly designed on meritocracy. The key performance indicators are based on 60% of the balanced scorecard and 40% of the individual's competencies. All our permanent employees enjoy fair competitive compensation benefits at par with the industry standards. The staff benefits are offered taking into consideration individual merit and performance on a year-on-year basis. Our current employee' benefits include:

1 **FIXED COMPENSATION**
such as salary and fixed allowance

2 **VARIABLE COMPENSATION**

3 **BENEFITS AND PREREQUISITES**
- Transportation
- Medical and insurance coverage, dental etc.

4 **SABBATICALS**
for loyal employees

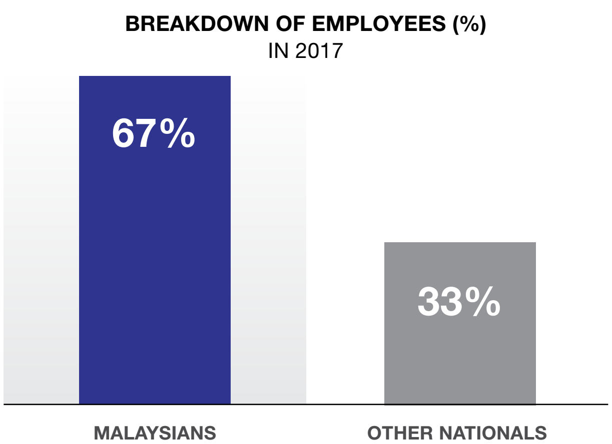
In 2017, **100%** of our employees have been **APPRAISED**, with **6% internal promotions and average increments** in keeping with industry standards.

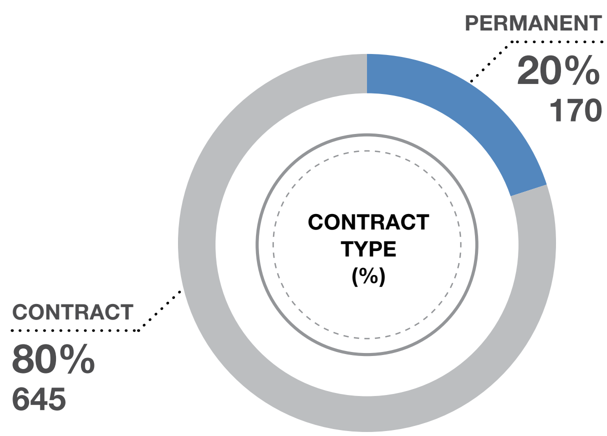
SUSTAINABILITY STATEMENT

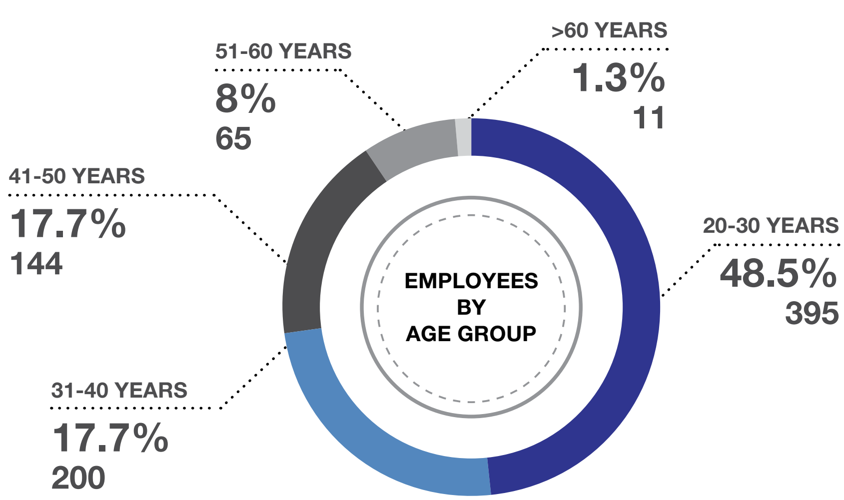
EMPLOYEE DATA

WORKFORCE

At Mudajaya, we are a strong and committed workforce, from diverse ethnic and cultural backgrounds, age groups, nationalities, professional qualifications, skills, interests and roles. Together, we form a cohesive, dynamic and productive team, working closely to meet high performance standards.



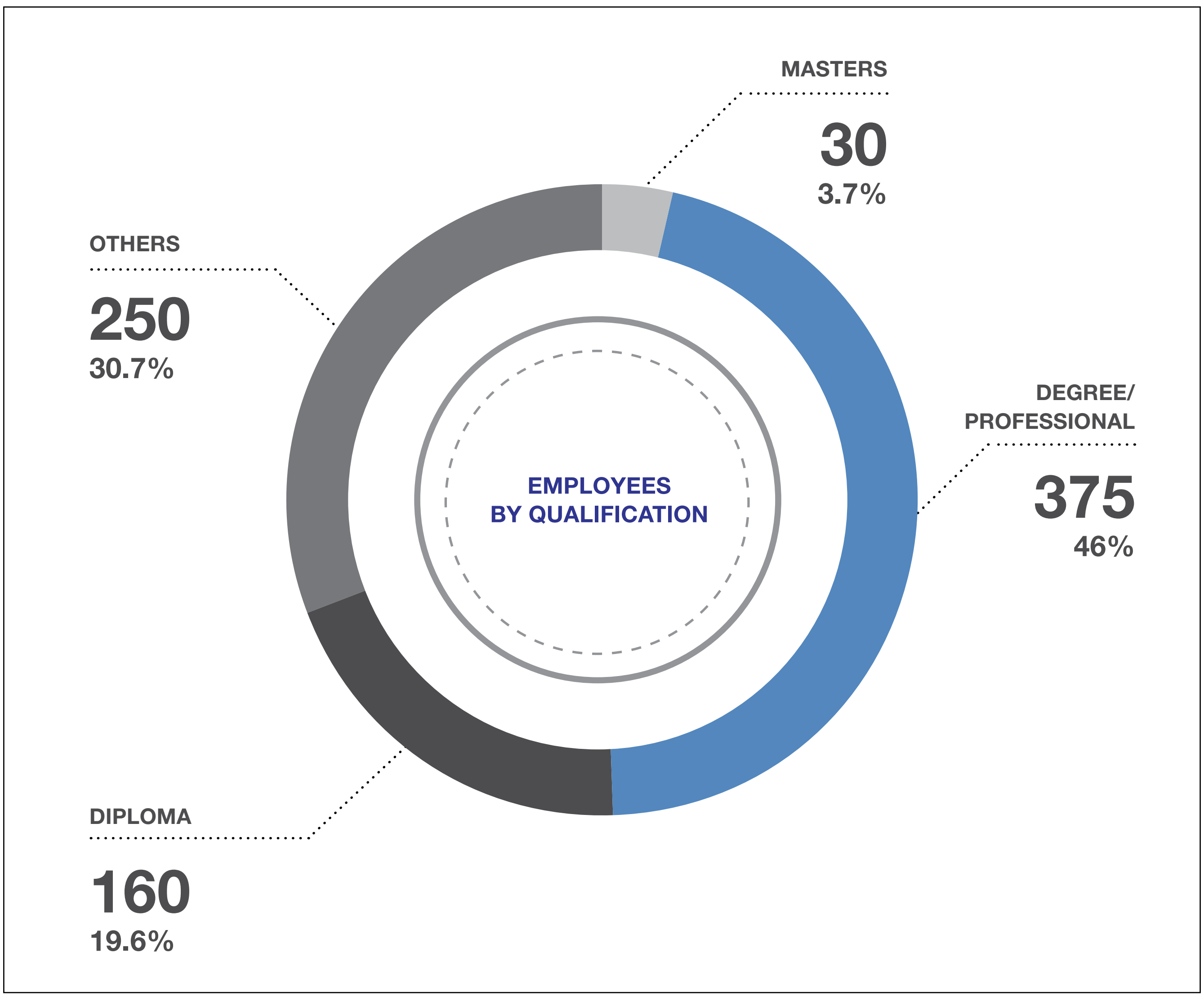




SUSTAINABILITY STATEMENT

NO. OF NEW HIRES

EXECUTIVE	MANAGERIAL	NON-EXECUTIVE
110	44	74



SUSTAINABILITY **STATEMENT**

SHARING IS CARING

To create a sense of belonging and community, at Mudajaya, we encourage all our employees to actively participate in community activities. We promote volunteerism and social responsibility, by rewarding employees with off-day and/or work-leave to participate in community work or cause-worthy events and programmes.

In 2017,

10%

of our employees contributed an average of

7 volunteer hours

to support **OLD-AGE HOMES** and **ORPHANAGES**, by devoting their quality time with these underserved communities, positively improving their state of being.

ORANG ASLI VILLAGE IN ROYAL BELUM:

In partnership with **Master Builders Association of Malaysia (“MBAM”)**, Mudajaya contributed to **REBUILD THE ORANG ASLI VILLAGE INFRASTRUCTURE IN ROYAL BELUM**.

Our staff members actively participated in the initiative as well as contributed to the development/ volunteer work on the ground.

Mudajaya Staffs Assisted Orang Asli in Infrastructure Rebuilding

SUSTAINABILITY STATEMENT

SHARING THE SPIRIT OF ABUNDANCE AND HAPPINESS

Irrespective of the religion and race, **the holy month of Ramadan inspires us to share the joy of giving**. It is all about appreciating the good fortune, health and wellness and sharing the abundance with the underprivileged and disadvantaged. In 2017, Mudajaya staffs made two visits to **Rumah Kesayangan** and **organised a Hari Raya Celebration at Menara Mudajaya Auditorium, where we invited children from Rumah Kesayangan** – an underserved local orphanage for children.

More than

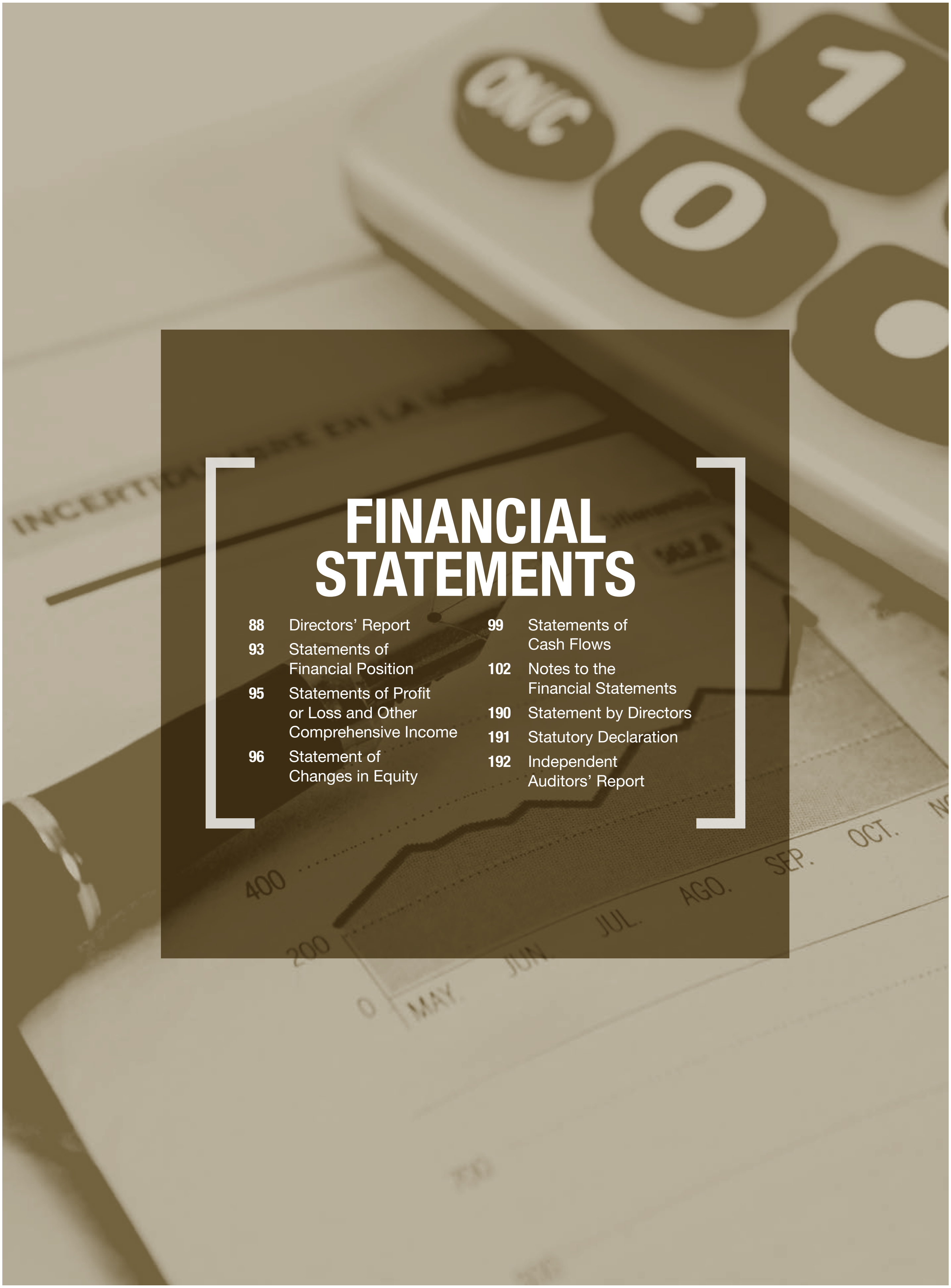
130

EMPLOYEES OF MUDAJAYA

spent quality time with the orphaned children, shared the spirit of Ramadan by gifting them Raya Hampers, goodie bags and 'Duit Raya'.

The highlight of the day were the traditional dance performances and Silat Demonstration staged by the children. The Mudajaya team also organised fun-filled games and shared a sumptuous meal with the residents of the orphanage.

Mudajaya Staff at Hari Raya Open House Party at Menara Mudajaya's Auditorium



FINANCIAL STATEMENTS

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017.

Principal activities

The Company is principally engaged in investment holding activities whilst the principal activities of the subsidiaries are as stated in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

Results

	Group RM'000	Company RM'000
(Loss)/Profit for the year attributable to:		
Owners of the Company	(123,912)	173
Non-controlling interests	3,109	–
	(120,803)	173

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 17 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 during the financial year until the date of this report are:

Dato' Yusli bin Mohamed Yusoff
James Wong Tet Foh
Lee Eng Leong
Chew Hoy Ping
Wee Teck Nam
Dato' Amin Rafie bin Othman (Appointed on 22 February 2018)
Winson Chow (Alternate Director to Lee Eng Leong) (Appointed on 9 May 2017)

The list of Directors in respective subsidiaries are disclosed in Note 7.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

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			
	At 1.1.2017	**Acquired**	**Sold**	**At 31.12.2017**
Interest in the Company:				
Direct interest				
Wee Teck Nam	899,300	–	85,000	814,300

	Number of ordinary shares			
	At 1.1.2017	**Acquired**	**Sold**	**At 31.12.2017**
Interest in the Company:				
Indirect interest				
Wee Teck Nam	109,913,333	–	–	109,913,333

	Number of options over ordinary shares			
	At 1.1.2017	**Granted**	**Exercised**	**At 31.12.2017**
Interest in the Company:				
James Wong Tet Foh	5,200,000	–	–	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 2017 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 remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

Issue of shares and debentures

During the financial year, the Company issued 53,000,000 new ordinary shares at RM1.15 per ordinary shares via a private placement to an eligible investor for a total cash consideration of RM60,950,000 to fund the Company's investment in subsidiaries.

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

Treasury shares

During the financial year, the Company bought back a total of 595,000 of its issued and fully paid-up ordinary shares from the open market for a total cost of RM539,000. Details of the shares bought back and retained as treasury shares were as follows:

Date	No. of shares bought back '000	Price paid per share RM	Total consideration RM'000
11 December 2017	330	0.9045	298
12 December 2017	65	0.9076	59
13 December 2017	200	0.9110	182
	595		539

As at 31 December 2017, the Company retained as treasury shares a total of 14,613,300 of its 605,418,466 issued and fully paid-up ordinary shares. The Company has not made any share cancellation or resold its treasury shares during the financial year ended 31 December 2017. Such treasury shares are held at a carrying amount of RM35,227,000 and further details are disclosed in Note 17 to the financial statements.

Employees' share option scheme ("ESOS")

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 30 October 2017, the Company granted 600,000 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 22 to the financial statements.

Indemnity and insurance costs

During the financial year, the total amount of sum insured and premium paid for Directors and officers of the Company are RM45,000,000 and RM50,000 respectively.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

Other statutory information

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

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

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

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

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

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

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

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

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

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

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

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

In the opinion of the Directors, other than disclosed in the Note 8 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2017 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.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

Subsequent events

Please refer to Note 35 of the financial statements for the details.

Auditors

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

The auditors' remuneration is disclosed in Note 26 to the financial statements.

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

Dato' Yusli bin Mohamed Yusoff
Director

James Wong Tet Foh
Director

Petaling Jaya

5 April 2018

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 Restated RM'000	Company 2017 RM'000	Company 2016 RM'000
Assets					
Property, plant and equipment	3	**48,018**	43,689	**–**	–
Investment property	4	**50,935**	49,116	**–**	–
Intangible asset	5	**10,533**	11,153	**–**	–
Service concession assets	6	**74,839**	69,483	**–**	–
Investments in subsidiaries	7	**–**	–	**317,771**	317,771
Investments in associates	8	**427,729**	561,810	**–**	–
Other investments	10	**5,291**	816	**–**	–
Deferred tax assets	11	**7,633**	493	**–**	–
Total non-current assets		**624,978**	736,560	**317,771**	317,771
Inventories	12	**45,257**	41,718	**–**	–
Property development costs	13	**55,625**	39,235	**–**	–
Trade and other receivables	14	**312,662**	402,715	**87,998**	25,425
Other current assets	15	**334,023**	485,121	**–**	–
Tax recoverable		**17,939**	15,973	**96**	494
Cash and cash equivalents	16	**456,853**	328,120	**405**	35
Total current assets		**1,222,359**	1,312,882	**88,499**	25,954
Total assets		**1,847,337**	2,049,442	**406,270**	343,725
Equity					
Share capital		**393,172**	110,483	**393,172**	110,483
Share premium		**–**	221,739	**–**	221,739
Treasury shares		**(35,227)**	(34,688)	**(35,227)**	(34,688)
Capital reserve		**4,900**	4,900	**–**	–
Employees' share option reserve		**9,574**	8,535	**9,574**	8,535
Foreign currency translation reserve		**(13,773)**	(13,955)	**–**	–
Retained earnings		**306,139**	430,291	**24,508**	24,335
Equity attributable to owners of the Company	17	**664,785**	727,305	**392,027**	330,404
Non-controlling interests		**(15,865)**	(18,181)	**–**	–
Total equity		**648,920**	709,124	**392,027**	330,404

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017
(CONTINUED)

	Note	Group 2017 RM'000	Group 2016 Restated RM'000	Company 2017 RM'000	Company 2016 RM'000
Liabilities					
Loans and borrowings	18	**401,662**	424,596	**–**	–
Refundable deposits		**2,219**	2,039	**–**	–
Deferred tax liabilities	11	**5,525**	2,224	**–**	–
Deferred income	19	**5,659**	–	**–**	–
Total non-current liabilities		**415,065**	428,859	**–**	–
Trade and other payables	20	**351,247**	500,974	**14,243**	13,321
Amount due to contract customers	15	**68,818**	17,945	**–**	–
Tax liabilities		**72**	464	**–**	–
Loans and borrowings	18	**350,892**	392,076	**–**	–
Derivative financial liabilities	21	**12,323**	–	**–**	–
Total current liabilities		**783,352**	911,459	**14,243**	13,321
Total liabilities		**1,198,417**	1,340,318	**14,243**	13,321
Total equity and liabilities		**1,847,337**	2,049,442	**406,270**	343,725

The notes on pages 102 to 189 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Revenue	23	**545,380**	759,132	**–**	–
Cost of sales	24	**(434,424)**	(696,656)	**–**	–
Gross profit		**110,956**	62,476	**–**	–
Other income	25	**29,958**	16,139	**3,452**	1,354
Impairment loss on financial assets and other assets		**(14,473)**	(233,056)	**–**	(3)
Administrative expenses		**(66,963)**	(63,441)	**(2,506)**	(2,886)
Results from operating activities	26	**59,478**	(217,882)	**946**	(1,535)
Finance costs		**(44,668)**	(25,839)	**–**	–
Share of loss of equity accounted associates, net of tax		**(137,218)**	(133,813)	**–**	–
(Loss)/Profit before tax		**(122,408)**	(377,534)	**946**	(1,535)
Taxation	28	**1,605**	(4,766)	**(773)**	–
(Loss)/Profit for the year		**(120,803)**	(382,300)	**173**	(1,535)
Other comprehensive expense, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		**(1,814)**	(13)	**–**	–
Total comprehensive (expense)/income for the year		**(122,617)**	(382,313)	**173**	(1,535)
(Loss)/Profit attributable to:					
Owners of the Company		**(123,912)**	(383,748)	**173**	(1,535)
Non-controlling interests		**3,109**	1,448	**–**	–
(Loss)/Profit for the year		**(120,803)**	(382,300)	**173**	(1,535)
Total comprehensive (expense)/income attributable to:					
Owners of the Company		**(125,207)**	(380,033)	**173**	(1,535)
Non-controlling interests		**2,590**	(2,280)	**–**	–
Total comprehensive (expense)/income for the year		**(122,617)**	(382,313)	**173**	(1,535)
Loss/Diluted loss per ordinary share (sen):					
Basic and diluted loss per share	29	**(22.46)**	(71.06)		

The notes on pages 102 to 189 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

		Attributable to owners of the Company									
		Non-distributable						Distributable			
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
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/(expense)		–	–	–	–	–	3,715	(383,748)	(380,033)	(2,242)	(382,275)
Contribution by and distributions to owners of the Company											
Share-based payment transaction	17	–	–	–	(1,491)	–	–	1,491	–	–	–
Grant of equity-settled share options to employees	22	–	–	–	676	–	–	–	676	–	676
Modification of share-based payment transaction arising from extension of share options to employees	22	–	–	–	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 17	Note 17	Note 17	Note 17	Note 17	Note 17				

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

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 2017		110,483	221,739	4,900	8,535	(34,688)	(13,955)	430,291	727,305	(18,181)	709,124
Foreign currency translation differences for foreign operations		–	–	–	–	–	(1,295)	–	(1,295)	(519)	(1,814)
Investment in subsidiaries written off	7	–	–	–	–	–	1,477	(1,021)	456	(45)	411
(Loss)/Profit for the year		–	–	–	–	–	–	(123,912)	(123,912)	3,109	(120,803)
Total comprehensive income/(expense)		–	–	–	–	–	182	(124,933)	(124,751)	2,545	(122,206)
Contribution by and distributions to owners of the Company											
Issue of ordinary shares	17	60,950	–	–	–	–	–	–	60,950	–	60,950
Effect of changes in shareholdings in a subsidiary	7	–	–	–	–	–	–	–	–	(229)	(229)
Share-based payment transaction	17	–	–	–	(781)	–	–	781	–	–	–
Grant of equity-settled share options to employees	22	–	–	–	1,820	–	–	–	1,820	–	1,820
Repurchase of ordinary shares	17	–	–	–	–	(539)	–	–	(539)	–	(539)
Total transactions with owners of the Company		60,950	–	–	1,039	(539)	–	781	62,231	(229)	62,002
Transfer in accordance with Section 618(2) of the Companies Act 2016		221,739	(221,739)	–	–	–	–	–	–	–	–
At 31 December 2017		393,172	–	4,900	9,574	(35,227)	(13,773)	306,139	664,785	(15,865)	648,920
		Note 17	Note 17	Note 17	Note 17	Note 17	Note 17				

The notes on pages 102 to 189 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

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 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	17	–	–	(1,491)	–	–	(1,491)
Grant of equity-settled share options to employees	22	–	–	676	–	–	676
Modification of share-based payment transaction arising from extension of share options to employees	22	–	–	741	–	–	741
Total transactions with owners of the Company		–	–	(74)	–	(1,535)	(1,609)
At 31 December 2016/ 1 January 2017		110,483	221,739	8,535	(34,688)	24,335	330,404
Profit and total comprehensive profit for the year		–	–	–	–	173	173
Contribution by and distributions to owners of the Company							
Issue of ordinary shares	17	60,950	–	–	–	–	60,950
Share-based payment transactions	17	–	–	(781)	–	–	(781)
Grant of equity-settled share options to employees	22	–	–	1,820	–	–	1,820
Repurchase of ordinary shares	17	–	–	–	(539)	–	(539)
Total transactions with owners of the Company		60,950	–	1,039	(539)	173	61,623
Transfer in accordance with Section 618(2) of the Companies Act 2016		221,739	(221,739)	–	–	–	–
At 31 December 2017		393,172	–	9,574	(35,227)	24,508	392,027
		Note 17	Note 17	Note 17	Note 17		

The notes on pages 102 to 189 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from operating activities					
(Loss)/Profit before tax		**(122,408)**	(377,534)	**946**	(1,535)
Adjustments for:					
Amortisation of intangible asset	5	**620**	620	**–**	–
Amortisation of service concession assets	6	**4,187**	3,807	**–**	–
Bad debts written off		**1,010**	–	**–**	–
Interest income	25	**(11,514)**	(8,383)	**(60)**	(3)
Interest expense		**44,668**	25,839	**–**	–
Depreciation of property, plant and equipment	3	**12,353**	10,933	**–**	–
Depreciation of investment property	4	**992**	985	**–**	–
Fair value loss on derivative		**12,323**	–	**–**	–
Gain on disposal of property, plant and equipment	25	**(1,501)**	(177)	**–**	–
Gain on disposal of investment in an associate	25	**(2,273)**	–	**–**	–
Impairment loss of investment in an associate	26	**–**	1,804	**–**	–
Impairment loss of other assets	26	**7,628**	200,877	**–**	–
Impairment loss of trade and other receivables	26	**5,835**	30,375	**–**	6
ESOS expenses	22	**1,820**	1,417	**–**	–
Reversal of unrealised profits on equipment supply contract	25	**(3,033)**	(2,783)	**–**	–
Fair value adjustment of service concession assets		**(3,664)**	–	**–**	–
Net unrealised gain on foreign exchange	26	**(8,937)**	(1,720)	**–**	–
Share of loss of equity accounted associates		**137,218**	133,813	**–**	–
Investment in subsidiaries written off	7	**411**	–	**–**	–
Operating profit/(loss) before changes in working capital		**75,735**	19,873	**886**	(1,532)
Property development costs		**(16,390)**	(514)	**–**	–
Inventories		**(3,539)**	(9,127)	**–**	–
Trade and other receivables		**221,476**	(117,886)	**(60,753)**	4,618
Trade and other payables		**(105,616)**	116,803	**141**	(2,963)
Cash generated from/(used in) operations		**171,666**	9,149	**(59,726)**	123
Tax paid		**(4,696)**	(9,847)	**(406)**	(126)
Tax refunded		**104**	3,161	**31**	–
Net cash generated from/(used in) operating activities		**167,074**	2,463	**(60,101)**	(3)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from investing activities					
Purchase of property, plant and equipment	(ii)	**(8,453)**	(4,625)	**–**	–
Proceeds from disposal of property, plant and equipment		**1,720**	191	**–**	–
Additional expenditure in investment property	4	**(682)**	–	**–**	–
Addition in service concession assets		**(5,879)**	–	**–**	–
Acquisition of an associate		**(11,330)**	(4,501)	**–**	–
Advances to an associate		**(4,072)**	–	**–**	–
Proceeds from disposal of an associate		**1,025**	–	**–**	–
Addition in other investment		**–**	(274)	**–**	–
Interest received		**11,514**	8,383	**60**	3
Purchase of additional shares in a subsidiary		**(229)**	–	**–**	–
Change in pledged deposits		**(220,766)**	(9,062)	**–**	–
Net cash (used in)/generated from investing activities		**(237,152)**	(9,888)	**60**	3
Cash flows from financing activities					
Issue of ordinary shares		**60,950**	–	**60,950**	–
Net (repayment)/drawdown of loans and borrowings		**(27,527)**	261,247	**–**	–
(Advance to)/Repayment from an associate		**(321)**	13,108	**–**	–
Repayment of financial lease liabilities		**(2,042)**	(17)	**–**	–
Interest paid		**(44,668)**	(25,839)	**–**	–
Repurchase of ordinary shares		**(539)**	–	**(539)**	–
Net cash (used in)/generated from financing activities		**(14,147)**	248,499	**60,411**	–
Net (decrease)/increase in cash and cash equivalents		**(84,225)**	241,074	**370**	–
Cash and cash equivalents at beginning of year		**310,444**	69,370	**35**	35
Cash and cash equivalents at end of year		**226,219**	310,444	**405**	35

STATEMENTS OF **CASH FLOWS**

FOR THE YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

(i) Cash and cash equivalents

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

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	16	**81,128**	300,018	**405**	35
Deposits placed with financial institutions	16	**375,725**	28,102	**–**	–
		456,853	328,120	**405**	35
Less: Pledged deposits	16	**(230,634)**	(9,868)	**–**	–
Less: Bank overdrafts	18	**–**	(7,808)	**–**	–
		226,219	310,444	**405**	35

(ii) Acquisition of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM18,749,000 (2016: RM5,270,000), of which RM10,296,000 (2016: RM645,000) were acquired by means of finance leases.

The notes on pages 102 to 189 are an integral part of these financial statements.

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 financial year ended 31 December 2017 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 financial year ended 31 December 2017 also include joint operations.

The Company is principally engaged in investment holding while the principal activities of the subsidiaries are as stated in Note 7 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 5 April 2018.

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 2016 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:

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*

NOTES TO THE **FINANCIAL STATEMENTS**

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement***

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts****

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 are referred to as a "Transitioning Entity".

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

Based on the assessment undertaken to date, the Group and the Company do not expect material financial impact arising from the adoption of accounting standards under FRS and MFRS framework.

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

- 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, except for amendment (*) which is not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2019 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019, except for amendment (**) which is not applicable to the Group and the Company.

*** The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

(i) MFRS 15, *Revenue from Contracts with Customers*

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

Based on assessment undertaken to date, the Group and the Company do not expect the application of MFRS 15 to have material financial impact on its financial statements other than extended disclosure requirements.

The actual impact of adopting the standard may change because:

- the Group and the Company have not finalised the testing and assessment of controls over its new accounting system; and
- the new accounting policies are subject to change until the Group and the Company present their first financial statements that include the date of initial application.

(ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

In respect of impairment of financial assets, MFRS 9 replaces the “incurred loss” model in MFRS 139 with an “expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

Based on the assessment undertaken to date, the Group and the Company do not expect the application of MFRS 9 to have material financial impact on its financial statements other than extended disclosure requirements.

The actual impacts of adopting the standard may change because:

- the Group and the Company have not finalised the testing and assessment of controls over its new accounting system; and
- the new accounting policies are subject to change until the Group and the Company present their first financial statements that include the date of initial application.

NOTES TO THE **FINANCIAL STATEMENTS**

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

(iii) MFRS 16, *Leases*

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

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

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

(b) Basis of measurement

The financial statements 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:

(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 and external economic factors.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

(ii) 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 11.

(iii) 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 8.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations

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

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

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

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

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

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

(iii) Acquisitions of non-controlling interests

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

(iv) 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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(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 the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

NOTES TO THE **FINANCIAL STATEMENTS**

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

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

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

2. Significant accounting policies (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial assets (continued)

(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(m)(i)).

Financial liabilities

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Financial guarantee contracts

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

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Regular way purchase or sale of financial assets

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

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) 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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(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.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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. Capital work in progress is 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 - 20%
• 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(e) Leased assets (continued)

(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) Service concession assets

A portion of the Group's assets are used within the framework of IC Interpretation 12, *Service Concession Arrangement*. The characteristics of the service concession arrangement generally provide, directly or indirectly, for grantor involvement in the determination of the service and its remuneration, and the return of the assets necessary to the performance of the service at the end of the contract.

The Group constructs infrastructure used to provide public service and operates and maintains that infrastructure for a specified period of time. The Group recognises and measures the construction revenue in accordance with the accounting policy for construction contract as described in Note 2(r)(ii).

The revenue for the construction or upgrade services are measured at fair value. The Group recognises concession assets arising from a service concession arrangement when it has a right to charge users of the public services. A right to charge users of the public service is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service.

The fair value of a concession asset received as consideration for providing construction services in a service concession arrangement is estimated by reference to the fair value of the construction services provided. The fair value is calculated as the estimated total construction cost plus a profit margin, which the Group evaluates and determined to be a reasonable margin earned.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(g) Service concession assets (continued)

Intangible asset resulting from the service concession are recorded in the statement of financial position under the heading of "service concession assets" and are amortised over the concession period using straight-line method less impairment loss, if any.

The revenue relating to operation services will be in accordance with the accounting policy as described in Note 2(r)(iv).

(h) Investment property

(i) Investment property carried at cost

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

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(i) 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.

(j) 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.

2. Significant accounting policies (continued)

(k) 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.

(l) 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.

(m) 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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(m) Impairment (continued)

(i) Financial assets (continued)

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

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

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

(ii) Other assets

The carrying amounts of other assets (except for inventories, amount due from contract customers 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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(n) 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.

(o) 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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(o) Employee benefits (continued)

(iii) Share-based payment transactions (continued)

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.

(p) 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.

(q) 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.

(r) 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.

2. Significant accounting policies (continued)

(r) Revenue and other income (continued)

(ii) Construction contracts

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

(iii) Property development

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

(iv) Sale of power energy arising from concession arrangement

Revenue from the sale of power energy arising from concession arrangement and 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) 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.

(s) Borrowing costs

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(t) Income tax

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

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

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

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.

(u) Earnings per ordinary share

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

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

Diluted EPS 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.

NOTES TO THE **FINANCIAL STATEMENTS**

2. Significant accounting policies (continued)

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. 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.

(w) 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.

3. Property, plant and equipment

Group	Note	Freehold land RM'000	Buildings RM'000	Capital work in progress 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
Cost									
At 1 January 2016		9,589	17,222	-	5,278	61,877	7,962	11,657	113,585
Additions		–	49	2,233	44	1,486	682	776	5,270
Disposals		–	–	–	–	(774)	(251)	(568)	(1,593)
Written off		–	–	–	–	–	(84)	(107)	(191)
Reclassifications		(17)	1,275	(1,473)	–	335	(10)	(97)	13
Transfer to investment property	4	–	(3,331)	–	–	–	–	–	(3,331)
At 31 December 2016/ 1 January 2017		9,572	15,215	760	5,322	62,924	8,299	11,661	113,753
Additions		–	–	1,381	2,092	5,461	3,196	6,619	18,749
Disposals		–	(75)	–	–	(5,906)	–	(734)	(6,715)
Reclassifications		–	–	(760)	–	760	–	–	–
Transfer to investment property	4	–	(1,864)	–	–	–	–	–	(1,864)
Transfer from other investments		–	–	284	–	–	–	–	284
Effect of movements in exchange rates		–	–	–	–	–	21	17	38
At 31 December 2017		**9,572**	**13,276**	**1,665**	**7,414**	**63,239**	**11,516**	**17,563**	**124,245**

3. **Property, plant and equipment (continued)**

Group	Note	Freehold land RM'000	Buildings RM'000	Capital work in progress 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 2016		–	1,112	–	4,248	41,127	5,903	8,540	60,930
Depreciation charged for the year		–	565	–	166	7,563	1,170	1,469	10,933
Disposals		–	–	–	–	(774)	(251)	(554)	(1,579)
Written off		–	–	–	–	–	(84)	(107)	(191)
Reclassification		–	–	–	–	12	(17)	(8)	(13)
Transfer to investment property	4	–	(16)	–	–	–	–	–	(16)
At 31 December 2016/ 1 January 2017		–	1,661	–	4,414	47,928	6,721	9,340	70,064
Depreciation charged for the year		–	567	–	214	8,214	1,364	1,994	12,353
Disposals		–	(11)	–	–	(5,816)	–	(669)	(6,496)
Transfer from investment property	4	–	265	–	–	–	–	–	265
Effect of movements in exchange rates		–	–	–	–	–	23	18	41
At 31 December 2017		**–**	**2,482**	**–**	**4,628**	**50,326**	**8,108**	**10,683**	**76,227**
Carrying amounts									
At 1 January 2016		9,589	16,110	–	1,030	20,750	2,059	3,117	52,655
At 31 December 2016/ 1 January 2017		9,572	13,554	760	908	14,996	1,578	2,321	43,689
At 31 December 2017		**9,572**	**10,794**	**1,665**	**2,786**	**12,913**	**3,408**	**6,880**	**48,018**

Included in the net carrying amounts of property, plant and equipment of the Group which are held under hire purchase arrangements amounted to RM10,208,000 (2016: RM760,000).

Certain buildings of the Group with carrying amount of RM1,161,000 were pledged to secure the Group's term loan. (Note 18(d)(iv)).

NOTES TO THE FINANCIAL STATEMENTS

4. Investment property

	Group 2017 RM'000	Group 2016 RM'000
Cost		
At 1 January	**52,504**	49,173
Transfer from property, plant and equipment (Note 3)	**1,864**	3,331
Additional expenditure in investment property	**682**	–
At 31 December	**55,050**	52,504
Accumulated depreciation		
At 1 January	**3,388**	2,387
Transfer (to)/from property, plant and equipment (Note 3)	**(265)**	16
Depreciation for the year	**992**	985
At 31 December	**4,115**	3,388
Carrying amounts		
At 31 December	**50,935**	49,116
Estimated fair value	**87,814**	87,814

Fair value information

Fair value of investment property is categorised as Level 3. 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.

An investment property with carrying amount of RM50,935,000 (2016: RM49,116,000) was pledged to secure the Group's revolving credits (Note 18(e)) and bank overdrafts (Note 18(f)).

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

	Note	Group 2017 RM'000	Group 2016 RM'000
Rental income	23	**5,388**	6,752
Property maintenance cost	24	**(2,407)**	(2,823)

NOTES TO THE FINANCIAL STATEMENTS

5. Intangible asset

	Group	
	2017	**2016**
	RM'000	**RM'000**
Cost		
At 1 January / 31 December	**12,393**	12,393
Accumulated amortisation		
At 1 January	**1,240**	620
Amortisation for the year	**620**	620
At 31 December	**1,860**	1,240
Carrying amounts		
At 31 December	**10,533**	11,153

6. Service concession assets

	Group	
	2017	**2016**
		Restated
	RM'000	**RM'000**
Cost		
At 1 January	**80,382**	80,382
Additions	**9,543**	–
31 December	**89,925**	80,382
Accumulated amortisation		
At 1 January	**10,899**	7,092
Amortisation for the year	**4,187**	3,807
At 31 December	**15,086**	10,899
Carrying amounts		
At 31 December	**74,839**	69,483

On 15 June 2012 and 28 June 2012, a subsidiary [Special Universal Sdn. Bhd. ("SUSB")] and Tenaga Nasional Berhad ("TNB") ("concession grantor") entered into Renewable Energy Power Purchase Agreement ("REPPA") to develop, design, finance, insure, procure, construct, install, test, commission, own, operate, manage and maintain the Renewable Energy Installation, the Interconnection Facilities and the Communication Facilities. The effective period of the REPPA as specified in the Feed-in Approval date is 21 years.

NOTES TO THE FINANCIAL STATEMENTS

6. Service concession assets (continued)

On 16 March 2017, another subsidiary [Sinar Kamiri Sdn. Bhd. ("SKSB")] and TNB ("concession grantor") entered into Power Purchase Agreement ("PPA") to design, construct, own, operate and maintain a solar photovoltaic energy generating facility with a capacity of 49MW proposed to be located in Sungai Siput, Kuala Kangsar, Perak to generate and deliver solar photovoltaic energy to TNB. The PPA will be expired on the day before 21 years of the commercial operation date of the facility.

Both REPPA and PPA allow, directly or indirectly for concession grantor's involvement in the determination of the service and its remuneration, and the return of the assets necessary to the performance of the service at the end of the contract. Thus, both REPPA and PPA are scoped in under the framework of IC Interpretation 12, *Service Concession Arrangement*.

7. Investments in subsidiaries

	Company	
	2017 RM'000	**2016 RM'000**
At cost:		
Unquoted shares	**317,771**	317,771

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest 2017 %	Effective equity interest 2016 %	Directors*
Held by the Company:					
Mudajaya Corporation Berhad ("MCB")	Malaysia	Civil engineering and building construction	**100**	100	JW LEL TTT
MJC Development Sdn. Bhd. ("MJCD")	Malaysia	Property management, development and building construction	**100**	100	JW LEL LTL
MJC Industries Sdn. Bhd. ("MJCI")	Malaysia	Investment holding	**100**	100	JW TTT YKC
Mudajaya Energy Sdn. Bhd. ("MESB")	Malaysia	Investment holding	**100**	100	JW LEL TTT
Mudajaya Ventures Limited ("MVL")	Federal Territory of Labuan, Malaysia	Special purpose vehicle for issuance of medium term notes	**100**	100	JW LEL

NOTES TO THE **FINANCIAL STATEMENTS**

7. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest		Directors*
			2017 %	2016 %	
Held through MCB:					
Mudajaya Land Sdn. Bhd.	Malaysia	Property management and development	**100**	100	JW LEL LTL
MJC City Development Sdn. Bhd. ("MJCC")	Malaysia	Property development	**70**	70	JW LEL LTL CKS SHP
Great Hill International Ltd. #^	Republic of Mauritius	Has not commenced operations	**100**	100	JW LEL
Mudajaya International Ltd. ("MIL") #^	Republic of Mauritius	Has not commenced operations	**–**	100	–
Oracle International Co. Ltd. #^	Negara Brunei Darussalam	Has not commenced operations	**–**	100	–
Mudajaya RE Sdn. Bhd.	Malaysia	Investment holding	**–**	100	–
MIPP International Ltd. ("MIPP")^	Republic of Mauritius	Equipment procurement services	**80**	80	JW NSK
Entrutech Sdn. Bhd.	Malaysia	Engineering, Procurement, Construction, and Commissioning ("EPCC")	**100**	100	JW LEL TTT
Indah Kirana (M) Sdn. Bhd.	Malaysia	Dormant	**100**	100	JW LEL
Sinar Kamiri Sdn. Bhd.	Malaysia	Power generation and investment holding	**–**	100	JW LEL TTT
Electric Power International Ltd. ("EPIL") #^	Republic of Mauritius	Dormant	**–**	74	–
Piala Tebrau (M) Sdn. Bhd.	Malaysia	Dormant	**100**	100	JW TTT

NOTES TO THE FINANCIAL STATEMENTS

7. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest 2017 %	Effective equity interest 2016 %	Directors*
Held through MCB:					
MJC Quarry Sdn. Bhd. (In Members' Voluntary Liquidation)	Malaysia	Ceased operations	**100**	100	JW LEL
Mudajaya Middle East Ltd. ("MMEL") #^	Kingdom of Saudi Arabia	General construction and investment holding	**75**	75	YYC ASFJ MAAR AHAS NCK
Mudajaya International Investment Ltd. ("MIIL") #^	British Virgin Island	Has not commenced operations	**100**	100	MCB
Desiran Johan Sdn. Bhd.	Malaysia	Property development and construction	**70**	70	JW LEL KBB TTL ABR
Dayang Pertiwi Sdn. Bhd. ("DPSB") #^	Malaysia	Investment holding	**100**	100	JW LEL
Mudajaya City Corporation Sdn. Bhd. ("MCSB") #^	Malaysia	Investment holding	**100**	–	JW LEL
Mudajaya Holdings Sdn. Bhd. ("MHSB") #^	Malaysia	Has not commenced operations	**100**	–	JW LEL
Mudajaya Industries Sdn. Bhd. ("MISB") #^	Malaysia	Has not commenced operations	**100**	–	JW LEL
Held through MIIL:					
Mudajaya Construction (India) Private Ltd. #^	India	Construction and related business	**100**	100	JW JSK TR YYC

NOTES TO THE
FINANCIAL STATEMENTS

7. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest 2017 %	Effective equity interest 2016 %	Directors*
Held through MJCI:					
MJC Precast Sdn. Bhd. ("MJCP")	Malaysia	Manufacture of precast concrete and other related products	**100**	100	JW TTT YKC
MJC Trading Sdn. Bhd. ("MJCT")	Malaysia	Trading in construction related materials	**100**	100	JW LEL
Held through MJCP:					
Mudajaya IBS Sdn. Bhd. ("MIBS")	Malaysia	Manufacture of precast concrete and other related products	**100**	70	JW LEL TTT YKC
Held through MESB:					
Active Flora Sdn. Bhd. ("AFSB")	Malaysia	Investment holding	**100**	100	JW TTT CMH
Positive Range Sdn. Bhd. ("PRSB")	Malaysia	Investment holding	**100**	100	JW TTT
Mudajaya Power International Sdn. Bhd. ("MPISB")	Malaysia	Civil engineering and building construction	**100**	100	JW TTT
Mudajaya RE Sdn. Bhd.	Malaysia	Investment holding	**100**	–	JW LEL
Held through MIPP:					
MIPP (B) Sdn. Bhd.	Negara Brunei Darussalam	Equipment procurement and related support services	**100**	–	JW CFY
Held through AFSB and PRSB:					
Special Universal Sdn. Bhd. ("SUSB")	Malaysia	Photovoltaic power plant	**60**	60	JW LEL MAW CLF LPD

NOTES TO THE FINANCIAL STATEMENTS

7. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest 2017 %	Effective equity interest 2016 %	Directors*
Held through MPISB:					
PT Mudajaya Energi Indonesia#	Indonesia	Investment holding	**95**	95	JW LPD THP
Held through Mudajaya RE Sdn. Bhd.:					
Sinar Kamiri Sdn. Bhd.	Malaysia	Power generation and investment holding	**100**	–	JW LEL TTT

\# Not audited by member firms of KPMG International
^ Consolidated based on management accounts
* The directors who served as at date of report

7.1 Directors' in the subsidiaries

James Wong Tet Foh (JW)
Lee Eng Leong (LEL)
Teoh Teik Thiam (TTT)
Lee Tze Liu (LTL)
Yam Keong Chee (YKC)
Chai Kun Seng (CKS)
Sim Hee Pang (SHP)
Nandakumar Sampath Kumaran (NSK)
Yong Yee Coi (YYC)
Anto SF Joseph (ASFJ)
Mohammad Abdullah Abdul Rahman Al-Shoail (MAAR)
Abdul Hafiz Al-Shedokhi (AHAS)
Ng Chee Kin (NCK)
Mudajaya Corporation Berhad (MCB)
Kang Boon Beng (KBB)
Tan Tong Lai (TTL)
Ahmad Badri bin Ramli (ABR)
Jayasree S. Kumar (JSK)
Tulshi Roy (TR)
Chai Min Hon (CMH)
Chung Fui Yun (CFY)
Dato' Mohd Amran bin Wahid (MAW)
Chiang Lai Fong (CLF)
Lourdes Puspham Dass (LPD)
Turima Heri Purwanto (THP)

NOTES TO THE FINANCIAL STATEMENTS

7. Investments in subsidiaries (continued)

7.2 Group restructuring activities

On 17 February 2017, MCB completed the disposal of 10,000 ordinary shares in Mudajaya RE Sdn. Bhd., representing 100% of the total issued and paid-up share capital in Mudajaya RE Sdn. Bhd. to Mudajaya Energy Sdn. Bhd., a wholly-owned subsidiary of the Company for a total consideration of RM10,000.

On 20 February 2017, MCB completed the disposal of 10,000 ordinary shares in Sinar Kamiri Sdn. Bhd., representing 100% of the total issued and paid-up share capital in Sinar Kamiri Sdn. Bhd. to Mudajaya RE Sdn. Bhd. for a total consideration of RM10,000.

7.3 Winding up of a subsidiary

On 18 August 2017, MJC Quarry Sdn. Bhd. ("MJCQ") has obtained approval of its sole shareholder to commence a member's voluntary liquidation.

7.4 Acquisition of subsidiaries

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

On 29 July 2017, MIPP incorporated a limited company known as MIPP (B) Sdn. Bhd. ("MIPPB"). As a result of the incorporation, MIPPB became an indirect subsidiary of the Company.

7.5 Acquisition of remaining shares in a subsidiary

On 10 July 2017, MJCP acquired the remaining 30% equity interest, comprising 300,000 ordinary shares in Mudajaya IBS Sdn. Bhd. ("MIBS") for a total cash consideration of RM229,000. Upon completion of the acquisition, MIBS became a wholly-owned subsidiary of the Company.

The fair value of the identifiable assets and liabilities of MIBS as at the date of acquisition are as follows:

	Fair value RM'000
Cash and bank balances	775
Other payables	(3)
Accruals	(8)
Net identifiable assets	764
Net assets acquired from NCI	229
Less: Consideration paid	(229)
Accretion from changes in stake	–

NOTES TO THE FINANCIAL STATEMENTS

7. Investments in subsidiaries (continued)

7.6 Investments in subsidiaries written off

MIL had on 9 October 2017 received the notice of removal from Registrar of Companies of the Republic of Mauritius. The Notice confirmed that the name of MIL had been removed from the register of companies on 5 October 2017. As a result of the removal, MIL ceased to be an indirect wholly-owned subsidiary of the Company.

EPIL had on 11 October 2017 received the notice of removal from Registrar of Companies of the Republic of Mauritius. The Notice confirmed that the name of EPIL had been removed from the register of companies on 19 May 2017. As a result of the removal, EPIL ceased to be an indirect subsidiary of the Company.

Oracle International Co. Ltd. had on 6 November 2017 received the notice of striking off from Registrar of International Business Companies under the Brunei Darussalam Monetary Authority. The Notice confirmed that the name of Oracle International Co. Ltd. has been struck off from the register of companies on 24 October 2017. As a result of the striking off, Oracle International Co. Ltd. has ceased to be an indirect wholly-owned subsidiary of the Company.

The effect of investment in subsidiaries written off on the financial position of the Group are as follows:

	Group	
	2017 RM'000	2016 RM'000
Other receivables	13	–
Cash and cash equivalents	205	–
Other payables	(17)	–
Amount owing to holding company	(379)	–
Amount owing to related company	(7)	–
Net liabilities	(185)	–
Less: Share capital	(271)	–
	(456)	–
Retained earnings	1,021	–
Foreign currency translation reserve	(1,477)	–
	(456)	–
Add: Non-controlling interest	45	–
Investment in subsidiaries written off	(411)	–

NOTES TO THE **FINANCIAL STATEMENTS**

7. Investments in subsidiaries (continued)

7.7 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
2017					
NCI percentage of ownership interest and voting interest	**20%**	**30%**	**40%**		
Carrying amount of NCI	**(44,560)**	**19,440**	**10,964**	**(1,709)**	**(15,865)**
Profit allocated to NCI	**39**	**507**	**1,487**	**1,076**	**3,109**
Summarised financial information before intra-group elimination					
As at 31 December					
Non-current assets	–	3,688	68,958		
Current assets	160,924	98,606	4,130		
Non-current liabilities	–	(3,938)	(38,763)		
Current liabilities	(134,402)	(27,358)	(6,914)		
Net assets	26,522	70,998	27,411		
Year ended 31 December					
Revenue	5,831	13,168	15,264		
(Loss)/Profit for the year	(495)	1,691	3,718		
Total comprehensive (expense)/income	(3,231)	1,691	3,718		
Dividends paid to NCI	–	–	–		

NOTES TO THE FINANCIAL STATEMENTS

7. Investments in subsidiaries (continued)

7.7 Non-controlling interest in subsidiaries (continued)

	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
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	–	–	-		

NOTES TO THE FINANCIAL STATEMENTS

8. Investments in associates

	Group 2017 RM'000	Group 2016 RM'000
Unquoted shares, at cost	963,171	964,439
Share of post-acquisition reserves	(283,505)	(147,659)
Less: Impairment loss	(2,614)	(2,614)
	677,052	814,166
Less: Unrealised profits	(249,323)	(252,356)
	427,729	561,810

Details of the associates are as follows:

Name of associates	Note	Country of incorporation	Principal activities	Effective equity interest 2017 %	Effective equity interest 2016 %	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") #		Malaysia	Construction and upgrading of The Pan Borneo Highway in the State of Sarawak	30	30	Equity method
Held through MJCD:						
Mayfair Ventures Sdn. Bhd. ("MVSB") #	(ii)	Malaysia	Property development	–	49	Equity method
Held through MMEL:						
Mudajaya Power and Water Ltd#		Kingdom of Saudi Arabia	Dormant	34	34	Equity method

NOTES TO THE FINANCIAL STATEMENTS

8. Investments in associates (continued)

Name of associates	Note	Country of incorporation	Principal activities	Effective equity interest 2017 %	Effective equity interest 2016 %	Accounting model applied
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
Held through MESB:						
Adab Menang Sdn. Bhd. ("Adab Menang")	(iii)	Malaysia	Power producer	49	–	Equity method

\# Not audited by member firms of KPMG International

Summarised financial information

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:

	2017 RKM RM'000	2017 PT Harmoni RM'000	2016 RKM RM'000	2016 PT Harmoni RM'000
Summarised statement of financial position				
Current assets	**239,915**	**10,076**	28,221	12,876
Non-current assets	**8,276,299**	**146,459**	7,522,407	167,742
Total assets	**8,516,214**	**156,535**	7,550,628	180,618
Current liabilities	**1,306,697**	**112,456**	1,169,530	116,610
Non-current liabilities	**6,867,295**	**46,090**	5,513,885	62,858
Total liabilities	**8,173,992**	**158,546**	6,683,415	179,468
Summarised statement of comprehensive income				
Loss for the year	**(519,259)**	**(3,279)**	(508,037)	(2,163)

NOTES TO THE FINANCIAL STATEMENTS

8. Investments in associates (continued)

Summarised financial information (continued)

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

	2017		2016	
	RKM RM'000	PT Harmoni RM'000	RKM RM'000	PT Harmoni RM'000
Net assets at 1 January	**867,213**	**1,151**	1,424,790	(10,884)
Exchange rate movement	**(5,732)**	**117**	(49,540)	14,198
Loss for the year	**(519,259)**	**(3,279)**	(508,037)	(2,163)
	342,222	**(2,011)**	867,213	1,151
Interest in an associate	**26%**	**46%**	26%	46%
Group's share of net assets	**88,978**	**(925)**	225,475	529

	RKM RM'000	PT Harmoni RM'000	Other immaterial associates RM'000	Total RM'000
2017				
Reconciliation of net assets carrying amount as at 31 December				
Group's share of net assets	**88,978**	**(925)**	**13,796**	**101,849**
Goodwill	**613,061**	**5,980**	**–**	**619,041**
Exchange rate movement	**(43,123)**	**(715)**	**–**	**(43,838)**
Elimination of unrealised profit	**(249,323)**	**–**	**–**	**(249,323)**
Carrying amount in the statement of financial position	**409,593**	**4,340**	**13,796**	**427,729**
2016				
Reconciliation of net assets carrying amount as at 31 December				
Group's share of net assets	225,475	529	14,394	240,398
Goodwill	613,061	5,980	–	619,041
Exchange rate movement	(44,613)	(660)	–	(45,273)
Elimination of unrealised profit	(252,356)	–	–	(252,356)
Carrying amount in the statement of financial position	541,567	5,849	14,394	561,810

NOTES TO THE FINANCIAL STATEMENTS

8. Investments in associates (continued)

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

	2017 RM'000	2016 RM'000
The Group's share of loss for the year	**(703)**	(243)

(i) RKM is currently undertaking a 4x360MW Coal-Fired Independent Power Producer Project with a project cost amounting to INR127.06 billion (RM8.11 billion) in the state of Chhattisgarh, India at closing exchange rate of INR15.6714: RM1.00. 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 to RKM are secured by way of pledging of equity shares of RKM by its promoters in favour of the Lenders. As at to date, 15% of RKM shares held by MCB is pledged for the purpose. MCB and RKP jointly and severally undertake to infuse last mile equity for the cost overrun that was financed by the Lenders whereby MCB has obtained a back to back indemnity from RKP for the undertaking.

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 17.5%.

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.

As of to date, RKM is supplying up to 350 Mega Watts ("MW") power to several power distribution companies in the State of Uttar Pradesh pursuant to the Power Purchase Agreement dated 15 March 2016. On 28 February 2018, MCB entered into a conditional Share Sale and Purchase Agreement for the proposed disposal of 7.07% equity interest in RKM. Upon completion of the disposal, the Group's exposure in RKM investment will reduce accordingly.

(ii) On 2 December 2016, MJC Development Sdn. Bhd. ("MJC Development"), Thriven Global Berhad ("Thriven") and MVSB entered into a settlement agreement for MJC Development to exit the joint development between Thriven and MVSB.

According to the settlement agreement, MJC Development disposed all the ordinary shares and 45,000 of 245,000 Redeemable Preference Shares ("RPS") held by MJC Development in MVSB with a carrying amount of RM7,849,000 to Thriven for a cash consideration of RM1,025,000. The remaining shortfall of RM6,824,000 together with the outstanding debts owing by MVSB to MJC Development of RM40,298,000 (totalling RM47,122,000), will be settled via contra of 56 units of service apartments in Lumi Tropicana (a property development project by Thriven) and cash payment of RM101,000.

Upon completion of the disposal on 5 September 2017, MVSB ceased to be an associate of MJC Development and the carrying amount of the remaining 200,000 RPS in MVSB has been reclassified to other investments (Note 10).

NOTES TO THE **FINANCIAL STATEMENTS**

8. Investments in associates (continued)

(iii) On 27 April 2017, MESB, a wholly-owned subsidiary of the Company entered into a shareholders' agreement with a third party to acquire 49 ordinary shares, representing 49% of the total issued and paid-up share capital of Adab Menang for a total consideration of RM49. Subsequently, MESB subscribed 11,330,000 Redeemable, Convertible, Cumulative and Participating Preference Shares ("RCCPS") of RM1 per share in Adab Menang for a total cash consideration of RM11,330,000.

9. Investments in joint operations

Details of the joint operations are as follows:

Names of joint operations	**Country**	**Principal activities**	**Proportion of ownership interest**	
			2017 %	**2016 %**
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 2017 RM'000	**Group 2016 RM'000**
Assets and liabilities		
Current assets/total assets	**2,067**	2,067
Current liabilities/total liabilities	**(1,023)**	(1,023)
Income	**–**	2
Expenses	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

10. Other investments

	Group 2017 RM'000	Group 2016 RM'000
At cost:		
Club memberships	**542**	542
Unquoted shares	**5,749**	1,274
	6,291	1,816
Less: Accumulated impairment losses	**(1,000)**	(1,000)
	5,291	816

Included in the other investment represents the remaining 200,000 units of Redeemable Preference Shares in Mayfair Ventures Sdn. Bhd. ("MVSB") of RM4,749,000 upon completion of the settlement agreement as disclosed in Note 8.

11. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Property, plant and equipment	**405**	493	**(10,225)**	(600)	**(9,820)**	(107)
Investment properties	**–**	–	**(2,026)**	(2,026)	**(2,026)**	(2,026)
Accrued rental income	**–**	–	**(34)**	(34)	**(34)**	(34)
Tax losses carry-forwards	**7,828**	–	**–**	–	**7,828**	–
Others	**6,160**	436	**–**	–	**6,160**	436
Tax assets/(liabilities)	**14,393**	929	**(12,285)**	(2,660)	**2,108**	(1,731)
Set off for tax	**(6,760)**	(436)	**6,760**	436	**–**	–
Net tax assets/(liabilities)	**7,633**	493	**(5,525)**	(2,224)	**2,108**	(1,731)

NOTES TO THE
FINANCIAL STATEMENTS

11. Deferred tax assets/(liabilities) (continued)

Movement in temporary differences during the year

	At 1.1.2016 RM'000	Recognised in profit or loss (Note 28) RM'000	At 31.12.2016/ 1.1.2017 RM'000	Recognised in profit or loss (Note 28) RM'000	At 31.12.2017 RM'000
Group					
Property, plant and equipment	(139)	32	**(107)**	**(9,713)**	**(9,820)**
Investment properties	(1,443)	(583)	**(2,026)**	**–**	**(2,026)**
Accrued rental income	–	(34)	**(34)**	**–**	**(34)**
Tax losses carried forward	–	–	**–**	**7,828**	**7,828**
Others	–	436	**436**	**5,724**	**6,160**
	(1,582)	(149)	**(1,731)**	**3,839**	**2,108**

Unrecognised deferred tax assets

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

	Group 2017 RM'000	2016 RM'000
Tax loss carry-forwards	**355,590**	393,611
Other deductible temporary differences	**23,978**	20,168
	379,568	413,779
Deferred tax assets at 24%	**91,096**	99,307

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

NOTES TO THE FINANCIAL STATEMENTS

12. Inventories

	Group 2017 RM'000	Group 2016 RM'000
Cost		
Properties held for sale	**42,287**	38,615
Raw materials	**2,970**	3,103
	45,257	41,718
Recognised in profit or loss:		
Inventories recognised as cost of sales	**68,299**	80,047

Included in properties held for sale of the Group with carrying amount of RM810,000 (2016: Nil) are pledged to secure the Group's term loan (Note 18(d)(iv)).

13. Property development costs

	Group 2017 RM'000	Group 2016 RM'000
Cumulative property development costs		
At 1 January:		
Leasehold land	**44,474**	44,474
Development costs	**437,920**	423,588
	482,394	468,062
Costs incurred during the year:		
Development costs	**26,475**	22,068
Transferred to inventories	**(3,672)**	(7,736)
At 31 December	**505,197**	482,394
Cumulative costs recognised in statement of profit or loss and comprehensive income:		
At 1 January	**(443,159)**	(429,341)
Recognised during the year (Note 24)	**(6,413)**	(13,818)
At 31 December	**(449,572)**	(443,159)
Property development costs at 31 December	**55,625**	39,235

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.

NOTES TO THE FINANCIAL STATEMENTS

14. Trade and other receivables

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Trade receivables					
Third parties		**235,134**	337,958	**–**	–
Retention sums		**32,922**	30,913	**–**	–
Advance payments received	(e)	**(86,176)**	(74,158)	**–**	–
Total trade receivables	(a)	**181,880**	294,713	**–**	–
Less: Allowance for impairment	(d)	**(5,766)**	(27,650)	**–**	–
		176,114	267,063	**–**	–
Other receivables					
Other receivables		**22,239**	40,575	**–**	–
Less: Allowance for impairment		**(895)**	(5,136)	**–**	–
		21,344	35,439	**–**	–
Amount due from subsidiaries	(f)	**–**	–	**87,976**	25,413
Amount due from associates	(g)	**29,003**	72,000	**–**	–
Deposits	(h)	**53,640**	7,514	**12**	2
Advance payments	(i)	**31,487**	20,473	**10**	10
Goods and Service Tax ("GST") receivables	(j)	**1,074**	226	**–**	–
		136,548	135,652	**87,998**	25,425
		312,662	402,715	**87,998**	25,425

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2016: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

14. Trade and other receivables (continued)

(a) Trade receivables

Ageing analysis of trade receivables are as follows:

	Group 2017 RM'000	Group 2016 RM'000
Neither past due nor impaired (b)	**69,760**	86,892
1 to 30 days past due but not impaired	**44,198**	11,106
31 to 60 days past due but not impaired	**2,972**	2,567
61 to 90 days past due but not impaired	**4,874**	337
91 to 120 days past due but not impaired	**8**	104
More than 120 days past due but not impaired	**54,302**	166,057
Total receivables that are past due but not impaired (c)	**106,354**	180,171
Trade receivables that are impaired (d)	**5,766**	27,650
	181,880	294,713

Included in trade receivables at 31 December 2017 is amount due from an associate of RM144,604,000 (2016: RM169,552,000).

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.

(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 RM106,354,000 (2016: RM180,171,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

14. Trade and other receivables (continued)

(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	
	2017 RM'000	**2016 RM'000**
Trade receivables – nominal amounts	**5,766**	27,650
Less: Allowance for impairment	**(5,766)**	(27,650)
	–	–

Movement in allowance accounts:

	Group	
	2017 RM'000	**2016 RM'000**
At 1 January	**27,650**	592
Charge for the year	**5,766**	27,650
Written off	**(27,650)**	(592)
At 31 December	**5,766**	27,650

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

(e) Advance payments received

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

(f) Amount due from subsidiaries

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

(g) Amount due from associates

Included in the amount due from associates is advances of RM28,602,000 (2016: RM29,537,000) extended to PT Harmoni and is subject to interest rate at 12% (2016: 12%) per annum. The remaining balance is non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS

14. Trade and other receivables (continued)

(h) Deposits

Included in deposits is an amount of RM47,069,000 placed with MVSB for the 56 units of apartments in Lumi Tropicana, a property development project by Thriven. According to the settlement agreement between MJC Development, Thriven and MVSB, the outstanding debts will be settled via contra of 56 units of service apartments in Lumi Tropicana and cash payment of RM101,000.

The settlement in a form of contra units received from MVSB is non-refundable and does not meet the definition of a financial asset. The remaining deposits are refundable.

(i) Advance payments

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

(j) Goods and Service Tax ("GST") receivables

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

15. Other current assets

		Group	
	Note	**2017 RM'000**	**2016 RM'000**
Amounts due from contract customers	(a)	**130,100**	281,545
Contra properties	(b)	**198,086**	190,596
Recovered properties	(c)	**5,837**	12,980
		334,023	485,121

NOTES TO THE FINANCIAL STATEMENTS

15. Other current assets (continued)

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

	Group	
	2017	**2016**
	RM'000	**RM'000**
Construction costs incurred to date	**2,147,623**	4,951,010
Attributable profits	**292,660**	1,810,801
	2,440,283	6,761,811
Less: Progress billings	**(2,379,001)**	(6,498,211)
	61,282	263,600
Presented as:		
Amounts due from contract customers	**130,100**	281,545
Amounts due to contract customers	**(68,818)**	(17,945)
	61,282	263,600

(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 term loan (Note 18(d)(iii)) and revolving credits (Note 18(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.

NOTES TO THE FINANCIAL STATEMENTS

16. Cash and cash equivalents

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	**81,128**	300,018	**405**	35
Deposits with financial institutions	**375,725**	28,102	**–**	–
	456,853	328,120	**405**	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 3.00% to 3.60% (2016: 2.93% to 4.37%) per annum during the financial year.

Included in cash and bank balances of the Group are the deposits with a financial institution of RM13,180,000 (2016: RM9,000,000) and RM203,283,000 (2016: Nil) charged for the revolving credit (Note 18(e)) and Euro Medium Term Notes ("EMTN") (Note 18(b)) respectively.

Included in cash and bank balances of the Group is Designated Collection Accounts and Finance Service Reserve Account of RM1,819,000 (2016: RM868,000) charged for the term loans (Note 18(d)(ii)).

Included in cash and bank balances of the Group is a Disbursement Account held for the Green Sustainable and Responsible Investment ("SRI") Sukuk Wakalah of RM12,352,000 and therefore restricted from use for other operations. This Green SRI Sukuk Wakalah of RM245,000,000 was issued by Sinar Kamiri Sdn. Bhd., a subsidiary of the Company on 30 January 2018 (Note 35).

17. Capital and reserves

(a) Share capital

Group and Company	Number of shares 2017 '000	Amount 2017 RM'000	Number of shares 2016 '000	Amount 2016 RM'000
Ordinary shares, issued and fully paid:				
At 1 January	**552,418**	**110,483**	552,418	110,483
Issue for cash	**53,000**	**60,950**	–	–
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016	**–**	**221,739**	–	–
At 31 December	**605,418**	**393,172**	552,418	110,483

NOTES TO THE FINANCIAL STATEMENTS

17. Capital and reserves (continued)

(a) Share capital (continued)

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.

During the financial year, the Company issued 53,000,000 new ordinary shares of RM1.15 per ordinary share via a private placement to an eligible investor for a total cash consideration of RM60,950,000 to fund the Company's investment in subsidiaries.

Included in share capital is share premium amounting to RM221,739,000 that is available to be utilised in accordance with Section 618 (3) of the Companies Act 2016 within 24 months from the commencement of Companies Act 2016 on 31 January 2017.

(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.

In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium amount has become part of the Company's share capital.

(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 22). 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, RM781,000 (2016: RM1,491,000) was transferred from the reserve to retained earnings upon forfeiture of the options upon resignation of employees.

NOTES TO THE FINANCIAL STATEMENTS

17. Capital and reserves (continued)

(e) Treasury shares

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

The shareholders of the Company, by a special resolution passed in a general meeting held on 15 June 2017, 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.

During the financial year, the Company bought back a total of 595,000 of its issued and fully paid-up ordinary shares from the open market for a total cost of RM539,000. The average price paid for the shares bought back was RM0.91 per share. The shares bought back were financed by internally generated funds and held as treasury shares.

Of the total 605,418,466 (2016: 552,418,466) issued and fully paid ordinary shares as at 31 December 2017, 14,613,300 (2016: 14,018,300) are held as treasury shares by the Company. As at 31 December 2017, the number of outstanding ordinary shares in issue after the set-off against treasury shares is therefore 590,805,166 (2016: 538,400,166).

(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.

NOTES TO THE FINANCIAL STATEMENTS

18. Loans and borrowings

	Note	Group 2017 RM'000	Group 2016 RM'000
Non-current			
Unsecured:			
Islamic Medium Term Notes ("IMTN")	(a)	**120,000**	120,000
Euro Medium Term Notes ("EMTN")	(b)	**243,940**	269,310
		363,940	389,310
Secured:			
Finance lease liabilities	(c)	**5,516**	423
Term loans	(d)	**32,206**	34,863
		37,722	35,286
		401,662	424,596
Current			
Unsecured:			
Bank overdrafts	(f)	**–**	4,070
Revolving credit	(e)	**40,000**	40,000
Islamic Medium Term Notes ("IMTN")	(a)	**–**	240,000
		40,000	284,070
Secured:			
Bank overdrafts	(f)	**–**	3,738
Revolving credit	(e)	**98,000**	98,000
Finance lease liabilities	(c)	**3,366**	205
Term loans	(d)	**209,526**	6,063
		350,892	392,076
		752,554	816,672

NOTES TO THE FINANCIAL STATEMENTS

18. Loans and borrowings (continued)

The maturities of the loans and borrowings as at 31 December 2017 are as follows:

	Group	
	2017 RM'000	2016 RM'000
Within one year	**350,892**	392,076
More than 1 year and less than 2 years	**373,712**	6,487
2 to 5 years	**25,624**	407,499
5 years and above	**2,326**	10,610
	752,554	816,672

(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.

NOTES TO THE FINANCIAL STATEMENTS

18. Loans and borrowings (continued)

(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
2017			
Less than one year	**3,743**	**377**	**3,366**
Between one and five years	**5,978**	**462**	**5,516**
	9,721	**839**	**8,882**
2016			
Less than one year	232	27	205
Between one and five years	445	22	423
	677	49	628

(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% (2016: 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% (2016: 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:

(a) charge over cash deposits into Designated Collection Account ("DCA") and Finance Service Reserve Account ("FSRA") (Note 16);

(b) assignment of contract proceeds;

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

(d) letter of undertaking from MCB to replenish FSRA; and

(e) corporate guarantee by MCB.

NOTES TO THE FINANCIAL STATEMENTS

18. Loans and borrowings (continued)

(d) Term loans (continued)

(iii) A term loan of USD50,000,000 which bears interest of 1.75% (2016: Nil) per annum over London Inter Bank Offer Rate. The term loan will mature on 13 January 2018. The term loan is secured by a charge over certain contra properties of the Group. (Note 15(b)).

(iv) A term loan of RM3,600,000 which bears interest rate of 2% (2016: Nil) per annum below the bank lending rate ("BLR"). The team loan is repayable by 240 monthly instalments. The term loan is secured by a charge over 8 units of commercial shoplots (Note 3) and 8 units of residential units of the Group (Note 12).

Other information on financial risk of borrowings is disclosed in Note 31.

(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% - 5.46% (2016: 5.45% - 5.65%) per annum. The revolving credits which were rolled-over on a monthly basis bear interest rate at 4.60% - 5.51% (2016: 4.41% - 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 15(b)), an investment property of the Group (Note 4) and the deposit with a financial institution of RM13,180,000 (2016: RM9,000,000) of the Group (Note 16).

(f) Bank overdrafts

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

NOTES TO THE **FINANCIAL STATEMENTS**

18. Loans and borrowings (continued)

(g) Reconciliation of movement of liabilities to cash flow arising from financing activities

Group	At 1 January 2017 RM'000	Net changes from financing cash flows RM'000	Acquisition of new lease RM'000	Foreign exchange movement RM'000	At 31 December 2017 RM'000
Islamic Medium Term Notes ("IMTN")	**360,000**	**(240,000)**	**–**	**–**	**120,000**
Euro Medium Term Notes ("EMTN")	**269,310**	**–**	**–**	**(25,370)**	**243,940**
Finance lease liabilities	**628**	**(2,042)**	**10,296**	**–**	**8,882**
Term loans	**40,926**	**212,473**	**–**	**(11,667)**	**241,732**
Bank overdrafts	**7,808**	**(7,808)**	**–**	**–**	**–**
Revolving credits	**138,000**	**–**	**–**	**–**	**138,000**
Total liabilities from financing activities	**816,672**	**(37,377)**	**10,296**	**(37,037)**	**752,554**

19. Deferred income

The deferred income represents the deferred interest income during the construction of the 56 units of service apartments in Lumi Tropicana receivable from Mayfair Ventures Sdn. Bhd. ("MVSB") pursuant to the settlement agreement as disclosed in Note 8 (ii). The deferred income will be recognised in profit or loss upon delivery of vacant possession of these service apartments.

20. Trade and other payables

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Trade payables					
Third parties	(a)	**317,558**	444,119	**–**	–
Other payables					
Deposits		**286**	766	**–**	–
Accruals		**26,966**	33,217	**729**	1,317
Other payables		**2,148**	7,871	**8**	–
Amount due to a subsidiary	(b)	**–**	–	**13,506**	12,004
Amount due to an associate	(b)	**3,784**	4,105	**–**	–
Goods and Service Tax ("GST") payable	(c)	**505**	10,896	**–**	–
		33,689	56,855	**14,243**	13,321
		351,247	500,974	**14,243**	13,321

NOTES TO THE FINANCIAL STATEMENTS

20. Trade and other payables (continued)

(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 (2016: 7 to 90 days).

(b) Amounts due to a subsidiary and an associate

Amounts due to a subsidiary and an associate are unsecured, interest-free and repayable on demand.

(c) Goods and Service Tax ("GST") payable

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

21. Derivatives financial liabilities

	Group			
	2017		2016	
Derivative held for trading at fair value through profit or loss	**Contract amount RM'000**	**Liabilities RM'000**	**Contract amount RM'000**	**Liabilities RM'000**
Cross currency interest rate swap	**214,950**	**12,323**	–	–

The cross currency interest rate swap is entered into by the Group to manage the foreign currency exposures arising from the Group's term loan denominated in currencies other than the functional currency of the Group entities.

22. 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;
- On 15 July 2016, a total of 16,100,000 share options were granted at a subscription price of RM1.15 per share; and
- On 30 October 2017, a total of 600,000 share options were granted at a subscription price of RM1.15 per share.

NOTES TO THE FINANCIAL STATEMENTS

22. Employee benefits (continued)

Employees' share option scheme ("ESOS") (continued)

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 2017	**At 1.1.2017 '000**	**Granted '000**	**Rejected '000**	**Forfeited '000**	**Exercised '000**	**At 31.12.2017 '000**	**Exercisable 31.12.2017 '000**
Grant date							
3 October 2011	**4,135**	**–**	**30**	**534**	**–**	**3,571**	**3,571**
16 July 2012	**749**	**–**	**–**	**64**	**–**	**685**	**685**
3 October 2012	**225**	**–**	**–**	**73**	**–**	**152**	**152**
2 May 2013	**1,415**	**–**	**–**	**25**	**–**	**1,390**	**1,390**
3 October 2013	**1,006**	**–**	**96**	**150**	**–**	**760**	**760**
18 February 2014	**631**	**–**	**–**	**–**	**–**	**631**	**631**
15 July 2016	**16,100**	**–**	**–**	**–**	**–**	**16,100**	**3,220**
30 October 2017	**–**	**600**	**–**	**–**	**–**	**600**	**–**
	24,261	**600**	**126**	**846**	**–**	**23,889**	**10,409**
Weighted average exercise price ("WAEP") (RM)	**1.52**	**1.15**	**2.25**	**2.20**	**–**	**1.48**	**1.91**

NOTES TO THE FINANCIAL STATEMENTS

22. Employee benefits (continued)

Employees' share option scheme ("ESOS") (continued)

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
	Number of options						
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

The options outstanding at 31 December 2017 have an exercise price in the range of RM1.15 to RM2.75 (2016: RM1.15 to RM2.75) and a weighted average contractual life of 4 years (2016: 5 years).

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	30.10.2017	15.7.2016	18.2.2014	3.10.2013	2.5.2013	3.10.2012	16.7.2012	3.10.2011
	Grant date							
Fair value at grant date	0.32	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	2.50
Expected volatility (%)	35.00	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	3.20
Expected life of option (years)	5	5	5	5	5	5	5	5
Weighted average share price (RM)	1.22	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.

22. Employee benefits (continued)

Fair value of share options granted (continued)

The Group recognised an ESOS expense of RM1,820,000 (2016: RM1,417,000) in profit or loss on the adjustments on the fair value of the newly granted share option amounted to RM1,820,000 (2016: RM676,000) and extended granted share option amounted to RM741,000 in prior year respectively.

23. Revenue

	Group	
	2017	**2016**
	RM'000	**RM'000**
Construction contracts	**434,360**	627,738
Sale of development properties	**13,168**	24,746
Sale of construction materials	**71,319**	88,810
Rental of office space (Note 4)	**5,388**	6,752
Revenue arising from concession arrangement	**5,881**	–
Power	**15,264**	11,086
	545,380	759,132

24. Cost of sales

	Group	
	2017	**2016**
	RM'000	**RM'000**
Construction contract costs	**346,339**	594,923
Property development costs (Note 13)	**6,413**	13,818
Cost of inventories sold	**68,299**	80,047
Property maintenance cost (Note 4)	**2,407**	2,823
Cost of concession arrangement	**5,601**	–
Power plant costs	**5,365**	5,045
	434,424	696,656

NOTES TO THE FINANCIAL STATEMENTS

25. Other income

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Interest income from loans and receivables	**11,514**	8,383	**60**	3
Rental of land and buildings	**257**	479	**–**	–
Gain on disposal of property, plant and equipment	**1,501**	177	**–**	–
Reversal of unrealised profits on equipment supply contract	**3,033**	2,783	**–**	–
Net gain on foreign exchange	**8,187**	1,673	**–**	–
Gain on disposal of investment in an associate	**2,273**	–	**–**	–
Corporate guarantee income from subsidiaries	**–**	–	**3,388**	1,351
Secondment fees	**617**	47	**–**	–
Miscellaneous	**2,576**	2,597	**4**	–
	29,958	16,139	**3,452**	1,354

26. Results from operating activities

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Results from operating activities is arrived at after charging/(crediting):					
Auditors' remuneration:					
- Audit fees					
Statutory auditors		**452**	432	**132**	124
Other auditors		**18**	7	**–**	–
- Non-audit fees					
Statutory auditors		**10**	18	**18**	18
Amortisation of intangible asset	5	**620**	620	**–**	–
Amortisation of service concession assets	6	**4,187**	3,807	**–**	–
Bad debts written off		**1,010**	–	**–**	–
Depreciation of property, plant and equipment	3	**12,353**	10,933	**–**	–
Depreciation of investment property	4	**992**	985	**–**	–
Fair value loss on derivative		**12,323**	–	**–**	–
Fair value adjustment of service concession assets		**(3,664)**	–	**–**	–
Gain on disposal of property, plant and equipment		**(1,501)**	(177)	**–**	–
Impairment loss of investment in associate		**–**	1,804	**–**	–
Impairment loss of other assets		**7,628**	200,877	**–**	–
Impairment loss of trade and other receivables		**5,835**	30,375	**–**	6
Investment in subsidiaries written off	7	**411**	–	**–**	–
Employee benefits expenses	27	**32,443**	32,559	**1,203**	–
Net foreign exchange differences					
- realised		**750**	47	**–**	–
- unrealised		**(8,937)**	(1,720)	**–**	–
Non-executive directors' remuneration	27	**532**	572	**532**	572

NOTES TO THE FINANCIAL STATEMENTS

27. Employee benefits expense and key management personnel compensation

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Wages and salaries		26,572	27,847	1,065	–
Social security contributions		143	115	1	–
Contributions to defined contribution plan		3,372	2,648	134	–
Share options granted under ESOS	22	1,820	1,417	–	–
Other benefits		536	532	3	–
		32,443	32,559	1,203	–

Included in employee benefits expenses of the Group and the Company are executive directors' remuneration amounting to RM2,398,000 (2016: RM2,288,000) and RM1,199,000 (2016: Nil) as further disclosed.

The key management personnel compensations are as follows:

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Executive Directors:				
Salaries and other emoluments	**1,720**	1,638	**860**	–
Bonus	**410**	423	**205**	–
Defined contribution plan	**268**	227	**134**	–
	2,398	2,288	**1,199**	–
Non-executive Directors:				
Fees	**340**	410	**340**	410
Other emoluments	**202**	162	**202**	162
	542	572	**542**	572
Total Directors' remuneration	**2,940**	2,860	**1,741**	572
Estimated money value of benefits-in-kind	**55**	21	**–**	–
Total key management personnel compensation	**2,995**	2,881	**1,741**	572

NOTES TO THE FINANCIAL STATEMENTS

28. Taxation

Recognised in profit or loss

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Income tax expense				
Current year	**2,804**	4,404	**337**	–
(Over)/Under provision in prior years	**(591)**	213	**436**	–
	2,213	4,617	**773**	–
Deferred tax expense (Note 11)				
Current year	**(6,656)**	193	**–**	–
Under/(Over) provision in prior years	**2,838**	(44)	**–**	–
	(3,818)	149	**–**	–
Total tax expense	**(1,605)**	4,766	**773**	–
Reconciliation of tax expense				
(Loss)/Profit before tax	**(122,408)**	(377,534)	**946**	(1,535)
Income tax calculated using Malaysian tax rate of 24% (2016: 24%)	**(29,378)**	(90,608)	**227**	(368)
Non-deductible expenses	**2,895**	4,120	**148**	368
Non-taxable income	**(2,339)**	(3,364)	**(38)**	–
Effect of share of associates' loss	**32,932**	32,115	**–**	–
Effect of tax losses incurred in tax exempt jurisdiction	**135**	5,670	**–**	–
Recognition of previously unrecognised temporary differences	**(8,233)**	–	**–**	–
Effect of deferred tax assets not recognised	**22**	56,917	**–**	–
Other items	**113**	(253)	**–**	–
Under provision in prior years	**2,248**	169	**436**	–
	(1,605)	4,766	**773**	–

NOTES TO THE **FINANCIAL STATEMENTS**

29. Loss per ordinary share

Basic and diluted loss per ordinary share

The calculation of basic and diluted loss per ordinary share at 31 December 2017 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	
	2017 RM'000	**2016 RM'000**
Loss for the year attributable to owners of the Company	**(123,912)**	(383,748)

	Group	
Basic loss per ordinary shares	**2017 RM'000**	**2016 RM'000**
Weighted average number of ordinary shares at 31 December ('000)	**551,600**	540,020
Basic and diluted loss per ordinary share (sen)	(22.46)	(71.06)

The share option of 23,889,000 units (2016: 24,261,000 units) could potentially dilute the earning per share when it is exercised. However, they are anti-dilutive for the periods presented.

30. 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.

NOTES TO THE FINANCIAL STATEMENTS

30. Operating segments (continued)

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.

30. **Operating segments (continued)**

2017	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	434,360	18,556	21,145	71,319	–		545,380
Inter-segment	–	1,466	–	15,642	(17,108)	(i)	–
Total revenue	434,360	20,022	21,145	86,961	(17,108)		545,380
Results:							
Included in the measure of segment profit/(loss) are:							
Interest income	3,975	106	3,607	3,887	(61)		11,514
Finance costs	(24,381)	(32)	(2,222)	(18,094)	61		(44,668)
Depreciation	(9,634)	(1,399)	–	(1,320)	–		(12,353)
Share of loss of associates	(99)	(56)	(137,063)	–	–		(137,218)
Profit/(Loss) after tax	19,359	6,252	(131,028)	(14,967)	(419)	(ii)	(120,803)
Assets:							
Included in the measure of segment assets are:							
Investment in associates	3,915	–	423,814	–	–		427,729
Additions to non-current assets	11,662	682	9,543	7,087	–	(iii)	28,974
Segment assets	1,743,757	241,441	189,223	720,182	(1,047,266)	(iv)	1,847,337
Segment liabilities	878,296	93,641	179,918	286,588	(240,026)	(v)	1,198,417

NOTES TO THE FINANCIAL STATEMENTS

30. Operating segments (continued)

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	(8,650)	(1,374)	–	(909)	–		(10,933)
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	2,073	–	9	3,188	–	(iii)	5,270
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

NOTES TO THE FINANCIAL STATEMENTS

30. Operating segments (continued)

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

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

	Group	
	2017 RM'000	**2016 RM'000**
Loss from inter-segment	**(419)**	(4,828)

(iii) Additions to non-current assets consist of property, plant and equipment (Note 3), investment property (Note 4) and service concession assets (Note 6).

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

	Group	
	2017 RM'000	**2016 RM'000**
Inter-segment assets	**(1,047,266)**	(900,124)

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

	Group	
	2017 RM'000	**2016 RM'000**
Unallocated liabilities	**(239,253)**	(220,893)

NOTES TO THE FINANCIAL STATEMENTS

30. Operating segments (continued)

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	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Malaysia	**539,549**	759,132	**1,704,831**	1,830,524	**28,974**	5,270
India	**5,831**	–	**234**	3,169	**–**	–
Republic of Mauritius	**–**	–	**132,078**	181,227	**–**	–
Negara Brunei Darussalam	**–**	–	**10,194**	34,522	**–**	–
Consolidated	**545,380**	759,132	**1,847,337**	2,049,442	**28,974**	5,270

Major customers

Approximately 76% (2016: 78%) of total revenue during the year is mainly contributed from three (3) (2016: three (3)) customers.

31. Financial instruments

31.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");
(b) Fair value through profit or loss ("FVTPL");
    - Held for trading ("HFT");
(c) Available-for-sale financial assets ("AFS"); and
(d) Financial liabilities measured at amortised cost ("FL").

NOTES TO THE FINANCIAL STATEMENTS

31. Financial instruments (continued)

31.1 Categories of financial instruments (continued)

2017	Carrying amount RM'000	L&R RM'000	FL RM'000	AFS RM'000	FVTPL HFT RM'000
Financial assets					
Group					
Other investment	5,291	–	–	5,291	–
Trade and other receivables	233,032	233,032	–	–	–
Cash and cash equivalents	456,853	456,853	–	–	–
	695,176	689,885	–	5,291	–
Financial assets					
Company					
Trade and other receivables	87,988	87,988	–	–	–
Cash and cash equivalents	405	405	–	–	–
	88,393	88,393	–	–	–
Financial liabilities					
Group					
Trade and other payables	350,742	–	350,742	–	–
Refundable deposits	2,219	–	2,219	–	–
Loans and borrowings	752,554	–	752,554	–	–
Derivatives financial liabilities	12,323	–	–	–	12,323
	1,117,838	–	1,105,515	–	12,323
Company					
Trade and other payables	14,243	–	14,243	–	–

NOTES TO THE FINANCIAL STATEMENTS

31. Financial instruments (continued)

31.1 Categories of financial instruments (continued)

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	–

31.2 Net gains and losses arising from financial instruments

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Loans and receivables	**12,856**	(20,319)	**60**	(3)
Financial liabilities measured at amortised cost	**(44,668)**	(25,839)	**–**	–
Fair value through profit or loss				
- Held for trading	**(12,323)**	–	**–**	–
Net (losses)/gains	**(44,135)**	(46,158)	**60**	(3)

NOTES TO THE FINANCIAL STATEMENTS

31. Financial instruments (continued)

31.3 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

31.4 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 and cash and cash equivalents.

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.

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.

The Group receives financial guarantees given by banks, shareholders or directors of customers in managing exposure to credit risks.

At the end of the reporting period, approximately 86% (2016: 87%) of the Group's trade receivables were due from 5 (2016: 5) major customers.

NOTES TO THE FINANCIAL STATEMENTS

31. Financial instruments (continued)

31.4 Credit risk (continued)

Receivables (continued)

Exposure to credit risk, credit quality and collateral (continued)

The exposure of credit risk for trade receivables as at the end of the reporting period by industry sector and geographic region were:

	2017		2016	
Group	**RM'000**	**% of total**	**RM'000**	**% of total**
By industry sector:				
Construction	**155,441**	**89**	233,521	87
Property development	**880**	**1**	4,437	2
Power	**896**	**1**	1,986	1
Manufacturing, trading and others	**16,632**	**9**	27,119	10
	173,849	**100**	267,063	100
By geographical:				
Malaysia	**29,245**	**17**	97,511	37
India	**144,604**	**83**	169,552	63
	173,849	**100**	267,063	100

Impairment losses

The ageing of receivables as at the end of the reporting period was disclosed in Note 14(a).

The movements in the allowance for impairment losses on receivables during the financial year were disclosed in Note 14(d).

Other financial assets

Risk management objectives, policies and processes for managing the risk

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 and investments are allowed only in liquid securities.

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.

31. Financial instruments (continued)

31.4 Credit risk (continued)

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Group and the Company provides unsecured financial guarantees to banks, customers and payables as performance bonds, bid bonds, security deposits or in respect of guarantee for banking facilities granted to certain subsidiaries.

Exposure to credit risk, credit quality and collateral

The Group's and the Company's maximum exposure to credit risk arising from financial guarantees amounted to RM1,098,960,000 (2016: RM794,589,000) and RM643,999,000 (2016: RM557,940,000) respectively.

As at the end of the reporting period, there was no indication that the Group and the Company were unable meet their performance or default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

Inter-company balances

Risk management objectives, policies and processes for managing the risk

The Company provides advances to subsidiaries. The Company monitors the results of the subsidiaries regularly. The Group provides advances to associates. The Group monitors the result of the associates regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk was represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the advances to the subsidiaries and associates were not recoverable. The Group and the Company monitored these advances regularly.

31.5 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.

NOTES TO THE FINANCIAL STATEMENTS

31. Financial instruments (continued)

31.5 Liquidity risk (continued)

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
2017						
Non-derivative financial liabilities						
Trade and other payables	350,742	–	350,742	350,742	–	–
Refundable deposits	2,219	–	2,219	2,219	–	–
Revolving credit	138,000	4.60% - 5.51%	138,000	138,000	–	–
Finance lease liabilities	8,882	5.13%	9,721	3,743	5,978	–
Term loans	241,732	4.92% - 5.78%	247,275	209,873	26,359	11,043
IMTN	120,000	4.8%	131,520	5,760	125,760	–
EMTN	243,940	7%	278,092	17,076	261,016	–
Financial guarantee	–	–	1,098,960	362,518	708,510	27,932
	1,105,515		2,256,529	1,089,931	1,127,623	38,975
Derivative financial liabilities						
Cross currency interest rate swap (gross settled):						
Outflow	(12,323)	–	(215,753)	(215,753)	–	–
Inflow	–	–	203,430	203,430	–	–
	(12,323)		(12,323)	(12,323)	–	–

NOTES TO THE
FINANCIAL STATEMENTS

31. Financial instruments (continued)

31.5 Liquidity risk (continued)

Maturity analysis (continued)

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	7.06%	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	4.41% - 6.14%	138,000	138,000	–	–
Finance lease liabilities	628	5.13%	677	232	445	–
Term loans	40,926	5.78%	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	–
Financial guarantee	–	–	794,589	177,483	589,174	27,932
	1,308,789		2,180,138	1,085,077	1,055,887	39,174

Company	Carrying amount RM'000	Contractual cash flows RM'000	Under 1 year RM'000	1 – 5 years RM'000	More than 5 years RM'000
2017					
Non-derivative financial liabilities					
Trade and other payables	**14,243**	**14,243**	**14,243**	**–**	**–**
Financial guarantee	**–**	**643,999**	**170,123**	**445,944**	**27,932**
	14,243	**658,242**	**184,366**	**445,944**	**27,932**
2016					
Non-derivative financial liabilities					
Trade and other payables	13,321	13,321	13,321	–	–
Financial guarantee	–	557,940	64,808	465,200	27,932
	13,321	571,261	78,129	465,200	27,932

NOTES TO THE FINANCIAL STATEMENTS

31. Financial instruments (continued)

31.6 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.

31.6.1 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"), United State Dollar ("USD") and Australian Dollar ("AUD").

Risk management objectives, policies and processes for managing the risk

As at the reporting date, the Group entered into cross currency interest rate contract to manage the foreign currency exposures arising from the Group's term loan denominated in currencies other than the functional currency of the Group entities.

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			
	INR	*RMB*	*BND*	*USD*	*AUD*	*Total*
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2017						
Balances recognised in the statement of financial position						
Trade and other receivables	–	15	21	–	–	36
Cash and bank balances	663	53	4	–	–	720
Trade and other payables	–	(108)	–	–	–	(108)
Borrowings	–	–	–	(203,283)	–	(203,283)
	663	(40)	25	(203,283)	–	(202,635)
Forecast transactions						
Cross currency interest rate swaps	–	–	–	214,950	–	214,950
Net exposure	663	(40)	25	11,667	–	12,315

NOTES TO THE **FINANCIAL STATEMENTS**

31. Financial instruments (continued)

31.6 Market risk (continued)

31.6.1 Currency risk (continued)

			Denominated in			
	INR	***RMB***	***BND***	***USD***	***AUD***	***Total***
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**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

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.

Currency risk sensitivity analysis

A 3% (2016: 3%) strengthening of the Ringgit Malaysia against the following currencies 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 interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	2017	**2016**
Group profit or loss	**RM'000**	**RM'000**
INR	**(15)**	(6)
RMB	**1**	(1)
BND	**(1)**	(6)
USD	**(266)**	–
AUD	**–**	(1)

A 3% (2016: 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.

31.6.2 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.

NOTES TO THE FINANCIAL STATEMENTS

31. Financial instruments (continued)

31.6 Market risk (continued)

31.6.2 Interest rate risk (continued)

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	
	2017	**2016**
	RM'000	**RM'000**
Fixed rate instruments		
Amount due from associates	**28,602**	29,537
Euro Medium Term Notes ("EMTN")	**(243,940)**	(269,310)
Islamic Medium Term Notes ("IMTN")	**(120,000)**	(360,000)
Finance leases liabilities	**(8,882)**	(628)
	(344,220)	(600,401)
Floating rate instruments		
Deposits with financial institutions	**375,725**	28,102
Term loans	**(241,732)**	(40,926)
Revolving credits	**(138,000)**	(138,000)
Bank overdrafts	**–**	(7,808)
	(4,007)	(158,632)

NOTES TO THE **FINANCIAL STATEMENTS**

31. Financial instruments (continued)

31.6 Market risk (continued)

31.6.2 Interest rate risk (continued)

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 amounts shown below. The analysis assumes that all other variables, in particular foreign currency rate, remained constant.

	Profit or loss	
	100 bp increase RM'000	**100 bp decrease RM'000**
Group		
2017		
Floating rate instruments	**(30)**	**30**
Cross currency interest rate swap	**1,634**	**(1,634)**
Cash flow sensitivity (net)	**1,604**	**(1,604)**
2016		
Floating rate instruments	(1,206)	1,206

NOTES TO THE FINANCIAL STATEMENTS

31. Financial instruments (continued)

31.7 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate fair values due to the relatively short-term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices in an active market and the fair value cannot be reliably measured.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

Group	Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
2017						
Financial liabilities						
Refundable deposits	**–**	**–**	**2,094**	**2,094**	**2,094**	**2,219**
Finance lease liabilities	**–**	**–**	**9,721**	**9,721**	**9,721**	**8,882**
Term loans	**–**	**–**	**241,732**	**241,732**	**241,732**	**241,732**
Islamic Medium Term Notes ("IMTN")	**–**	**–**	**109,259**	**109,259**	**109,259**	**120,000**
Euro Medium Term Notes ("EMTN")	**–**	**–**	**213,067**	**213,067**	**213,067**	**243,940**
Cross currency interest rate swaps	**–**	**12,323**	**–**	**12,323**	**12,323**	**12,323**
	–	**12,323**	**575,873**	**588,196**	**588,196**	**629,096**
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

NOTES TO THE
FINANCIAL STATEMENTS

31. Financial instruments (continued)

31.7 Fair value information (continued)

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.

The fair value of derivatives are obtained from observable market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate.

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 (2016: 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
2017		
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 4.8% - 7.0%

NOTES TO THE FINANCIAL STATEMENTS

31. Financial instruments (continued)

31.7 Fair value information (continued)

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 4.6% - 7.0%

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

31.8 Master netting or similar agreements

The Group enters into derivative transactions under International Swaps and Derivatives Association ("ISDA") master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs, all outstanding agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

Group	Carrying amounts of financial instruments in the statement of financial position RM'000	Related financial instruments that are not offset RM'000	Net amount RM'000
2017			
Derivative financial liabilities			
Cross currency interest rate swap held for trading at FVTPL	**12,323**	**(1,218)**	**11,105**

NOTES TO THE FINANCIAL STATEMENTS

32. Operating leases

Operating lease commitments - As lessee

The Group leases a number of land under operating lease for 21-23 years lease period, with an option to renew after that date. The lease payment is increased every 4-5 years.

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2017	**2016**
	RM'000	**RM'000**
Within 1 year	**786**	600
Between 1 year to 5 years	**4,048**	3,600
More than 5 years	**10,780**	10,530
	15,614	14,730

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	
	2017	**2016**
	RM'000	**RM'000**
Within 1 year	**4,538**	5,077
Between 1 year to 5 years	**1,139**	4,467
More than 5 years	**–**	69
	5,677	9,613

33. 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.

NOTES TO THE FINANCIAL STATEMENTS

34. 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 27), are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Subsidiaries				
Corporate guarantee fee	**–**	–	**3,388**	1,351
Associates				
Sales	**5,831**	–	**–**	–
Interest income	**2,469**	2,389	**–**	–
Dividend income	**902**	–	**–**	–
Secondment fee	**617**	47	**–**	–
Project management fee	**1,117**	–	**–**	–
Corporate guarantee fee	**353**	52	**–**	–
(Advances to)/Repayment from an associate	**(321)**	13,108	**–**	–
Repayment to an associate	**(4,072)**	–	**–**	–

Balances with related parties at the reporting date are disclosed in Note 14 and Note 20 to the financial statements.

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

NOTES TO THE **FINANCIAL STATEMENTS**

35. Subsequent events

(i) On 30 January 2018, Sinar Kamiri Sdn. Bhd. issued RM245 million Green SRI Sukuk Wakalah under the Shariah Principle of Wakalah Bi Al-Istithmar and based on the Securities Commission's Sustainable and Responsible Investment ("SRI") Sukuk Framework ("Green SRI SUKUK WAKALAH").

(ii) On 28 February 2018, Mudajaya Corporation Berhad ("MCB") entered into a conditional Share Sale and Purchase Agreement for the proposed disposal of 7.07% equity interest in R.K.M. Powergen Private Limited ("RKM"), comprising 140,000,000 ordinary shares to a third party for a total cash consideration of USD19,500,000 (equivalent to approximately RM76,600,000 based on the exchange rate of USD3.92: RM1.00).

(iii) On 7 March 2018, MCB completed the disposal of 2 ordinary shares, representing 100% of total issued share capital of Piala Tebrau (M) Sdn. Bhd., a wholly-owned subsidiary of MCB to MJC Development Sdn. Bhd. ("MJC Development"), a wholly-owned of the Company for a total cash consideration of RM2.00.

(iv) On 20 March 2018, MCB has secured Islamic financing facilities of RM90,000,000 from Kuwait Finance House (Malaysia) Berhad to part-finance infrastructure contracts to be secured by MCB from the Government, statutory bodies, government agencies or government linked companies and for tender, performance bond and advance payment guarantee favouring Government, statutory bodies, government agencies or government linked companies.

36. Comparative figures

Comparative figures have been restated to conform with current years' presentation:

	As previously stated RM'000	Reclassification RM'000	Restated RM'000
Statements of financial position as at 31 December 2016			
Property, plant and equipment	113,172	(69,483)	43,689
Service concession assets	–	69,483	69,483

STATEMENT BY DIRECTORS

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

In the opinion of the Directors, the financial statements set out on pages 93 to 189 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

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

Dato' Yusli bin Mohamed Yusoff
Director

James Wong Tet Foh
Director

Petaling Jaya

5 April 2018

STATUTORY **DECLARATION**

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

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 93 to 189 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Kang Boon Beng, NRIC: 710327-08-5453, MIA CA15431, at Petaling Jaya in the state of Selangor Darul Ehsan on 5 April 2018.

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 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 93 to 189.

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

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our 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(r) - Significant accounting policy: Revenue and other income, Note 2(p) - Significant accounting policy: Provision and Note 23 - Revenue and Note 24 - 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.

Revenue and profit recognition on long-term construction 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 (CONTINUED)

TO THE MEMBERS OF MUDAJAYA GROUP BERHAD (COMPANY NO. 605539-H)
(INCORPORATED IN MALAYSIA)

KEY AUDIT MATTERS (CONTINUED)

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- evaluated the design and implementation of key controls over the review and approval of contracts, forecast costs and actual contract cost for respective projects;
- challenged 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;
- evaluated the management's updated budget costs and forecast costs to complete by assessing the basis of their calculation, which include supplier quotes, forecast estimates and contracts awarded to suppliers;
- inspected correspondence and meeting minutes with customers concerning variations, claims and compensation events;
- checked the status of the contracts by enquiring the project director;
- recalculated the percentage of completion based on the approved contract sums, actual costs incurred to date and latest revised budgets to ascertain that the revenue was appropriately recognised;
- compared 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;
- assessed the exposures to liquidated damages for late delivery of the construction works by making enquiries and read 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;
- assessed the actual costs incurred to the supporting documents; and
- inspected manual journal entries of December 2017 related to revenue and cost of sales and determined whether there are any unusual, unauthorised or unsupported entries made.

Valuation of investment in an associate – R.K.M. Powergen Private Limited ("RKM")
(Refer to Note 2(m) - Significant accounting policy: Impairment and Note 8 – 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 RM409,593,000. RKM owns coal-fired power plants in Chhattigarh, India, which are the core assets of RKM.

Due to the share of losses from results of the associate amounting to RM135,007,000 for the year ended 31 December 2017, there is a significant risk of impairment in the carrying amount of the Group's investment in RKM.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF MUDAJAYA GROUP BERHAD (COMPANY NO. 605539-H)
(INCORPORATED IN MALAYSIA)

KEY AUDIT MATTERS (CONTINUED)

How the matter was addressed in our audit

The power plants valuation was prepared by an external valuer, Fieldstone Capital Services Sdn. Bhd., using a discounted cash flow projection model. 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 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF MUDAJAYA GROUP BERHAD (COMPANY NO. 605539-H)
(INCORPORATED IN MALAYSIA)

KEY AUDIT MATTERS (CONTINUED)

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.

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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF MUDAJAYA GROUP BERHAD (COMPANY NO. 605539-H)
(INCORPORATED IN MALAYSIA)

KEY AUDIT MATTERS (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 7 to the financial statements.

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

5 April 2018

PROPERTIES OF THE GROUP

AS AT 31 DECEMBER 2017

	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	6	4,269	Commercial land and office building	59,969
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	21	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	17	107,639	Commercial building	1,737
6	Bd107-109, Bd207-209, Bd313-319 Batu Kawah New Township Jalan Batu Kawah 93250 Kuching Sarawak	2000	Leasehold	17	11,501	Office building	1,221

ANALYSIS OF SHAREHOLDINGS

AS AT 20 MARCH 2018

Total Number of Issued Shares	:	605,418,466 ordinary shares (including 15,543,300 treasury shares)
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share on a poll

DISTRIBUTION OF SHAREHOLDINGS BASED ON RECORD OF DEPOSITORS

Size of Shareholdings	Number of Shareholders	% of Shareholders	Number of Shares Held	% of Shareholdings
Less than 100	457	6.49	17,767	0.00
100 - 1,000	702	9.97	502,353	0.08
1,001 - 10,000	3,942	56.01	18,761,011	3.18
10,001 - 100,000	1,700	24.16	51,771,783	8.78
100,001 to less than 5% of issued shares	232	3.30	188,216,419	31.91
5% and above of issued shares	5	0.07	330,605,833	56.05
Total	**7,038**	**100.00**	**589,875,166**[(1)]	**100.00**

(1) Excludes 15,543,300 treasury shares retained by the Company.

SUBSTANTIAL SHAREHOLDERS BASED ON REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct		Indirect	
Name of Substantial Shareholders	Number of Shares held	%[(1)]	Number of Shares held	%[(1)]
Dataran Sentral (M) Sdn. Bhd.	109,913,333	18.63	–	–
Mulpha Infrastructure Holdings Sdn. Bhd.	90,327,000	15.31	–	–
Lembaga Tabung Haji	53,865,500	9.13	–	–
Kingsman Capital Limited	53,000,000	8.98	–	–
Winners Spectrum Investment Holdings Sdn. Bhd.	273,333	0.05	[(2)]109,913,333	18.63
First Positive Sdn. Bhd.	–	–	[(2)]109,913,333	18.63
Mulpha International Bhd	–	–	[(3)]90,327,000	15.31
Nautical Investments Limited	–	–	[(4)]90,327,000	15.31
Mountbatten Corporation	–	–	[(5)]90,327,000	15.31
Mount Glory Investments Limited	–	–	[(6)]90,327,000	15.31
Yong Pit Chin	–	–	[(7)]90,327,000	15.31
Lee Seng Huang	–	–	[(8)]90,327,000	15.31
Ng Ying Loong	3,500	0.001	[(2)(9)]110,186,666	18.68
Anto A/L SF Joseph	2,266,666	0.38	[(2)(9)]110,186,666	18.68
Wee Teck Nam	814,300	0.14	[(19)(2)]109,913,333	18.63
Fairfax Asia Limited	–	–	[(10)]41,557,200	7.05
Fairfax (Barbados) International Corp.	–	–	[(11)(12)]48,702,500	8.26
FFHL Group Ltd	–	–	[(13)(18)]78,702,500	13.34
Fairfax Financial Holdings Ltd	–	–	[(14)]78,702,500	13.34
Odyssey Reinsurance Company	30,000,000	5.09	–	–
Odyssey Re Holdings Corporation	–	–	[(15)]76,642,500	12.99
Odyssey US Holdings Inc.	–	–	[(16)]76,642,500	12.99
Fairfax (U.S.) Inc.	–	–	[(17)]76,642,500	12.99

ANALYSIS OF **SHAREHOLDINGS**

AS AT 20 MARCH 2018

SUBSTANTIAL SHAREHOLDERS BASED ON REGISTER OF SUBSTANTIAL SHAREHOLDERS (CONT'D)

Notes :

(1) Excludes 15,543,300 treasury shares held 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..

DIRECTORS' SHAREHOLDINGS BASED ON REGISTER OF DIRECTORS' SHAREHOLDINGS

	Direct		Indirect	
Name of Directors	**Number of Shares Held**	**%[1]**	**Number of Shares Held**	**%[1]**
Dato' Yusli bin Mohamed Yusoff	–	–	–	–
Ir. James Wong Tet Foh	–	–	–	–
Lee Eng Leong	–	–	–	–
Chew Hoy Ping	–	–	–	–
Dato' Amin Rafie bin Othman	–	–	–	–
Wee Teck Nam	814,300	0.14	[2]109,913,333	18.63
Winson Chow (Alternate Director to Lee Eng Leong)	–	–	–	–

Notes:

(1) Excludes 15,543,300 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..

ANALYSIS OF SHAREHOLDINGS
AS AT 20 MARCH 2018

30 LARGEST SECURITIES ACCOUNT HOLDERS BASED ON RECORD OF DEPOSITORS

No.	Name of Shareholders	Number of Shares Held	%[1]
1	CIMB Group Nominees (Tempatan) Sdn. Bhd. Dataran Sentral (M) Sdn. Bhd. (49994 HDOF)	103,413,333	17.53
2	Mulpha Infrastructure Holdings Sdn. Bhd.	90,327,000	15.31
3	Lembaga Tabung Haji	53,865,500	9.13
4	Alliancegroup Nominees (Asing) Sdn. Bhd. Sun Hung Kai Investment Services Limited for Kingsman Capital Limited	53,000,000	8.98
5	DB (Malaysia) Nominee (Asing) Sdn. Bhd. BNYM SA/NV for Odyssey Reinsurance Company	30,000,000	5.09
6	DB (Malaysia) Nominee (Asing) Sdn. Bhd. BNYM SA/NV for Wentworth Insurance Company Limited, Labuan Branch	26,572,200	4.50
7	HSBC Nominees (Asing) Sdn. Bhd. Exempt AN for Credit Suisse (SG BR-TST-Asing)	10,963,432	1.86
8	Global Investments (BVI) Ltd	10,666,666	1.81
9	Alliancegroup Nominees (Asing) Sdn. Bhd. Exempt AN for Sun Hung Kai Investment Services Limited	9,957,800	1.69
10	Citigroup Nominees (Asing) Sdn. Bhd. CBNY for Wentworth Insurance Company Ltd.	7,145,300	1.21
11	The Pacific Insurance Berhad	7,060,000	1.20
12	Dataran Sentral (M) Sdn. Bhd.	6,500,000	1.10
13	Citigroup Nominees (Asing) Sdn. Bhd. CBHK for Falcon Insurance Company (Hong Kong) Limited (Investment Ac)	6,325,000	1.07
14	Cimsec Nominees (Asing) Sdn. Bhd. CIMB for Global Investments (BVI) Ltd	5,333,333	0.90
15	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LEEF)	4,516,600	0.77
16	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LPF)	4,467,500	0.76
17	Citigroup Nominees (Asing) Sdn. Bhd. CBNY for Dimensional Emerging Markets Value Fund	4,184,700	0.71
18	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LBF)	3,086,000	0.52
19	Citigroup Nominees (Asing) Sdn. Bhd. CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	2,948,232	0.50
20	HSBC Nominees (Asing) Sdn. Bhd. Exempt AN for Bank Julius Baer & Co. Ltd. (Singapore Bch)	2,684,000	0.46

ANALYSIS OF **SHAREHOLDINGS**

AS AT 20 MARCH 2018

30 LARGEST SECURITIES ACCOUNT HOLDERS BASED ON RECORD OF DEPOSITORS (CONT'D)

No.	Name of Shareholders	Number of Shares Held	%[1]
21	Cimsec Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Anto A/L SF Joseph (PBCL-0G0155)	2,266,666	0.38
22	Citigroup Nominees (Asing) Sdn. Bhd. CBNY for DFA Emerging Markets Small Cap Series	2,167,066	0.37
23	CIMB Islamic Nominees (Tempatan) Sdn. Bhd. CIMB Islamic Trustee Bhd for BIMB I Dividend Fund	1,814,400	0.31
24	The Pacific Insurance Berhad (Fund A/C)	1,600,000	0.27
25	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (DG)	1,589,400	0.27
26	Maybank Nominees (Tempatan) Sdn. Bhd. Etiqa Life Insurance Berhad (Growth)	1,589,300	0.27
27	Koh Heok Teo	1,550,000	0.26
28	Cimsec Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Erwin Selvarajah A/L Peter Selvarajah (M53001)	1,482,500	0.25
29	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt AN for DBS Bank Ltd. (SFS)	1,480,000	0.25
30	Lim Khuan Eng	1,430,000	0.24

Note:

(1) Excludes 15,543,300 treasury shares retained by the Company.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 15th 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, Malaysia on Wednesday, 13 June 2018 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 2017 together with the Directors' and Auditors' Reports thereon. **(PLEASE REFER TO EXPLANATORY NOTE 1)**

2. To re-elect Dato' Yusli bin Mohamed Yusoff 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 Ir. James Wong Tet Foh 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 2)**

4. To re-elect Dato' Amin Rafie bin Othman who retires pursuant to Article 83 of the Company's Articles of Association and being eligible, has offered himself for re-election. **(ORDINARY RESOLUTION 3)**

5. To approve the payment of Directors' fees amounting to RM340,000 for the financial year ended 31 December 2017. **(ORDINARY RESOLUTION 4)**

6. To approve the payment of the following Directors' fees to the Non-Executive Directors for the period from 1 January 2018 until the next AGM of the Company to be held in 2019, to be paid monthly:- **(ORDINARY RESOLUTION 5)**

   (a) RM200,000 per annum for the Chairman of the Board; and
   (b) increase of Directors' fees from RM70,000 to RM80,000 per annum for each of the Non-Executive Directors.

7. To approve the payment of Directors' benefits (excluding Directors' fees) to the Non-Executive Directors of the Company. **(ORDINARY RESOLUTION 6)**

8. 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 7)**

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

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

9. **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 Articles of Association 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 8)**

10. **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 Articles of Association, 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 latest audited retained profits of the Company.

NOTICE OF ANNUAL GENERAL MEETING

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 dividends and/or subsequently cancel them or such other manner as may be allowed under the Act and the Main Market Listing Requirements of Bursa Securities.

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 9)**

11. 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
30 April 2018

NOTICE OF
ANNUAL GENERAL MEETING

NOTES:

1. A member of the Company who is entitled to attend and vote at a general meeting of the Company, is entitled to appoint a proxy or proxies to attend and vote in his stead.

2. A proxy or proxies may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy and the proxy shall have the same rights as the member to speak at the meeting.

3. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.

4. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.

5. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if the appointer is a corporation, either under its common seal or under the hand of its officer duly authorised.

6. The instrument appointing a proxy must be deposited at the Registered Office of the Company 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 appointed for holding the meeting or any adjournment thereof.

7. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a Record of Depositors as at **5 June 2018** and only members whose names appear in the Record of Depositors shall be entitled to attend, speak and vote at this meeting.

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. **Item 1 of the Agenda – Audited Financial Statements for the financial year ended 31 December 2017**

   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. **Ordinary Resolution 4 – Directors' Fees for the financial year ended 31 December 2017**

   The proposed Directors' fees for the financial year 2017 payable to the Non-Executive Directors are the same as the previous financial year 2016.

3. **Ordinary Resolution 5 – Directors' Fees for the period from 1 January 2018 until the next AGM**

   As part of a periodical review to ensure the Group remains competitive against its peers and with the heightened responsibilities and accountabilities required of Directors under the current requirements of the Companies Act 2016, Main Market Listing Requirements of Bursa Securities, Capital Markets & Services Act 2007 and Malaysian Code on Corporate Governance 2017, it is recommended that the Directors' fees be revised as follows:-

	Existing Fees	Proposed Fees
Chairman of the Board	RM200,000 per annum	RM200,000 per annum *(No change)*
Non-Executive Directors	RM70,000 per annum	RM80,000 per annum

   This Resolution, if approved, will authorise the payment of Directors' fees to the Non-Executive Directors for the period from 1 January 2018 until the next AGM of the Company to be held in 2019 and to be payable on a monthly basis in arrears after each month of completed service of the Directors. This Resolution is to facilitate payment of Directors' fees on current financial year basis.

NOTICE OF ANNUAL GENERAL MEETING

4. **Ordinary Resolution 6 – Directors' Benefits (excluding Directors' fees)**

This Resolution relates to the proposed payment of Directors' benefits (excluding Directors' fees) to the Non-Executive Directors, which comprise the following:-

	Chairman of the Board	Chairman of Audit Committee	Chairman of other Board Committees	Non-Executive Directors
Fixed Allowance *(payable on quarterly basis)*	RM100,000 per annum *(No change)*	RM55,000 per annum	RM6,000 per annum	–
Meeting Allowance for attendance of Board and Board Committee Meetings, and general meetings *(payable after each meeting)*	RM2,000 per meeting	RM2,000 per meeting	RM2,000 per meeting	RM2,000 per meeting
Other Benefits	Company car and driver	–	–	–

(a) It was proposed that the fixed allowance for the Chairman of Audit Committee be increased from RM50,000 per annum to RM55,000 per annum, and a fixed allowance of RM6,000 per annum be introduced for each of the Chairmen of other Board Committees. The fixed allowances are given to the Chairmen of the Board and Board Committees, in recognition of their significant roles in leadership and oversight, and their wide-ranging scope of responsibilities. This Resolution, if approved, will authorise the payment of fixed allowance for the period from 1 January 2018 until the next AGM of the Company to be held in 2019 and to be payable on a quarterly basis.

(b) It was further proposed that the meeting allowance be increased from RM1,000 per meeting to RM2,000 per meeting for attendance of Board and Board Committee meetings, and general meetings. This Resolution, if approved, will authorise the payment of meeting allowance at RM2,000 per meeting from 14 June 2018 until the next AGM of the Company to be held in 2019 and to be payable after each meeting.

5. **Ordinary Resolution 7 – Re-Appointment of Auditors**

The Audit Committee has considered the re-appointment of Messrs KPMG PLT as Auditors of the Company based on the criteria prescribed under Paragraph 15.21 of the Main Market Listing Requirements of Bursa Securities. Both the Audit Committee and the Board have recommended the re-appointment of Messrs KPMG PLT as Auditors of the Company.

6. **Ordinary Resolution 8 – Authority to Issue Shares pursuant to Sections 75 and 76 of the Act**

This Resolution 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.

7. **Ordinary Resolution 9 – 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 30 April 2018.

NOTICE OF ANNUAL GENERAL MEETING

STATEMENT ACCOMPANYING NOTICE OF 15TH 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 15th Annual General Meeting ("AGM") 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

This is a renewal of the general mandate for issue of securities, which was obtained from the shareholders of the Company at the last AGM held on 15 June 2017.

The renewal of this mandate would provide flexibility to the Company for any potential fund raising exercise, including but not limited to placement of shares, for purpose of funding future investments, acquisitions and/or working capital. This authority is sought to avoid any delay and costs involved in convening a general meeting to approve such issuance of shares.

Pursuant to the mandate obtained from the shareholders at the last AGM, the Company had via its private placement exercise in 2017, issued 53,000,000 new ordinary shares at RM1.15 per share to a third party investor for a total cash consideration of RM60,950,000 to fund the Company's investment in a subsidiary. Details of the utilisation of proceeds raised from the private placement exercise are set out in the Additional Compliance Information section of this Annual Report.

MUDAJAYA GROUP BERHAD (605539-H)
Incorporated in Malaysia

PROXY FORM

No. of Shares held	
CDS Account No.	

I/We ____________________ NRIC No./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 15th 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 **Wednesday, 13 June 2018 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 Dato' Yusli bin Mohamed Yusoff		
Resolution 2	Re-election of Ir. James Wong Tet Foh		
Resolution 3	Re-election of Dato' Amin Rafie bin Othman		
Resolution 4	Payment of Directors' fees		
Resolution 5	Increase of Directors' fees and the payment thereof		
Resolution 6	Payment of Directors' benefits		
Resolution 7	Re-appointment of KPMG PLT as Auditors		
Resolution 8	Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016		
Resolution 9	Proposed renewal of authority for the purchase by the Company of its own shares		

Dated this ________ day of ____________ 2018

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)*

____
Signature of Member

NOTES:

1. *A member of the Company who is entitled to attend and vote at a general meeting of the Company, is entitled to appoint a proxy or proxies to attend and vote in his stead.*
2. *A proxy or proxies may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy and the proxy shall have the same rights as the member to speak at the meeting.*
3. *Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.*
4. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if the appointer is a corporation, either under its common seal or under the hand of its officer duly authorised.*
6. *The instrument appointing a proxy must be deposited at the Registered Office of the Company 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 appointed for holding the meeting or any adjournment thereof.*
7. *For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a Record of Depositors as at **5 June 2018** and only members whose names appear in the Record of Depositors shall be entitled to attend, speak and vote at this meeting.*

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 30 April 2018.

FOLD THIS FLAP TO SEAL

2ND FOLD HERE

AFFIX
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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