CONTINEW

– IN WITH THE NEW –

IBRACO

annual report 2016

CONTENTS

CORPORATE PROFILE

Our Vision
To Be The Leading Conglomerate In The Building Industry

Our Mission
To Provide Quality Homes, Optimize Shareholders' Returns And Nurture Its Employees

Our Values
- Responsibility & Accountability
- Excellence In Service
- Customer Focus
- Respect Oneself And Fellow Colleagues

IBRACO was established in 1974 and is listed on the Main Board of Bursa Malaysia Securities Berhad since 2004. IBRACO has been in the forefront of property development for more than 40 years.

IBRACO has established itself as the Premier Property Developer in Sarawak. Over the decades, Ibraco has built and maintained a good reputation for design, quality construction and timely delivery, gaining the confidence of house buyers who regard Ibraco projects as choice properties.

It proudly established Greater Tabuan Township, Kuching's most sought-after addresses. Ibraco's success in township development has earned the BrandLaureate Special Edition World Awards for Brand Excellence in Property-Township Development. To-date, IBRACO's development has spanned over 1,500 acres and built more than 12,000 properties encompass affordable and luxury residences, high-rises as well as integrated developments.

In 2012, IBRACO made its foray into Bintulu with its inaugural comprehensive integrated development project in the heart of Bintulu, riding on the robust growth spearheaded by the SCORE (Sarawak Corridor of Renewable Energy) program driven by the Sarawak State Government.

In 2015, IBRACO continue to expand beyond its comfort zone by venturing into West Malaysian Coast with its modest high-rise development proposal in the Kuala Lumpur City Centre.

IBRACO's property development is supported by its wholly owned construction-based company, Ibraco Construction Sdn Bhd with activities in civil engineering and building works. Ibraco Construction was incorporated in 2002 and has been managed by team of experienced personnel committed to deliver quality homes. As recognition for excellence in the building industry over the years, Ibraco Construction has won the PAM Awards for Excellence in Architecture for the Masjid Wan Alwi and business excellence attested by the 21st International Construction Award (New Millenium Award) in Madrid, Spain. Its product and service quality in commercial development also accolade the SHEDA Excellence Awards for Outstanding Development in Retail Development.


CONTINEW
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CHAIRMAN'S STATEMENT

Dear Shareholders,

Financial year 2016 experienced much weaker property market sentiment. Against the backdrop of a volatile and uncertain global environment coupled with a challenging domestic market, home owners and investors had adopted wait-and-see mindset in their decision making. In response to the market behaviour, we reviewed our development approvals and decided to re-submit some of the approved plans to implement affordable residence to meet the current market needs. The new development approvals came late in the last quarter of 2016 and that has impacted the Group's performance.

As a result, the Group recorded a lower revenue of RM158.8 million as compared to RM254.0 million achieved in 2015. While the results fall below our budget, we are pleased with our underlying performance by maintaining strong profit before tax margin of 25%.

Amidst a weaker revenue, the decision to submit revise plans have brought in positive news. We have successfully rolled out 3 projects at the end of 2016 with total gross development value ("**GDV**") of RM540 million in Kuching, Bintulu and Kuala Lumpur respectively. These projects are:

- Tabuan Tranquility SOHO in Kuching, comprising 167 affordable SOHO units with GDV of RM61 million. To-date, it recorded 60% take up rate.
- Town Square SOHO in Bintulu, consist of 158 affordable SOHO units with GDV of RM69 million. To-date, it registered 25% take up rate.
- Continew in the city of Kuala Lumpur, comprising 510 apartment suites with GDV of RM410 million. Continew caters for luxury yet affordable residence to first-time homeowners and upgraders.

The launching of Continew in Kuala Lumpur is a significant milestone for Ibraco as it marks a new chapter for Ibraco. Venturing into the West Malaysia property scene has improved our market share and lifted the recognition. Though Klang Valley is a crowded market, we believe there is still opportunities for affordable residence especially at the right locations. Our new venture will definitely enhance Ibraco's experience and strengthen our quality standard. Considering Ibraco as a new player in the West Malaysia, we are pleased to record satisfactory take up rate of 46% as of the date of this report.

Returns to Shareholders

Although we do not established a dividend policy, we are determined to maintain our annual dividend pay-out. For FY2016, the Company declared an interim single tier dividend of 3.50 sen per ordinary share, representing a 60% pay-out ratio.

Community Outreach

While focusing our energy on the financial and operational aspects of the Group, we did not forget to remain committed to serve back our communities. During the year, we continue to contribute through donation to various social and charitable organisations. Our CSR initiatives provide opportunity for our employees to involve physically in numerous CSR events.

Visit to Rumah Seri Kenangan

Tree Planting at Sabati Tranquility Park

Staff Annual Dinner

Charity Walk to support Society for the Critical Sick Children

Closing Remarks

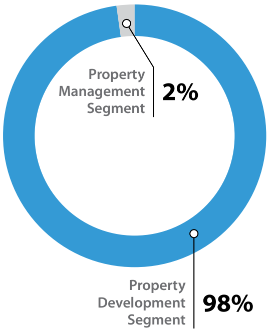
Lastly, I wish to express my sincere appreciation to the management and staff at all levels for their commitment, dedication and hard work. My gratitude also goes to all our customers, shareholders, suppliers, financiers and business associates. To the State and Federal Governments, we thank you for trusting Ibraco Group. To my fellow members of the Board, thank you for your guidance and continuous support.

Ng Cheng Chuan
Chairman

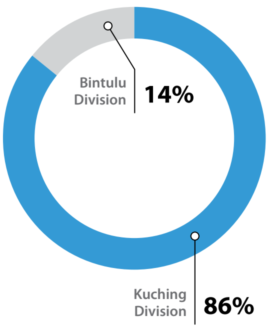
MD AND MANAGEMENT DISCUSSION AND ANALYSIS

Ibraco Berhad is actively involved in property development, real estate and construction of residential, commercial and industrial properties. With more than 40 years of long standing reputation, Ibraco Berhad has become one of the leading pioneer property developers in Kuching, Sarawak. In order to achieve the Group's vision of being the leading conglomerate in building industry, the Group has spread its wings beyond its comfort zone by venturing into Bintulu, another major town in Sarawak in 2012, and West Malaysia Coast in 2015.

REVENUE BY SEGMENT



REVENUE BY GEOGRAPHICAL AREA



Financial Performance Review

The Group's revenue and profit after tax have decreased by 38% and 45% respectively for its financial year ended 31 December 2016, as compared to 2015. The challenging market conditions that prevailed throughout the year have made the Group to revise its development approvals and hence defer major launches in 2016. Added to that, the key revenue contributing projects were at near completion stage or have been completed during the year. Meanwhile, the absence of external construction orders in 2016 has more or less contributed to the decline.

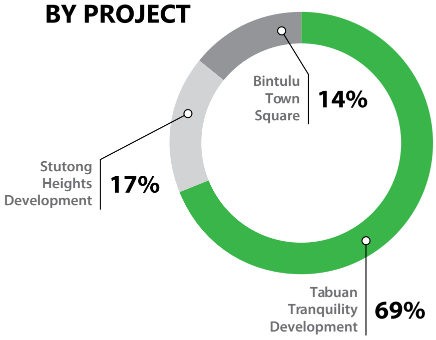
Over the years, the Group's revenue is mainly from the property development segment, which contributes about 98% of the current year aggregated group revenue. The Group's home based projects in Kuching remain the key contributor of the Group's revenue, i.e. 86% of the total property development segment revenue.

During the year, the weaken property market has slightly affected the Group's Bintulu division sales, as the Group inventories have increased from RM6.51 million in 2015 to RM44.24 million in 2016. A total of 28 units of the Bintulu Town Square 3-storey shop offices and 1 unit of 8-storey office block that were completed during the year remained unsold as at year end. Nevertheless, the Group is confident that the sales will be returned with the implementation of mega projects under the Sarawak Corridor for Renewal Energy (SCORE) development plans driven by the Sarawak State Government.

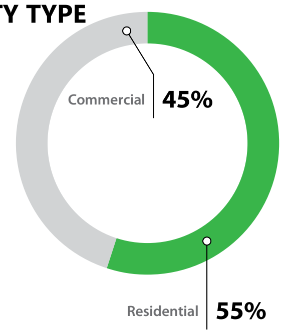
The Group's loan and borrowings have decreased by about 9.5% from RM155.4 million to RM140.6 million in 2016, while the Group's gearing ratio has also reduced to 36.31% as compared to 36.94% in 2015. The Group has the policy to keep its gearing ratio below 50% and with the current gearing ratio, it allows the Group to have additional debt of about RM150 million for further expansion. Meanwhile, the Group does not discount the possibility of raising fresh equity to ease its gearing ratio.

Review of Operating Activities

PROPERTY DEVELOPMENT SEGMENT REVENUE BY PROJECT



PROPERTY DEVELOPMENT REVENUE BY PROPERTY TYPE



Tabuan Tranquility Development, Kuching

Tabuan Tranquility is an integrated mixed development project spanning over 173 acres, comprising hypermarket, commercial hub with banks, eateries, fashion and lifestyles as well as more than 1,000 units of medium to high end residential properties. For year 2016, Tabaun Tranquility project continued to lead in Group's sales, generating 69% of the Group's revenue, primarily from the recent completed Tabuan Tranquility Phase 3 Stage 1 commercial properties and The Park Residence that comprises 178 units of high-end condominium.

Tabuan Tranquility is currently in the final phase of development with 167 units of small office home office ("SOHO") and 84 units of shop offices, which both have been launched during the last quarter of 2016. The SOHO and shop offices development are estimated to generate a gross development value ("GDV") of RM64 million and RM138 million respectively. The Group is expected to launch the lock-up retail outlets and education block in 2017.

Stutong Heights, Kuching

Stutong Heights Apartments development is a series of affordable apartments within the matured township of Greater Tabuan which have successfully attracted many first time home buyers especially those in the lower and middle income group. A total of 497 units of apartments with an estimated GDV of RM143 million from this Stutong Heights development were launched in three phases where the first phase has been completed in early 2016 while the remaining two phases are expected to be completed and ready for delivery in first half of 2017. In 2016, RM26 million representing 17% of the total group revenue was generated from this Stutong Heights Apartment development.

Town Square, Bintulu

Town Square Bintulu is the Group's maiden project in Bintulu when it first established its foothold in 2012. This development is under Warisar Sdn Bhd, a joint venture company between Ibraco Group and Bintulu Development Authority ("BDA"). Warisar Sdn Bhd acquired the right to develop two parcels of land alienated to BDA as consideration for the construction and completion of a sewerage treatment plant, which had been completed and handed over to BDA in 2015.

The first phase of the Bintulu Town Square development comprises 75 units of 3-storey shop offices and 8-storey office block with an estimated GDV of RM136 million was launched in 2013 and completed in early 2016. The lock-up retail outlets that is also part of the first phase development is expected to be completed in early 2017. For the financial year of 2016, the Group recognised RM22 million from this first phase development, representing 14% of the Group's total revenue.

During the last quarter of 2016, the Group had launched the Bintulu Town Square Phase 2 development. It comprises 13-storey development with lock-up retail outlets and 158 SOHO units with an estimated GDV of RM69 million.

Anticipated or Known Risks

The Group is affected by the current market risk, as the adverse economic and market conditions have caused the financial institutions to stringent their mortgage lending requirements. The Group aims to mitigate this risk by deferring its projects launches and conduct market feasibility studies in order to ensure that the right property is launched at the right time and at a right price.

Financial risk is also another core risk concerning to the Group. The Group ability to repay its current borrowings and at the same time securing favourable borrowings for its upcoming future projects remain a challenge given the current weaken property market. The Group has conducted in depth analysis and studies in costing, pricing, marketability and other factors on all projects to mitigate such risk.

Future Prospects

In February 2017, the Group has officially launched its first project in the West Malaysia Coast, the CONTINEW, which located in the Kuala Lumpur City Centre. It is a dynamic mixed development that consists of two residential towers, sitting above a vibrant commercial space. There will be 4 units of 3-storey commercial shop/retail, 30 units of retail/office space and 510 units of service apartment available for sale. This mixed development is estimated to have a GDV of over RM400 million. Within 2 months from launching, a total of 247 units of service apartment are sold with an unbilled sales of RM187 million, providing the Group with a positive indicator to further venture into West Malaysia Coast in the near future.

Riding on the success of Tabuan Tranquility, the Group is also preparing for its upcoming major integrated development sprawling across 123 acres of land named as The Northbank. This development is expected to be completed over a 5-year plan shall feature offices, SOHOs, apartments, gated and guarded residence, retail outlets and shop offices.

Meanwhile, the Group is actively seeking lands around major towns of Sarawak as well as West Malaysia in order to strengthen its presence and increase its land bank for future development. As the Group is growing its brand name in the Klang Valley, the next major land acquisition will likely be in Kuala Lumpur or Selangor.

As for our construction segment, we have been actively participating in bidding construction and infrastructure projects offer by the Governments as well as the private sector companies.

In addition to the generation of revenue via the Group current normal business activities, we are also in the process of venturing into another new segment - providing international education services. We have identified our strategic business partner and is currently in the process of finalizing the terms of the joint venture. We believe that this would diversify our source of income as well as enhancing the value of our surrounding developments.

Hence, for this new business segment, the capital expenditure ("CAPEX") is estimated to be approximately RM55 million to RM60 million and to be completed within 2 years. The Group also intend to construct its corporate office in 2017 with an estimated capital expenditure costs of RM45 million. The capital resources for both these CAPEX will be most likely from bank borrowings and internal funds.

The Group does not have any dividend policy. Nevertheless, over the years, the dividend payments generally depend upon a number of factors, such as the earnings, capital commitments, financial conditions, future expansion outlays as well as other factors to be considered by the Board.

GROUP CORPORATE STRUCTURE

IBRACO BERHAD
(011286-P)

- 100% Greater Tabuan Sdn. Bhd.
- 100% Syarikat Ibraco-Peremba Sdn. Bhd.
- 100% Ibraco Spectrum Sdn. Bhd.
- 100% Ibraco Infinity Sdn. Bhd.
- 100% Ibraco Construction Sdn. Bhd.
- 100% Foso One Sdn. Bhd.
- 70% Ibraco Plantation Sdn. Bhd.
- 75% Ibraco Pelita Sdn. Bhd.
- 74% Ibraco Ascent Sdn. Bhd.
- 70% Ibraco HGS Sdn. Bhd.
  - 80% Warisar Sdn. Bhd.

CORPORATE INFORMATION

DIRECTORS

Mr. Ng Cheng Chuan
Chairman

YBhg. Datuk (Dr.) Philip Ting Ding Ing
Deputy Chairman

Datuk Chew Chiaw Han
Managing Director

Mr. Liu Tow Hua
Executive Director

Puan Sharifah Deborah Sophia Ibrahim
Non-Independent Non-Executive Director

Mr. Guido Paul Philip Joseph Ravelli
Independent Director

Mr. Ng Kee Tiong
Independent Director

COMPANY SECRETARIES

Yeo Puay Huang (LS 0000577)
May Wong Mei Ling (MIA 18483)

REGISTERED OFFICE

Ibraco House No. 898 Jalan Wan Alwi, Tabuan Jaya,
93350 Kuching, Sarawak
Tel: 082-361111 Fax: 082-361188

AUDITORS

Messrs. Ernst & Young
Room 300-303, 3rd Floor, Wisma Bukit Mata Kuching,
Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak
Tel: 082-243233 Fax: 082-421287

STOCK EXCHANGE LISTING

Main Market of the Bursa Malaysia Securities Berhad
Stock Name: IBRACO
Stock Code: 5084

SHARE REGISTRAR

Securities Services (Holdings) Sdn Bhd (036869-T)
Level 7 Menara Milenium, Jalan Damanlela,
Pusat Bandar Damansara, Damansara Heights,
50490 Kuala Lumpur
Tel: 03-2084 9000 Fax: 03-2094 9940

WEBSITE

www.ibraco.com

PROFILE OF DIRECTORS

NG CHENG CHUAN
Chairman
Singaporean | Age 58 | Male

DATUK (DR.) PHILIP TING DING ING
Deputy Chairman
Malaysian | Age 65 | Male

Mr. Ng Cheng Chuan, a Non Executive Non Independent Director, joined the Board of Ibraco Group on 21 October 2009 and was appointed as the Chairman of Ibraco Group on 27 February 2014. He is also member of the Audit Committee, Nomination Committee and Remuneration Committee.

Mr. Ng is the Chairman of Crossland Marketing (2000) Pte Ltd and several other companies in Singapore, Malaysia and Thailand dealing mainly with soft commodities, farming and warehousing. Mr Ng has more than 30 years of extensive experience in the areas of sales and purchases of soft commodities.

He does not have any family relationship with any Director and/or major shareholder and has no conviction for any offences over the past 5 years. He does not have any conflict of interest with the Company.

Datuk (Dr) Philip Ting, a Non Executive Independent Director, joined the Board of Ibraco Group on 1 April 2001.

Datuk Ting holds a Bachelor of Business degree majoring in Accounting, as well as a Doctorate of the University (Honoris Causa) from Swinburne University of Technology, Australia. He is a member of the Malaysian Institute of Certified Public Accountants and a Chartered Accountant of the Malaysian Institute of Accountants.

A Fellow Member of the Institute of Chartered Accountants in Australia, he was in public practice for 17 years beginning with Touche Ross & Co in Australia in 1973 and ending as a Partner of Arthur Andersen & Co/Hanafiah Raslan & Mohamad in Malaysia. From 1991 to 1994, he was Chief Executive Officer of Sarawak Securities Sdn Bhd, a major stock-broking company in Malaysia and from 1994 to 1998, he was Group Managing Director of Cahya Mata Sarawak Berhad, a diversified conglomerate in Malaysia. He was the acting Group Chief Executive Officer of Encorp Berhad from 1 October 2010 to 30th November 2010. During his working career, he spent a significant amount of time consulting and investing in Australia, the United States of America and in countries throughout Southeast Asia.

Datuk Ting is the honorary Consul for Australia in Sarawak and the deputy president of the Sarawak Chamber of Commerce and Industries. He is also a board and council member of Swinburne University of Technology, Sarawak and chairman of the University's finance committee. Datuk Ting also sits on the Board of National Bank of Abu Dhabi Malaysia Berhad as an Independent Director and also a Director of Social Security Organisation ("SOCSO"), Deputy President of Sarawak Business Federation and Council member of Malaysia Medical Foundation.

Datuk Ting does not have any family relationship with any Director and/or major shareholder and has no conviction for any offences over the past 5 years. He does not have any conflict of interest with the Company.

PROFILE OF DIRECTORS

DATUK CHEW CHIAW HAN
Managing Director
Malaysian | Age 40 | Male

LIU TOW HUA
Executive Director
Malaysian | Age 57 | Male

Datuk Chew Chiaw Han was appointed as a Non Executive Non Independent Director on 21 October 2009 and became an Executive Director on 30 October 2009. He was then appointed as the Chief Executive Officer on 30 April 2010 and later redesignated as the Managing Director on 10 May 2011. Datuk Chew is also the Chairman of the Risk Management Committee, member of the Option Committee and Remuneration Committee.

Datuk Chew is a graduate of the University of Waikato, New Zealand with a Bachelor of Laws Degree. He started his career with Lian Hua Seng Group of companies in 1999. He was then appointed as an Executive Director in 2002 and later promoted to Chief Executive Officer of the Group in 2007. Under his leadership, he has led the group to diversify into other business fields such as manufacturing, supply, construction, logistic, and food processing, both in private and government sectors.

He does not have any family relationship with any Director and/or major shareholder and has no conviction for any offences over the past 5 years.

Datuk Chew's private companies are principally involved in construction. There may be potential conflict of interest with Ibraco Construction Sdn Bhd, a wholly owned subsidiary of Ibraco Berhad, which principally involved in construction activities.

Mr. Liu Tow Hua, an Executive Director, joined the Board of Ibraco Group on 16 January 2007. He is also a member of the Option Committee and the Risk Management Committee.

He qualified as a Chartered Accountant with the Chartered Institute of Management Accountants (UK). He is also a member of the Malaysian Institute of Accountants and the Institute of Internal Auditors Malaysia.

He has extensive experience in the auditing field both in the public and private sectors. He joined Ibraco Berhad as Group Internal Auditor and became the Chief Financial Officer in May 2006. He was appointed as an Executive Director on 16 January 2007.

He does not have any family relationship with any Director and/or major shareholder and has no conviction for any offences over the past 5 years. He does not have any conflict of interest with the Company.

PROFILE OF DIRECTORS

SHARIFAH DEBORAH SOPHIA IBRAHIM
Non Executive Non Independent Director
Malaysian | Age 54 | Female

Puan Sharifah Deborah Sophia Ibrahim was appointed to the Board of Ibraco Group on 5 July 1982 as an Executive Director and as a member of the Audit Committee on 21 April 2001. She ceased to be a member of the Audit Committee on 3 December 2007 and was redesignated to a Non Executive Non Independent Director on 16 April 2008. She also holds directorships in several private limited companies.

She does not have any family relationship with any Director and/or major shareholder and has no conviction for any offences over the past 5 years. She does not have any conflict of interest with the Company.

NG KEE TIONG
Non Executive Independent Director
Malaysian | Age 49 | Male

Mr. Ng Kee Tiong, a Non Executive Independent Director, was appointed to the Board of Ibraco Group on 15 April 2010. He is also the Chairman of the Audit Committee and member of the Nomination Committee.

Mr. Ng is a Fellow Member of the Association of Chartered Certified Accountants of United Kingdom and a member of the Malaysian Institute of Accountants. Beside his accounting and finance experience, he gained many years of experience in property development and construction industry. He is currently an Executive Director of a construction company. There may be potential conflict of interest with Ibraco Construction Sdn Bhd, a wholly owned subsidiary of Ibraco Berhad, which principally involved in construction activities.

He does not have any family relationship with any Director and/or major shareholder and has no conviction for any offences over the past 5 years.

PROFILE OF DIRECTORS

GUIDO PAUL PHILIP JOSEPH RAVELLI
Non Executive Independent Director
British | Age 66 | Male

Mr. Guido Paul Philip Joseph Ravelli, a Non Executive Independent Director, joined the Board of Ibraco Group on 1 May 2002. He is the Chairman of the Remuneration Committee and Nomination Committee and member of the Audit Committee. He is also the Senior Independent Non Executive Director to whom the public may address their concerns (if any) on the general conducts of Ibraco Group of Companies.

Born in the United Kingdom, he studied civil engineering at King's College, University of London. Graduating with a Bachelor of Science (Hons) degree in Civil Engineering, he furthered his studies at Ecole Centrale des Arts et Manufactures, Paris. Commencing his working career with a major building contractor in Paris, he soon elected to pursue an international career in the field of construction. Since joining Bouygues Construction in France in 1974, he has accumulated more than 30 years of experience in the development, implementation and management of building, public works and built-operate-transfer projects in France, Portugal, Hong Kong and Malaysia and 9 years of experience in the oil and gas industry. In 2000, the President of France conferred a national honour on him by making Paul Ravelli a Chevalier de l'Ordre National du Merite, in recognition of his contribution to the profession and to Franco-Asian business relations. Amongst the significant projects with which he has been associated are in Hong Kong, the HSBC Head Office, Pacific Place development, the National Stadium and the Convention & Exhibition Centre, and in Malaysia, the KL Sentral Station.

Mr. Paul Ravelli is Deputy Chairman and Independent Non Executive Director of Malton Berhad, a company listed on Bursa Malaysia Securities Berhad specialising in property development and project construction management. Prior to this, he was a Director and General Manager of Dragages Malaysia Berhad. He is currently Chairman of CFC Technologies Holdings, a company specialising in associated gases in oil fields.

He does not have any family relationship with any Director and/or major shareholder and has no conviction for any offences over the past 5 years. He does not have any conflict of interest with the Company.

PROFILE OF SENIOR MANAGEMENT

Stanley Yao Shi Siang, malaysian, age 53, male, is the Project Director of Ibraco Group. He obtained Bachelor of Architecture 1990 from University of Queensland, Australia. He is a registered Architect with the board of Architects, Singapore (1998) and member of Society of Project Manager, Singapore. He worked as Architect with Architects 1990 before moving to project management with Habitat Properties, Singapore; before returning to Kuching in 1999. Prior to joining Ibraco Group on 7 April 2014, he has extensive working experiences in property development and construction industry in the last 15 years ranging from commercial, residential and hotel.

He does not have any family relationship with any Director and/or major shareholder and has no conviction for any offences over the past 5 years.

May Wong Mei Ling, malaysian, age 43, female, is the Assistant to Managing Director cum Company Secretary. She qualifies as a Charted Accountant with the Association of Chartered Certified Accountants (ACCA). She is also a member of the Malaysian Institute of Accountants. She was the Chief Financial Officer and Company Secretary of Sarawak Consolidated Industries Berhad for 6 years before joining Ibraco Group on 1 February 2010.

She does not have any family relationship with any Director and/or major shareholder and has no conviction for any offences over the past 5 years.

Kho Thong Ching, malaysian, age 46, male, joined Ibraco Group as Contract Manager on 1 August 2011. He has more than 10 years' experience working for consultancy and construction firms, providing consultation and project management works for various types of building construction projects. He was later appointed as General Manager (Project Development) in 2016. He graduated with a BSc. (Hons.) Quantity Surveying from UK.

He does not have any family relationship with any Director and/or major shareholder and has no conviction for any offences over the past 5 years.

Chai Ming Hsia, malaysian, age 41, female, has more than 10 years of experience in Quantity Surveying for consultancy, developer and construction firms prior to joining Ibraco Group on 21 May 2013 as Project Special Assistant. She was later appointed as the Senior Contracts Manager in 2016. Her past projects include high end residential development, biogas plant and wastewater treatment plant. She graduated with a Bachelor's Degree in Construction Management and Economics from Australia.

She does not have any family relationship with any Director and/or major shareholder and has no conviction for any offences over the past 5 years.

Henrick Lau Lik Heng, malaysian, age 44, male, has more than 10 years of working experience as design and project architect prior to joining Ibraco Group on 6 February 2017 as Senior Planning & Design Officer. His past experiences include designing and management of projects in both residential and commercial institutional for major clientele such as Malaysia Airports Berhad, Ministry of Defense, Ministry of Education, and etc., across Sarawak. He graduated with dual degree in Architecture and Architectural Studies from the UK and Australia.

He does not have any family relationship with any Director and/or major shareholder and has no conviction for any offences over the past 5 years.

Jonathan Teo Kui Theng, malaysian, age 49, male, joined Ibraco Group as Senior M&E Manager on 1 December 2016. He has more than 10 years of experience in managing building works and M&E packages for major development projects in Sarawak, including the Sarawak International Medical Centre, as well as Sarawak Energy Berhad's headquarters building. He graduated with BSc. Engineering in Mechanical and Production from Singapore.

He does not have any family relationship with any Director and/or major shareholder and has no conviction for any offences over the past 5 years.

GROUP FINANCIAL HIGHLIGHTS

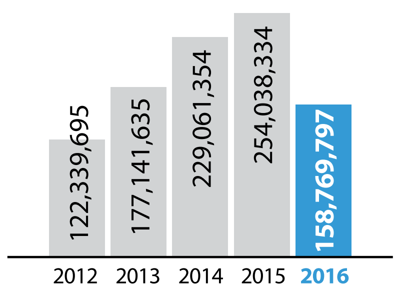
Five Years Financial Summary

	2012	2013	2014	2015	2016
Revenue (RM)	122,339,695	177,141,635	229,061,354	254,038,334	158,769,797
Profit before taxation (RM)	18,949,302	44,013,083	52,816,697	70,251,034	40,378,035
EBTIDA (RM)	21,936,835	48,341,916	56,738,063	76,195,403	46,241,314
Net profit after taxation (RM)	14,106,812	33,023,678	38,766,451	52,466,306	29,025,328
Profit attributable to owners of the Company (RM)	14,111,878	33,076,437	36,379,241	45,958,997	27,073,986
Basic earnings per ordinary share (sen)	4	8	9	11	5
Gross dividend per share (sen)	5.00	10.00	10.00	3.50	3.50
Dividend payout ratio (%)	44%	38%	33%	33%	60%
Net gearing ratio (%)	36.79%	41.59%	40.43%	36.94%	36.31%
Shareholders' equity (RM)	190,322,614	209,591,029	233,445,221	311,956,371	321,656,159
Total Assets (RM)	324,165,311	385,307,069	420,940,115	552,576,460	545,147,927
Net assets per share (RM)	1.56	1.66	1.84	0.63	0.65
Return on shareholders' equity (%)	7.2%	14.8%	15.5%	16.5%	8.3%
Return on total assets (%)	1.70	1.84	1.80	1.77	1.69
Total borrowings (RM)	90,596,825	96,995,001	100,304,231	155,423,564	140,641,412
Gearings (times)	0.48	0.46	0.43	0.50	0.44
Current assets (RM)	166,914,806	203,676,777	225,403,280	293,547,047	428,840,544
Current liabilities (RM)	70,121,227	119,625,354	142,435,955	147,117,234	154,619,682
Current ratio (times)	2.38	1.70	1.58	2.00	2.77

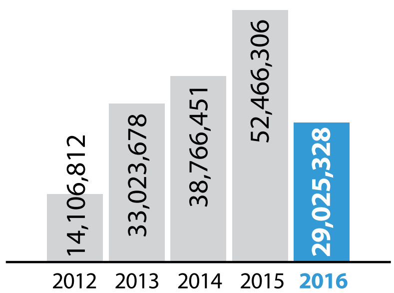
	RM1.00			RM0.50	
Issued and fully paid-up share capital of	121,675,095	126,488,095	126,624,095	496,405,652	496,405,652

Share price performance (RM)	2012	2013	2014	2015	2016
Low	0.48	0.55	0.51	1.06	1.00
High	0.49	0.56	0.52	1.08	1.00
Closing	0.48	0.55	0.52	1.06	1.00

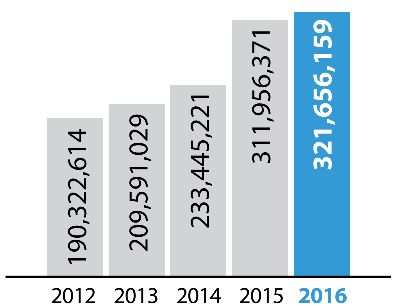
REVENUE (RM)



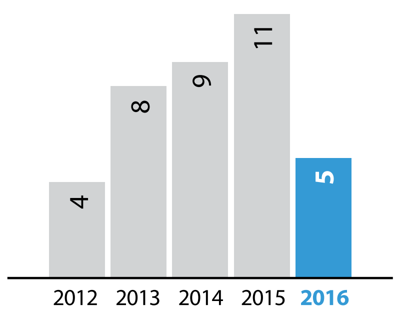
PROFIT NET OF TAX (RM)



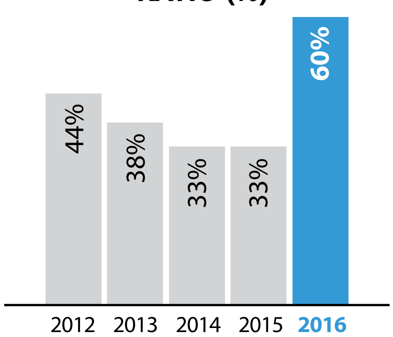
SHAREHOLDERS' EQUITY (RM)



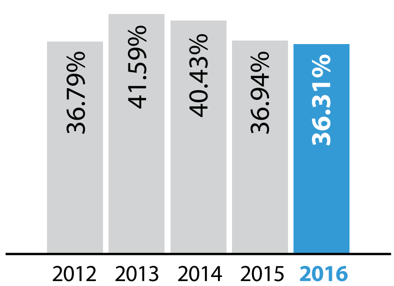
BASIC EARNINGS PER SHARE (SEN)



DIVIDEND PAYOUT RATIO (%)



NET GEARING RATIO (%)



STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of Ibraco is committed to integrate good corporate governance practices in its plans and operations throughout the Group. The Board believes in maintaining good corporate governance as the fundamental tools in discharging the Board's responsibility of protecting and enhancing shareholders' values consistent with acceptable levels of risks. The Board firmly supports the Malaysian Code on Corporate Governance ("the Code"). Throughout the financial year ended 31 December 2016, Ibraco has applied the principles and except where stated otherwise, has substantially complied with the recommendations/best practices of corporate governance as set out in of the Code.

PRINCIPAL 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Clear functions reserved for the Board and those delegated to Management

The Board is collectively responsible for the stewardship of the Group's business and affairs, setting the Company's long-term strategic direction and safeguarding interests of the stakeholders while the Management is responsible in day to day operation of the Group's business activities in accordance with the direction of the Board.

The Board has established various Board Committees to assist the Board in the running of the Group. The functions and terms of reference of the Board Committees, as well as the authorities and duties delegated by the Board to these Committees, have been clearly defined by the Board.

The Board Committees are namely the Audit Committee, Nomination Committee, Remuneration Committee, Risk Management Committee and Option Committee. The term of reference of each of the committees is accessible on Ibraco's website at www.ibraco.com.

Clear roles and responsibility

The Company's Board Charter has established clear functions reserved for the Board and those delegated to Management.

The Board has assumed the following responsibilities in discharging its fiduciary functions:-

1. Review and approve the Group's policies, strategies, business and financial plans of the Group.
2. Approved funding proposals, major acquisition and investment.
3. Conduct periodic reviews of the Group's financial performance including approval of annual and quarterly financial report.
4. Oversee the conduct and performance of the Group's businesses.
5. Review and monitor the systems of risk management and internal controls, legal and regulatory compliance and other significant corporate policies.
6. Oversee the succession plan for the Chairman, Group Managing Director, Executive Director and Senior Executives of the Group.

Code of Conduct

The Company has also adopted a set of Code of Conduct to provide guidance on matters of professional and personal behaviour that applies to Directors, alternates and any person participating in Board meeting. Both the Board Charter and Code of Conduct are subject to periodical review.

Directors are expected to observe, amongst others, the following salient points in the Code of Conduct:-

- Observe the highest standards of ethical conduct and comply with all laws, rules and regulations to which they are subject.
- To act in the interest of Ibraco Group to the best of their ability and judgement.
- Maintain the confidentiality of non-public information about Ibraco Group or its activities or operations.

The Group Whistleblowing Policy has been established to encourage all employee to raise genuine concerns about possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity, and in an appropriate way.

The Whistleblowing Policy is designed to:
(a) Support the company's values;
(b) Ensure employees can raise concerns without fear of reprisals and safeguard such person's confidentiality;
(c) Protect a whistle-blower from reprisal as consequence of making a disclosure;
(d) Provide a transparent and confidential process for dealing with concerns.

Both the Code of Conduct and Whistleblowing Policy are available online at www.ibraco.com.

Promote sustainability

The Board is aware of the importance of business sustainability and promote its corporate social responsibility practices in the Group's business operations taking into account the environment, social and governance aspect. The Group's corporate social responsibilities are set out in the Chairman Statement.

Access to information and advice

The Board papers are circulated prior to the Board meetings to ensure sufficient time is given to the Directors to read and seek any clarification that they may need from the Management or Company Secretaries or consult independent advisers, before the Board meetings.

The Chairman of various Board committees, namely the Audit Committee, Nomination Committee and Remuneration Committee brief the Board of matters discussed and decision made at the meetings of respective Board committees. Whereas the Risk Management Committee reports to the Audit Committee on quarterly basis.

Qualified and competent Company Secretaries

The Board is regularly updated and advised by the joint Company secretaries, who are qualified, experienced and competent on statutory and regulatory requirements, on the resultant implications of any changes in regulatory requirements to the Company and Directors in relation to their duties and responsibilities. The joint Company Secretaries who oversee adherence to Board policies and procedures, brief the Board on the proposed contents and timing of material announcements to be made to regulators, as well as any changes to regulatory requirements that may affect the Company and the Board. The In-house Company Secretary attends all Board and Board Committee meetings and ensures that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly. All Directors also have access to independent professional advice where appropriate, at the Company's expense.

Board Charter

Ibraco has established and formalized a Board Charter which clearly sets out the roles and responsibilities of the Board and serves as a reference for Board activities. The Company's Board Charter is available online at www.ibraco.com. It has established clear functions reserved for the Board and those delegated to Management.

The Board Charter is reviewed on annual basis to ensure it remains consistent with the Board's objectives which in line with the Group's direction and any new regulations that may impact the Board's responsibilities.

PRINCIPAL 2 – STRENGTHEN COMPOSITION

Nomination Committee ("NC")

The NC was set up on 16 April 2003 and comprises three (3) members who are Non-Executive Directors with majority of them being Independent Directors. The composition of the members is set out below:-

Guido Paul Philip Joseph Ravelli (Chairman, Independent Non-Executive Director)
Ng Cheng Chuan (Non-Independent Non-Executive Director)
Ng Kee Tiong (Independent Non-Executive Director)

STATEMENT ON CORPORATE GOVERNANCE

The duties and responsibilities of the NC are as follows:-

(a) To assess and recommend new Directors to the Board. For the position of independent non-executive directors, the NC shall also evaluate the candidates' ability to discharge such responsibilities as expected from independent non-executive directors.

(b) On re-election and re-appointment of directorship, to consider the said director's expertise, skill, knowledge and experience against other members of the Board, as well as their role as committee members.

(c) For retention of independent directors who have served as independent directors beyond nine years, the NC shall provide strong justification and seek shareholders' approval. In obtaining the shareholders' approval, the NC shall conduct an assessment of the independent director(s) and recommend to the Board whether the independent director(s) should remain independent or be re-designated.

(d) Recommend to the Board, candidates to fill the seats on Board committees in consultation with the chairmen of Board committees. In the event that the chairman's position (regardless of board/committee) is to be filled, the NC shall consult the Board.

(e) To review annually the mix of skills, knowledge, professionalism, integrity and experience, and other qualities to enable the Board to function completely and efficiently.

(f) Review the size, structure and composition of the Board.

(g) Annual assessment that the number of independent directors on the Board is sufficient to meet the regulatory requirements, and make such recommendation to the Board, where necessary.

(h) Annual evaluation of the Board's and Board Committees' performance. Performance assessment shall be used to assess whether the directors are spending enough time to fulfil their duties.

(i) The NC shall from time to time identify suitable orientation, educational and training programmes for continuous development of directors.

(j) The Committee shall review the leadership needs of the Company.

(k) Identify and develop succession plan for those in key positions in senior management.

(l) Make recommendation to the Board concerning the succession plan for Directors, in particular the Chairman and Managing Director and the re-appointment of Director at the conclusion of the term of office.

(m) Make recommendation to the Board concerning the recommendation to shareholders for re-election of any Director under the retirement by rotation provision in the Company's Articles of Association.

(n) Make recommendation to the Board concerning the continuation (or not) in service of any Director who has reached the age 70.

During the financial year ended 31 December 2016, the NC has assessed the effectiveness of the Board, its committees and contribution of each Director to ascertain and close any gaps in the Board's competencies. The evaluation exercise was carried out based on a detailed questionnaire adopting the Code and best practices.

The Nomination Committee has also reviewed and is satisfied that the relevant Directors have received appropriate training, which would enhance their effectiveness in the Board and also the effectiveness of the various committees. The various Board committees have also fulfilled their respective functions and duties diligently.

Board Balance and Independence

The Board currently has seven (7) Directors, comprising three (3) Independent Directors and four (4) Non-Independent Directors out of which two (2) are Executive Directors. Thus, the Board fulfilled the Listing Requirements of Bursa Securities that at least 1/3 of the Board must be independent Directors.

The Directors have wide range of experience and expertise and have contributed significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls. The Executive Directors in particular, are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as coordinating the development and implementation of business strategies adopted whist the Independent Directors have provide balanced and independent view and judgement to the Board

The Code recommends the appointment of a Senior Independent Non-Executive Director to whom concerns may be conveyed. Mr. Guido Paul Philip Joseph Ravelli has been appointed to assume that role.

Criteria for recruitment and assessment

Directors and shareholders may recommend candidates for appointment as Directors. The NC shall assess the suitability of the candidates before recommending the candidates to the Board for appointment.

In assessing the suitability of candidates, the NC considers their knowledge, experience, competency, integrity and additionally the criteria of independence in the event of appointment of Independent Director.

For the financial year under review, the NC has conducted its annual assessment of the Board, Board Committees and Individual Directors using a set of detailed questionnaire completed by Directors. The scope of assessment covered the following-

1. The mix of skills, expertise, composition, size and experience required by the Board;
2. The contribution and effectiveness of individual Director via peers and self-assessment;
3. The effectiveness of the Board and its committees;
4. Assess the independence of the Independent Directors;
5. The composition, effectiveness, competency and performance of the Audit Committee; and
6. The performance of the Managing Director.

The results of the assessment were compiled by the Company Secretary and tabled to the Board for review and deliberation. The Board are satisfied that the size of the Board and those of the various committees is optimum and concluded that the composition of the Board has an appropriate mix of skills and core competencies and that all the members of the Board and various committees are suitably qualified to hold their positions as Directors in view of their respective academic and professional qualifications, experience and qualities.

Diversity policy

The Board is aware of the gender diversity policy as set out in Recommendation 2.2 of the Code. When appointing a Director, the NC and the Board will evaluate the candidate giving due consideration for boardroom diversity. Currently, there is one woman Director on the Board.

Apart from the Board, the Group promote gender diversity at the management and staff level. The group recorded 40% female workforce at Group level and 22% female at Senior Management level.

Remuneration Committee

The Remuneration Committee was established on 16 April 2003 and comprises the following Board members:

Guido Paul Philip Joseph Ravelli (Chairman, Independent Non-Executive Director)
Ng Cheng Chuan (Non-Independent Non-Executive Director)
Chew Chiaw Han (Non-Independent Executive Director)

The Committee is responsible for reviewing and recommending the remuneration of all the Executive Directors of the Group ensuring that the remuneration framework is set at a competitive level for similar roles within comparable markets to recruit, attract, retain and motivate high calibre individuals to pursue the long-term growth and success of the Group.

In the case of Non-Executive Directors, the determination of their remuneration is a matter for the Board as a whole and the level of remuneration reflects the experience and level of responsibilities undertaken by each Non-Executive Director.

Individual Directors do not participate in the decision regarding their individual remuneration.

STATEMENT ON CORPORATE GOVERNANCE

The remuneration of the Executive Directors and Non-Executive Directors of the Group for the year ended 31 December 2016 is set out as follows:-

	Group		Company	
	2016	**2015**	**2016**	**2015**
Executive director's remuneration				
Salaries and other emoluments	1,001,720	891,678	929,220	824,178
Estimates money value of benefits-in-kind	34,500	34,500	34,500	34,500
Non-Executive director's remuneration				
Fees	622,150	612,900	487,250	487,500
Total Directors' Remuneration	1,658,370	1,539,078	1,450,970	1,346,178

The number of directors of the Company whose total remuneration falls within the following bands is analysed as below:-

Range of Remuneration	Executive Directors	Non-Executive Directors	Total
Nil - RM50,000		1	1
RM50,001 - RM100,000		3	3
RM250,001 - RM300,000		1	1
RM300,000 – RM350,000	1		1
RM600,001 - RM650,000	1		1

The detail remuneration disclosure of each Director is not provided as the Board believes that such information will not add significantly to the understanding and evaluation of the Company's governance.

PRINCIPAL 3 – REINFORCE INDEPENDENCE

Annual assessment of independence

The Board has an established annual evaluation of Independent Directors to ensure compliance with the requirements of Independent Directors set out in the main Market Listing Requirements. The Board performed an assessment on the independence and effectiveness of Independent Directors, took into account Independent Directors' skill, competences and whether the Independent Directors can continue to bring independent and objective judgement to board deliberations. The Board is satisfied with the level of independence demonstrated by the Independent Directors.

Tenure of independent Directors

Datuk (Dr.) Philip Ting Ding Ing and Mr. Guido Paul Philip Joseph Ravelli were appointed as non-executive, independent director on 1 April 2001 and 2 May 2002 respectively and hence have served the Company in their present capacity for more than nine years. The Board is satisfied with the skills, contribution and independent judgement that they bring to the Board. In view thereof, the Board recommends and supports their re-appointment as independent director of the Company which will be tabled for shareholders' approval at the forthcoming 45th AGM of the Company.

Separation of Chairman and CEO

The respective roles and responsibilities of the Chairman of the Board and the Group Managing Director are clearly set up. This division ensures that there is clear and proper balance of power and authority.

The Chairman's main responsibility is to ensure effective conduct of the Board and encourages participation and deliberation by all the Board members.

The Group Managing Director has overall responsibilities over the Group's operational, organisational effectiveness and implementation of Board policies, directives, strategies and decisions. At the management level, several committees namely Risk Management Committee and Tender Committee have been established to ensure good governance and practices are upheld at all times in the Group's operations and business dealings.

Non-Independent Chairman

The Chairman, Mr Ng Cheng Chuan is a Non-Independent Director. The Board acknowledged that it must comprise a majority of independent directors whilst our Chairman is not an independent director. However, the current size and composition of the Board are considered adequate to provide an optimum mix of skills and experiences. The Directors, with their diverse professional backgrounds and specialisations, collectively bring considerable knowledge, independent judgments and expertise to the Board. Further, with the current Board composition, there is no disproportionate imbalance of power and authority on the Board between the non-independent and independent directors. The Board believes that the interests of the shareholders are best served by the Chairman who has a substantial interest in the Company. Nevertheless, the Board will continue to monitor and review the Board size and composition from time to time.

PRINCIPAL 4 – FOSTER COMMITMENT

The Board meets at least once in every quarter, which is in tandem with the need to review and approve unaudited quarterly financial results prior to public dissemination.

In advance of each Board Meeting, the members of the Board are each provided with all relevant documents and information to enable them to discharge their duties efficaciously. Board papers are comprehensive and encompass both quantitative and qualitative information so that informed decisions could be made. Board papers are distributed well in advance of the scheduled meetings. The senior management of the Company is usually in attendance at such board meetings to furnish clarification on issues that may be raised by the Board.

During the year ended 31 December 2016, the Board met on four (4) occasions where it deliberated upon and considered a variety of matters including business plans and the future direction of the Group, Corporate Governance, Risk Management, Group Policies and Group Financial Results.

Details of Directors' attendances of Board Meetings in 2016 are as follows:

Directors	Number of Board Meetings attended
Ng Cheng Chuan	2/4
Datuk (Dr.) Philip Ting Ding Ing	4/4
Datuk Chew Chiaw Han	4/4
Liu Tow Hua	4/4
Sharifah Deborah Sophia Ibrahim	4/4
Guido Paul Philip Joseph Ravelli	4/4
Ng Kee Tiong	4/4

All Directors have complied with the minimum 50% attendance requirement in respect of Board Meetings as stipulated by the Listing Requirements of Bursa Securities.

Directors' continuing education programs

The Directors will continuously attend conferences, seminars and training programmes as well as reading materials and publications to further broaden their perspective, skills, knowledge and to keep abreast with the relevant changes in law, regulations and the business environment.

All Directors have attended the Mandatory Accreditation Programme prescribed by Bursa Securities. During the financial year under review, the Directors, individually or collectively, attended various training programmes and seminars as set out below:-

Date	Courses
17 March 2016	A Year into Final Tax : Issues and Challenges
6 May 2016	Bursa CG Breakfast Series - The Strategy, the Leadership, the Stakeholders and the Board
19 August 2016	Sustainability Reporting& Snippets on Changes in the Draft MCCG2016
23 August 2016	Property Sector Updates and Preparation for Capital Goods Adjustment
19 September 2016	Companies Bill 2015 : A Snapshot of Changes
28 September 2016	The Interplay between CG, Non-Financial Information (NFI) and Investment Decision
10-11 October 2016	2016 IIA Malaysia National Conference
26 October 2016	The New Malaysian Code on Corporate Governance 2016 - Raising the bar and Drafting the Management Discussion and Analysis,
1 December 2016	2017 Budget Seminar
13 January 2017	ACRA:SGX-SID Audit Committee Seminar 2017 – Rising Above Complexities – What Audit Committees Should Consider

PRINCIPAL 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING

Financial Reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects through the annual financial statements, quarterly announcements of the financial results to shareholders, the Chairman's Statement and the review of operations in the annual reports.

The Board is assisted by the Audit Committee in overseeing the Group's financial reporting processes, the quality of its financial reporting to ensure that the reports are accurate and fairly represent the Group's financial position and the results of its operations.

Directors' Responsibility Statement

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of Ibraco and of the Group as at the end of the financial year and of the results and cash flows of Ibraco and of the Group for the financial year.

The Directors are satisfied that in preparing the financial statements of the Group and the Company for the financial year ended 31 December 2016, the Group has used appropriate accounting policies on a consistent basis supported by reasonable and prudent judgments and estimates and all applicable approved accounting standards have been complied.

The Directors have ensured that the accounting records to be kept by Ibraco and the Group have been properly kept.

Relationship with External Auditors

The Audit Committee has an appropriate and transparent relationship with the external auditors. The role of the Audit Committee in relation to the external auditors is stated in the "Summary of activities during the financial year" as part of the Audit Committee Report, and set out on pages 31 to 34 of this Annual Report.

PRINCIPAL 6 – RECOGNISE AND MANAGE RISK

The Board acknowledges it assumes overall responsibility for maintaining a system of internal controls that provides reasonable assurance of effective and efficient operations, and compliance with laws and regulations, as well as with internal procedures and guidelines. The Board recognises that it is also responsible for reviewing their effectiveness. A sound system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against any risk of material errors, frauds or losses occurring.

The overview on the state of internal control is set out in the "Statement on Risk Management and Internal Control" on pages 27 to 30 of this Annual Report.

PRINCIPAL 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board recognizes the importance of accurate and timely dissemination of information to shareholders, investors and other stakeholders. All communication with media or public and disclosures made are in accordance with the Group's Communication Policy.

The Company's website, www.ibraco.com, also provides an avenue for comprehensive and up-to-date information dissemination.

PRINCIPAL 8 – STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Company recognises the importance of maintaining transparency and accountability to its stakeholders. This is done through optimised levels of disclosure and communications with its stakeholders through readily accessible channels. It is also a practice to provide clear, comprehensive and timely information to all stakeholders, particularly shareholders and investors, to facilitate informed investment decision-making. Therefore, the Board acknowledges the need for shareholders to be informed on all material business matters of the Group. Announcements to inform shareholders are made on significant developments and matters within the Group. The Board may seek external advice to ensure that announcements do not omit any material information. Financial results are released on a quarterly basis to provide shareholders with an overview of the Group's performance. The Annual Report is also a key channel of communication with shareholders and investors.

The Annual General Meeting has also been a main forum for dialogue with shareholders and investors. Opportunities will be given to shareholders and investors to raise questions and to seek clarifications on the business and performance of the Group.

ADDITIONAL COMPLIANCE INFORMATION

Utilisation of Proceeds from Corporate Proposal

On 21 August 2015, the Company has completed the renounceable rights issue of 50,653,638 new ordinary share of RM1.00 each. The gross proceed from this corporate exercise of approximately RM50.65 million have been / shall be utilised in the following manner:

Purpose	Proposed utilisation	Actual utilisation	Deviation	Balance	Intended timeframe for utilisation	Explanations
	RM'000	RM'000	RM'000	RM'000		
(i) Repayment of bank borrowings	30,000	(30,000)	-	-	Within 12 months	Repayment of short term borrowings
(ii) Project financing	19,554	(15,167)	363	4,750	Within 24 months	Payment to project consultants and contractors
(iii) Rights issue expenses	1,100	(737)	(363)	-	Within 3 months	Payment of professional fees
	50,654	(45,904)	-	4,750		

Audit and Non-audit Fees

The amount of audit and non-audit fees paid or payable to the External Auditor and company affiliated to the External Auditors' firm for the year ended 31 December 2016 were as follows :

Purpose	Group (RM)	Company (RM)
Audit Fees	98,000.00	60,000.00
Non-audit Fees		
- Tax advisory, computation and filing	77,777.50	36,538.20
- Review of Statement on Risk Management and Internal Control	10,971.00	10,971.00
Total	**186,748.50**	**107,509.20**

Related Party Transactions

The value and types of related party transactions entered into by Ibraco and its subsidiary companies are shown on pages 107 to 109 of this Annual Report (see Note 29 to the financial statements).

Material Contracts

There were no material contracts entered into by Ibraco and its subsidiary companies involving Directors and major shareholders, either still running at the end of the financial year or entered into since the end of the previous financial year other than those disclosed in the financial statements.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

The Malaysian Code on Corporate Governance requires listed companies to establish a sound risk management and internal control system to safeguard shareholders' investments and the Group's assets.

In compliance with Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers which is issued by the Taskforce on Internal Control, the Board is pleased to present the Statement on Risk Management and Internal Control of the Group comprising the Company and its subsidiaries.

Responsibility of the Board

The Board is responsible for the adequacy and effectiveness of the Group's risk management and internal control system. However, such a system is designed to manage the Group's risks within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objectives of the Group. Accordingly, it can only provide reasonable assurance but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board recognises the importance of the roles of sound risk management and internal control system in promoting good corporate governance. Such system covers not only financial controls but also control measures relating to operations, compliance with applicable laws, regulations and other guidelines (professional, statutory or otherwise).

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes updating the risk management and internal control system when there are changes to the business environment or regulatory guidelines. The process is regularly reviewed by the Board and accords with the guidelines for Directors on risk management and internal control, the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

The risk management and internal control system is designed to gear the Group into meeting its business goals and objectives and to manage the risks to which it is exposed. The Board and Management acknowledge that such risks cannot be completely eliminated.

The Board has received assurance from the Managing Director and the Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of issuance of the Annual Report and financial statements is sound and sufficient to safeguard the shareholders' investments, the interests of all other stakeholders, regulators and the Group's assets.

The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

Risk Management Framework

The Risk Management Committee was established by the Board to assist the Board to oversee the overall management of principal areas of risk of the Group.

In order to properly manage risks, the Group has adopted an appropriate risk assessment and evaluation framework as an on-going process as well as appropriate control systems to manage and control these risks. The following provide an overview of the Group's risk management process:

- The Board has approved a Risk Management Policies and Procedures Manual, which outlines the risk management framework for the Group and offers practical guidance to all employees on risk management issues.

- A Risk Management Committee, headed by the Managing Director, continuously carries out its responsibility to identify and communicate to the Board the critical risks (present and potential) which the Group faces, their changes, and what the management action plans are, to manage the risks.

- All Heads of Departments have identified risks (present and potential) faced at departmental levels and suggested action plans to mitigate these risks for deliberation during the Risk Management Committee meeting. These action plans are closely monitored to assess their effectiveness over the period during which they are subject to such risks and will be reviewed and monitored on a regular basis.

- A consolidated risk profile of the Group was developed and will be updated in accordance with the risk appetite (current and future) of the Group. This together with a summary of key findings and proposed mitigating measures was discussed and finalised in the various Risk Management Committee meetings.

- During the financial year under review, the Risk Management Committee has identified, compiled and worked out the remedial measures to mitigate the risks encountered by each Department, which fall under the categories of Planning and Design, Contract, Property Development, Property Management, Marketing and Sales, Conveyance and Credit, Corporate and Secretarial, Procurement, Account and Finance, Human Resources and Administration.

- The Risk Management Committee reports to the Audit Committee on a quarterly basis on risk related matters.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Internal Audit Function

The Group has established an Internal Audit Department, who reports independently to the Audit Committee, to provide the Board with adequate assurance it requires regarding the adequacy and effectiveness of risk management, internal control and governance systems.

The annual internal audit plan is approved by the Audit Committee and the scope of internal audit work covers the audits of all business processes in the Group. The internal auditors also monitor the implementation of their audit recommendations in order to obtain assurance that all major risks and controls measures identified have been duly addressed by the Management in the most effective and timely manner.

The internal auditors adopt a risk-based approach towards the planning and conduct of internal audits, which are consistent with the Group's established framework of designing, implementing and monitoring its internal control system.

The internal auditors work to resolve any control issues that may be raised by the external auditors to ensure that significant issues are duly acted upon by the Management in the most timely and appropriate manner.

Other Key Elements

Other key elements of the Group's risk management and internal control system, which may also fall under the ambit of risk management practices or internal control procedures, are described below:

Committees at the Various Levels

Various Committees have been established to assist the Board in the discharge of their fiduciary duties. They are the Audit Committee, the Risk Management Committee, the Nomination Committee, the Remuneration Committee and the Option Committee.

Specific responsibilities have been delegated to these Board Committees, all of which have written terms of reference. These Committees have the authority to examine all matters within such terms of reference and related scope of responsibilities and to report to the Board with appropriate recommendations.

Policies and Procedures

Operational Procedures for all business processes are also in place to ensure effectiveness, transparency and continuity.

The procedures amongst other things outlined reporting and authority structures. Pre-defined limits are also established at appropriate levels to deliberate and approve expenditures.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Performance Monitoring

It is an essential component of the Financial Policies and Procedures Manual that yearly Management Action Plans are formulated and approved by the Board, with the following objectives:

- To map out the strategic direction of the Group;
- To set goals at all appropriate levels;
- To gear physical, financial and human resources towards achieving these goals; and
- To serve as a blueprint that sets the criteria to measure performance throughout the year.

The daily running of the business is entrusted to the Managing Director and the respective management team. Performance measurements are discussed at the various Board Committee meetings. Significant variances are investigated by the Management and findings are reported to the various Committees.

Bi-quarterly management reports covering all key financial and operational indicators are also provided to senior management for information and further action. In addition, the Audit Committee and the Board reviewed the quarterly financial results.

Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control for the inclusion in the Annual Report of the Group for the year ended 31 December 2016 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of risk management and internal control of the Group.

Conclusion

The Board is not aware of any significant control failures or weaknesses identified during the financial year under review that would result in material losses and require disclosure in the Annual Report of the Group.

The Board and Management will, when necessary, continuously measures and enhance the adequacy and integrity of the risk management and control system.

This statement is made in accordance with a resolution of the Board dated 24 February 2017.

AUDIT COMMITTEE REPORT

The Audit Committee ("the Committee") of Ibraco Group was established on 21 April 2001 to act as a Board Committee to the Board and was reconstituted on 3 December 2007 to exclude any Executive Directors as required under the Listing Requirements.

MEMBERSHIP AND ATTENDANCE

The Committee comprises the following members and details of their respective attendance at all Committee meetings held during the year ended 31 December 2016 are as follows:

Composition of Committee	Total Number of Meetings Attended
Ng Kee Tiong Chairman/ Independent Non-Executive Director	5/5
Guido Paul Philip Joseph Ravelli Member/ Independent Non-Executive Director	5/5
Ng Cheng Chuan Member/ Non-Independent Non-Executive Director	2/5

The meetings were appropriately structured through the use of agendas, which were distributed at least one week in advance of the meetings. Papers constituting the agenda were formally presented and were discussed in the meetings. Where appropriate, the Committee made recommendations for approval at meetings of the Board documented in the form of minutes of the Committee meetings.

The Group Internal Auditor ("GIA") is the Secretary of the Committee. Representatives from the External Auditors were invited to attend meetings where necessary. The Managing Director and the Chief Financial Officer ("CFO") were also presented at the meetings by invitation to facilitate direct communications as well as to provide clarification on audit issues and the Group's operations. Other senior executives were invited to attend the meetings with respect to those agenda that concerned them as such.

TERMS OF REFERENCE

The Committee is responsible among others, to review and monitor the integrity of the Group's reporting process, system of internal control, audit process as well as compliance with legal, regulatory and taxation matters for the Group. The terms of reference of the Committee is made available on the Company's corporate website at www.ibraco.com.

AUDIT COMMITTEE REPORT

SUMMARY OF WORK DURING THE FINANCIAL YEAR

The Committee had deliberated various strategies and actions in line with the mandate provided in its terms of reference throughout the year of 2016. The work undertaken by the Committee during the financial year summarised as below:

1. Financial Results

- Reviewed the quarterly unaudited financial results before recommending them to the Board for approval at each quarterly Committee meeting during the financial year. The review was to ensure compliance with the requirements of Financial Reporting Standards ("FRS") 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements ("LR") of Bursa Malaysia Securities Berhad.

- Reviewed the annual audited financial statements for year ended 31 December 2015 on 30 March 2016.

- The CFO had on each quarterly Committee meeting, presented and given assurance to the Committee that:
  - Appropriate accounting policies had been adopted and applied consistently;
  - The going concern basis applied in the Annual Financial Statements and quarterly unaudited financial statements were appropriate;
  - Prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the FRSs;
  - Adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the FRSs and LRs; and
  - The annual financial statements and quarterly unaudited financial statements did not contain material misstatements and gave a true and fair view of the financial position of the Group and the respective companies within the Group for 2016.

2. The Internal Audit Function

- Reviewed the annual internal audit plan to ensure adequacy of scope and coverage on the activities of the Group, taking into consideration the assessment of key risk areas.

- Reviewed the internal audit reports, which include audit findings, audit recommendations made and the Management's responses to assess whether or not appropriate actions have been taken with respect to the audit recommendations.

- At each Committee meeting, the Committee had an executive session with the GIA without the presence of Management.

- At the Committee meeting on 18 November 2016, the Committee had assessed the Internal Audit Function via questionnaires, which aimed to gauge the level of satisfaction with the Internal Audit roles and services, competency and professionalism in governance, risk and controls, as well as the independence and objectivity. The results indicated the Internal Audit Function was satisfactory.

3. **The External Audit Function**

- Reviewed the list of services in the Annual Plan 2016 at its meeting on 18 November 2016, which comprised the audit services and recurring non-audit service that may be provided by the external auditors. The recurring non-audit service was in respect of the annual review of the Statement on Risk Management and Internal Control. In considering the nature and scope of non-audit fees, the Committee was satisfied that it was not likely to neither create any conflict of interest nor impair the independence and objectivity of the external auditors. The Committee also reviewed the external auditors' proposed fees for the statutory audit, together with the review of the Statement on Risk Management and Internal Control. The Committee recommended the audit fees for the Board's approval and the same was duly approved at the subsequent Board meeting.

- The Committee deliberated on the external auditors' report at its meeting on 30 March 2016 with regard to the relevant disclosures in the annual audited financial statements for 2015.

- On 30 March 2016, the Committee undertook an annual assessment of the suitability, effectiveness and independence of the external auditors, taking into consideration the Management's feedback on external auditors' performance. Assessment questionnaires were used as a tool to obtain input from the personnel who had substantial contact with the external auditors throughout the year. External auditors' performance was rated using a five-point scale on their ability to provide advice, suggestions or clarifications relating to the presentation of financial statements, ability to provide realistic analysis of issues using technical knowledge and independent judgement, and maintain active engagement, through both verbal and written communication during the audit process, including their responsiveness to issues. The Committee also took into account the observations of the audit engagement partner and engagement team's performance during the meetings held between the Committee and the external auditors in November 2015 and February 2016 respectively. Based on the evaluation conducted, the Committee is satisfied with the external auditors' performance, technical competency and audit independence.

- The external auditors provided written assurance on 26 February 2016 to the Committee that, in accordance with the terms of all relevant professional and regulatory requirements, they had been independent throughout the audit engagement for the financial year ended 31 December 2015.

4. **Related Party Transactions**

- The Committee reviewed all related party transactions of the Group as reported by the Management and incorporated them in relevant quarterly announcements and related party transactions announcements made during the financial year.

5. **Risk Management**

- Reviewed the Statement on Internal Control and Risk Management on 26 February 2016 for the publication in the 2015 Annual Report.

- Reviewed reports from the Risk Management Committee and the corresponding action plans to manage such risks at the Committee meetings held on 30 March 2016, 20 May 2016, 19 August 2016 and 18 November 2016, to ensure that mitigating measures were appropriate and adequate to help reduce the risks identified to an acceptable and tolerable level in accordance to the risk appetite of the Group.

AUDIT COMMITTEE REPORT

INTERNAL AUDIT FUNCTION

The Group has established an Internal Audit Department, which reports directly to the Committee, to assist the Committee in discharging its duties and responsibilities. The Department undertakes regular, independent and systematic reviews of the internal control systems so as to provide reasonable assurance that such systems will continue to operate effectively, efficiently and economically in accordance with the Group's overall objectives and goals. The Department also verifies data and information given to external agencies such as Bursa Malaysia Securities Berhad and the Securities Commission.

The Internal Audit Department carries out its functions in accordance with the annual audit plan approved by the Committee each year covering the scope of the audit work and resources needed to perform such work. The Internal Audit Department reports directly to the Committee on major findings and any significant control issues and concerns. The Committee regularly evaluates and monitors the performance of the internal audit function to assess its effectiveness in discharging its duties and responsibilities.

A risk-based approach is adopted for all audits conducted by the Internal Audit Department, among the scope of coverage were:
- Updates on corporate governance, statutory and regulatory requirements, compliance with accounting standards and other business guidelines;
- Procurement management;
- Project management;
- Sales and marketing management;
- Human resources management; and
- Customer service.

These audits will help to ensure that control measures put in place are appropriate, effectively applied and are adequate to cover the exposure to risks, consistent with the Group's policies.

The Internal Audit department is guided by the Internal Audit Charter as well as the Professional Practices Framework in assessing and reporting on the adequacy and effectiveness of the internal control, governance and risk management processes.

The relevant audit reports were presented to the Committee, on 26 February 2016, 20 May 2016, 19 August 2016, and 18 November 2016, for deliberation and forwarded to the Management for the necessary corrective actions to be taken.

The summary of internal audit work performed during the financial year is as below:

a. prepared annual audit plan for deliberation and approval by the Committee;
b. performed operational audits on business units and projects of the Group to ascertain the adequacy and integrity of their system of internal controls, governance and risk management;
c. presented internal audit's reports, which include audit findings, audit recommendations and Management's responses;
d. performed statutory compliance audits including related party transactions and the Company's Employees Share Option Scheme ("ESOS") allocations;
e. discussed with Management in identifying significant concerns and risk areas perceived by Management for inclusion in the internal audit plan; and
f. developed the 2017 internal audit's annual audit plans.

The total costs incurred in relation to the Internal Audit Department for year 2016 amounted to approximately RM131,000. The internal audit function was carried out solely by the Internal Audit Department and there were no areas of the internal audit function which were outsourced.

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

CONTENTS

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

Principal activities

The Company is engaged in realty development and investment holding. The principal activities of the subsidiaries are set out in Note 13 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

Results

	Group	Company
	RM	RM
Profit net of tax	29,025,328	28,126,313
	========	========
Profit attributable to:		
Owners of the Company	27,073,986	28,126,313
Non-controlling interests	1,951,342	-
	———————	———————
	29,025,328	28,126,313
	========	========

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

The amount of dividends paid by the Company since 31 December 2015 was as follows:

	RM
In respect of the financial year ended 31 December 2016:	
Interim single-tier dividend of 3.50 sen on 496,405,652 ordinary shares, declared on 24 October 2016 and paid on 18 November 2016	17,374,198
	========

Directors

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Ng Cheng Chuan
Datuk Chew Chiaw Han
Dr. Sharifah Deborah Sophia Ibrahim
Datuk (Dr.) Philip Ting Ding Ing
Ng Kee Tiong
Guido Paul Philip Joseph Ravelli
Liu Tow Hua

DIRECTORS' REPORT

Directors (contd.)

The directors of the subsidiaries of the Company since the beginning of the financial year to the date of this report (not including those directors listed above) are:

Datu Dr. Hj. Sulaiman Bin Hj. Husaini
Rodziah Binti Morshidi
Barry Tan Chong Liang
Kho Thong Ching
Hasbi Bin Suhaili
Stanley Yao Shi Sing (Resigned on 1 July 2016)

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Employees' Share Option Plan.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employees' of the Company as shown in Note 9 the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 29 to the financial statements.

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

	Number of ordinary shares of RM0.50 each
Direct Interest	
Dr. Sharifah Deborah Sophia Ibrahim	99,366,120
Ng Cheng Chuan	87,077,478
Datuk Chew Chiaw Han	15,875,440
Datuk (Dr.) Philip Ting Ding Ing	1,625,120
Ng Kee Tiong	1,099,120
Indirect Interest	
Datuk Chew Chiaw Han	130,619,438
Ng Cheng Chuan	35,720,720

By virtue of their substantial interests in the Company, Dr. Sharifah Deborah Sophia Ibrahim, Ng Cheng Chuan and Datuk Chew Chiaw Han, are also deemed interested in shares of the subsidiaries to the extent that the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' REPORT

Employees' Share Option Plan

At an Extraordinary General Meeting held on 29 June 2011, shareholders approved the Employees' Share Option Scheme ("ESOS") for the granting of non-transferable options that were settled by physical delivery of the ordinary shares of the Company to eligible employees and directors of the Ibraco Berhad Group (excluding subsidiaries which are dormant).

The committee administering the ESOS comprised the board of directors.

The salient features and other terms of the ESOS are disclosed in Note 22 to the financial statements.

On 1 July 2011, the Company granted 12,240,000 share options under the ESOS. The options, which were exercisable only by the grantee during his life time and whilst he was in the employment of the Group and within the Options Period, expired on 30 June 2016.

Details of all the options to subscribe for ordinary shares of the Company pursuant to ESOS as at 31 December 2016 were as follows:

Expiry date	Exercise price (RM)	Number of options
30 June 2016	1.01	12,240,000
		========

Other statutory information

(a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

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

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

DIRECTORS' REPORT

Other statutory information (contd.)

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

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

  (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

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

  (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Auditors' remuneration are disclosed in Note 7 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 March 2017.

Datuk Chew Chiaw Han **Liu Tow Hua**

STATEMENT BY DIRECTORS
pursuant to Section 251(2) of the Companies Act 2016

We, **Datuk Chew Chiaw Han** and **Liu Tow Hua**, being two of the directors of **Ibraco Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 45 to 122 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 37 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 March 2017.

Datuk Chew Chiaw Han **Liu Tow Hua**

STATUTORY DECLARATION
pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Liu Tow Hua**, being the director primarily responsible for the financial management of **Ibraco Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 45 to 123 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed **Liu Tow Hua**
at Kuching in the State of Sarawak
on 30 March 2017

Liu Tow Hua

Before me,
Evelyn Lau Sie Jiong (No. Q 137)
Commissioner For Oaths
No. 10, Lot 663, Ground Floor
Lorong 2 Jalan Ong Tiang Swee
93200 Kuching, Sarawak

INDEPENDENT AUDITORS' REPORT
to the Members of Ibraco Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **Ibraco Berhad**, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and 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 45 to 122.

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

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis of our audit opinion on the accompanying financial statements.

Report on the audit of the financial statements (contd.)

Revenue and cost recognition on the sales of properties under construction

For the year ended 31 December 2016, as disclosed in Note 4 and Note 5 to the financial statements, the Group recorded revenue and cost from sales of properties under construction amounting to RM156 million and RM102 million, respectively. Significant judgement is required in determining the stage of completion, the costs incurred, expected total property development costs to be incurred and the recoverability of the costs on the properties sold. In making the judgment and estimation, the management considers past experience and relies on the work of experts. The recognition of revenue and cost is therefore dependent on the Group's estimated gross development cost. We identified revenue and cost recognition on the sales of properties under construction as a significant risk, requiring special audit consideration.

Our audit procedures included assessing the management's method of revenue and costs recognition relating to the various development projects, that they are properly allocated and taken up in the respective development projects, and that the various stages of completion are based on the costs incurred to-date over the estimated total costs of the development projects. In evaluating the significant judgments and estimation made by management, we assessed the reliability of the reports provided by external parties (quantity surveyors etc.) and the competency of the external experts. We have performed substantive procedures over the recording of contract costs and contract revenues including the estimation of costs to be incurred and ensured that revenue is only recognised for sales with properly executed sales and purchase agreements. We also focused on the adequacy of the disclosures made in Note 3.2, Note 4 and Note 5 to the financial statements.

Information other than the financial statements and auditors' report thereon

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

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the directors for the financial statements

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

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

Report on the audit of the financial statements (contd.)

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

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

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

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

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

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
to the Members of Ibraco Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements (contd.)

Auditors' responsibilities for the audit of the financial statements (contd.)

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 report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other reporting responsibilities

The supplementary information set out in Note 37 on page 123 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 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.

ERNST & YOUNG
AF: 0039
Chartered Accountants

AU YONG SWEE YIN
3101/02/18 (J)
Chartered Accountant

Kuching, Malaysia.
Date: 30 March 2017

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Revenue	4	158,769,797	254,038,334	136,623,592	205,963,488
Cost of sales	5	(101,809,855)	(166,921,371)	(97,051,469)	(151,503,307)
Gross profit		56,959,942	87,116,963	39,572,123	54,460,181
Other item of income					
Other income		1,702,336	1,387,182	11,034,224	5,495,958
Other items of expense					
Administrative expenses		(13,408,378)	(13,006,297)	(10,132,294)	(9,972,545)
Selling and marketing expenses		(353,016)	(561,384)	(353,016)	(561,384)
Operating profit		44,900,884	74,936,464	40,121,037	49,422,210
Finance costs	6	(4,522,849)	(4,685,430)	(3,639,384)	(4,361,447)
Profit before tax	7	40,378,035	70,251,034	36,481,653	45,060,763
Income tax expense	10	(11,352,707)	(17,784,728)	(8,355,340)	(10,818,375)
Profit net of tax, representing total comprehensive income for the year		29,025,328	52,466,306	28,126,313	34,242,388
Total comprehensive income attributable to:					
Owners of the Company		27,073,986	45,958,997	28,126,313	34,242,388
Non-controlling interests		1,951,342	6,507,309	-	-
		29,025,328	52,466,306	28,126,313	34,242,388
Earnings per share attributable to owners of the Company (sen)					
- Basic	11	5	11		
- Diluted	11	5	11		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
ASSETS					
Non-current assets					
Property, plant and equipment	12	7,366,485	8,125,309	2,504,530	2,791,327
Investments in subsidiaries	13	-	-	33,401,166	33,327,166
Land held for property development	14(a)	44,587,485	193,209,066	42,106,977	192,057,520
Completed investment property	15(a)	52,100,000	51,700,000	52,100,000	51,700,000
Investment property under construction	15(b)	4,398,973	-	4,398,973	-
Deferred tax assets	26	7,854,440	5,995,038	2,678,009	1,145,009
		116,307,383	259,029,413	137,189,655	281,021,022
Current assets					
Property development costs	14(b)	294,954,918	162,124,932	256,765,968	84,387,618
Inventories	16	44,243,769	6,511,339	8,224,855	6,631,848
Trade and other receivables	17	28,222,774	46,829,854	64,076,357	70,876,075
Other current assets	18	30,867,855	24,796,015	17,391,314	21,708,896
Investment securities	20	7,639,310	5,476,099	-	-
Cash and bank balances	21	22,911,918	47,808,808	16,813,405	36,411,315
		428,840,544	293,547,047	363,271,899	220,015,752
TOTAL ASSETS		545,147,927	552,576,460	500,461,554	501,036,774
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	22	248,202,826	248,202,826	248,202,826	248,202,826
Retained earnings	24	73,453,333	63,753,545	68,876,601	58,124,486
		321,656,159	311,956,371	317,079,427	306,327,312
Non-controlling interests		10,801,449	9,824,107	-	-
TOTAL EQUITY		332,457,608	321,780,478	317,079,427	306,327,312

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
EQUITY AND LIABILITIES (CONTD.)					
Non-current liabilities					
Loans and borrowings	25	58,068,246	83,676,357	50,545,858	67,679,945
Deferred tax liability	26	2,391	2,391	-	-
		58,070,637	83,678,748	50,545,858	67,679,945
Current liabilities					
Loans and borrowings	25	82,573,166	71,747,207	76,413,158	65,587,199
Trade and other payables	27	65,679,919	75,143,790	51,346,761	61,442,318
Other current liabilities	28	6,048,086	226,237	4,757,839	-
Income tax payable		318,511	-	318,511	-
		154,619,682	147,117,234	132,836,269	127,029,517
TOTAL LIABILITIES		212,690,319	230,795,982	183,382,127	194,709,462
TOTAL EQUITY AND LIABILITIES		545,147,927	552,576,460	500,461,554	501,036,774

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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

	Note	Equity, total	Equity attributable to owners of the Company, total	Share capital (Note 22)	Share premium (Note 22)	Share option reserve (Note 23)	Retained earnings	Non-controlling interests
				← Attributable to owners of the Company →				
				← Non-distributable		→		
		RM	RM	RM	RM	RM	RM	RM
Group								
At 1 January 2015		236,962,019	233,445,221	126,624,095	9,964,338	16,960	96,839,828	3,516,798
Profit net of tax, representing total comprehensive income		52,466,306	45,958,997	-	-	-	45,958,997	6,507,309
Transactions with owners:								
Exercise of employees' share options		10,100	10,100	10,000	17,060	(16,960)	-	-
Rights issue		50,653,638	50,653,638	50,653,638	-	-	-	-
Share issuance expenses		(737,387)	(737,387)	-	(737,387)	-	-	-
Bonus issue		-	-	70,915,093	(9,244,011)	-	(61,671,082)	-
Dividends on ordinary shares	36	(17,374,198)	(17,374,198)	-	-	-	(17,374,198)	-
Dividends paid to non-controlling interests		(200,000)	-	-	-	-	-	(200,000)
Total transactions with owners		32,352,153	32,552,153	121,578,731	(9,964,338)	(16,960)	(79,045,280)	(200,000)
At 31 December 2015		321,780,478	311,956,371	248,202,826	-	-	63,753,545	9,824,107
Profit net of tax, representing total comprehensive income		29,025,328	27,073,986	-	-	-	27,073,986	1,951,342
Transactions with owners:								
Dividends on ordinary shares	36	(17,374,198)	(17,374,198)	-	-	-	(17,374,198)	-
Dividends paid to non-controlling interests		(1,000,000)	-	-	-	-	-	(1,000,000)
Contribution of capital by non-controlling interests		26,000	-	-	-	-	-	26,000
Total transactions with owners		(18,348,198)	(17,374,198)	-	-	-	(17,374,198)	(974,000)
At 31 December 2016		332,457,608	321,656,159	248,202,826	-	-	73,453,333	10,801,449

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

	Note	Equity, total	← Non-distributable		→	Distributable
			Share capital (Note 22)	Share premium (Note 22)	Share option reserve (Note 23)	Retained earnings (Note 24)
		RM	RM	RM	RM	RM
Company						
At 1 January 2015		239,532,771	126,624,095	9,964,338	16,960	102,927,378
Profit net of tax, representing total comprehensive income		34,242,388	-	-	-	34,242,388
Transactions with owners:						
Exercise of employees' share options		10,100	10,000	17,060	(16,960)	-
Rights issue		50,653,638	50,653,638	-	-	-
Share issuance expense		(737,387)	-	(737,387)	-	-
Bonus issue		-	70,915,093	(9,244,011)	-	(61,671,082)
Dividends on ordinary shares	36	(17,374,198)	-	-	-	(17,374,198)
Total transactions with owners		32,552,153	121,578,731	(9,964,338)	(16,960)	(79,045,280)
At 31 December 2015		306,327,312	248,202,826	-	-	58,124,486
Profit net of tax, representing total comprehensive income		28,126,313	-	-	-	28,126,313
Transactions with owners:						
Dividends on ordinary shares	36	(17,374,198)	-	-	-	(17,374,198)
At 31 December 2016		317,079,427	248,202,826	-	-	68,876,601

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Operating activities					
Profit before tax		40,378,035	70,251,034	36,481,653	45,060,763
Adjustments for:					
Bad debts written off	7	1,890	-	1,890	-
Deposits written off	7	9,250	-	-	-
Depreciation of property, plant and equipment	7	1,340,430	1,258,939	850,728	792,985
Dividend income from subsidiaries	7	-	-	(7,337,751)	(2,500,000)
Dividend income from investment securities	7	(504,075)	(482,063)	(293,459)	(280,360)
Dividend income from licensed banks	7	(33,704)	(36,881)	(7,933)	(36,860)
Gain on disposal of property, plant and equipment	7	(470)	-	-	-
Fair value gain on investment properties	7	(400,000)	(300,000)	(400,000)	(300,000)
Interest expense	6	4,522,849	4,685,430	3,639,384	4,361,447
Interest income	7	(525,836)	(149,162)	(2,630,970)	(1,397,997)
Property, plant and equipment written off	7	332	-	174	-
Total adjustments		4,410,666	4,976,263	(6,177,937)	639,215
Operating profit before working capital changes		44,788,701	75,227,297	30,303,716	45,699,978

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Changes in working capital:					
Property development costs		19,375,651	(76,280,705)	(18,843,751)	(22,112,697)
Land held for property development		89,967	(62,270,541)	89,967	(62,270,541)
Inventories		(37,732,430)	5,737,758	(1,593,007)	5,904,609
Receivables		18,595,940	(20,182,086)	6,797,828	(13,853,167)
Other current assets		3,212,679	59,577,935	4,193,587	13,389,175
Payables		(9,463,871)	(496,793)	(10,095,557)	6,638,175
Other current liabilities		5,821,849	(7,012,039)	4,757,839	-
Deposits pledged for bank guarantee		(340,662)	(27,314)	(340,662)	(27,314)
Cash generated from/(used in) operations		44,347,824	(25,726,488)	15,269,960	(26,631,782)
Interest paid		(8,196,872)	(7,454,948)	(7,313,407)	(6,209,709)
Interest received		525,836	149,162	2,630,970	1,397,997
Tax paid		(22,611,869)	(25,125,249)	(9,569,673)	(12,062,728)
Tax refunded		433,752	2,491,014	123,839	-
Net cash generated from/(used in) operating activities		14,498,671	(55,666,509)	1,141,689	(43,506,222)
Investing activities					
Dividend received from subsidiaries		-	-	7,337,751	2,500,000
Dividend received from investment securities		504,075	482,063	293,459	280,360
Dividend received from licensed banks		33,704	36,881	7,933	36,860
Expenditure incurred on investment property under construction	15(b)	(4,398,973)	-	(4,398,973)	-
Placement of deposits with maturity of more than three months		9,950,712	(10,007,184)	9,950,712	(10,007,184)
Purchase of property, plant and equipment	12	(151,939)	(390,745)	(134,105)	(202,304)
Purchase of investment securities		(20,163,211)	(71,245,945)	(18,000,000)	(66,633,517)
Proceeds from disposal of investment securities		18,000,000	70,055,388	18,000,000	66,755,388
Proceeds from disposal of property, plant and equipment		471	-	-	-
Subscription of shares in subsidiary	13	-	-	(74,000)	(249,998)
Net cash generated from/(used in) investing activities		3,774,839	(11,069,542)	12,982,777	(7,520,395)

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Financing activities					
Dividends paid on ordinary shares	36	(17,374,198)	(17,374,198)	(17,374,198)	(17,374,198)
Dividend paid to non-controlling interests		(1,000,000)	(200,000)	-	-
Repayment of term loans		(22,951,417)	(26,797,584)	(14,477,393)	(18,154,004)
Repayment of finance lease payables		(460,735)	(368,083)	(460,735)	(368,083)
Share issuance expenses incurred	22	-	(737,387)	-	(737,387)
Proceeds from exercise of employees' share options		-	10,100	-	10,100
Proceeds from issuance of shares		26,000	-	-	-
Proceeds from rights issue	22	-	50,653,638	-	50,653,638
Proceeds from term loans		-	72,050,000	-	41,250,000
Proceeds from revolving credit obtained, net		8,200,000	9,800,000	8,200,000	9,800,000
Net cash (used in)/generated from financing activities		(33,560,350)	87,036,486	(24,112,326)	65,080,066
Net (decrease)/increase in cash and cash equivalents		(15,286,840)	20,300,435	(9,987,860)	14,053,449
Cash and cash equivalents at 1 January		35,633,330	15,332,895	24,235,837	10,182,388
Cash and cash equivalents at 31 December	21	20,346,490	35,633,330	14,247,977	24,235,837

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2016

1. Corporate information

The Company is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Ibraco House, No. 898, Jalan Wan Alwi, Tabuan Jaya, 93350 Kuching, Sarawak.

The Company is engaged in realty development and investment holding. The principal activities of the subsidiaries are set out in Note 13 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with resolution of the directors on 30 March 2017.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS" or "FRSs") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM).

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2016, the Group and the Company adopted the following new and amended FRSs and Annual Improvements which are mandatory for annual financial periods beginning on or after 1 January 2016.

Description	**Effective for annual periods beginning on or after**
Annual Improvements to FRSs 2012 - 2014 Cycle	1 January 2016
Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to FRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to FRS 101: Disclosure Initiatives	1 January 2016
Amendments to FRS 10, FRS 12 and FRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
FRS 14: Regulatory Deferral Accounts	1 January 2016

2. Summary of significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

Amendments to FRS 127: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Entities already applying FRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of FRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to FRS. These amendments do not have any impact on the Group's and the Company's financial statements.

Amendments to FRS 101: Disclosure Initiatives

The amendments to FRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The directors of the Group and the Company do not anticipate that the application of these amendments will have a material impact on the Group's and the Company's financial statements.

Amendments to FRS 10, FRS 12 and FRS 128: Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. In addition, the amendments also provides that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

The amendments do not have any impact on the Group's financial statements as the Group does not apply the consolidation exception.

Annual Improvements to FRSs 2012 - 2014 Cycle

The Annual Improvements to FRSs 2012 - 2014 Cycle include a number of amendments to various FRSs, which are summarised below. The directors of the Group and the Company do not anticipate that the application of these amendments will have a significant impact on the Group's and the Company's financial statements.

2. Summary of significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

Annual Improvements to FRSs 2012 - 2014 Cycle (contd.)

(i) FRS 7: Financial Instruments: Disclosures

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in FRS 7 in order to assess whether the disclosures are required.

In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report. This amendment is applied retrospectively.

(ii) FRS 134: Interim Financial Reporting

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 107: Disclosures Initiative	1 January 2017
Amendments to FRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to FRS Standards 2014-2016 Cycle - Amendments to FRS 12: Disclosure of Interests in Other Entities	1 January 2017
Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

Amendments to FRS 107: Disclosures Initiative

The amendments to FRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosures to be provided by the Group and the Company.

2. Summary of significant accounting policies (contd.)

2.4 Malaysian Financial Reporting Standards (MFRS Framework)

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

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

Transitioning Entities are allowed to defer adoption of the new MFRS Framework. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

The Group falls within the scope definition of Transitioning Entities and accordingly, will be preparing its financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2018. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

At the date of these financial statements, the Group and the Company have not completed their quantification of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework due to the ongoing assessment by the project team. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2016 could be different if prepared under the MFRS Framework.

The Group and the Company consider that they are achieving their scheduled milestones and expect to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2018.

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

2. Summary of significant accounting policies (contd.)

2.5 Basis of consolidation (contd.)

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Company, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interests, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

2. Summary of significant accounting policies (contd.)

2.5 Basis of consolidation (contd.)

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of FRS 139, it is measured in accordance with the appropriate FRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

2.6 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2. Summary of significant accounting policies (contd.)

2.7 Transactions with non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within the equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owner's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and renovation	5 to 50 years
Motor vehicles, office equipment, furniture and fittings	5 to 20 years
Plant and equipment	5 to 10 years

Work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

2. Summary of significant accounting policies (contd.)

2.8 Property, plant and equipment (contd.)

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.9 Investment properties and investment property under construction

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfer is made to or from investment properties only when there is a change in use. For a transfer from investment properties to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment properties, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.8 up to the date of change in use.

Where the fair value of investment property under construction ("IPUC") is not readily determinable, the IPUC is measured at cost until either its fair value can be reliably determinable or construction is complete, whichever is earlier.

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

2. Summary of significant accounting policies (contd.)

2.10 Impairment of non-financial assets (contd.)

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.11 Financial assets

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

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

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

2. Summary of significant accounting policies (contd.)

2.11 Financial assets (contd.)

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

(d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

2. Summary of significant accounting policies (contd.)

2.11 Financial assets (contd.)

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

2.12 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost

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

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and short-term deposit with maturity of three months or less. These also include bank overdrafts that form an integral part of the Group's cash management.

2. Summary of significant accounting policies (contd.)

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

2.15 Land held for property development and property development costs

(i) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

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

(ii) Property development costs

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

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

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

2. Summary of significant accounting policies (contd.)

2.15 Land held for property development and property development costs (contd.)

(ii) Property development costs (contd.)

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 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.

2.16 Inventories

Properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, are held as inventories and are measured at the lower of cost and net realisable value.

Costs include:

- Freehold and leasehold rights for land
- Amounts paid to contractors for construction
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

The costs of inventories recognised in profit or loss on disposal are determined with reference to the specific costs incurred on the properties sold and an allocation of any non-specific costs based on the relative size of the properties sold.

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

Cost is determined using the first in, first out method. The costs of raw materials comprises costs of purchase.

2.17 Provisions

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

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

2. Summary of significant accounting policies (contd.)

2.18 Financial liabilities

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

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

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

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

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

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2. Summary of significant accounting policies (contd.)

2.19 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.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

2.20 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.21 Employee benefits

(i) Defined contribution plans

The Group participates in the national pension scheme as defined by the laws of the country in which it has operations. The Group makes contributions to the Employees' Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(ii) Short term benefits

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

(iii) Employees' share option plans

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employees' share option reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

2. Summary of significant accounting policies (contd.)

2.21 Employee benefits (contd.)

(iii) Employees' share option plans (contd.)

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employees' share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employees' share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

2.22 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.23(viii).

2.23 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable:

(i) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

2. Summary of significant accounting policies (contd.)

2.23 Revenue recognition (contd.)

(ii) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.14.

(iii) Sale of completed properties

A property is regarded as sold when the significant risks and returns have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

(iv) Development properties

Where property is under development and agreement has been reached to sell such property when construction is complete, the directors consider whether the contract comprises:

- A contract to construct a property; or
- A contract for the sale of a completed property.

Where a contract is judged to be for the construction of a property, revenue is recognised using the percentage of completion method as construction progresses.

Where the contract is judged to be for the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer. If, however, the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage of completion method of revenue recognition is applied and revenue is recognised as work progresses. Continuous transfer of work in progress is applied when:

- The buyer controls the work in progress, typically when the land on which the development is taking place is owned by the final customer; and
- All significant risks and rewards of ownership of the work in progress in its present state are transferred to the buyer as construction progresses, typically when buyer cannot put the incomplete property back to the Group.

In such situations, the percentage of work completed is measured based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred.

(v) Revenue from landscaping and maintenance work

Revenue from landscaping and maintenance work are recognised upon completion at reporting date. Where the work outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(vi) Interest income

Interest income is recognised using the effective interest rate method.

2. Summary of significant accounting policies (contd.)

2.23 Revenue recognition (contd.)

(vii) Dividend income

Dividend income is recognised when the Group's and the Company's right to receive payment is established.

(viii) Rental income

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

(ix) Property management fees

Property management fees are recognised when services are rendered.

2.24 Taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Summary of significant accounting policies (contd.)

2.24 Taxes (contd.)

(b) Deferred tax (contd.)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Goods and Services Tax ("GST")

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

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

- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of other current assets or liabilities in the statements of financial position.

2. Summary of significant accounting policies (contd.)

2.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 35.

2.26 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

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

2.27 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

2.28 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset 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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2. Summary of significant accounting policies (contd.)

2.28 Fair value measurements(contd.)

All assets and liabilities for which fair values in measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurements as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3. Significant accounting judgements and estimates

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's and the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) Classification of properties

The Group and the Company determine whether properties are classified as investment properties or inventory properties:

- Investment properties comprise land and buildings (principally offices, commercial warehouse and retail property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

- Inventory properties comprise properties that are held for sale in the ordinary course of business.

(b) Investment properties

Management judged that it retains all the significant risks and rewards of ownership of the investment properties, thus accounted for the lease contracts with tenants as operating leases.

3. Significant accounting judgements and estimates (contd.)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Property development

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

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the property development costs. In making the judgement, the Group and the Company evaluate based on past experience and by relying on the work of specialists.

The carrying amounts of assets and liabilities of the Group and the Company arising from property development activities are disclosed in Note 14(b).

4. Revenue

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	RM	RM	RM
Sales of developed properties and land	155,508,933	245,765,361	133,520,679	202,860,575
Construction revenue	-	5,086,585	-	-
Rental income from investment property	3,102,913	3,102,913	3,102,913	3,102,913
Property management service	157,951	83,475	-	-
	158,769,797	254,038,334	136,623,592	205,963,488

5. Cost of sales

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	RM	RM	RM
Property development costs	101,541,955	161,704,081	96,940,083	151,382,363
Construction costs	-	4,995,030	-	-
Investment property maintenance costs	111,386	120,944	111,386	120,944
Property management costs	156,514	101,316	-	-
	101,809,855	166,921,371	97,051,469	151,503,307

6. Finance costs

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	RM	RM	RM
Interest expense on:				
- Bank loans and bank overdrafts	8,127,627	7,380,725	7,244,162	6,135,486
- Obligations under finance lease	69,245	74,223	69,245	74,223
	8,196,872	7,454,948	7,313,407	6,209,709
Less: Interest expense capitalised in:				
- property development cost (Note 14(b))	(3,674,023)	(1,848,262)	(3,674,023)	(1,848,262)
- amount due from contract customers (Note 19)	-	(921,256)	-	-
	4,522,849	4,685,430	3,639,384	4,361,447

7. Profit before tax

The following amounts have been included in arriving at profit before tax:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	RM	RM	RM
Auditors' remuneration:				
- statutory audit	98,000	99,000	60,000	60,000
- other services	10,000	10,000	10,000	10,000
Bad debts written off	1,890	-	1,890	-
Deposits written off	9,250	-	-	-
Depreciation of property, plant and equipment (Note 12)	1,340,430	1,258,939	850,728	792,985
Dividend income from investment securities	(504,075)	(482,063)	(293,459)	(280,360)
Dividend income from subsidiaries	-	-	(7,337,751)	(2,500,000)
Dividend income from licensed banks	(33,704)	(36,881)	(7,933)	(36,860)
Employee benefits expense (Note 8)	6,946,908	6,345,543	5,097,308	4,645,048
Fair value gain on investment properties	(400,000)	(300,000)	(400,000)	(300,000)
Gain on disposal of property, plant and equipment	(470)	-	-	-
Interest income	(525,836)	(149,162)	(2,630,970)	(1,397,997)
Non-executive directors' remuneration (Note 9)	622,150	612,900	487,250	487,500
Property, plant and equipment written off	332	-	174	-
Rental expense	837,358	597,545	837,358	597,545

8. Employee benefits expense

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	RM	RM	RM
Wages and salaries	6,108,658	5,577,785	4,489,034	4,085,321
Staff benefits	4,791	22,473	(287)	21,848
Contribution to defined contribution plan	766,986	691,133	568,272	505,987
Other benefits	66,473	54,152	40,289	31,892
	6,946,908	6,345,543	5,097,308	4,645,048

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM1,001,720 (2015: RM891,678) and RM929,220 (2015: RM824,178) respectively, as further disclosed in Note 9.

9. Directors' remuneration

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	RM	RM	RM
Executive directors' remuneration:				
Fees	72,500	67,500	-	-
Salaries and other emoluments	929,220	824,178	929,220	824,178
	1,001,720	891,678	929,220	824,178
Non-executive directors' remuneration (Note 7):				
Fees	622,150	612,900	487,250	487,500
Total directors' remuneration	1,623,870	1,504,578	1,416,470	1,311,678
Estimated money value of benefits-in-kind	34,500	34,500	34,500	34,500
Total directors' remuneration including benefits-in-kind (Note 29(c))	1,658,370	1,539,078	1,450,970	1,346,178

9. Directors' remuneration (contd.)

The details of remuneration receivable by directors of the Company during the year are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	RM	RM	RM
Executive:				
Salaries and other emoluments	829,650	735,820	829,650	735,820
Fees	72,500	67,500	-	-
Defined contribution plans	99,570	88,358	99,570	88,358
	1,001,720	891,678	929,220	824,178
Estimated money value of benefits-in-kind	34,500	34,500	34,500	34,500
Total executive directors' remuneration (including benefits-in-kind)	1,036,220	926,178	963,720	858,678
Non-executive:				
Fees - current year	495,650	495,900	487,250	487,500
	1,531,870	1,422,078	1,450,970	1,346,178

The number of directors of the Company whose total remuneration falls within the following bands is analysed as below:

	Number of directors	
	2016	**2015**
Executive directors:		
RM250,001 - RM300,000	-	1
RM300,001 - RM350,000	1	-
RM500,001 - RM600,000	-	1
RM600,001 - RM650,000	1	-
Non-executive directors:		
Nil - RM50,000	1	1
RM50,001 - RM100,000	3	3
RM250,001 - RM300,000	1	1

10. Income tax expense

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

	Group		Company	
	2016 RM	**2015** RM	**2016** RM	**2015** RM
Statement of profit or loss and other comprehensive income:				
Current income tax:				
- Malaysian income tax	10,494,000	18,830,450	9,512,500	10,130,000
- Under/(over) provision in respect of previous years	2,718,109	216,823	375,840	(117,225)
	13,212,109	19,047,273	9,888,340	10,012,775
Deferred tax (Note 26):				
- Originating and reversal of temporary differences	379,045	(742,407)	(1,583,000)	977,100
- (Over)/underprovision in respect of previous years	(2,238,447)	(520,138)	50,000	(171,500)
	(1,859,402)	(1,262,545)	(1,533,000)	805,600
Income tax expense recognised in profit or loss	11,352,707	17,784,728	8,355,340	10,818,375

10. Income tax expense (contd.)

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2016 and 2015 are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	RM	RM	RM
Accounting profit before tax	40,378,035	70,251,034	36,481,653	45,060,763
Tax at Malaysian statutory rate of 24% (2015: 25%)	9,690,728	17,562,759	8,755,597	11,265,191
Adjustments:				
Income not subject to tax	(97,693)	(45,966)	(1,831,491)	(695,090)
Expenses not deductible for tax purposes	1,255,086	653,750	1,005,394	536,999
Deferred tax assets not recognised on unused tax losses	31,440	-	-	-
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(6,516)	(82,500)	-	-
Under/(over) provision of income tax in respect of previous years	2,718,109	216,823	375,840	(117,225)
(Over)/under provision of deferred tax in respect of previous years	(2,238,447)	(520,138)	50,000	(171,500)
Income tax expense recognised in profit or loss	11,352,707	17,784,728	8,355,340	10,818,375

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

11. Earnings per share

Basic earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

The following tables reflect the profit and share data used in the computation of basic earnings per share for the years ended 31 December:

	Group	
	2016	**2015**
Profit attributable to owners of the Company (RM)	27,073,986	45,958,997
Weighted average number of ordinary shares in issue	496,405,652	417,226,429
Basic earnings per share (sen)	5	11

There are no dilutive potential ordinary shares. As such, the diluted earnings per share of the Group is equivalent to basic earnings per share.

12. Property, plant and equipment

	Buildings and renovation RM	Motor vehicles, office equipment, furniture and fittings RM	Plant and equipment RM	Total RM
Group				
At 1 January 2016	3,575,169	6,324,003	4,577,251	14,476,423
Additions	-	581,939	-	581,939
Disposals	-	(1,500)	-	(1,500)
Written off	-	(332)	-	(332)
At 31 December 2016	3,575,169	6,904,110	4,577,251	15,056,530
Accumulated depreciation				
At 1 January 2016	1,310,716	3,624,368	1,416,030	6,351,114
Depreciation charge for the year:				
Recognised in profit or loss (Note 7)	175,906	777,427	387,097	1,340,430
Disposals	-	(1,499)	-	(1,499)
At 31 December 2016	1,486,622	4,400,296	1,803,127	7,690,045
Net carrying amount	2,088,547	2,503,814	2,774,124	7,366,485

12. Property, plant and equipment (contd.)

	Buildings and renovation RM	Motor vehicles, office equipment, furniture and fittings RM	Plant and equipment RM	Work-in-progress RM	Total RM
Group (contd.)					
Cost					
At 1 January 2015	2,621,469	5,551,168	4,577,251	900,790	13,650,678
Additions	5,500	772,835	-	47,410	825,745
Reclassifications	948,200	-	-	(948,200)	-
At 31 December 2015	3,575,169	6,324,003	4,577,251	-	14,476,423
Accumulated depreciation					
At 1 January 2015	1,149,954	2,913,524	1,028,697	-	5,092,175
Depreciation charge for the year:					
Recognised in profit or loss (Note 7)	160,762	710,844	387,333	-	1,258,939
At 31 December 2015	1,310,716	3,624,368	1,416,030	-	6,351,114
Net carrying amount	2,264,453	2,699,635	3,161,221	-	8,125,309

12. Property, plant and equipment (contd.)

	Buildings and renovation RM	Motor vehicles, office equipment, furniture and fittings RM	Plant and equipment RM	Total RM
Company				
Cost				
At 1 January 2016	974,276	4,687,344	158,608	5,820,228
Additions	-	564,105	-	564,105
Written off	-	(174)	-	(174)
At 31 December 2016	974,276	5,251,275	158,608	6,384,159
Accumulated depreciation				
At 1 January 2016	606,108	2,264,271	158,522	3,028,901
Depreciation charge for the year:				
Recognised in profit or loss (Note 7)	132,110	718,618	-	850,728
At 31 December 2016	738,218	2,982,889	158,522	3,879,629
Net carrying amount	236,058	2,268,386	86	2,504,530
Cost				
At 1 January 2015	968,776	4,055,540	158,608	5,182,924
Additions	5,500	631,804	-	637,304
At 31 December 2015	974,276	4,687,344	158,608	5,820,228
Accumulated depreciation				
At 1 January 2015	471,758	1,605,872	158,286	2,235,916
Depreciation charge for the year:				
Recognised in profit or loss (Note 7)	134,350	658,399	236	792,985
At 31 December 2015	606,108	2,264,271	158,522	3,028,901
Net carrying amount	368,168	2,423,073	86	2,791,327

12. Property, plant and equipment (contd.)

During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM430,000 (2015: RM435,000) by means of finance lease. The cash outflow on acquisition of property, plant and equipment for the Group and the Company amounted to RM151,939 (2015: RM390,745) and RM134,105 (2015: RM202,304) respectively.

The carrying amount of property, plant and equipment held under finance lease arrangements at the reporting date was RM1,737,199 (2015: RM1,799,091).

Details of the terms and conditions of the finance lease arrangements are disclosed in Note 25.

Leased assets are pledged as security for the related finance lease liabilities (Note 25).

13. Investments in subsidiaries

	Company	
	2016	**2015**
	RM	RM
Unquoted shares, at cost	34,203,944	34,129,944
Less: Accumulated impairment losses	(802,778)	(802,778)
	33,401,166	33,327,166

Details of the subsidiaries, all of which are incorporated and domiciled in Malaysia, and their principal activities are as set out below:

		Proportion of ownership interest	
Name of subsidiaries	**Principal activities**	**2016**	**2015**
Foso One Sdn. Bhd.	Construction	100%	100%
Greater Tabuan Sdn. Bhd.	Housing and property development	100%	100%
Ibraco Construction Sdn. Bhd.	Construction	100%	100%
Ibraco HGS Sdn. Bhd.	Property development and construction	70%	70%
Ibraco Pelita Sdn. Bhd.	Property development and construction	75%	75%
Ibraco Plantation Sdn. Bhd.	Plantation and investment holdings	70%	70%
Ibraco Spectrum Sdn. Bhd.	Landscaping and trading of building materials and related products	100%	100%
Ibraco Infinity Sdn. Bhd.	Property management service	100%	100%

13. Investments in subsidiaries (contd.)

Details of the subsidiaries, all of which are incorporated and domiciled in Malaysia, and their principal activities are as set out below: (contd.)

Name of subsidiaries	Principal activities	Proportion of ownership interest 2016	2015
Syarikat Ibraco-Peremba Sdn. Bhd.	Land and property development	100%	100%
Ibraco Ascent Sdn. Bhd.	Property investment and development	74%	-
Subsidiary of Ibraco HGS Sdn. Bhd.			
Warisar Sdn. Bhd.	Property development and construction	80%	80%

All subsidiaries are audited by Ernst & Young Malaysia.

(a) Additional investment in a subsidiary and changes in composition of the Group during the financial year:

On 8 January 2016, the Company subscribed for 74% equity interest in Ibraco Ascent Sdn. Bhd. for RM74,000 settled in cash.

13. Investments in subsidiaries (contd.)

(b) The Group's subsidiaries that have material non-controlling interests ("NCI") are set out below. The summarised financial information presented below is the amount before inter-company elimination.

(i) Summarised statements of financial position

	Ibraco HGS Sdn. Bhd. and its subsidiary		Ibraco Pelita Sdn. Bhd.		Ibraco Plantation Sdn. Bhd.		Ibraco Ascent Sdn. Bhd.	Total	
	2016	2015	2016	2015	2016	2015	2016	2016	2015
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Non-current assets	1,750,000	372,000	-	-	-	-	-	1,750,000	372,000
Current assets	106,477,426	107,392,250	3,382,841	2,591,313	1,082,509	1,052,811	97,179	111,039,955	111,036,374
Total assets	108,227,426	107,764,250	3,382,841	2,591,313	1,082,509	1,052,811	97,179	112,789,955	111,408,374
Non-current liabilities	7,522,388	15,996,412	-	-	-	-	-	7,522,388	15,996,412
Current liabilities	72,293,425	66,690,797	3,970,917	3,020,154	2,100	2,100	2,100	76,268,542	69,713,051
Total liabilities	79,815,813	82,687,209	3,970,917	3,020,154	2,100	2,100	2,100	83,790,930	85,709,463
Net assets/(liabilities)	28,411,613	25,077,041	(588,076)	(428,841)	1,080,409	1,050,711	95,079	28,999,025	25,698,911
Equity attributable to owners of the Company	17,811,989	15,460,937	(441,057)	(321,631)	756,286	735,498	70,358	18,197,576	15,874,804
Non-controlling interests	10,599,624	9,616,104	(147,019)	(107,210)	324,123	315,213	24,721	10,801,449	9,824,107
	28,411,613	25,077,041	(588,076)	(428,841)	1,080,409	1,050,711	95,079	28,999,025	25,698,911

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2016

13. Investments in subsidiaries (contd.)

(b) The Group's subsidiaries that have material non-controlling interests ("NCI") are set out below. The summarised financial information presented below is the amount before inter-company elimination. (contd.)

(ii) Summarised statements of profit or loss and other comprehensive income

	Ibraco HGS Sdn. Bhd. and its subsidiary		Ibraco Pelita Sdn. Bhd.		Ibraco Plantation Sdn. Bhd.		Ibraco Ascent Sdn. Bhd.	Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2016**	**2015**
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Revenue	28,293,039	60,252,428	-	-	-	-	-	28,293,039	60,252,428
Profit/(loss) for the year	5,734,572	17,280,176	(159,235)	(152,904)	29,698	30,550	(4,921)	5,600,114	17,157,822
Profit/(loss) attributable to:									
Owners of the Company	3,751,051	10,743,806	(119,426)	(114,678)	20,789	21,385	(3,642)	3,648,772	10,650,513
Non-controlling interests	1,983,521	6,536,370	(39,809)	(38,226)	8,909	9,165	(1,279)	1,951,342	6,507,309
	5,734,572	17,280,176	(159,235)	(152,904)	29,698	30,550	(4,921)	5,600,114	17,157,822

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2016

13. Investments in subsidiaries (contd.)

(b) The Group's subsidiaries that have material non-controlling interests ("NCI") are set out below. The summarised financial information presented below is the amount before inter-company elimination. (contd.)

(iii) Summarised cash flows

	Ibraco HGS Sdn. Bhd. and its subsidiary		Ibraco Pelita Sdn. Bhd.		Ibraco Plantation Sdn. Bhd.		Ibraco Ascent Sdn. Bhd.	Total	
	2016	2015	2016	2015	2016	2015	2016	2016	2015
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Net cash generated from/ (used in) operating activities	6,801,879	(15,934,793)	(60,584)	(73,236)	(2,612)	(2,492)	(2,821)	6,735,862	(16,010,521)
Net cash generated from/ (used in) investing activities	25,771	21	6,619	109,132	(67,569)	33,355	-	(35,179)	142,508
Net cash (used in)/generated from financing activities	(10,874,024)	21,956,420	-	-	-	-	100,000	(10,774,024)	21,956,420
Net (decrease)/increase in cash and cash equivalents	(4,046,374)	6,021,648	(53,965)	35,896	(70,181)	30,863	97,179	(4,073,341)	6,088,407
Cash and cash equivalents at the beginning of the year	8,142,471	2,120,823	70,532	34,636	99,901	69,038	-	8,312,904	2,224,497
Cash and cash equivalents at the end of the year	4,096,097	8,142,471	16,567	70,532	29,720	99,901	97,179	4,239,563	8,312,904

14. Land held for property development and property development costs

(a) Land held for property development

	Freehold land RM	Leasehold land RM	Development expenditure RM	Total RM
Group				
Cost				
At 1 January 2016	85,571,184	49,189,626	58,448,256	193,209,066
Additions	-	-	6,582	6,582
Disposals	(96,549)	-	-	(96,549)
Transfer to property development costs (Note 14(b))	(62,130,000)	(41,612,025)	(44,789,589)	(148,531,614)
At 31 December 2016	23,344,635	7,577,601	13,665,249	44,587,485
Cost				
At 1 January 2015	23,348,772	49,180,286	58,316,781	130,845,839
Additions	62,130,000	9,340	131,460	62,270,800
Disposals	(259)	-	-	(259)
Reclassification (Note 14(b))	111,795	-	15	111,810
Transfer to property development costs (Note 14(b))	(19,124)	-	-	(19,124)
At 31 December 2015	85,571,184	49,189,626	58,448,256	193,209,066

14. Land held for property development and property development costs (contd.)

(a) Land held for property development (contd.)

	Freehold land RM	Leasehold land RM	Development expenditure RM	Total RM
Company				
Cost				
At 1 January 2016	83,245,439	47,782,437	61,029,644	192,057,520
Additions	-	-	6,582	6,582
Disposals	(96,549)	-	-	(96,549)
Transfer to property development costs (Note 14(b))	(62,130,000)	(41,612,025)	(46,118,551)	(149,860,576)
At 31 December 2016	21,018,890	6,170,412	14,917,675	42,106,977
Cost				
At 1 January 2015	21,134,822	47,773,097	60,898,184	129,806,103
Additions	62,130,000	9,340	131,460	62,270,800
Disposals	(259)	-	-	(259)
Transfer to property development costs (Note 14(b))	(19,124)	-	-	(19,124)
At 31 December 2015	83,245,439	47,782,437	61,029,644	192,057,520

Certain landed properties of the Group have been amalgamated, sub-divided and are pending issuance of land titles by the relevant government authority.

The Group and the Company have freehold and leasehold land with aggregate carrying values of RM21,512,402 (2015: RM83,738,952) and RM21,512,402 (2015: RM83,738,952) respectively, which are pledged as security for loans and borrowings as disclosed in Note 25.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2016

14. Land held for property development and property development costs (contd.)

(b) Property development costs

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	RM	RM	RM
Property development costs				
At 1 January:				
Freehold land	63,120,135	64,335,977	70,411,392	60,302,519
Leasehold land	54,268,905	3,498,905	10,994,780	3,418,377
Development costs	443,973,970	261,128,783	392,532,564	242,368,506
	561,363,010	328,963,665	473,938,736	306,089,402
Costs incurred during the year:				
Freehold land	-	-	-	11,212,920
Leasehold land	-	50,770,000	11,608,779	7,576,403
Development costs	128,104,997	183,308,007	113,735,518	150,643,963
	128,104,997	234,078,007	125,344,297	169,433,286
Reversal of completed projects	(414,558,449)	-	(396,692,950)	-

14. Land held for property development and property development costs (contd.)

(b) Property development costs (contd.)

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	RM	RM	RM
Cumulative costs recognised in profit or loss:				
At 1 January	(399,238,078)	(244,875,014)	(389,551,118)	(245,681,867)
Recognised during the year	(98,433,053)	(154,363,064)	(93,509,445)	(143,869,251)
Reversal of completed projects	414,558,449	-	396,692,950	-
At 31 December	(83,112,682)	(399,238,078)	(86,367,613)	(389,551,118)
Transfers:				
From land held for development (Note 14(a))	148,531,614	19,124	149,860,576	19,124
Reclassification (Note 14(a))	-	(111,810)	-	-
To investment property under construction (Note 15(b))	(4,398,973)	-	(4,398,973)	-
Unsold units transferred to inventories	(40,974,599)	(1,585,976)	(4,918,105)	(1,603,076)
	103,158,042	(1,678,662)	140,543,498	(1,583,952)
At 31 December	294,954,918	162,124,932	256,765,968	84,387,618

Freehold and leasehold land of the Group and the Company with aggregate carrying value of RM63,437,448 (2015: RM35,107,874) are pledged as security for loans and borrowings as disclosed in Note 25.

Leasehold land of the Group with a carrying value of RM50,770,000 (2015: RM50,770,000) is registered in the name of a third party in favour for the Group. The Group acquired the development rights to develop the leasehold land upon completion and handing over of the sewerage treatment plant to the third party.

Included in property development costs incurred during the financial year are:

	Group and Company	
	2016	**2015**
	RM	RM
Interest expense (Note 6)	3,674,023	1,848,262

15. Investment properties

(a) Completed investment property

	Group and Company 2016 RM	2015 RM
As at 1 January	51,700,000	51,400,000
Increase in fair value	400,000	300,000
As at 31 December	52,100,000	51,700,000
Fair value of completed investment property	52,100,000	51,700,000

Valuation of completed investment property

Investment property is stated at fair value, which has been determined based on valuation at the reporting date. Valuation is performed by accredited independent valuers with recent experience in the location and category of properties being valued. The valuation is based on the investment method that makes reference to net rental income which is capitalised at the appropriate market rates of return.

The investment property is charged in escrow as security for loans and borrowings as disclosed in Note 25.

The investment property is classified as Level 3 in the fair value hierarchy (Note 32).

(b) Investment property under construction

	Group and Company 2016 RM	2015 RM
As at 1 January	-	-
Transfer from property development cost (Note 14(b))	4,398,973	-
As at 31 December	4,398,973	-

As at 31 December 2016, the investment property under construction is carried at cost because its fair value could not be reliably measured at the reporting date.

16. Inventories

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Cost				
Properties held for sale	44,214,476	6,478,090	8,224,855	6,631,848
Nursery plants	29,293	33,249	-	-
	44,243,769	6,511,339	8,224,855	6,631,848

17. Trade and other receivables

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Trade receivables				
Third parties	25,479,042	46,193,255	20,716,749	34,811,839
Less: Allowance for impairment	(1,709,563)	(1,709,563)	-	-
Trade receivables, net	23,769,479	44,483,692	20,716,749	34,811,839
Other receivables				
Third parties	2,900,599	1,125,772	375,190	137,371
Deposits	1,639,096	1,314,321	1,344,549	1,119,038
Dividend receivable from investment securities	19,671	12,140	-	-
Amounts due from subsidiaries	-	-	41,639,869	34,807,827
	4,559,366	2,452,233	43,359,608	36,064,236
Less: Allowance for impairment - third parties	(106,071)	(106,071)	-	-
Other receivables, net	4,453,295	2,346,162	43,359,608	36,064,236
Total trade and other receivables	28,222,774	46,829,854	64,076,357	70,876,075
Add: Cash and bank balances (Note 21)	22,911,918	47,808,808	16,813,405	36,411,315
Total loans and receivables	51,134,692	94,638,662	80,889,762	107,287,390

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 14 day (2015: 14 day) terms. Other credit terms are assessed and approved on a case-by-case basis.

The Group and the Company have no significant concentration of credit risk that may arise from exposures to a single debtor or to group of debtors except for one of the subsidiaries.

17. Trade and other receivables (contd.)

(a) Trade receivables (contd.)

Ageing analysis of trade receivables

The ageing analysis of the Group's and the Company's trade receivables are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	RM	RM	RM
Neither past due nor impaired	15,791,276	31,167,547	12,801,002	21,982,840
1 to 69 days past due but not impaired	5,662,668	9,332,359	5,621,808	9,332,359
More than 70 days but not impaired	2,293,939	3,496,640	2,293,939	3,496,640
	7,956,607	12,828,999	7,915,747	12,828,999
Impaired	1,731,159	2,196,709	-	-
	25,479,042	46,193,255	20,716,749	34,811,839

Receivables that are neither past due nor impaired

None of the Group's and the Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM7,956,607 (2015: RM12,828,999) and RM7,915,747 (2015: RM12,828,999), respectively that are past due at the reporting date but not impaired. There were no renegotiated balances outstanding for the Group and of the Company as at financial year end. Due to the good credit standing of the trade receivables, the Group and the Company believe that generally no further allowance for impairment is necessary in respect of trade receivables that are past due.

17. Trade and other receivables (contd.)

(a) Trade receivables (contd.)

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date are as follows:

	Group	
	2016	**2015**
	RM	RM
Specifically impaired		
Trade receivables - nominal amount	1,731,159	2,196,709
Less: Allowance for impairment	(1,709,563)	(1,709,563)
	21,596	487,146
Movement in allowance account		
At 1 January and 31 December	1,709,563	1,709,563

(b) Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured, bear interest at 5.50% to 5.75% per annum (2015: 5.75% per annum) and are repayable on demand.

(c) Other receivables that are impaired

At the reporting date, the Group has provided an allowance of RM106,071 (2015: RM106,071) for impairment of the amount due from third parties with nominal amount of RM106,071 (2015: RM106,071).

18. Other current assets

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	RM	RM	RM
Prepayments	82,676	165,066	4,086	160,965
Accrued billings in respect of property development costs	18,706,313	21,836,602	17,387,228	21,423,936
Tax recoverable	12,078,866	2,794,347	-	123,995
	30,867,855	24,796,015	17,391,314	21,708,896

19. Gross amount due from customers for contract work-in-progress

	Group 2016 RM	Group 2015 RM
Construction contract costs incurred to-date	-	43,584,648
Attributable profits	-	7,185,352
	-	50,770,000
Transfer to property development costs	-	(50,770,000)
Amount due from customers for contract work (Note 18)	-	-

Included in amount due from contract customers incurred during the financial year are:

	Group 2016 RM	Group 2015 RM
Interest expense (Note 6)	-	921,256

20. Investment securities

	Group 2016 RM	Group 2015 RM
Financial assets at fair value through profit or loss		
Unit trusts instrument (quoted in Malaysia)		
- at carrying amount	7,639,310	5,476,099
- at market value	7,639,310	5,476,099

21. Cash and cash equivalents

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Cash on hand and at banks	20,346,490	35,633,330	14,247,977	24,235,837
Deposits with licensed banks	2,565,428	12,175,478	2,565,428	12,175,478
Cash and bank balances (Note 17)	22,911,918	47,808,808	16,813,405	36,411,315

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one month to twelve months (2015: one month to twelve months) depending on the immediate cash requirements of the Group and the Company, and earn interest at the respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2016 for the Group and the Company were 2.92% (2015: 2.94%).

Included in cash at banks of the Group and the Company are amounts of RM1,280,437 (2015: Nil) and RM1,243,783 (2015: Nil) held pursuant to Section 12 of the Housing Development (Control and Licensing) Ordinance, 2013 and are restricted from use in other operations.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Cash and bank balances	22,911,918	47,808,808	16,813,405	36,411,315
Less:				
Deposits with maturity more than three months	(1,342,805)	(11,293,517)	(1,342,805)	(11,293,517)
Deposits pledged for bank guarantee	(1,222,623)	(881,961)	(1,222,623)	(881,961)
Cash and cash equivalents	20,346,490	35,633,330	14,247,977	24,235,837

22. Share capital and share premium

	Par value	Number of ordinary shares	Amount: Share capital	Amount: Share premium	Amount: Total share capital and share premium
	RM		RM	RM	RM
Group and Company					
Issued and fully paid					
At 1 January 2015	1.00	126,624,095	126,624,095	9,964,338	136,588,433
Exercise of employees' share options	1.00	10,000	10,000	17,060	27,060
Rights issue	1.00	50,653,638	50,653,638	-	50,653,638
Rights issue expenses	1.00	-	-	(737,387)	(737,387)
Bonus issue	1.00	70,915,093	70,915,093	(9,244,011)	61,671,082
Share split	0.50	248,202,826	-	-	-
At 31 December 2015		496,405,652	248,202,826	-	248,202,826
At 1 January 2016 and 31 December 2016		496,405,652	248,202,826	-	248,202,826

	Number of ordinary shares Authorised	Par value	Amount
		RM	RM
At 31 December 2015 and 2016	1,000,000,000	0.50	500,000,000

	Redeemable cumulative preference shares Authorised	Par value	Amount
		RM	RM
At 31 December 2015 and 2016	200,000	0.50	100,000

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for the financial year ended 31 December 2016

22. Share capital and share premium (contd.)

(a) Employees' share option plan

At an Extraordinary General Meeting held on 29 June 2011, the Company's shareholders approved the establishment of an employees' share option plan ("ESOS") for employees and directors of the Ibraco Group (excluding subsidiaries which are dormant) who met the criteria of eligibility for participation.

The main features of ESOS were as follows:

(i) ESOS shall be in force for a period of five (5) years, effective from 1 July 2011.

(ii) The maximum number of shares to be allotted and issued pursuant to the exercise of the options which may be granted under ESOS shall not exceed fifteen per cent (15%) of the total issued and paid-up share capital of the Company at any point in time throughout the duration of ESOS.

(iii) Any employee (including the directors) of the Group shall be eligible to participate in ESOS if, as at the date of offer of an option ("Offer Date"), the person:

(a) has attained the age of eighteen (18) years;

(b) is a director or is full time employees of the Group and fall under one of the categories of employees listed in the By-Law; and

(c) must have been employed in the Group and their employment must have been confirmed on the date of offer. Contracted employees meeting the above criteria are also eligible for the ESOS.

(iv) The subscription price payable for shares under ESOS shall be determined by the Board upon the recommendation of the options committee and shall be fixed based on the higher of the following:

(a) the weighted average market price of shares, as quoted on Bursa Securities, for the five (5) Market Days immediately preceding the Offer Date of the options with a discount of not more than ten per cent (10%), if deemed appropriate, or such lower or higher limit in accordance with any prevailing guidelines issued by Bursa Securities or any other relevant authorities as amended from time to time; or

(b) the par value of Ibraco shares.

22. Share capital and share premium (contd.)

(a) Employees' share option plan (contd.)

(v) The maximum entitlement and basis of allocation are as follows:

The aggregate allocation of Options to the senior management of the Group and the Directors shall not exceed fifty percent (50%) of the total number of Shares to be issued under the Proposed ESOS. In addition, not more than ten percent (10%) of the total number of Shares to be issued under the Proposed ESOS are to be allocated to any Eligible Person who, either singly or collectively through persons connected with the Eligible Person, hold twenty percent (20%) or more in the issued and paid-up share capital of Ibraco.

The number of Options to be offered to each Eligible Person shall be at the discretion of the Option Committee. In exercising its discretion, the Options Committee shall take into consideration the seniority, performance and length of service of each Eligible Person whereby such criteria shall be disclosed to Eligible Person. The decision of the Option Committee shall be final and binding.

(vi) A non-executive director must not sell, transfer or assign shares obtained through the exercise of Options offered to him pursuant to then ESOS within one (1) year from the date of offer of such ESOS Options.

(b) Share options exercised during the financial year

	2016	**2015**
	RM	RM
Weighted average share price at the date of exercise of the option exercised	-	0.82
Proceeds received on exercise of options over ordinary shares	-	10,100
	======	======

23. Share option reserve

	Employees' share option reserve	
	2016	**2015**
	RM	RM
Group and Company		
At 1 January	**-**	16,960
Transactions with owners		
Exercise of employees' share options	-	(16,960)
	-------	------
At 31 December	-	-
	======	=====

Employees' share option reserve represented the equity-settled share options granted to employees (Note 22). The reserve was 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 was reduced by the expiry or exercise of the share options.

24. Retained earnings

As at 31 December 2016 and 2015, the Company may distribute dividends out of its entire retained earnings under the single-tier system.

25. Loans and borrowings

		Group		Company	
	Maturity	**2016** RM	**2015** RM	**2016** RM	**2015** RM
Current					
Secured:					
Revolving credits	2017	58,300,000	50,100,000	58,300,000	50,100,000
Obligations under finance lease (Note 31(b))	2017	515,399	435,186	515,399	435,186
Bank loans:					
- RM loan at COF + 1.75%	-	-	590,000	-	590,000
- RM loan at ECOF + 1.25%	2017	3,756,000	3,756,000	3,756,000	3,756,000
- RM loan at COF + 1.40%	2017	4,166,654	5,000,004	4,166,654	5,000,004
- RM loan at BLR - 2.00%	2017	2,088,000	2,088,000	2,088,000	2,088,000
- RM loan at ECOF + 2.00%	2017	7,587,105	3,618,009	7,587,105	3,618,009
- RM loan at COF + 1.50%	2017	6,160,008	6,160,008	-	-
		82,573,166	71,747,207	76,413,158	65,587,199
Non-current					
Secured:					
Obligations under finance lease (Note 31(b))	2018 - 2021	1,049,352	1,160,300	1,049,352	1,160,300
Bank loans:					
- RM loan at ECOF + 1.25%	2018	1,533,000	5,289,000	1,533,000	5,289,000
- RM loan at COF + 1.40%	2017	-	4,166,654	-	4,166,654
- RM loan at BLR - 2.00%	2018 - 2026	17,344,000	19,432,000	17,344,000	19,432,000
- RM loan at ECOF + 2.00%	2018 - 2020	30,619,506	37,631,991	30,619,506	37,631,991
- RM loan at COF + 1.50%	2018 - 2020	7,522,388	15,996,412	-	-
		58,068,246	83,676,357	50,545,858	67,679,945
Total loans and borrowings (Note 27)		140,641,412	155,423,564	126,959,016	133,267,144

25. Loans and borrowings (contd.)

The remaining maturity of the loans and borrowings as at 31 December 2016 and 2015 are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	RM	RM	RM
On demand or within one year	82,573,165	71,747,207	76,413,157	65,587,199
More than one year and less than two years	18,248,225	24,155,409	12,088,217	17,995,401
More than two years and less than five years	30,828,022	48,440,948	29,465,642	38,604,544
Five years or more	8,992,000	11,080,000	8,992,000	11,080,000
	140,641,412	155,423,564	126,959,016	133,267,144

Obligations under finance lease

These obligations are secured by a charge over the leased asset (Note 12). The average discount rate implicit in the lease is 4.49% (2015: 4.25%) per annum.

Other borrowings

Total revolving credit facilities granted to the Group was RM98 million (2015: RM78.3 million), all of which are secured by a charge over the few pieces of land held for property development (Note 14). During the year, interest was charged at rates ranging from 1% to 2% (2015: 1% to 2%) per annum above the bankers' cost of funds.

The remaining bank loans are secured by charge over the few pieces of land held for property development (Note 14) and investment properties (Note 15). A corporate guarantee was provided by the Company to a bank on one of the subsidiaries' loans and borrowings.

26. Deferred tax

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	RM	RM	RM
At 1 January	(5,992,647)	(4,730,102)	(1,145,009)	(1,950,609)
Recognised in profit or loss (Note 10)	(1,859,402)	(1,262,545)	(1,533,000)	805,600
At 31 December	(7,852,049)	(5,992,647)	(2,678,009)	(1,145,009)
Presenting after appropriate offsetting as follows:				
Deferred tax assets	(7,854,440)	(5,995,038)	(2,678,009)	(1,145,009)
Deferred tax liability	2,391	2,391	-	-
	(7,852,049)	(5,992,647)	(2,678,009)	(1,145,009)

The components and movements of deferred tax liability and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Investment properties	**Property, plant and equipment**	**Total**
	RM	RM	RM
At 1 January 2016	1,628,067	496,236	2,124,303
Recognised in profit or loss	30,900	25,168	56,068
At 31 December 2016	1,658,967	521,404	2,180,371
At 1 January 2015	1,490,967	544,726	2,035,693
Recognised in profit or loss	137,100	(48,490)	88,610
At 31 December 2015	1,628,067	496,236	2,124,303

26. Deferred tax (contd.)

Deferred tax assets of the Group:

	Unabsorbed capital allowances RM	Staff leave balance RM	Unused tax losses RM	Accruals RM	Property development cost RM	Total RM
At 1 January 2016	(156,233)	(27,955)	(304,716)	(7,628,046)	-	(8,116,950)
Recognised in profit or loss	(138,000)	1,263	(970,017)	84,551	(893,267)	(1,915,470)
At 31 December 2016	(294,233)	(26,692)	(1,274,733)	(7,543,495)	(893,267)	(10,032,420)
At 1 January 2015	-	(22,455)	-	(6,743,340)	-	(6,765,795)
Recognised in profit or loss	(156,233)	(5,500)	(304,716)	(884,706)	-	(1,351,155)
At 31 December 2015	(156,233)	(27,955)	(304,716)	(7,628,046)	-	(8,116,950)

Deferred tax liabilities of the Company:

	Investment properties RM	Property, plant and equipment RM	Total RM
At 1 January 2016	1,628,067	74,627	1,702,694
Recognised in profit or loss	30,900	168	31,068
At 31 December 2016	1,658,967	74,795	1,733,762
At 1 January 2015	1,490,967	171,127	1,662,094
Recognised in profit or loss	137,100	(96,500)	40,600
At 31 December 2015	1,628,067	74,627	1,702,694

26. Deferred tax (contd.)

Deferred tax assets of the Company:

	Staff leave balance RM	Accruals RM	Total RM
At 1 January 2016	(27,955)	(2,819,748)	(2,847,703)
Recognised in profit or loss	1,263	(1,565,331)	(1,564,068)
At 31 December 2016	(26,692)	(4,385,079)	(4,411,771)
At 1 January 2015	(22,455)	(3,590,248)	(3,612,703)
Recognised in profit or loss	(5,500)	770,500	765,000
At 31 December 2015	(27,955)	(2,819,748)	(2,847,703)

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

	Group 2016 RM	Group 2015 RM
Unused tax losses	1,204,700	1,073,700

As at 31 December 2016 and 2015, the deferred tax assets were not recognised as it was not probable that future taxable profit will be available against which the unused tax losses can be utilised. The availability of the unused tax losses for offsetting against future taxable profits of the Group is subject to the provisions of the Income Tax Act 1967.

27. Trade and other payables

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Trade payables				
Third parties	34,137,027	40,104,527	4,428,934	2,674,317
Accruals	28,707,273	32,288,969	28,012,742	26,836,467
Amounts due to subsidiaries	-	-	16,560,033	29,779,256
	62,844,300	72,393,496	49,001,709	59,290,040
Other payables				
Other payables	1,019,152	885,171	898,647	730,850
Accruals	1,816,467	1,865,123	1,446,405	1,421,428
	2,835,619	2,750,294	2,345,052	2,152,278
Total trade and other payables	65,679,919	75,143,790	51,346,761	61,442,318
Add: Loans and borrowings (Note 25)	140,641,412	155,423,564	126,959,016	133,267,144
Total financial liabilities carried at amortised cost	206,321,331	230,567,354	178,305,777	194,709,462

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 days to 60 days (2015: 30 days to 60 days) terms.

(b) Other payables

These amounts are non-interest bearing. Other payables are normally settled on an average term of 30 days (2015: 30 days).

(c) Amounts due to subsidiaries

Amounts due to subsidiaries are unsecured, non-interest bearing and are repayable on demand.

28. Other current liabilities

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Accrued billings in respect of property development costs	6,048,086	226,237	4,757,839	-
	=======	=======	=======	=======

29. Related party disclosures

In addition to related party disclosures mentioned elsewhere in the financial statements, the Group and the Company had the following transactions with parties during the financial year.

(a) Transactions with directors and/or companies in which certain directors and their close family members have substantial financial interest:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
(i) Rental expense of office building:				
Hiap Ghee Seng Sdn. Bhd.	147,840	147,840	147,840	147,840
(ii) Rental expense of office building:				
Dr. Sharifah Deborah Sophia Ibrahim	408,000	408,000	408,000	408,000
(iii) Progress billings issued to Hiap Ghee Seng Sdn. Bhd.				
Commercial properties at Tabuan Tranquility Phase 3	710,750	2,061,175	710,750	2,061,175
(iv) Progress billings issued to Datuk Chew Chiaw Han				
Commercial properties at Bintulu Town Square	397,400	1,902,800	-	-
(v) Deposits placed for the sale of SOHO at Tabuan Tranquillity Phase 3:				
Liu Tow Hua	21,650	-	21,650	-
Liu Sze Wei and Liu Sze Leh	21,650	-	21,650	-
	======	=======	======	=======

29. Related party disclosures (contd.)

(b) Transactions with subsidiaries:

	Company 2016 RM	Company 2015 RM
Interest charged to subsidiaries:		
Ibraco Construction Sdn. Bhd.	1,806,993	1,057,518
Ibraco Pelita Sdn. Bhd.	207,238	159,713
Warisar Sdn. Bhd.	94,608	31,605
Marketing fee charged to a subsidiary:		
Warisar Sdn. Bhd.	193,011	653,999
Landscaping services from a subsidiary:		
Ibraco Spectrum Sdn. Bhd.	1,800	1,800
Sub contractors billings from a subsidiary:		
Ibraco Construction Sdn. Bhd.	87,787,632	127,594,084
Sub contractors billings from a subsidiary:		
Ibraco Spectrum Sdn. Bhd.	8,970	35,057
Dividends declared and paid by subsidiaries:		
Ibraco HGS Sdn. Bhd.	1,400,000	-
Greater Tabuan Sdn. Bhd.	-	2,500,000
Syarikat Ibraco-Peremba Sdn. Bhd.	5,937,751	-
	=========	=========

The rental paid to a company controlled by certain directors is under terms which are determined by reference to the prevailing market rates for comparable buildings.

Purchases and other related party transactions were entered into by the Group under mutually agreed terms.

Hiap Ghee Seng Sdn. Bhd. (“HGS”)

HGS is a major shareholder of the Company. Datuk Chew Chiaw Han, a director of the Company, is also a director and major shareholder of HGS.

Liu Sze Wei (“LSW”) and Liu Sze Leh (“LSL”)

LSW and LSL are persons connected to Liu Tow Hua, a director of the Company.

29. Related party disclosures (contd.)

(c) Compensation of key management personnel:

The remuneration of directors and other members of key management during the year were as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	RM	RM	RM
Short term employee benefits	1,342,510	1,257,626	1,172,410	1,111,396
Defined contribution plan	182,469	140,712	159,177	123,155
Other short-term benefits	5,479	4,427	4,525	3,630
Benefits-in-kind	52,377	43,533	47,377	37,033
	1,582,835	1,446,298	1,383,489	1,275,214
Directors' remuneration (Note 9)	1,658,370	1,539,078	1,450,970	1,346,178

30. Commitments

(a) Finance lease commitments

The Group has finance leases for certain items of property, plant and equipment (Note 12). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group and Company	
	2016	**2015**
	RM	RM
Minimum lease payments:		
Not later than 1 year	574,338	497,916
Later than 1 year but not later than 2 years	488,664	478,146
Later than 2 years but not later than 5 years	622,192	758,157
Total minimum lease payments	1,685,194	1,734,219
Less: Amounts representing finance charges	(120,443)	(138,733)
Present value of minimum lease payments	1,564,751	1,595,486

30. Commitments (contd.)

(a) Finance lease commitments (contd.)

	Group and Company 2016 RM	2015 RM
Present value of payments:		
Not later than 1 year	515,399	435,186
Later than 1 year but not later than 2 years	451,658	436,081
Later than 2 years but not later than 5 years	597,694	724,219
Present value of minimum lease payments	1,564,751	1,595,486
Less: Amount due within 12 months (Note 25)	(515,399)	(435,186)
Amount due after 12 months (Note 25)	1,049,352	1,160,300

(b) Operating lease commitments - as lessor

The Group has entered into commercial property leases on its investment properties. These non-cancellable leases have remaining lease terms of 10 years (2015: 11 years). All leases include a clause to enable upward revision of the rental charge once in every three years based on pre-agreed rate.

Future minimum rentals receivable under non-cancellable operating leases at the reporting date are as follows:

	Group and Company 2016 RM	2015 RM
Not later than 1 year	3,229,666	3,102,913
Later than 1 year but not later than 5 years	14,102,539	13,590,457
Later than 5 years	19,320,960	23,062,708
	36,653,165	39,756,078

31. Fair value of financial instruments

(a) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

		2016		2015	
	Note	**Carrying amount** RM	**Fair value** RM	**Carrying amount** RM	**Fair value** RM
Financial liabilities:					
Group and Company					
Loans and borrowings					
- Non-current obligations under finance leases	25	1,049,352	1,046,904	1,160,300	1,157,932
		=======	=======	=======	=======

(b) Determination of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables	17
Cash and bank balances	21
Loans and borrowings (current and non-current, except non-current obligations under finance lease)	25
Trade and other payables	27
	====

(i) Cash and bank balances, other receivables and other payables

The carrying amounts of these balances approximate their fair values due to the short term nature.

(ii) Trade receivables and trade payables

The carrying amounts of trade receivables and trade payables approximate their fair values because they are subject to normal trade credit terms.

31. Fair value of financial instruments (contd.)

(b) Determination of fair value (contd.)

(iii) Loans and borrowings

The carrying values of bank borrowings and term loans approximate their fair values as they bear interest rates which approximate the current incremental borrowing rates for similar types of lending and borrowing arrangements.

(iv) Financial guarantees

Fair value is determined based on the probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default;
- The estimated loss exposure if the party guaranteed were to default.

32. Fair value measurement

Fair value hierarchy

The Group and the Company classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

32. Fair value measurement (contd.)

Fair value hierarchy (contd.)

The following table provides the fair value measurement hierarchy of the Group's and the Company's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy as at 31 December 2016 and 31 December 2015 were as follows:

	Note	Date of valuation	Level 1	Level 2	Level 3	Total
			RM	RM	RM	RM
Group						
Assets for which fair values are disclosed						
Completed investment property	15(a)	31 December 2016	-	-	52,100,000	52,100,000
		31 December 2015	-	-	51,700,000	51,700,000
			=======	====	========	========
Investment property under construction	15(b)	31 December 2016	-	-	4,398,973	4,398,973
		31 December 2015	-	-	-	-
			=======	====	========	========
Assets measured at fair value						
Investment securities	20	31 December 2016	7,639,310	-	-	7,639,310
		31 December 2015	5,476,099	-	-	5,476,099
			=======	====	========	========

32. Fair value measurement (contd.)

Fair value hierarchy (contd.)

The following table provides the fair value measurement hierarchy of the Group's and the Company's assets and liabilities. (contd.)

Quantitative disclosures fair value measurement hierarchy as at 31 December 2016 and 31 December 2015 were as follows: (contd.)

	Note	Date of valuation	Level 1	Level 2	Level 3	Total
			RM	RM	RM	RM
Company						
Assets for which fair values disclosed						
Completed investment property	15(a)	31 December 2016	-	-	52,100,000	52,100,000
		31 December 2015	-	-	51,700,000	51,700,000
			=======	====	========	========
Investment property under construction	15(b)	31 December 2016	-	-	4,398,973	4,398,973
		31 December 2015	-	-	-	-
			=======	====	========	========
Group and Company						
Liabilities for which fair values are disclosed:						
Interest-bearing loans and borrowings - Obligations under finance lease	31(a)	31 December 2016	-	1,018,339	-	1,018,339
		31 December 2015	-	1,157,932	-	1,157,932
			====	=======	====	=======

There have been no transfers between Level 1, 2 and 3 during the financial year.

33. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and real estate risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (comprising cash and bank balances and investment securities), the Group and the Company minimise credit risk by dealing with good credit rating counterparties.

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 who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

(i) the carrying amount of each class of financial assets recognised in the statements of financial position; and

(ii) a nominal amount of RM30,800,000 (2015: RM30,800,000) relating to a corporate guarantee provided by the Company to a bank on one of the subsidiaries' loans and borrowings.

33. Financial risk management objectives and policies (contd.)

(a) Credit risk (contd.)

Credit risk concentration profile

The Group mitigates concentration of credit risk by monitoring its trade receivables on an ongoing basis and the Group's exposure to bad debts is not significant. The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets except for one of the subsidiaries.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 17. Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 17.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturity of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group and the Company maintain sufficient liquid financial assets and stand-by credit facilities with seven different banks. At the reporting date, 59% (2015: 46%) and 60% (2015: 49%) of the Group's and the Company's loans and borrowings (Note 25), respectively, will mature in less than one year based on the carrying amount reflected in the financial statements.

33. Financial risk management objectives and policies (contd.)

(b) Liquidity risk (contd.)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
At 31 December 2016				
Group				
Financial liabilities				
Trade and other payables	65,679,919	-	-	65,679,919
Loans and borrowings	86,397,003	54,560,879	9,899,963	150,857,845
Total undiscounted financial liabilities	152,076,922	54,560,879	9,899,963	216,537,764
Company				
Financial liabilities				
Trade and other payables	51,346,761	-	-	51,346,761
Loans and borrowings	79,943,426	46,785,322	9,899,963	136,628,711
Financial guarantee contracts*	30,800,000	-	-	30,800,000
Total undiscounted financial liabilities	162,090,187	46,785,322	9,899,963	218,775,472

33. Financial risk management objectives and policies (contd.)

(b) Liquidity risk (contd.)

Analysis of financial instruments by remaining contractual maturities (contd.)

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
At 31 December 2015				
Group				
Financial liabilities				
Trade and other payables	75,143,790	-	-	75,143,790
Loans and borrowings	76,810,449	81,707,110	12,453,622	170,971,181
Total undiscounted financial liabilities	151,954,239	81,707,110	12,453,622	246,114,971
Company				
Financial liabilities				
Trade and other payables	61,442,318	-	-	61,442,318
Loans and borrowings	70,226,462	64,545,922	12,453,621	147,226,005
Financial guarantee contracts*	30,800,000	-	-	30,800,000
Total undiscounted financial liabilities	162,468,780	64,545,922	12,453,621	239,468,323

* Based on the maximum amount that can be called under the financial guarantee contracts.

33. Financial risk management objectives and policies (contd.)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings where interests are charged at floating rates and contractually re-priced to market interest rates.

The Group's policy is to manage interest cost using a mix of long and short term facilities from more than one bank. To manage this mix in a cost-efficient manner, projects development cost is normally financed by short term facilities while constructions of investment assets are normally financed by long term facilities.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 basis points higher/lower, with all other variables held constant, the Group's and the Company's profit net of tax would have been RM153,476 (2015: RM194,490) and RM127,479 (2015: RM152,947) higher/lower respectively, arising mainly as a result of lower/higher interest expense on floating loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Real estate risk

The Group and the Company have identified the following risks associated with the real estate portfolio:

- The cost of the development schemes may increase if there are delays in the planning process. The Group and the Company use advisers who are experts in the specific planning requirements in the scheme's location in order to reduce the risks that may arise in the planning process.

- A major tenant may become insolvent causing a significant loss of rental income and a reduction in the value of the associated property. To reduce this risk, the Group and the Company review the financial status of the prospective tenant and decides on the appropriate level of security required via rental deposits or guarantees.

- The exposure of the fair values of the portfolio to market and occupier fundamentals.

34. Capital management

The primary objective of the Group's and the Company's capital management is to ensure that they maintain strong credit rating and healthy capital ratios in order to support their business and maximise shareholder value.

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015.

The Group and the Company monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's and the Company's policy is to keep the gearing ratio between 25% and 50%. The Group and the Company include within net debt, loans and borrowings, trade and other payables, less cash and bank balances. Capital comprises equity attributable to the owners of the Company less the fair value adjustment reserve.

		Group		Company	
	Note	**2016**	**2015**	**2016**	**2015**
		RM	RM	RM	RM
Loans and borrowings	25	140,641,412	155,423,564	126,959,016	133,267,144
Trade and other payables	27	65,679,919	75,143,790	51,346,761	61,442,318
Less: Cash and bank balances	21	(22,911,918)	(47,808,808)	(16,813,405)	(36,411,315)
Net debt		183,409,413	182,758,546	161,492,372	158,298,147
Equity attributable to the owners of the Company		321,656,159	311,956,371	317,079,427	306,327,312
Capital and net debt		505,065,572	494,714,917	478,571,799	464,625,459
Gearing ratio		36.31%	36.94%	33.74%	34.07%

35. Segment information

The management prepared the Group's segmental information using management approach, which requires presentation of the segments on the basis of internal reports of components of the entity.

The Group's main business segments are property development, property holding and management and construction works. Revenue and profit generated from landscaping works is insignificant compared to the Group's overall revenue and profit.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Details on geographical segments are not applicable as the Group operates predominantly in Malaysia.

35. Segment information (contd.)

	Property development activities		Property holding & management		Construction works		Elimination			Per consolidated financial statements	
	2016	2015	2016	2015	2016	2015	2016	2015	Note	2016	2015
	RM	RM	RM	RM	RM	RM	RM	RM		RM	RM
Revenue:											
External customers	155,508,933	245,765,361	3,260,864	3,186,388	-	5,086,585	-	-		158,769,797	254,038,334
Inter-segment	-	-	-	-	92,048,069	163,043,389	(92,048,069)	(163,043,389)	A	-	-
Total revenue	155,508,933	245,765,361	3,260,864	3,186,388	92,048,069	168,129,974	(92,048,069)	(163,043,389)		158,769,797	254,038,334
Results:											
Interest income	2,332,072	1,397,996	756	-	2,823,624	1,821,379	(4,630,616)	(3,070,213)	B	525,836	149,162
Dividend income	534,063	498,766	-	-	3,716	20,178	-	-		537,779	518,944
Fair value gain on investment properties	-	-	400,000	300,000	-	-	-	-		400,000	300,000
Depreciation	855,845	799,268	7,340	-	477,245	459,671	-	-		1,340,430	1,258,939
Other non-cash expenses	11,472	-	-	-	-	-	-	-	C	11,472	-
Segment profit	24,654,518	50,537,761	1,925,786	1,823,869	1,200,020	3,101,341	12,597,711	14,788,063		40,378,035	70,251,034
Assets:											
Additions to non-current assets	570,687	62,908,104	4,814,008	333,324	2,799	155,117	-	-	D	5,387,494	63,396,545
Segment assets	510,322,379	530,803,985	56,635,762	51,841,743	18,510,651	32,527,236	(40,320,865)	(62,596,504)		545,147,927	552,576,460
Segments liabilities	175,821,532	192,026,574	19,557,991	21,553,012	60,963,286	71,125,383	(43,652,490)	(53,908,987)		212,690,319	230,795,982

35. Segment information (contd.)

Notes: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

A. Inter-segment revenues are eliminated on consolidation.

B. Inter-segment interest income is eliminated on consolidation.

C. Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements.

	2016 RM	**2015** RM
Property, plant and equipment written off	332	-
Bad debts written off	1,890	-
Deposits written off	9,250	-
	11,472	-

D. Additions to non-current assets consist of:

	2016 RM	**2015** RM
Land held for development	6,582	62,270,800
Property, plant and equipment	581,939	825,745
Completed investment property	400,000	300,000
Investment property under construction	4,398,973	-
	5,387,494	63,396,545

36. Dividends

	Group and Company	
	2016 RM	**2015** RM
Recognised during the financial year:		
Dividends on ordinary shares:		
- Interim single-tier dividend for 2016: 3.50 sen per share	17,374,198	-
- Interim single-tier dividend for 2015: 3.50 sen per share	-	17,374,198
	17,374,198	17,374,198

37. Supplementary information

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2016 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	2016	**2015**
	RM	RM
Recognised during the financial year:		
Total retained earnings of the Company and its subsidiaries:		
- realised	82,372,220	70,400,664
- unrealised	(8,918,887)	(6,647,119)
Retained earnings as per financial statements	73,453,333	63,753,545

This disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purpose.

ANALYSIS OF SHAREHOLDINGS
as at 6 April 2017

Issued and Paid-up Share Capital	:	RM248,202,826.00 comprising 496,405,652 ordinary shares of RM0.50 each
Class of shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS
(without aggregating securities from different securities accounts belonging to the same person)

	Shareholders		Shareholdings	
Size of shareholding	**No.**	**%**	**No.**	**%**
Less than 100	22	2.51	662	0.00
100 to 1,000	379	43.22	119,956	0.02
1,001 to 10,000	242	27.59	1,231,324	0.25
10,001 to 100,000	167	19.04	6,194,434	1.25
100,001 and 24,820,281(*)	61	6.96	147,694,816	29.75
24,820,282 and above (**)	6	0.68	341,164,460	68.73
Total	**877**	**100.00**	**496,405,652**	**100.00**

* - Less than 5% of issued holdings
** - 5% and above of issued holdings

SUBSTANTIAL SHAREHOLDERS

	No. of shares held			
Name	**Direct**	**%**	**Indirect**	**%**
Sharifah Deborah Sophia Ibrahim	99,366,120	20.02	-	-
Ng Cheng Chuan	87,077,478	17.54	35,720,720 *	7.20
Hiap Ghee Seng Sdn. Bhd.	130,619,438	26.32	-	-
Datuk Chew Chiaw Han	15,875,440	3.19	130,619,438 **	26.32
Chia Kwai Lin	35,720,720	7.20	87,077,478 ***	17.54

* Deemed interested by virtue of his spouse's shareholding in the Company.
** Deemed interested by virtue of his substantial shareholding in Hiap Ghee Seng Sdn. Bhd.
*** Deemed interested by virtue of her spouse's shareholding in the Company.

ANALYSIS OF SHAREHOLDINGS
as at 6 April 2017

TOP THIRTY SHAREHOLDERS
(Without aggregating the securities from different securities accounts belonging to the same person)

No.	Shareholder Name	No. of Shareholdings	% of Shareholding
1.	Sharifah Deborah Sophia Ibrahim	99,366,120	20.02
2.	RHB Nominees (Asing) Sdn. Bhd. Exempt An for RHB Securities Singapore Pte. Ltd.(A/C Clients)	84,675,064	17.06
3.	AMSEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account – AmBank (M) Berhad for Hiap Ghee Seng Sdn.Bhd.	70,000,000	14.10
4.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Hiap Ghee Seng Sdn. Bhd.	36,468,462	7.35
5.	Kenanga Nominees (Asing) Sdn. Bhd. Pledged Securities Account for Ng Cheng Chuan	25,654,814	5.17
6.	RHB Nominees (Asing) Sdn. Bhd. Bangkok Bank Berhad Pledged Securities Account for Ng Cheng Chuan	25,000,000	5.04
7.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Hiap Ghee Seng Sdn. Bhd.	24,150,976	4.87
8.	Kenanga Nominees (Asing) Sdn. Bhd. Exempt An for Phillip Securities Pte. Ltd. (Client Account)	22,546,192	4.54
9.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Microsite Enterprise Sdn. Bhd.	21,191,120	4.27
10.	Pelita Holdings Sdn. Bhd.	12,211,080	2.46
11.	UOBM Nominees (Tempatan) Sdn. Bhd. United Overseas Bank Nominees (Pte.) Ltd. for Chew Chiaw Han	8,546,720	1.72
12.	Ong Hong Lian	7,700,000	1.55
13.	Lee Keck Liang	6,482,708	1.31
14.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Syarikat Kontraktor Besta Jaya Sdn. Bhd.	6,144,900	1.24
15.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chew Chiaw Han	4,480,000	0.90
16.	Tan Hock Liong	3,113,000	0.63

ANALYSIS OF SHAREHOLDINGS
as at 6 April 2017

TOP THIRTY SHAREHOLDERS (contd.)

No.	Shareholder Name	No. of Shareholdings	% of Shareholding
17.	Chew Chiaw Han	2,848,720	0.57
18.	Khor Kowi Kim	2,808,000	0.57
19.	Phang Chung Tchet	2,340,240	0.47
20.	Orienter Intertrade Co. Sdn. Bhd.	2,235,100	0.45
21.	Public Invest Nominees (Asing) Sdn. Bhd. Exempt An for Phillip Securities Pte. Ltd. (Clients)	2,196,600	0.44
22.	Ting Ding Ing	1,625,120	0.33
23.	Affin Hwang Nominees (Asing) Sdn. Bhd. DBS Vickers Secs (S) Pte Ltd for Ng Chee Meng	1,543,920	0.31
24.	Ong Li Xin	1,520,000	0.31
25.	Mayban Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ng Kee Tiong	1,099,120	0.22
26.	Chin Chiew Ted	1,005,000	0.20
27.	Ling Ah Chiong	990,584	0.20
28.	Chieng Ung Kwong	686,000	0.14
29.	Sim Wee Ann	646,600	0.13
30.	Chieng Ung Kwong	602,000	0.12

DIRECTORS' DIRECT AND INDIRECT INTEREST IN THE COMPANY

	No. of shares held			
Name of Directors	Direct	%	Indirect	%
Datuk (Dr) Philip Ting Ding Ing	1,625,120	0.33	-	-
Sharifah Deborah Sophia Ibrahim	99,366,120	20.02	-	-
Ng Cheng Chuan	87,077,478	17.54	35,720,720 *	7.20
Datuk Chew Chiaw Han	15,875,440	3.19	130,619,438 **	26.32
Ng Kee Tiong	1,099,120	0.22	-	-

* Deemed interested by virtue of his spouse's shareholding in the Company.
\+ Deemed interested by virtue of his substantial shareholding in Hiap Ghee Seng Sdn. Bhd.
\# Deemed interested by virtue of his spouse's shareholding in the Company.

LIST OF MATERIAL PROPERTIES

Held by the Group as at 6 April 2017

No.	Location	Term of Lease/ Date of Expiry of Lease	Description & Existing Land Use	Land Area		Age of buildings	At Cost/ Net Book Value	Date of Acquisition
				Hectare	Acre	Year	RM	
1	GRN78930 Lot 20019 Seksyen 65, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan KL	Freehold/ Perpetuity	Vacant Commercial Land Approved for Mixed Development	0.5825	1.4393	-	55,000,000.00	26.03.2015
2	Lot 2975, block 12, Muara Tebas LD, Sg Laru, Kuching	60 years/ 17.11.2071	Vacant Agricultural Land with Conditional Approval For Mixed Development	49.500	122.2700	-	41,600,000.00	14.11.2011
3	Lot 3530, Muara Tebas LD, Sg. Nida, Kuching *	Freehold/ Perpetuity	Residential Development	2.0113	4.9700	-	8,128,949.37	29.12.2010
4	Portion of Lot 1315, Block 11, Muara Tebas LD, Sg. Laruk, Kuching *	Freehold/ Perpetuity	Single Storey Commercial Mall	0.9990	2.4685	6.5	6,098,435.37	29.12.2010
5	Lot 4271, Muara Tebas LD, Ulu Sg Ni-Ada, Kuching	Freehold/ Perpetuity	Residential Development	5.8400	14.4310	-	5,993,038.25	30.7.2003
6	Lot 4587, Muara Tebas LD, Sg Ni-Ada, Kuching	Freehold/ Perpetuity	Residential Development	5.4190	13.3910	-	5,561,005.87	4.8.2003
7	Portion of Lot 9200, Block 11, Muara Tebas LD, Sg. Laru, Kuching *	Freehold/ Perpetuity	Single Storey Commercial Mall	0.9060	2.2390	6.5	5,530,713.47	29.12.2010
8	Portion of Lot 4582, Muara Tebas LD, Sg. Nida, Kuching *	Freehold/ Perpetuity	Commercial Development	1.3440	3.3200	-	5,431,155.19	29.12.2010
9	Lot 4752, Muara Tebas LD, Sg Stutong, Kuching	Freehold/ Perpetuity	Vacant Agricultural Land with Conditional Approval For Mixed Development	20.2350	50.0010	-	5,122,866.71	20.10.1998
10	Lot 1316, Block 11, Muara Tebas LD, Sg. Laruk, Kuching *	Freehold/ Perpetuity	Commercial Development	1.2505	3.0900	-	5,054,070.22	29.12.2010

* Ibraco Berhad as the beneficial owner.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Fifth Annual General Meeting ("**AGM**") of Ibraco Berhad will be held at Hilton Kuching, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak, on **Friday, 26 May 2017 at 11.45 am** to transact the following businesses:-

ORDINARY BUSINESS

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

2. To re-elect Mr. Ng Kee Tiong, who retires in accordance with Article 83 of the Company's Articles of Association, as Director of the Company. Resolution No. 1

3. To approve the payment of Directors' fees of up to RM1,100,000 and benefits payable to the Directors up to an aggregate amount of RM52,000 from 1 January 2017 until the next AGM of the Company. Resolution No. 2

4. To re-appoint Messrs. Ernst & Young as the Auditors of the Company and to authorise the Directors to determine their remuneration. Resolution No. 3

SPECIAL BUSINESS

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

5. Proposed Retention of Independent Directors
   "THAT approval be and is hereby given to the following Directors who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine years to continue to act as Independent Non-Executive Directors of the Company pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012:-

   (a) YBhg. Datuk (Dr) Philip Ting Ding Ing — Resolution No. 4
   (b) Mr. Guido Paul Philip Joseph Ravelli — Resolution No. 5
   (Please refer Explanatory Note 2)

6. Authority to Allot and Issue Shares Pursuant to Sections 75 & 76 of the Companies Act, 2016 — Resolution No. 6 *(Please refer Explanatory Note 3)*
   "THAT subject always to the Companies Act, 2016 ("**ACT**"), the Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of any relevant authorities, where such approval is required, the Directors be and are hereby authorized and empowered pursuant to Sections 75 & 76 of the Act to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten (10) percent of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next AGM of the Company.

7. To transact any other business of which due notice shall have been given.

By order of the Board,

Yeo Puay Huang (LS0000577)
May Wong Mei Ling (MIA 18483)
Company Secretaries
28 April 2017

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. *Only depositors whose names appear in the Record of Depositors as at 22 May 2017 be regarded as members and entitled to attend, speak and vote at the meeting.*
2. *A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may be but need not be a member of the Company.*
3. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if such appointor is a corporation under its common seal or under the hand of its officer duly authorised. An instrument appointing a proxy to vote at the meeting shall be deemed to include the power to demand or concur in demanding a poll on behalf of the appointor.*
4. *Where a member of the Company is an exempt authorized 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 authorized nominee may appoint in respect of each omnibus account it holds*
5. *The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a notarially certified copy thereof, shall be deposited at the office forty-eight hours before the time appointed for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote; otherwise the person so named shall not be entitled to vote in respect thereof.*

Explanatory Note 1

This Agenda is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda is not put forward for voting.

Explanatory Note 2

The proposed Resolutions No. 4 & No. 5 are in line with the Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012. The Nomination Committee and the Board have assessed the independence of YBhg. Datuk (Dr) Philip Ting Ding Ing and Mr. Guido Paul Philip Joseph Ravelli, who have served for a cumulative term of more than nine years and the Board has recommended that the approval of the shareholders be sought to re-appoint YBhg. Datuk (Dr) Philip Ting Ding Ing and Mr. Guido Paul Philip Joseph Ravelli as Independent Non-Executive Directors of the Company. The full details of the justification and recommendations for the retention are set out in the Statement of Corporate Governance in the Annual Report 2016.

Explanatory Note 3

The proposed Resolution No. 6, if passed, will empower the Directors to issue shares up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being, for such purposes as the Directors consider would be in the interests of the Company. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting.

The Company has not issued any new shares pursuant to Sections 75 & 76 of the Act under the general authority which was approved by the shareholders of the Company at the 44th AGM held on 20 May 2016 and which will lapse at the conclusion of the 45th AGM to be held on 26 May 2017. A renewal of this authority is being sought at the 45th AGM under Ordinary Resolution No. 6.

The general authority sought will enable the Directors of the Company to issue and allot shares, including but not limited to further placing of shares for purposes of funding investment(s), working capital and/or acquisitions.

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IBRACO BERHAD (011286-P)
Incorporated in Malaysia

No. of Shares Held :

FORM OF PROXY

I/We .... NRIC No. / Company No. ....
(Full Name in Capital Letters)

of ....
(Full Address)

being a member/members of IBRACO BERHAD hereby appoint ....
(Full Name in Capital Letters)

.... NRIC No. ....
(Full Name in Capital Letters)

of ....
(Full Address)

and/or failing him/her, ... NRIC No. ....
(Full Name in Capital Letters)

of ....
(Full Address)

or failing him/her, the Chairman of the meeting as *my/our proxy/proxies to vote for *me/us on my/our behalf, at the Forty-fifth Annual General Meeting of the Company to be held at Hilton Kuching, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak, on Friday, 26 May 2017 at 11.45 a.m. and at any adjournment thereof in the manner as indicated below:-

NO.	RESOLUTION	FOR	AGAINST
1.	Re-election of Mr. Ng Kee Tiong as Director		
2.	Approval of Directors' Fees		
3.	Re-appointment of Messrs. Ernst & Young as Auditors		
4.	Proposed retention of YBhg. Datuk (Dr) Philip Ting Ding Ing as Independent Director		
5.	Proposed retention of Mr. Guido Paul Philip Joseph Ravelli as Independent Director		
6.	To authorise Directors to allot and issue shares pursuant to Sections 75 & 76 of The Companies Act, 2016.		

(Please indicate with an "X" in the spaces above how you wish your votes to be cast on the resolution specified in the Notice of Meeting. If no specific direction as to the voting is indicated, the proxy/proxies will vote or abstain from voting as he/she/they think(s) fit.)

Date this

....
Signature of Shareholder(s)/Common Seal

NOTES:

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5. *The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a notarially certified copy thereof, shall be deposited at the office forty-eight hours before the time appointed for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote; otherwise the person so named shall not be entitled to vote in respect thereof.*

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AFFIX
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HERE

To: The Company Secretaries

IBRACO BERHAD (011286-P)

IBRACO HOUSE
No. 898, Jalan Wan Alwi,
Tabuan Jaya, 93350 Kuching.
P. O. Box 3166, 93762 Kuching,
Sarawak, Malaysia.

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IBRACO BERHAD
(011286-P)

For more information, please contact:

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No. 898, Jalan Wan Alwi, Tabuan Jaya,
93350 Kuching, Sarawak, Malaysia.
T : **082 361 111**
F : **082 361 188**

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