Ibraco Berhad Annual Report 2017

Contents

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

Corporate Information

DIRECTORS

Mr. Ng Cheng Chuan *Chairman*
YBhg. Datuk (Dr.) Philip Ting Ding Ing *Deputy Chairman*
YBhg. 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 Berhad (011286-P)
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

Group Corporate Structure

IBRACO BERHAD
(011286-P)

- 100% Greater Tabuan Sdn. Bhd. (99809-T)
- 100% Syarikat Ibraco-Peremba Sdn. Bhd. (20491-M)
- 100% Ibraco Spectrum Sdn. Bhd. (610691-M)
- 100% Ibraco Infinity Sdn. Bhd. (606453-W)
- 100% Ibraco Construction Sdn. Bhd. (591982-H)
- 100% Foso One Sdn. Bhd. (612425-M)
- 100% NewUrban Sdn. Bhd. (1273029-H)
- 75% Ibraco Pelita Sdn. Bhd. (1034276-W)
- 74% Ibraco Ascent Sdn. Bhd. (1171729-H)
- 70% Ibraco HGS Sdn. Bhd. (964174-A)
  - 80% Warisar Sdn. Bhd. (1009534-M)
- 70% Ibraco Plantation Sdn. Bhd. (1072264-T)
- 49% IBRACO HELP Education Sdn. Bhd. (1249584-P)
  - 70% HELP IBRACO CMS Sdn. Bhd. (1269960-U)

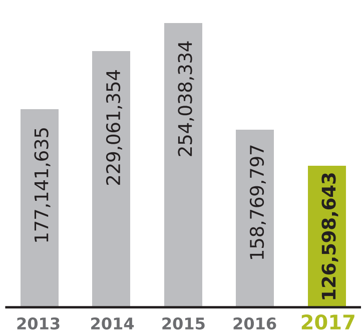
Group Financial Highlights

Five Years Financial Summary

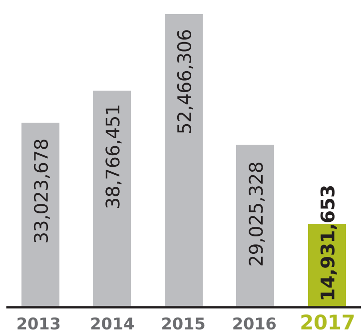
	2013	2014	2015	2016	2017
Revenue (RM)	177,141,635	229,061,354	254,038,334	158,769,797	**126,598,643**
Profit before taxation (RM)	44,013,083	52,816,697	70,251,034	40,378,035	**18,970,933**
EBTIDA (RM)	48,341,916	56,738,063	76,195,403	46,241,314	**24,001,954**
Net profit after taxation (RM)	33,023,678	38,766,451	52,466,306	29,025,328	**14,931,653**
Profit attributable to owners of the Company (RM)	33,076,437	36,379,241	45,958,997	27,073,986	**14,037,718**
Basic earnings per ordinary share (sen)	8	9	11	5	**3**
Gross dividend per share (sen)	10.00	10.00	3.50	3.50	**2.00**
Dividend payout ratio (%)	38	33	33	60	**66**
Net gearing ratio (%)	42	40	37	36	**41**
Shareholders' equity (RM)	209,591,029	233,445,221	311,956,371	321,656,159	**325,765,764**
Total Assets (RM)	385,307,069	420,940,115	552,576,460	545,147,927	**612,015,291**
Net assets per share (RM)	1.66	1.84	0.63	0.65	**0.66**
Return on shareholders' equity (%)	16	16	15	8	**4**
Return on total assets (%)	13	13	14	8	**4**
Total borrowings (RM)	96,995,001	100,304,231	155,423,564	140,641,412	**180,571,115**
Current assets (RM)	203,676,777	225,403,280	293,547,047	428,840,544	**470,279,324**
Current liabilities (RM)	119,625,354	142,435,955	147,117,234	154,619,682	**223,195,761**
Current ratio (times)	1.70	1.58	2.00	2.77	**2.11**

	RM1.00		RM0.50		
Issued and fully paid-up share capital of	126,488,095	126,624,095	496,405,652	496,405,652	**496,405,652**
Share price performance (RM)	**2013**	**2014**	**2015**	**2016**	**2017**
Closing	0.55	0.52	1.06	1.00	**0.87**

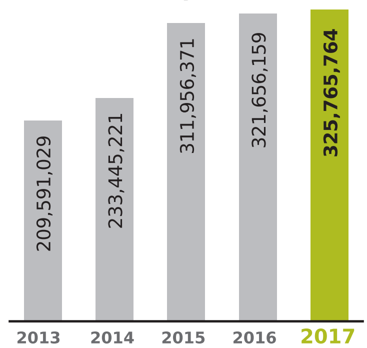
Revenue (RM)



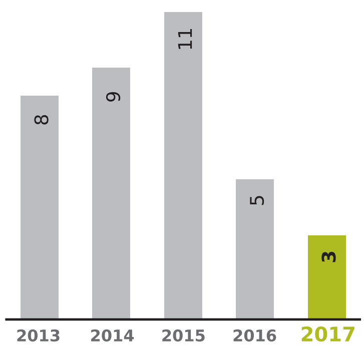
Profit Net Of Tax (RM)



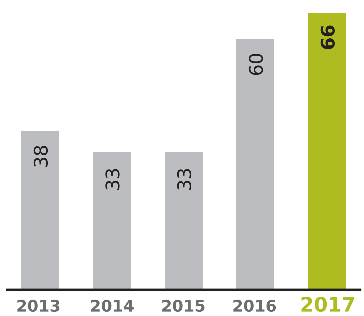
Shareholders' Equity (RM)



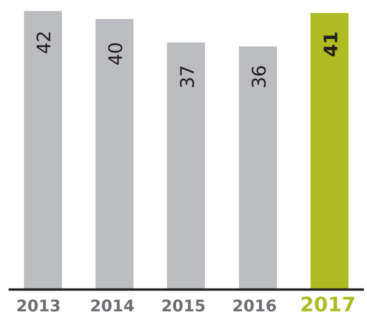
Basic Earnings Per Share (Sen)



Dividend Payout Ratio (%)



Net Gearing Ratio (%)



Chairman's Statement

2017 has been a very challenging year for IBRACO Group arising from the continued weak property market sentiment. The Group recorded a lower revenue of RM126.6 million, a drop of 20.3% from financial year 2016's revenue of RM158.8 million.

During the year under review, we concentrated on the existing project developments namely Tabuan Tranquillity and Bintulu Town Square, both located in Sarawak; as well as ContiNew in West Malaysia. At the same time, we also revised some of the approved plans to incorporate current market demands, which are scheduled to launch in 2018.

Expanding Our Portfolio

Although our financial performance fell short of our initial forecast, we managed to achieve our business goals when our wholly owned subsidiary, Ibraco Construction Sdn Bhd bagged a RM302.64 million contract for the construction of a new airport in Mukah, Sarawak. With our new team of experienced and committed staff, we are confident to deliver the project in time by August 2020.

We have also expanded our network of partnerships with HELP Education Group and Cahya Mata Sarawak Berhad to jointly establish Tunku-Putra HELP International School. The presence of the school enhances the offering of our new township development spanning across 123 acres, known as The NorthBank.

In addition, we successfully concluded the land acquisition in Bandar Petaling Jaya Selatan, in line with our plan to expand our presence in West Malaysia.

Community Outreach

In giving back to the community, we have adopted Hope Place as our charity partner by providing the organisation free use of much-needed bigger space for its daily operations at our flagship township of Tabuan Tranquility, and pledging monthly cash sponsorship. Hope Place is a non-governmental organisation dedicated to alleviate the plight of the poor and the deprived through the provision of sustenance and other essential items, repairing dilapidated houses and helping fire and flood victims.

As for our effort in continuing promoting the spirit of gratitude and giving, we organised IBRACO's Christmas Wonderland, an outdoor community oriented activity at Tabuan Tranquility that filled with spectacular decorated display and magical spirit of Christmas accompanied with food and lively performances. The entrance fees collected were all contributed to the Hope Place and Sarawak Children Cancer Society. In addition, we also continued to participate and sponsor a series of community event throughout the year.

In providing safe and secure community, we have embarked on building our own security team. Through rigorous selection process and intensive police training, our first batch of Auxiliary Police personnel was officially graduated from the Malaysia Police Training Centre in November 2017.

Forward looking

We remain confident of achieving a fruitful year in 2018 with strong lock-in sales recorded in the Year 2017.

In 2018, the early development of The NorthBank saw a sale of office tower amounting RM25.5 million followed by a 100% take up of the first residential project, NOVA72, on the day of its official launch. With that positive note, we will continue to focus our effort to develop the rest of The NorthBank including the corporate office of IBRACO and Tunku-Putra HELP International School which has commenced construction. Others in the pipeline are offices, SOHOs, apartments, high-end landed residential property, retail outlets and shop offices.

As for our venture in West Malaysia, our newly acquired land at Bandar Petaling Jaya Selatan is at its planning stage, aiming to kick of the development by early 2019.

Acknowledgements

On behalf of the Board, I wish to extend my utmost gratitude to our shareholders for your unwavering trust and confidence in us. Our appreciation also goes to our valued customers and clients, bankers, government departments and agencies, vendors and suppliers for their continuous support and cooperation. To the Management team and all employees of the Group, I wish to express my gratitude for your hard work, dedication and commitment amidst the challenges of 2017. To my fellow board members, thank you for your invaluable guidance and together we will steer IBRACO Group to a greater results in 2018.

Ng Cheng Chuan
Chairman

Repair House for Hope Place

Handing Over of Premises at Tabuan Tranquility to Hope Place, 7 October 2017

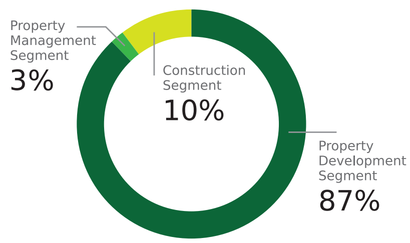
Polis Bantuan Graduation

MD's Management Discussion and Analysis

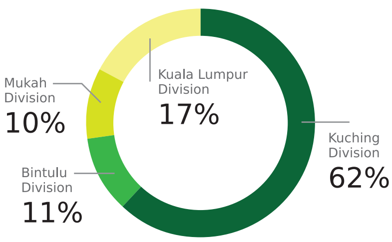
Overview of the Group's Business and Operations

With more than 40 years of long standing reputation dated back to 1974, Ibraco Berhad has become known as one of the leading pioneer property developers or township developers in Kuching, Sarawak. The organisation has been a preferred choice of East Malaysians, being reputable for its quality works, timely delivery of its development projects, and its properties' functional and aesthetic designs. The Group is registered on the Main Board of Bursa Malaysia Securities Berhad on 16 June 2004. Its principal modulus operations are real estate, property development, construction and marketing of residential, commercial and industrial properties. 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 in 2015.

Revenue By Segment



Revenue By Geographical Area



Financial Performance Review

The Group's revenue and profit after tax have decreased by 20% and 49% respectively for its financial year ended 31 December 2017, as compared to 2016. The challenging market conditions that prevailed throughout the year have made the Group revised some of the approved plans to capture the current market needs. As the approval of the revised plans was time consuming, it delayed the launches of new projects in 2017. Added to that, the high rise development projects have not contributed to 2017 results as these projects are at their initial construction stage.

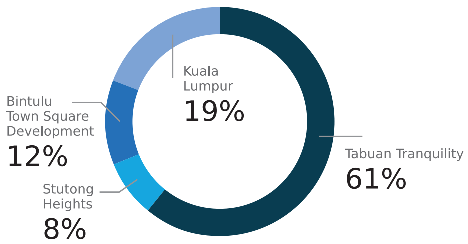
The Group inventories have built up from RM44.24 million in 2016 to RM87.97 million in 2017. Nevertheless, the Group is confident of better sales performance with the implementation of mega projects such as the Sarawak Corridor for Renewal Energy (SCORE) development plans in Bintulu as well as the recently announced Kuching Light Rail Transit (LRT) project which will bypass the Greater Tabuan Township.

The Group's revenue is mainly derived from the property development segment, recorded at 87% of the current year's aggregated revenue. The Group's home-based projects in Kuching remain the key contributor, i.e. 69% of the total property development segment revenue. With its unbilled sales of RM194.71 and outstanding order book of RM281.16 million as at 31 December 2017, the Group is confident to deliver better financial results in 2018.

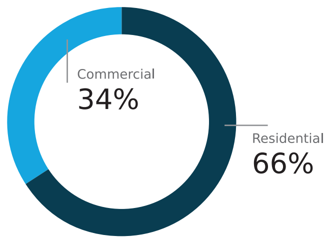
The Group's loan and borrowings have increased by 28% from RM140.64 million to RM180.57 million in 2017, primarily due to the financing of the construction of the new Mukah airport project. Although the corresponding gearing ratio has increased to 41% as compared to 36% in 2016, it remains manageable within the Group's capping of not exceeding 50%. In fact, the Group's healthy gearing ratio allows for further expansion in the coming years.

Tabuan Tranquility Development, Kuching

Property Development Segment
Revenue By Project Development



Property Development
Revenue By Property Type



Review of Operating Activities

Tabuan Tranquility Development, Kuching

Tabuan Tranquility is an integrated development project spanning over 173 acres, comprising a hypermarket, commercial hub with banks, eateries, fashion and lifestyles retail outlets, as well as more than 1,000 units of medium to high end residential properties. 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 has also launched the lock-up retail outlets within the SOHO development in May 2017 and expected to launch the education block in 2018.

In 2017, the Tabuan Tranquility project continued to lead in the Group's sales, generating 53% of the Group's revenue, primarily from Tabuan Tranquility Phase 3 Stage 2 commercial properties and the SOHO project within, as well as the completed The Park Residence that comprises 178 of high-end condominium units.

Stutong Heights Apartments, 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 groups. 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 were completed in 2017. In 2017, RM8.34 million representing 7% of the total Group revenue was generated from this Stutong Heights Apartment development.

Town Square Bintulu, Bintulu

Town Square Bintulu is the Group's maiden project in Bintulu when it first established its foothold there in 2012. This development is undertaken by Warisar Sdn Bhd, a joint venture company between Ibraco Group and Bintulu Development Authority ("**BDA**"). Warisar Sdn Bhd acquired the rights to develop the 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 an 8-storey office block with an estimated GDV of RM136 million was launched in 2013 and completed in early 2016. The lock-up retail plaza that is also part of the first phase development was completed in early 2017. During the last quarter of 2016, the Group 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.

For the financial year of 2017, the Group recognised RM13.49 million from both phases, representing 11% of the Group's total revenue.

Town Square, Bintulu

CONTINEW, Kuala Lumpur

In February 2017, the Group officially launched its first project in West Malaysia, ContiNew, 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 comprising 4 units of 3-storey commercial/retail shops, 30 units of retail/office spaces and 510 units of service apartments. This mixed development is estimated to have a GDV of over RM400 million. As this project is still at its initial stage of construction, RM21.58 million representing 17% of the Group's total revenue was recognised for the financial year 2017.

Construction Segment

The Group received a contract from Jabatan Kerja Raya, Kuching, Sarawak to construct and complete the new Airport at Mukah, Sarawak via Package 2 - Final Formation, Airfield Pavement, Access Road, Landside Infrastructures and Building Works ("**Project**"). The Project, amounting RM302.64 million, is scheduled to complete within 36 months from August 2017. RM12.33 million representing 10% of the Group's total revenue for 2017 was contributed from this construction segment.

Anticipated or Known Risks

At present, the Group is affected by the current market risk, stringent lending requirements coupled with buyers taking precautionary purchasing and/or investment decisions. However, these risks are not new to Ibraco's management who has incorporated assurances through its extensive experience of over 40 years in the property development and construction business to manage and mitigate such risks.

The Group has been prudence in its launch of new projects, ensuring the right property is launched at the right time and at the right price.

Future Prospects

With the current 632 acres of land bank, the Group aims to provide Kuchingnites with luxurious and yet affordable living with doorstep conveniences. With this, the Group is set to unveil its next major and highly anticipated mixed development project, The NorthBank in 2018.

This integrated development sits on a 123 acres of land, located right opposite Ibraco's highly successful Tabuan Tranquility project. Combining the popularity of landed residences with the growing trend of high-rise developments, and complemented with commercial components, The NorthBank offers purchasers with choices of various types of residences built with a walking distance to commercials, office units as well as a social clubhouse and even an educational institution proudly known as Tunku Putra-HELP International School which will commence operation by January 2020.

In March 2018, the Group officially launched its first project in The NorthBank, Nova72, which consists of 50 units of double-storey terrace houses, 14 units of double-storey semi-detached houses and 8 units of three-storey detached-houses. This development is estimated to have a GDV of over RM73 million. They were completely sold within the first day of its launching, providing the Group with a positive indicator to launch The NorthBank subsequent developments in 2018.

Added to that, riding on the success of ContiNew Kuala Lumpur, the Group has entered into a separate sale and purchase agreements ("**SPA**") with Milan Sanctuary Sdn Bhd and Jurapat Sdn Bhd to acquire 15,811.66 square meter leasehold land located at Bandar Petaling Jaya Selatan, Daerah Petaling and fronting onto Baru Pantai Highway ("**the Land**") for aggregate consideration of RM37.44 million. The Land is approved for mixed commercial development and the Group has identified the Land as an appropriate and strategic investment which will enhance the future earning potential of the Group and its presence in West Malaysia.

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 the construction segment, the Group has been actively participating in bidding for the Government's construction and infrastructure projects.

In addition to the generation of revenue via the Group's current normal business activities, the Group has ventured into another new segment - providing international education services. In March 2018, the Group collaborated with HELP Education Services Sdn Bhd and CMS Education Sdn Bhd to embark on an exciting journey in educational growth by establishing the Tunku Putra-HELP International School in Kuching, and it is located strategically at The NorthBank, Tabuan Jaya, the residential heart of Kuching. The Group believes that this joint venture will diversify its source of income as well as enhance the value of the surrounding developments within The NorthBank.

Therefore, the capital expenditure ("**CAPEX**") for this new business segment is estimated to be approximately RM50 million and to be completed by end of 2019. The Group has also commenced the construction of its corporate office at The NorthBank in 2017, with an estimated capital expenditure costs of RM45 million. The capital resources for both these CAPEX will be 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.

Profile of Directors

NG CHENG CHUAN
Chairman
Singaporean | Age 59 | 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 (other than traffic offences, if any). He does not have any conflict of interest with the Company.

DATUK (DR.) PHILIP TING DING ING
Deputy Chairman
Malaysian | Age 66 | Male

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 30 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 Sarawak Chamber of Commerce and Industry. 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, 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 (other than traffic offences, if any). He does not have any conflict of interest with the Company.

Profile of Directors

DATUK CHEW CHIAW HAN
Managing Director
Malaysian | Age 41 | 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 Law 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 (other than traffic offences, if any).

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.

LIU TOW HUA
Executive Director
Malaysian | Age 58 | Male

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 (other than traffic offences, if any). 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 55 | 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 (other than traffic offences, if any). She does not have any conflict of interest with the Company.

NG KEE TIONG
Non Executive Independent Director
Malaysian | Age 50 | 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 (other than traffic offences, if any).

Profile of Directors

GUIDO PAUL PHILIP JOSEPH RAVELLI
Non Executive Independent Director
British | Age 67 | 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.

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 (other than traffic offences, if any). He does not have any conflict of interest with the Company.

Profile of Senior Management

Felix Su Kuang Yiaw, Malaysian, age 59, male, is the Project Director of IBRACO Group. He obtained Bachelor of Civil Engineering from Ryerson University, Canada. He has over thirty years of experience in the construction industry, with niche technical knowledge in upgrading and construction of airports within Sarawak. He joined the Group in 2017.

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 (other than traffic offences, if any).

May Wong Mei Ling, Malaysian, age 44, female, is the Assistant to Managing Director cum Company Secretary. She qualifies as a Chartered 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 the 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 (other than traffic offences, if any).

Kho Thong Ching, Malaysian, age 47, 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 (other than traffic offences, if any).

Chai Ming Hsia, Malaysian, age 42, 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 (other than traffic offences, if any).

Henrick Lau Lik Heng, Malaysian, age 45, 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 (other than traffic offences, if any).

Jonathan Teo Kui Theng, Malaysian, age 50, male, joined the 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 (other than traffic offences, if any).

Corporate Governance
Overview Statement

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 2017 ("MCCG"). This Statement provides a summary of Ibraco's corporate governance practices during the financial year ended 31 December 2017 with reference to the 3 Principles which set out in MCCG. The Corporate Governance Report for the financial year ended 31 December 2017 is available on Ibraco's website at www.ibraco.com.

MCCG PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

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 Board Committees comprise the following:-

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Risk Management Committee
- Option Committee

The functions and terms of reference of the Board Committees, as well as the authorities and duties delegated by the Board to these Board Committees, have been clearly defined by the Board. The terms of reference of each Board Committee are accessible on Ibraco's website at www.ibraco.com.

Board's role in setting strategy

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 and those delegated to Management.

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

(i) Review and adopting strategic plan, as developed by Management, that promote sustainability within the aspect of environmental, social and governance;
(ii) Overseeing the conduct of the Group's business in accordance with its strategic plan and budget;
(iii) Monitoring the performance of Management to ensure sound financial and operational management;
(iv) Identifying principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to manage such risks;
(v) Overseeing the development and implementation of investor relations and shareholder communication policy;
(vi) Ensuring succession planning are in place for the orderly succession of senior management;
(vii) Reviewing the adequacy and integrity of the Group's management information and internal control systems, ensuring there is a sound framework of reporting internal controls and regulatory compliance; and
(viii) Overseeing the Group's adherence to appropriate corporate governance structure and ethical corporate behavior.

Ethical leadership by the Board

Ibraco has adopted a set of Code of Conduct to provide guidance on matters of professional and personal behavior that applies to Directors, alternates and any person participating in Board meeting. The Code of Conduct is subject to periodical review.

Directors are expected to observe, amongst others, the following salient points in the Code of Conduct:-
- Observed 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; and
- Maintain the confidentiality of non-public information about Ibraco Group or its activities or operations.

The Group's Whistle-blowing Policy has been established to encourage all employees 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 Whistle-blowing 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; and
(d) Provide a transparent and confidential process for dealing with concerns.

Both the Code of Conduct and Whistle-blowing Policy are available on Ibraco's website at www.ibraco.com.

Roles of Chairman and Managing Director

The respective roles and responsibilities of the Chairman of the Board and the Managing Director are clearly set up and held by 2 different individuals. The division ensures that there is clear and proper balance of power and authority.

The Chairman's main responsibility is to set tone at the top, ensure effectiveness of the Board functions, and encourages participation and deliberation by all the Board members.

The Managing Director has overall responsibilities over the Group's operational, organizational 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.

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 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 ensures 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. In addition, the in-house Company Secretary also 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 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. The Board Charter can be found online at www.ibraco.com.

Board Composition and Independence

The Board currently comprises seven (7) members, with 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 para 15.02 that at least 1/3 of the Board must be Independent Directors.

The Directors have wide range of experience and expertise and have contributed significant 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 whilst the Independent Directors have provide balanced and independent view and judgement to the Board.

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' skills, 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.

The profile of each of the Board Members is as presented on pages 13 to 16 of this Annual Report.

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 twelve 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 46th Annual General Meeting of the Company, where the shareholders' approval will be sought through a "two-tier" voting process.

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:-

Committee Members

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

Key Responsibilities of the NC

(a) To assess and recommend new Directors to the Board and Boards of the Group. For the position of Independent Non-Executive directors, the NC shall also evaluate the candidate's ability to discharge such responsibilities as expected from Independent Non-Executive directors.
(b) To review annually the mix of skills, knowledge, professionalism, integrity and experience, and other qualities to enable the Board to function completely and efficiently.
(c) Review the size, structure and composition of the Board.
(d) 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.
(e) 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.
(f) Identify and develop succession plan for those in key positions in senior management.
(g) 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.

Summary of Activities of the NC during the Year

- Review the required mix skills, experience and other qualities required for the Board.
- Review the size of the Board.
- Annual assessment of the performance of Directors.
- Annual assessment of the performance of the Board, the Board Committees and its members.
- Review and assess the performance and make recommendation to the Board with regard to Directors who seek re-election at the Annual General Meeting.

For the financial year ended 31 December 2017, 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 results of the assessment were compiled by the Company Secretary and tabled to the Board for review and deliberation. The Board is 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, experiences and qualities.

Board Diversity

The Board is aware of the gender diversity as set out in Practice 4.5 of MCCG. 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 promotes gender diversity at the management and staff level. The Group recorded 29% female workforce at Group level and 25% female at Senior Management level.

Time 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.

During the year ended 31 December 2017, 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 2017 are as follows:-

Directors	Numbers of Board Meetings attended
Ng Cheng Chuan	4/4
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 Ting	4/4

Directors' Training

The Directors will continuously attend conferences, seminars and training programs 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 Program prescribed by Bursa Securities. During the financial year under review, the Directors, individually or collectively, attended various training programs and seminars as set out below:-

Date	Courses
13 January 2017	ACRA:SGX-SID Audit Committee Seminar 2017 – Rising Above Complexities – What Audit Committees Should Consider
5 April 2017	Audit Committee Conference 2017: Making an Impact
3 May 2017	MFRS 15: Revenue from Contracts with Customers and MFRS 16: Leases
17 July 2017	Bursa CG Breakfast Series – "Board Excellence: How to Engage and Enthuse Beyond Compliance with Sustainability"
18 July 2017	Capital Market Conference 2017
25 & 26 July 2017	National Tax Conference 2017
29 August 2017	Malaysian Code on Corporate Governance
25 September 2017	Effective Internal Audit Function for Audit Committee Workshop
23 November 2017	Companies Act 2016 and MCCG
29 November 2017	1st GLC Briefing: What Sustainable Organisations Are Doing Differently

Remuneration Committee ("RC")

The RC was established on 16 April 2003 and comprises the following Board members:-

Guido Paul Philip Joseph Ravelli (Chairman, Senior Independent Non-Executive Director)
Ng Cheng Chuan (Non-Independent Non-Executive Director)
Datuk 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 caliber 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.

The remuneration of the Executive Directors and Non-Executive Directors of the Group for the year ended 31 December 2017 is set out as follows:-

		From the Company			From Subsidiary Companies	
2017	**Fees[(i)]** RM	**Other emoluments[(ii)]** RM	**Benefits-in-kind** RM	**Company Total** RM	**Fees[(i)]** RM	**Group Total** RM
Executive Directors						
Datuk Chew Chiaw Han	-	660,240	28,000	688,240	22,500	710,740
Liu Tow Hua	-	331,632	6,606	338,238	22,500	360,738
	-	991,872	34,606	1,026,478	45,000	1,071,478
Non-Executive Directors						
Ng Cheng Chuan	270,700	-	-	270,700	-	270,700
Datuk (Dr.) Philip Ting Ding Ing	60,000	-	-	60,000	-	60,000
Sharifah Deborah Sophia Ibrahim	42,000	-	-	42,000	8,400	50,400
Guido Paul Philip Joseph Ravelli	72,700	-	-	72,700	-	72,700
Ng Kee Tiong	84,350	-	-	84,350	-	84,350
	529,750	-	-	529,750	8,400	538,150
Total Directors' Remuneration	529,750	991,871	34,606	1,556,228	53,400	1,609,628

(i) Included in fees are Director's fees and meeting allowances.
(ii) Included in other emoluments are salaries, bonus and defined contribution plan.

The remuneration packages of the Senior Management Personnel are determined by taking into considerations on individual responsibilities, skills, expertise, experiences and contributions to the Group's performance. It is essential to offer competitive and sufficient remuneration packages to ensure executive talents' retention. The Board is of the view that it would not be beneficial to the Company to disclose the Key Senior Management Personnel's remunerations on named basis, which might raise negative impact to maintain a stable working environment for long-term strategic goals.

The details of the aggregate remuneration of the Senior Management Personnel during the year under review are set out as below:-

	From the Company RM
Salaries	1,820,170
Bonus	201,255
Benefits-in-kind	95,487
Other emoluments**	275,301
Total	2,392,213

*** Included in other emoluments are defined contribution plan and social security costs.*

Corporate Governance Overview Statement (contd.)

MCCG PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee ("AC")

The Audit Committee is established by the Board and comprises three (3) members, whom two (2) of the members are Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The Chairman of the AC is appointed by the Board and is not the Chairman of the Board.

The AC assists and supports the Board primarily in the area of financial reporting in liaison with the external auditors and the Group's system of risk management and internal control in liaison with the internal auditors. The functions of the AC are clearly defined in the Terms of Reference, which is accessible on Ibraco's website at www.ibraco.com.

Collectively, the AC members have a wide range of necessary skills, knowledge and experiences to discharge their duties, ranges from accounting and construction. The Chairman of the AC is a member of the Malaysian Institute of Accounts and also a fellow member of the Association of Chartered Accountants of United Kingdom.

The details of summary of work by AC for year 2017 are set out under the Audit Committee Report on pages 27 to 30 of this Annual Report.

Internal Audit Function

Ibraco has established an in-house Internal Audit Department ("IAD"), which provides the Board with adequate assurance it requires regarding the adequacy and effectiveness of risk management, internal control and governance processes. The IAD is guided by the Internal Audit Charter as well as the Professional Practices Framework in assessing the reporting on the adequacy and effectiveness of the internal control, governance and risk management processes.

The IAD is led by Group Internal Auditor ("GIA") and assisted by an Internal Audit Executive, and reports directly to AC. The AC is responsible to oversee the performance and the effectiveness of the internal audit function. As guided by the Internal Audit Charter, independence of the IAD is essential for the effectiveness of their function. In this regard, the internal audit has no direct authority or responsibility for the activities it audited and has no responsibility for developing or implementing procedures or system and does not prepare records or engage in original line processing functions or activities.

Further details of the internal audit function that is oversighted by the AC are set out under the Audit Committee Report on pages 27 to 30 of this annual report.

Relationship with External Auditors

The AC has an appropriate and transparent relationship with the external auditors. The role of the AC in relation to the external auditors and the assessment of external auditors by the AC are set out under the Audit Committee Report on pages 27 to 30 of this Annual Report.

Risk Management and Internal Control Framework

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 law and regulations, as well as with internal procedures and guidelines. The Board recognises that it 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 of Risk Management and Internal Control" on pages 31 to 34 of this Annual Report.

MCCG PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Relationships with Stakeholders

Ibraco 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. All communication with media or public and disclosures made are in accordance with the Group Communication Policy. 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.

Annual General Meeting

The Annual General Meeting has 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.

Electronic Communications

Ibraco's corporate website at www.ibraco.com is the one of the key platforms to ensure the stakeholders can access communications and documents once they are published. A dedicated investor relation section is available on the website, where information released by the Company to Bursa Malaysia Securities Berhad is made available immediately after the announcement, and all newsletters issued by the Company are made available on the website.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

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 2017, 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.

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 proceeds from this corporate exercise of approximately RM50.65 million have been 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	(19,917)	363	-	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	(50,654)	-	-		

The professional fees incurred amounting RM737,000 was lower than the provisional sum of RM1,100,000. The surplus was then utilised to partially settle the payment to project consultants and contractors.

Audit and Non-audit Fees

The amount of audit and non-audit fees paid or payable to the External Auditor and a company affiliated to the External Auditors' firm for the year ended 31 December 2017 were as follows:

Purpose	Group (RM)	Company (RM)
Audit Fees	107,500	66,000
Non-Audit Fees		
- Tax advisory, computation and filing	52,051	17,490
- Review of Statement on Risk Management and Internal Control	10,992	10,992
- Review of Housing Development Accounts	12,190	8,480
Total	**182,733**	**102,962**

Related Party Transactions

The value and types of related party transactions entered into by IBRACO Group are shown on pages 103 to 106 of this Annual Report (see Note 28 to the financial statements).

Material Contracts

There were no material contracts entered into by IBRACO Group 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.

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 2017 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	5/5

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 present 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.

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 2017. 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 Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad.

- Reviewed the annual audited financial statements for year ended 31 December 2016 on 30 March 2017.

- 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 MMLR; 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 2017.

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 23 November 2017, 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 2017 at its meeting on 23 November 2017, 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 Board meeting that held on the even date.

- The Committee deliberated on the external auditors' report at its meeting on 30 March 2017 with regard to the relevant disclosures in the annual audited financial statements for 2016.

- On 30 March 2017, 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 2016, February and March 2017 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 24 February 2017 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 2016.

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 24 February 2017 for the publication in the 2016 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 2017 and 26 May 2017 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.

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 system so as to provide reasonable assurance that such system 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:
- Sales and marketing management;
- Procurement management;
- Project management; and
- I.T. management.

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 24 February 2017, 26 May 2017, 25 August 2017, and 23 November 2017, 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;
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 2018 internal audit's annual audit plans.

The total costs incurred in relation to the Internal Audit Department for year 2017 amounted to approximately RM173,000. 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.

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.

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 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.

Statement On Risk Management and Internal Control (contd.)

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 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 at least once a year.

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.

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 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 pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2017, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects: has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or is factually inaccurate.

RPG 5 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and management thereon. The report from the external auditor was made solely for, and directed solely to the Board in connection with their compliance with the listing requirements of Bursa Malaysia Securities Berhad and for no other purposes or parties. The external auditors do not assume responsibility to any person other than the board of directors in respect of any aspect of this report.

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 28 February 2018.

Directors' Report And Audited Financial Statements

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 2017.

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 RM	**Company** RM
Profit net of tax	14,931,653	12,365,921
	========	========
Profit attributable to:		
Owners of the Company	14,037,718	12,365,921
Non-controlling interests	893,935	-
	14,931,653	12,365,921
	========	========

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 2016 was as follows:

	RM
In respect of the financial year ended 31 December 2017:	
Interim single-tier dividend of 2 sen on 496,405,652 ordinary shares, declared on 28 December 2017 and paid on 31 January 2018	9,928,113
	========

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.) Ting Ding Ing
Ng Kee Tiong
Guido Paul Philip Joseph Ravelli
Liu Tow Hua

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:

Rodziah Binti Morshidi	
Datuk Barry Tan Chong Liang	
May Wong Mei Ling	(Appointed on 8 May 2017)
Datu Sajeli Bin Kipli	(Appointed on 1 July 2017)
Monaliza Binti Zaidel	(Appointed on 1 July 2017)
Kho Thong Ching	(Resigned on 8 May 2017)
Datu Dr. Hj. Sulaiman Bin Hj. Husaini	(Resigned on 1 July 2017)
Hasbi Bin Suhaili	(Resigned on 1 July 2017)

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.

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 employee of the Company as shown below) 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 28 to the financial statements.

The total amount of insurance premium for the directors and the officers of the Group and the Company in respect of the liability for any act or omission in their capacity as an officer of the Company or cost incurred by them in defending or settling any claim or proceedings relating to any such liability as at the financial year end is RM16,228.

Directors' remuneration

	Group		**Company**	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
Executive directors' remuneration:				
Fees	45,000	72,500	-	-
Salaries and other emoluments	991,872	929,220	991,872	929,220
	1,036,872	1,001,720	991,872	929,220
Non-executive directors' remuneration:				
Fees	610,150	622,150	529,750	487,250
Total directors' remuneration	1,647,022	1,623,870	1,521,622	1,416,470
Estimated money value of benefits-in-kind	34,606	34,500	34,606	34,500
Total directors' remuneration including benefits-in-kind	1,681,628	1,658,370	1,556,228	1,450,970

Included in the analysis above is the remuneration for directors of the Group and the Company in accordance with the requirements of the Companies Act 2016.

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 At 1 January 2017 and 31 December 2017
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.

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.

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.

Subsequent events

Details of subsequent events are disclosed in Note 36 to the financial statements.

Auditors

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

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

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 March 2018.

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 121 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 March 2018.

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 121 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 29 March 2018

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 2017 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 121.

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 2017, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our 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 and on construction contracts

For the year ended 31 December 2017, as disclosed in Note 4 and Note 5 to the financial statements, the recorded revenue and cost of sales of properties under construction amounted to RM100 million and RM69 million, respectively for the Group and RM92 million and RM70 million, respectively for the Company. The Group has also recorded revenue and costs from construction contracts amounting to RM12 million and RM11 million, respectively.

Revenue for property development and for construction contracts is recognised on a percentage of completion basis. The percentage of completion is assessed by reference to the stage of completion of the projects based on the proportion of contract costs incurred and the estimated costs to complete. Significant judgement is required in determining the stage of completion, the costs incurred and the estimated costs to complete. In making the judgment and estimation, the management considers past experience and relies on the work of experts.

We identified revenue and cost recognition on the sales of properties under construction and on construction contracts as areas requiring audit focus due to the significance of the balances and the significant judgment made by the management.

Our audit procedures included assessing the management's method of revenue and costs recognition relating to the various property development and construction projects, that they are properly allocated and taken up in the respective projects, and that the various stages of completion are based on the costs incurred to-date over the total estimated costs of the 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 costs and revenues including the estimation of costs to be incurred and that revenue is only recognised as sales with properly executed contracts. 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 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.

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

Responsibilities of the directors for the financial statements

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

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

Auditors' 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.

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

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

- 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.

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 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
3101/02/20 (J)
Chartered Accountant

Kuching, Malaysia.
Date: 29 March 2018

Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Revenue	4	126,598,643	158,769,797	100,445,267	136,623,592
Cost of sales	5	(87,571,461)	(101,809,855)	(73,205,152)	(97,051,469)
Gross profit		39,027,182	56,959,942	27,240,115	39,572,123
Other item of income					
Other income		937,244	1,702,336	4,315,232	11,034,224
Other items of expense					
Administrative expenses		(17,065,706)	(13,408,378)	(12,839,641)	(10,132,294)
Selling and marketing expenses		(464,968)	(353,016)	(464,967)	(353,016)
Operating profit		22,433,752	44,900,884	18,250,739	40,121,037
Finance costs	6	(3,462,819)	(4,522,849)	(3,157,691)	(3,639,384)
Profit before tax	7	18,970,933	40,378,035	15,093,048	36,481,653
Income tax expense	10	(4,039,280)	(11,352,707)	(2,727,127)	(8,355,340)
Profit net of tax, representing total comprehensive income for the year		14,931,653	29,025,328	12,365,921	28,126,313
Total comprehensive income attributable to:					
Owners of the Company		14,037,718	27,073,986	12,365,921	28,126,313
Non-controlling interests		893,935	1,951,342	-	-
		14,931,653	29,025,328	12,365,921	28,126,313
Earnings per share attributable to owners of the Company (sen)					
- Basic	11	3	5		
- Diluted	11	3	5		

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

Statements of Financial Position

As at 31 December 2017

	Note	Group 2017	Group 2016	Company 2017	Company 2016
		RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	12	20,993,502	7,366,485	7,208,329	2,504,530
Investments in subsidiaries	13	-	-	33,401,166	33,401,166
Investment in associate	14	49	-	49	-
Land held for property development	15(a)	44,613,657	44,587,485	42,133,149	42,106,977
Completed investment properties	16(a)	56,880,000	52,100,000	56,880,000	52,100,000
Investment property under construction	16(b)	6,614,835	4,398,973	6,750,343	4,398,973
Trade and other receivables	18	307,862	-	4,184,096	-
Deferred tax assets	25	12,326,062	7,854,440	6,733,660	2,678,009
		141,735,967	116,307,383	157,290,792	137,189,655
Current assets					
Property development costs	15(b)	262,964,703	294,954,918	211,907,222	256,765,968
Inventories	17	87,966,864	44,243,769	58,569,737	8,224,855
Trade and other receivables	18	30,802,916	28,222,774	52,886,665	64,076,357
Other current assets	19	50,838,780	30,867,855	28,867,904	17,391,314
Investment securities	21	9,344	7,639,310	-	-
Cash and bank balances	22	37,696,717	22,911,918	24,147,217	16,813,405
		470,279,324	428,840,544	376,378,745	363,271,899
TOTAL ASSETS		612,015,291	545,147,927	533,669,537	500,461,554
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	23	248,202,826	248,202,826	248,202,826	248,202,826
Retained earnings		77,562,938	73,453,333	71,314,409	68,876,601
		325,765,764	321,656,159	319,517,235	317,079,427
Non-controlling interests		11,095,384	10,801,449	-	-
TOTAL EQUITY		336,861,148	332,457,608	319,517,235	317,079,427

Statements of Financial Position

As at 31 December 2017 (contd.)

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
EQUITY AND LIABILITIES (CONTD.)					
Non-current liabilities					
Loans and borrowings	24	51,958,382	58,068,246	43,689,288	50,545,858
Deferred tax liability	25	-	2,391	-	-
		51,958,382	58,070,637	43,689,288	50,545,858
Current liabilities					
Loans and borrowings	24	128,612,733	82,573,166	93,360,125	76,413,158
Trade and other payables	26	86,597,701	65,679,919	72,862,867	51,346,761
Other current liabilities	27	6,945,165	6,048,086	3,199,860	4,757,839
Income tax payable		1,040,162	318,511	1,040,162	318,511
		223,195,761	154,619,682	170,463,014	132,836,269
TOTAL LIABILITIES		275,154,143	212,690,319	214,152,302	183,382,127
TOTAL EQUITY AND LIABILITIES		612,015,291	545,147,927	533,669,537	500,461,554

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 2017

	Note	Equity, total	Equity attributable to owners of the Company, total	Share capital (Note 23)	Retained earnings	Non-controlling interests
			Attributable to owners of the Company			
		RM	RM	RM	RM	RM
Group						
At 1 January 2016		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	37	(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

	Note	Equity, total	Equity attributable to owners of the Company, total	Share capital (Note 23)	Retained earnings	Non-controlling interests
			Attributable to owners of the Company			
		RM	RM	RM	RM	RM
Group						
At 1 January 2017		332,457,608	321,656,159	248,202,826	73,453,333	10,801,449
Profit net of tax, representing total comprehensive income		14,931,653	14,037,718	-	14,037,718	893,935
Transactions with owners:						
Dividends on ordinary shares	37	(9,928,113)	(9,928,113)	-	(9,928,113)	-
Dividends paid to non-controlling interests		(600,000)	-	-	-	(600,000)
Total transactions with owners		(10,528,113)	(9,928,113)	-	(9,928,113)	(600,000)
At 31 December 2017		336,861,148	325,765,764	248,202,826	77,562,938	11,095,384

Statements of Changes in Equity

For the financial year ended 31 December 2017 (contd.)

	Note	Equity, total	Share capital (Note 23)	Retained earnings
		RM	RM	RM
Company				
At 1 January 2016		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	37	(17,374,198)	-	(17,374,198)
At 31 December 2016		317,079,427	248,202,826	68,876,601
Profit net of tax, representing total comprehensive income		12,365,921	-	12,365,921
Transactions with owners:				
Dividends on ordinary shares	37	(9,928,113)	-	(9,928,113)
At 31 December 2017		319,517,235	248,202,826	71,314,409

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 2017

		Group		Company	
	Note	**2017**	**2016**	**2017**	**2016**
		RM	RM	RM	RM
Operating activities					
Profit before tax		18,970,933	40,378,035	15,093,048	36,481,653
Adjustments for:					
Bad debts written off	7	-	1,890	-	1,890
Deposits written off	7	-	9,250	-	-
Depreciation of property, plant and equipment	7	1,568,202	1,340,430	917,025	850,728
Dividend income from subsidiaries	7	-	-	(1,400,000)	(7,337,751)
Dividend income from investment securities	7	(182,503)	(504,075)	-	(293,459)
Dividend income from licensed banks	7	(9,912)	(33,704)	(2,734)	(7,933)
Gain on disposal of property, plant and equipment	7	(28,301)	(470)	(28,301)	-
Fair value gain on investment properties	7	(24,415)	(400,000)	(24,415)	(400,000)
Interest expense	6	3,462,819	4,522,849	3,157,691	3,639,384
Interest income	7	(187,178)	(525,836)	(2,635,633)	(2,630,970)
Reversal of allowance for impairment losses	7	(431,825)	-	-	-
Property development cost written off	7	2,758	-	2,758	-
Property, plant and equipment written off	7	454,586	332	-	174
Total adjustments		4,624,231	4,410,666	(13,609)	(6,177,937)
Operating profit before working capital changes		23,595,164	44,788,701	15,079,439	30,303,716

Statements of Cash Flows

For the financial year ended 31 December 2017 (contd.)

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Changes in working capital:					
Property development costs		27,753,992	19,375,651	40,080,940	(18,843,751)
Land held for property development		(26,172)	89,967	(26,172)	89,967
Inventories		(45,400,481)	(37,732,430)	(52,413,403)	(1,593,007)
Receivables		(2,456,179)	18,595,940	7,005,596	6,797,828
Other current assets		(16,194,021)	3,212,679	(11,476,590)	4,193,587
Payables		10,989,669	(9,463,871)	11,587,993	(10,095,557)
Other current liabilities		1,548,213	5,821,849	(1,557,979)	4,757,839
Deposits pledged for bank guarantee		870,215	(340,662)	870,215	(340,662)
Cash generated from operations		680,400	44,347,824	9,150,039	15,269,960
Interest paid		(8,456,815)	(8,196,872)	(7,362,891)	(7,313,407)
Interest received		187,178	525,836	2,635,633	2,630,970
Tax paid		(11,688,960)	(22,611,869)	(6,061,127)	(9,569,673)
Tax refunded		120,414	433,752	-	123,839
Net cash (used in)/generated from operating activities		(19,157,783)	14,498,671	(1,638,346)	1,141,689
Investing activities					
Dividend received from subsidiaries		-	-	1,400,000	7,337,751
Dividend received from investment securities		182,503	504,075	-	293,459
Dividend received from licensed banks		9,912	33,704	2,734	7,933
Expenditure incurred on investment property under construction	16(b)	(627,108)	(4,398,973)	(762,616)	(4,398,973)
Placement of deposits with maturity of more than three months		(36,454)	9,950,712	(36,454)	9,950,712
Purchase of property, plant and equipment	12	(2,171,632)	(151,939)	(530,395)	(134,105)
Purchase of investment securities		(5,850,000)	(20,163,211)	-	(18,000,000)
Proceeds from disposal of investment securities		13,479,966	18,000,000	-	18,000,000
Proceeds from disposal of property, plant and equipment		28,302	471	28,302	-
Subscription of shares in subsidiary		-	-	-	(74,000)
Subscription of shares in associate	14	(49)	-	(49)	-
Net cash generated from investing activities		5,015,440	3,774,839	101,522	12,982,777

Statements of Cash Flows

For the financial year ended 31 December 2017 (contd.)

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Financing activities					
Dividends paid on ordinary shares	36	-	(17,374,198)	-	(17,374,198)
Dividend paid to non-controlling interests		(600,000)	(1,000,000)	-	-
Repayment of term loans		(23,778,873)	(22,951,417)	(17,618,865)	(14,477,393)
Repayment of finance lease payables		(1,081,623)	(460,735)	(536,738)	(460,735)
Proceeds from issuance of shares		-	26,000	-	-
Proceeds from term loans		5,000,000	-	5,000,000	-
Proceeds from revolving credit		47,860,000	8,200,000	22,860,000	8,200,000
Proceeds from collaterised borrowings		2,361,399	-	-	-
Net cash generated from/(used in) financing activities		29,760,903	(33,560,350)	9,704,397	(24,112,326)
Net increase/(decrease) in cash and cash equivalents		15,618,560	(15,286,840)	8,167,573	(9,987,860)
Cash and cash equivalents at 1 January		20,346,490	35,633,330	14,247,977	24,235,837
Cash and cash equivalents at 31 December	22	35,965,050	20,346,490	22,415,550	14,247,977

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 2017

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 29 March 2018.

2. Basis of preparation and 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 2016 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 2017, the Group and the Company adopted the following amended FRSs and Annual Improvements which are mandatory for annual financial periods beginning on or after 1 January 2017.

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: Clarification of the scope of disclosure requirements in FRS 12	1 January 2017

The adoption of the above amended FRSs and annual improvements did not have any material effect on the financial statements of the Group and the Company except as discussed below:

Amendments to FRS 107: Disclosure 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 these amendments, entities are not required to provide comparative information for preceeding periods. Apart from the additional disclosures in Note 32, the application of these amendments has had no impact on the Group and the Company.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.3 Malaysian Financial Reporting Standards (MFRS Framework)

The Group and the Company will be required to prepare financial statements using the MFRS Framework in their first MFRS financial statements for the year ending 31 December 2018. In presenting their first MFRS financial statements, the Group and the Company 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.

The Group and the Company have established a project team to plan and manage the adoption of the MFRS Framework. This project consists of the following phases:

(a) Assessment and planning phase

This phase involves the following:

(i) High level identification of the key differences between Financial Reporting Standards and accounting standards under the MFRS Framework and disclosures that are expected to arise from the adoption of MFRS Framework;
(ii) Evaluation of any training requirements; and
(iii) Preparation of a conversion plan.

(b) Implementation and review phase

This phase aims to:
(i) develop training programs for the staff;
(ii) formulate new and/or revised accounting policies and procedures for compliance with the MFRS Framework;
(iii) identify potential financial effects as at the date of transition, arising from the adoption of the MFRS Framework; and
(iv) develop disclosures required by the MFRS Framework.

The consolidated and the separate financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2017 could be different if prepared under the MFRS Framework. The directors expect that the adoption of the MFRS framework will not have any material effect on the financial statements in the period of initial application except as discussed below:

MFRS 9: Financial Instruments

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not required to be restated. During 2017, the Group and the Company have performed an assessment of all aspects of MFRS 9. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group and the Company in 2018 when the Group and the Company adopt MFRS 9.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.3 Malaysian Financial Reporting Standards (MFRS Framework) (contd.)

MFRS 9: Financial Instruments (contd.)

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

(i) Classification and measurement

The Group and the Company do not expect a significant impact on their statements of financial position or equity on applying the classification and measurement requirements of MFRS 9. They expect to continue measuring at fair value through profit or loss all financial assets currently measured at fair value through profit or loss.

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

(ii) Impairment

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

(iii) Impairment disclosures requirements

The impairment disclosures are expected to be expanded significantly in comparison to the existing disclosures required under the current standard.

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

MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.3 Malaysian Financial Reporting Standards (MFRS Framework) (contd.)

MFRS 15: Revenue from Contracts with Customers (contd.)

The Group and the Company plan to adopt the new standard on the required effective date using the modified retrospective method. The directors have assessed the effects of applying the new standard on the Group's and the Company's financial statements and have identified the following areas that will be affected:

(i) Costs incurred in obtaining a contract

Sales commissions incurred are currently taken to profit or loss because they do not qualify for recognition as an asset under any of the other accounting standards. Upon the adoption of MFRS 15, the Group and the Company will capitalise such commissions as incremental costs to obtain a contract if these costs are recoverable. These costs are amortised to profit or loss as the Group and the Company recognise the related revenue.

(ii) Determination of transaction price

The Group and the Company have considered the terms of the contracts and their customary business practices to determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to its customers, excluding amounts collected on behalf of third parties (for example, some sales taxes). Free legal and professional fees offered to customers are currently accounted for as part of the construction costs. Upon the adoption of MFRS 15, these are considered as consideration payable to the customers which would be taken as a reduction in the transaction price.

(iii) Presentation and disclosure requirements

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

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

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. Basis of preparation and summary of significant accounting policies (contd.)

2.4 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.

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. Basis of preparation and summary of significant accounting policies (contd.)

2.4 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. All other contingent consideration shall be measured at fair value and such changes shall be recognised in profit or loss.

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.

2.5 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. Basis of preparation and summary of significant accounting policies (contd.)

2.6 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.

2.7 Investments in associates and joint ventures

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

An associate or a joint venture is equity accounted for from the date on which the investee becomes an associate or a joint venture.

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

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

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

2. Basis of preparation and summary of significant accounting policies (contd.)

2.7 Investments in associates and joint ventures (contd.)

After application of the equity method, the Group applies FRS 139 Financial Instruments: Recognition and Measurement to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with FRS 136 Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

In the Company's separate financial statements, investments in associates and joint ventures 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.

2.8 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.

2. **Basis of preparation and summary of significant accounting policies (contd.)**

2.8 Property, plant and equipment (contd.)

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.

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. **Basis of preparation and 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. Basis of preparation and 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.

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.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.11 Financial assets (contd.)

(d) Available-for-sale financial assets (contd.)

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. Basis of preparation and summary of significant accounting policies (contd.)

2.14 Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contracts 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. Basis of preparation and 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. **Basis of preparation and 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. Basis of preparation and 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. Basis of preparation and 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(vii).

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. Basis of preparation and 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 completed, 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) Interest income

Interest income is recognised using the effective interest rate method.

(vi) Dividend income

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

(vii) 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.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.23 Revenue recognition (contd.)

(viii) 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.

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.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.24 Taxes (contd.)

(b) Deferred tax (contd.)

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.

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 34.

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. Basis of preparation and summary of significant accounting policies (contd.)

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 and the Company.

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

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.

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:

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.

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 and construction contracts

Revenue for property development and for construction contract is recognised on a percentage of completion basis. The percentage of completion is assessed by reference to the stage of completion of the project based on the proportion of contract costs incurred and the estimated costs to complete. Significant judgement is required in determining the stage of completion, the costs incurred and the estimated costs to complete. In making the judgment and estimation, the management considers past experience and relies on the work of experts.

The carrying amounts of assets and liabilities of the Group and the Company arising from property development and construction activities are disclosed in Note 15(b) and 20, respectively.

4. Revenue

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Sales of properties under construction	99,970,826	150,823,353	92,454,862	128,835,099
Sales of completed properties and land	10,591,945	4,685,580	4,614,115	4,685,580
Construction revenue	12,334,355	-	-	-
Rental income from investment property	3,376,290	3,102,913	3,376,290	3,102,913
Property management service	325,227	157,951	-	-
	126,598,643	158,769,797	100,445,267	136,623,592

5. Cost of sales

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Property development costs	69,334,739	98,433,058	69,933,796	93,509,445
Costs of completed properties sold and land	6,918,486	3,108,902	3,108,927	3,430,638
Construction costs	11,049,264	-	-	-
Investment property maintenance costs	162,429	111,386	162,429	111,386
Property management costs	106,543	156,514	-	-
	87,571,461	101,809,855	73,205,152	97,051,469

6. Finance costs

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Interest expense on:				
- Bank loans and bank overdrafts	8,215,214	8,127,627	6,861,326	7,244,162
- Amount due to a subsidiary	-	-	439,156	-
- Obligations under finance lease	241,601	69,245	62,409	69,245
	8,456,815	8,196,872	7,362,891	7,313,407
Less: Interest expense capitalised in:				
- property development cost (Note 15(b))	(4,707,052)	(3,674,023)	(4,205,200)	(3,674,023)
- construction cost (Note 20)	(286,944)	-	-	-
	3,462,819	4,522,849	3,157,691	3,639,384

7. Profit before tax

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
Auditors' remuneration:				
- statutory audit				
- current year	107,500	98,000	66,000	60,000
- under provision in prior year	1,500	-	1,500	-
- 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)	1,568,202	1,340,430	917,025	850,728
Dividend income from investment securities	(182,503)	(504,075)	-	(293,459)
Dividend income from subsidiaries	-	-	(1,400,000)	(7,337,751)
Dividend income from licensed banks	(9,912)	(33,704)	(2,734)	(7,933)
Employee benefits expense (Note 8)	9,812,740	6,946,908	7,699,199	5,097,308
Fair value gain on investment properties	(24,415)	(400,000)	(24,415)	(400,000)
Gain on disposal of property, plant and equipment	(28,301)	(470)	(28,301)	-
Interest income	(187,178)	(525,836)	(2,635,633)	(2,630,970)
Non-executive directors' remuneration	610,150	622,150	529,750	487,250
Property development cost written off (Note 15(b))	2,758	-	2,758	-
Property, plant and equipment written off	454,586	332	-	174
Rental expense	822,380	837,358	822,380	837,358
Reversal of allowance for impairment loss (Note 18(a))	(431,825)	-	-	-
	=======	======	=======	=======

8. Employee benefits expense

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
Wages and salaries	9,665,212	6,108,658	6,733,272	4,489,034
Staff benefits	146,856	4,791	113,102	(287)
Contribution to defined contribution plan	1,153,569	766,986	796,023	568,272
Other benefits	104,677	66,473	56,802	40,289
	11,070,314	6,946,908	7,699,199	5,097,308
Less: Employee benefits expense in construction cost (Note 20)	(1,257,574)	-	-	-
	9,812,740	6,946,908	7,699,199	5,097,308

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM1,036,872 (2016: RM1,001,720) and RM991,872 (2016: RM929,220) respectively, as further disclosed in Note 9.

9. Directors' remuneration

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
Executive directors' remuneration (Note 8):				
Fees	45,000	72,500	-	-
Salaries and other emoluments	991,872	929,220	991,872	929,220
	1,036,872	1,001,720	991,872	929,220
Non-executive directors' remuneration:				
Fees	538,150	495,650	529,750	487,250
Total directors' remuneration	1,575,022	1,497,370	1,521,622	1,416,470
Estimated money value of benefits-in-kind	34,606	34,500	34,606	34,500
Total directors' remuneration including benefits-in-kind (Note 28(c))	1,609,628	1,531,870	1,556,228	1,450,970

10. Income tax expense

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
Statement of profit or loss and other comprehensive income:				
Current income tax:				
- Malaysian income tax	8,061,951	10,494,000	6,809,151	9,512,500
- Under/(over) provision in respect of previous years	451,342	2,718,109	(26,373)	375,840
	8,513,293	13,212,109	6,782,778	9,888,340
Deferred tax (Note 25):				
- Originating and reversal of temporary differences	(2,828,928)	379,045	(2,999,966)	(1,583,000)
- (Over)/underprovision in respect of previous years	(1,645,085)	(2,238,447)	(1,055,685)	50,000
	(4,474,013)	(1,859,402)	(4,055,651)	(1,533,000)
Income tax expense recognised in profit or loss	4,039,280	11,352,707	2,727,127	8,355,340

The reconciliations between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
Accounting profit before tax	18,970,933	40,378,035	15,093,048	36,481,653
Tax at Malaysian statutory rate of 24% (2016: 24%)	4,553,024	9,690,728	3,622,332	8,755,597
Adjustments:				
Income not subject to tax	(147,477)	(97,693)	(336,000)	(1,831,491)
Expenses not deductible for tax purposes	811,104	1,255,086	522,853	1,005,394
Deferred tax assets not recognised on unused tax losses	23,868	31,440	-	-

10. Income tax expense (contd.)

The reconciliations between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 are as follows: (contd.)

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(7,496)	(6,516)	-	-
Under/(over) provision of income tax in respect of previous years	451,342	2,718,109	(26,373)	375,840
(Over)/under provision of deferred tax in respect of previous years	(1,645,085)	(2,238,447)	(1,055,685)	50,000
Income tax expense recognised in profit or loss	4,039,280	11,352,707	2,727,127	8,355,340

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) 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 table reflects the profit and share data used in the computation of basic earnings per share for the years ended 31 December:

	Group	
	2017	**2016**
Profit attributable to owners of the Company (RM)	14,037,718	27,073,986
Weighted average number of ordinary shares in issue	496,405,652	496,405,652
Basic earnings per share (sen)	3	5

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	Motor vehicles, office equipment, furniture and fittings	Plant and equipment	Work-in-progress	Total
	RM	RM	RM	RM	RM
Group					
At 1 January 2017	3,575,169	6,904,110	4,577,251	-	15,056,530
Additions	336,632	2,954,268	8,449,532	-	11,740,432
Transfer from inventories	1,677,386	-	-	-	1,677,386
Transfer from property development costs (Note 15(b))	-	-	-	2,596,178	2,596,178
Disposals	-	(110,500)	-	-	(110,500)
Written off	-	-	(665,000)	-	(665,000)
At 31 December 2017	5,589,187	9,747,878	12,361,783	2,596,178	30,295,026
Accumulated depreciation					
At 1 January 2017	1,486,622	4,400,296	1,803,127	-	7,690,045
Depreciation charge for the year:	203,161	1,072,636	656,595	-	1,932,392
Recognised in profit or loss (Note 7)	203,161	979,573	385,468	-	1,568,202
Capitalised in construction cost (Note 20)	-	93,063	271,127	-	364,190
Disposals	-	(110,499)	-	-	(110,499)
Written off	-	-	(210,414)	-	(210,414)
At 31 December 2017	1,689,783	5,362,433	2,249,308	-	9,301,524
Net carrying amount	3,899,404	4,385,445	10,112,475	2,596,178	20,993,502

12. Property, plant and equipment (contd.)

	Buildings and renovation RM	Motor vehicles, office equipment, furniture and fittings RM	Plant and equipment RM	Total RM
Group (contd.)				
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
Company					
Cost					
At 1 January 2017	974,276	5,251,275	158,608	-	6,384,159
Additions	188,708	725,717	1,970	-	916,395
Transfer from inventories	2,068,521	-	-	-	2,068,521
Transfer from property development cost (Note 15(b))	-	-	-	2,635,909	2,635,909
Disposal	-	(110,500)	-	-	(110,500)
At 31 December 2017	3,231,505	5,866,492	160,578	2,635,909	11,894,484
Accumulated depreciation					
At 1 January 2017	738,218	2,982,889	158,522	-	3,879,629
Depreciation charge for the year:					
Recognised in profit or loss (Note 7)	142,394	774,476	155	-	917,025
Disposal	-	(110,499)	-	-	(110,499)
At 31 December 2017	880,612	3,646,866	158,677	-	4,686,155
Net carrying amount	2,350,893	2,219,626	1,901	2,635,909	7,208,329

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
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

During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM9,568,800 (2016: RM430,000) and RM386,000 (2016: RM430,000) respectively by means of finance lease. The cash outflow on acquisition of property, plant and equipment for the Group and the Company amounted to RM2,171,632 (2016: RM151,939) and RM530,395 (2016: RM134,105) respectively.

The Group and the Company carrying amount of property, plant and equipment held under finance lease arrangements at the reporting date was RM11,181,524 (2016: RM1,737,199) and RM1,550,315 (2016: RM1,737,199) respectively.

Details of the terms and conditions of the finance lease arrangements are disclosed in Note 24.

Leased assets are pledged as security for the related finance lease liabilities (Note 24).

13. Investments in subsidiaries

	Company 2017 RM	Company 2016 RM
Unquoted shares, at cost	34,203,944	34,203,944
Less: Accumulated impairment losses	(802,778)	(802,778)
	33,401,166	33,401,166

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

Name of subsidiaries	Principal activities	Proportion of ownership interest 2017	Proportion of ownership interest 2016
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%
Syarikat Ibraco-Peremba Sdn. Bhd.	Land and property development	100%	100%
Ibraco Ascent Sdn. Bhd.	Property investment and development	74%	74%
Subsidiary of Ibraco HGS Sdn. Bhd.			
Warisar Sdn. Bhd.	Property development and construction	80%	80%

All subsidiaries are audited by Ernst & Young Malaysia.

13. **Investments in subsidiaries (contd.)**

(a) **The Group's subsidiaries that have 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	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Non-current assets	2,135,600	1,750,000	-	-	-	-	-	-	2,135,600	1,750,000
Current assets	116,345,190	106,477,426	3,515,157	3,382,841	1,101,747	1,082,509	94,232	97,179	121,056,326	111,039,955
Total assets	118,480,790	108,227,426	3,515,157	3,382,841	1,101,747	1,082,509	94,232	97,179	123,191,926	112,789,955
Non-current liabilities	1,362,380	7,522,388	-	-	-	-	-	-	1,362,380	7,522,388
Current liabilities	87,513,821	72,293,425	4,188,496	3,970,917	2,300	2,100	2,300	2,100	91,706,917	76,268,542
Total liabilities	88,876,201	79,815,813	4,188,496	3,970,917	2,300	2,100	2,300	2,100	93,069,297	83,790,930
Net assets/(liabilities)	29,604,589	28,411,613	(673,339)	(588,076)	1,099,447	1,080,409	91,932	95,079	30,122,629	28,999,025
Equity attributable to owners of the Company	18,694,606	17,811,989	(505,004)	(441,057)	769,613	756,286	68,030	70,358	19,027,245	18,197,576
Non-controlling interests	10,909,983	10,599,624	(168,335)	(147,019)	329,834	324,123	23,902	24,721	11,095,384	10,801,449
	29,604,589	28,411,613	(673,339)	(588,076)	1,099,447	1,080,409	91,932	95,079	30,122,629	28,999,025

Notes to the Financial Statements

for the financial year ended 31 December 2017

13. Investments in subsidiaries (contd.)

(a) The Group's subsidiaries that have 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 Ibraco Plantation Sdn. Bhd.		Ibraco Ascent Sdn. Bhd.		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Revenue	18,245,310	28,293,039	-	-	-	-	-	-	18,245,310	28,293,039
Profit/(loss) for the year	3,192,976	5,734,572	(85,263)	(159,235)	19,038	29,698	(3,147)	(4,921)	3,123,604	5,600,114
Profit/(loss) attributable to:										
Owners of the Company	2,282,618	3,751,051	(63,947)	(119,426)	13,327	20,789	(2,329)	(3,642)	2,229,669	3,648,772
Non-controlling interests	910,358	1,983,521	(21,316)	(39,809)	5,711	8,909	(818)	(1,279)	893,935	1,951,342
	3,192,976	5,734,572	(85,263)	(159,235)	19,038	29,698	(3,147)	(4,921)	3,123,604	5,600,114

13. Investments in subsidiaries (contd.)

(a) The Group's subsidiaries that have 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	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Net cash generated from/(used in) operating activities	9,571,790	6,801,879	(32,946)	(60,584)	(234)	(2,612)	(2,947)	(2,821)	9,535,663	6,735,862
Net cash generated from/(used in) investing activities	11,226	25,771	200,931	6,619	1,070,815	(67,569)	-	-	1,282,972	(35,179)
Net cash (used in)/generated from financing activities	(8,160,008)	(10,874,024)	-	-	-	-	-	100,000	(8,160,008)	(10,774,024)
Net increase/(decrease) in cash and cash equivalents	1,423,008	(4,046,374)	167,985	(53,965)	1,070,581	(70,181)	(2,947)	97,179	2,658,627	(4,073,341)
Cash and cash equivalents at the beginning 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
Cash and cash equivalents at the end of the year	5,519,105	4,096,097	184,552	16,567	1,100,301	29,720	94,232	97,179	6,898,190	4,239,563

14. Investment in an associate

	Group and Company 2017 RM	2016 RM
Unquoted shares, at cost	49	-
	=====	====

Name of associate	Principal activities	Proportion of ownership interest 2017	2016
Ibraco HELP Education Sdn. Bhd.	Intended for education services	49%	-

On 4 October 2017, the Company subscribed for 49% equity interest in Ibraco HELP Education Sdn. Bhd. ("IHESB") for RM49 settled in cash. IHESB has remained dormant since incorporation. Hence, there was no share of results being accounted for.

15. 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 2017	23,344,635	7,577,601	13,665,249	44,587,485
Additions	-	-	47,703	47,703
Disposals	(21,531)	-	-	(21,531)
	---------	---------	---------	----------
At 31 December 2017	23,323,104	7,577,601	13,712,952	44,613,657
	========	========	========	=========
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	(62,130,000)	(41,612,025)	(44,789,589)	(148,531,614)
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At 31 December 2016	23,344,635	7,577,601	13,665,249	44,587,485
	========	========	========	=========

15. 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 2017	21,018,890	6,170,412	14,917,675	42,106,977
Additions	-	-	47,703	47,703
Disposals	(21,531)	-	-	(21,531)
At 31 December 2017	20,997,359	6,170,412	14,965,378	42,133,149
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	(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

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 RM21,490,871 (2016: RM21,512,402) and RM21,490,871 (2016: RM21,512,402) respectively, which are pledged as security for loans and borrowings as disclosed in Note 24.

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

(b) Property development costs

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
Property development costs				
At 1 January:				
Freehold land	94,525,710	63,120,135	85,239,502	70,411,392
Leasehold land	54,008,293	54,268,905	41,612,025	10,994,780
Development costs	229,533,598	443,973,970	216,279,561	392,532,564
	378,067,601	561,363,010	343,131,088	473,938,736
Costs incurred during the year:				
Leasehold land	-	-	-	11,608,779
Development costs	98,038,380	128,104,997	89,595,374	113,735,518
	98,038,380	128,104,997	89,595,374	125,344,297
Reversal of completed projects	(106,731,560)	(414,558,449)	(110,563,049)	(396,692,950)
Cumulative costs recognised in profit or loss:				
At 1 January	(83,112,682)	(399,238,078)	(86,367,613)	(389,551,118)
Recognised during the year	(69,334,739)	(98,433,053)	(69,933,796)	(93,509,445)
Reversal of completed projects	106,731,560	414,558,449	110,563,049	396,692,950
At 31 December	(45,715,861)	(83,112,682)	(45,738,360)	(86,367,613)

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

(b) Property development costs (contd.)

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
Transfers:				
From land held for development	-	148,531,614	-	149,860,576
To property, plant and equipment under construction (Note 12)	(2,596,178)	-	(2,635,909)	-
To investment property under construction (Note 16(b))	(6,344,339)	(4,398,973)	(6,344,339)	(4,398,973)
Unsold units transferred to inventories	(51,750,582)	(40,974,599)	(55,534,825)	(4,918,105)
	(60,691,099)	103,158,043	(64,515,073)	140,543,498
Written off:				
Written off to profit and loss (Note 7)	(2,758)	-	(2,758)	-
At 31 December	262,964,703	294,954,918	211,907,222	256,765,968

Freehold and leasehold land of the Group and the Company with aggregate carrying value of RM63,437,448 (2016: RM63,437,448) are pledged as security for loans and borrowings as disclosed in Note 24.

Leasehold land of the Group with a carrying value of RM50,770,000 (2016: 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		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
Interest expense (Note 6)	4,707,052	3,674,023	4,205,200	3,674,023

16. Investment properties

(a) Completed investment properties

	Group and Company 2017 RM	Group and Company 2016 RM
As at 1 January	52,100,000	51,700,000
Transfer from investment property under construction (Note 16(b))	4,755,585	-
Increase in fair value	24,415	400,000
As at 31 December	56,880,000	52,100,000
Fair value of completed investment properties	56,880,000	52,100,000

Valuation of completed investment properties

Investment properties are stated at fair value, which have been determined based on valuation at the reporting date. Valuations are performed by accredited independent valuers with relevant experience in the nature of the properties being valued. The valuations are 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 with carrying amount of RM52,100,000 (2016: RM52,100,000) is charged in escrow as security for loans and borrowings as disclosed in Note 24.

The investment properties are classified as Level 3 in the fair value hierarchy (Note 31).

(b) Investment property under construction

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
As at 1 January	4,398,973	-	4,398,973	-
Additions	627,108	-	762,616	-
Transfer from property development costs (Note 15(b))	6,344,339	4,398,973	6,344,339	4,398,973
Transfer to completed investment property (Note 16(a))	(4,755,585)	-	(4,755,585)	-
As at 31 December	6,614,835	4,398,973	6,750,343	4,398,973

As at 31 December 2017, the investment property under construction is carried at cost because its fair value could not be reliably measured at the reporting date.

17. Inventories

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Cost				
Properties held for sale	87,937,571	44,214,476	58,569,737	8,224,855
Nursery plants	29,293	29,293	-	-
	87,966,864	44,243,769	58,569,737	8,224,855

18. Trade and other receivables

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Current				
Trade receivables				
Third parties	24,733,201	25,479,042	21,005,183	20,716,749
Bills receivables	2,361,399	-	-	-
Less: Allowance for impairment				
- third parties	(1,277,738)	(1,709,563)	-	-
Trade receivables, net	25,816,862	23,769,479	21,005,183	20,716,749
Other receivables				
Third parties	3,754,918	2,900,599	1,089,777	375,190
Deposits	1,337,179	1,639,096	1,107,476	1,344,549
Dividend receivable from investment securities	28	19,671	-	-
Amounts due from subsidiaries	-	-	29,684,229	41,639,869
	5,092,125	4,559,366	31,881,482	43,359,608
Less: Allowance for impairment				
- third parties	(106,071)	(106,071)	-	-
Other receivables, net	4,986,054	4,453,295	31,881,482	43,359,608
Total trade and other receivables	30,802,916	28,222,774	52,886,665	64,076,357
Non-current				
Other receivables				
Amounts due from subsidiaries	-	-	4,184,096	-
Deposits	307,862	-	-	-
	307,862	-	4,184,096	-
Total trade and other receivables (current and non-current)	31,110,778	28,222,774	57,070,761	64,076,357
Add: Cash and bank balances (Note 22)	37,696,717	22,911,918	24,147,217	16,813,405
Total loans and receivables	68,807,495	51,134,692	81,217,978	80,889,762

18. Trade and other receivables (contd.)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 14 day (2016: 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 groups of debtors.

Ageing analysis of trade receivables

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
Neither past due nor impaired	4,738,891	15,791,276	3,287,211	12,801,002
1 to 69 days past due but not impaired	15,056,596	5,662,668	11,755,839	5,621,808
More than 70 days but not impaired	6,015,321	2,293,939	5,962,133	2,293,939
	21,071,917	7,956,607	17,717,972	7,915,747
Impaired	1,283,792	1,731,159	-	-
	27,094,600	25,479,042	21,005,183	20,716,749

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 RM21,071,917 (2016: RM7,956,607) and RM17,717,972 (2016: RM7,915,747), 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 no further allowance for impairment is necessary in respect of trade receivables that are past due.

18. 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	
	2017	**2016**
	RM	RM
Specifically impaired		
Trade receivables - nominal amount	1,283,792	1,731,159
Less: Allowance for impairment	(1,277,738)	(1,709,563)
	6,054	21,596
Movement in allowance account		
At 1 January	1,709,563	1,709,563
Reversal of allowance for impairment (Note 7)	(431,825)	-
At 31 December	1,277,738	1,709,563

Trade receivables that were individually determined to be impaired at the reporting date relate to debtors that have usually settled their debts beyond the prescribed credit terms. These receivables are not secured by any collateral or credit enhancements.

(b) Bill receivables

The Group has collaterised its receivables balances on a recourse basis with a bank for cash during the year ended 31 December 2017 and the outstanding amount as at 31 December 2017 was RM2,361,399. The transactions have been accounted for as collateralised borrowings (Note 24).

(c) Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured, earn interest at the rate of 5.50% (2016: 5.50% to 5.75%) per annum and are repayable on demand.

(d) Other receivables that are impaired

At the reporting date, the Group has provided an allowance of RM106,071 (2016: RM106,071) for impairment of the amount due from third parties with nominal amount of RM106,071 (2016: RM106,071).

19. Other current assets

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Prepayments	7,893,969	82,676	4,930,755	4,086
Accrued billings in respect of property development costs	27,089,041	18,706,313	23,937,149	17,387,228
Tax recoverable	15,855,770	12,078,866	-	-
	50,838,780	30,867,855	28,867,904	17,391,314

20. Gross amount due to customer for contract work-in-progress

	Group 2017 RM	Group 2016 RM
Construction contract costs incurred to-date	15,233,254	-
Attributable profits	1,285,091	-
	16,518,345	-
Progress billings	(20,263,650)	-
Amount due to customer for contract work (Note 27)	(3,745,305)	-

Included in the construction contract costs incurred to-date are:

	Group 2017 RM	Group 2016 RM
Interest expense (Note 6)	286,944	-
Depreciation (Note 12)	364,190	-
Employee benefits (Note 8)	1,257,574	-

21. Investment securities

	Group 2017 RM	Group 2016 RM
Financial assets at fair value through profit or loss		
Unit trusts (quoted in Malaysia)		
- at carrying amount	9,344	7,639,310
- at market value	9,344	7,639,310

22. Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Cash on hand and at banks	35,965,050	20,346,490	22,415,550	14,247,977
Deposits with licensed banks	1,731,667	2,565,428	1,731,667	2,565,428
Cash and bank balances (Note 18)	37,696,717	22,911,918	24,147,217	16,813,405

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 (2016: 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 2017 for the Group and the Company were 2.15% (2016: 2.92%).

Included in cash at banks of the Group and the Company are amounts of RM606,858 (2016: RM1,200,423) and RM286,089 (2016: RM1,163,769) held pursuant to Section 12 of the Housing Development (Control and Licensing) Ordinance, 2013 and are restricted from use in other operations.

Included in cash at banks of the Company are amounts of RM7,949,318 (2016: RM80,014) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and are restricted from use in other operations.

Deposits with licensed banks of the Group and the Company with aggregate carrying value of RM352,408 (2016: RM1,222,623) are pledged as security for loans and borrowings as disclosed in Note 24.

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

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Cash and bank balances	37,696,717	22,911,918	24,147,217	16,813,405
Less:				
Deposits with maturity more than three months	(1,379,259)	(1,342,805)	(1,379,259)	(1,342,805)
Deposits pledged for bank borrowings	(352,408)	(1,222,623)	(352,408)	(1,222,623)
Cash and cash equivalents	35,965,050	20,346,490	22,415,550	14,247,977

23. Share capital

	Number of ordinary shares RM	Share capital
Issued and fully paid		
At 1 January 2016 and 31 December 2016	496,405,652	248,202,826
At 1 January 2017 and 31 December 2017	496,405,652	248,202,826

24. Loans and borrowings

	Maturity	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Current					
Secured:					
Revolving credits	2018	106,160,000	58,300,000	81,160,000	58,300,000
Collaterised borrowings (Note 18)	2018	2,361,399	-	-	-
Obligations under finance lease (Note 29(a))	2018	2,285,288	515,399	554,087	515,399
Bank loans:					
- RM loan at ECOF + 1.25%	2018	1,533,000	3,756,000	1,533,000	3,756,000
- RM loan at COF + 1.40%	-	-	4,166,654	-	4,166,654
- RM loan at BLR - 2.00%	2018	2,088,000	2,088,000	2,088,000	2,088,000
- RM loan at ECOF + 2.00%	2018	8,025,038	7,587,105	8,025,038	7,587,105
- RM loan at COF + 1.50%	2018	6,160,008	6,160,008	-	-
		128,612,733	82,573,166	93,360,125	76,413,158
Non-current					
Secured:					
Obligations under finance lease (Note 29(a))	2019 - 2021	7,766,640	1,049,352	859,926	1,049,352
Bank loans:					
- RM loan at ECOF + 1.25%	-	-	1,533,000	-	1,533,000
- RM loan at BLR - 2.00%	2019 - 2026	15,256,000	17,344,000	15,256,000	17,344,000
- RM loan at ECOF + 2.00%	2019 - 2020	22,573,362	30,619,506	22,573,362	30,619,506
- RM loan at COF + 1.50%	2019	1,362,380	7,522,388	-	-
- RM loan at ECOF + 2.00%	2020	5,000,000	-	5,000,000	-
		51,958,382	58,068,246	43,689,288	50,545,858
Total loans and borrowings (Note 26)		180,571,115	140,641,412	137,049,413	126,959,016

24. Loans and borrowings (contd.)

The remaining maturity of the loans and borrowings as at 31 December 2017 and 2016 are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
On demand or within one year	128,612,733	82,573,166	93,360,125	76,413,158
More than one year and less than two years	19,203,472	18,248,224	16,040,146	12,088,216
More than two years and less than five years	25,850,910	30,828,022	20,745,142	29,465,642
Five years or more	6,904,000	8,992,000	6,904,000	8,992,000
	180,571,115	140,641,412	137,049,413	126,959,016

Obligations under finance lease

These obligations are secured by a charge over the leased asset (Note 12). The average discount rates implicit in the lease for the Group and the Company are 5.11% and 4.16% (2016: 4.49%) per annum, respectively.

Other borrowings

The revolving credit facilities of the Group amounting to RM106 million (2016: RM58 million), are secured by a charge over the few parcels of land held for property development (Note 15) and deposits with licensed banks (Note 22). During the year, interest was charged at rates ranging from 1% to 2% (2016: 1% to 2%) per annum above the bankers' cost of funds.

The bank loans are secured by charges over the few parcels of land held for property development (Note 15) and investment properties (Note 16). Corporate guarantees were provided by the Company to banks on the subsidiaries' loans and borrowings.

25. Deferred tax

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
At 1 January	(7,852,049)	(5,992,647)	(2,678,009)	(1,145,009)
Recognised in profit or loss (Note 10)	(4,474,013)	(1,859,402)	(4,055,651)	(1,533,000)
At 31 December	(12,326,062)	(7,852,049)	(6,733,660)	(2,678,009)
Presenting after appropriate offsetting as follows:				
Deferred tax assets	(12,326,062)	(7,854,440)	(6,733,660)	(2,678,009)
Deferred tax liability	-	2,391	-	-
	(12,326,062)	(7,852,049)	(6,733,660)	(2,678,009)

25. Deferred tax (contd.)

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
Deferred tax liabilities	-	2,180,371	-	1,733,762
Deferred tax assets	(12,326,062)	(10,032,420)	(6,733,660)	(4,411,771)
	(12,326,062)	(7,852,049)	(6,733,660)	(2,678,009)

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

Deferred tax liabilities/(assets) of the Group:

	Investment properties	Property, plant and equipment	Total
	RM	RM	RM
At 1 January 2017	1,658,967	521,404	2,180,371
Recognised in profit or loss	(2,349,226)	(952,028)	(3,301,254)
At 31 December 2017	(690,259)	(430,624)	(1,120,883)
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

Deferred tax assets of the Group:

	Unabsorbed capital allowances	Staff leave balance	Unused tax losses	Accruals	Property development cost	Total
	RM	RM	RM	RM	RM	RM
At 1 January 2017	(294,233)	(26,692)	(1,274,733)	(7,543,495)	(893,267)	(10,032,420)
Recognised in profit or loss	(317,600)	(27,184)	727,549	(1,607,191)	51,667	(1,172,759)
At 31 December 2017	(611,833)	(53,876)	(547,184)	(9,150,686)	(841,600)	(11,205,179)
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)

25. Deferred tax (contd.)

Deferred tax liabilities/(assets) of the Company:

	Investment properties RM	Property, plant and equipment RM	Total RM
At 1 January 2017	1,658,967	74,795	1,733,762
Recognised in profit or loss	(2,349,226)	(1,055,208)	(3,404,434)
At 31 December 2017	(690,259)	(980,413)	(1,670,672)
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

Deferred tax assets of the Company:

	Staff leave balance RM	Accruals RM	Total RM
At 1 January 2017	(26,692)	(4,385,079)	(4,411,771)
Recognised in profit or loss	(27,184)	(624,033)	(651,217)
At 31 December 2017	(53,876)	(5,009,112)	(5,062,988)
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)

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

	Group	
	2017 RM	**2016** RM
Unused tax losses	1,165,000	1,109,000
Unabsorbed capital allowances	12,000	-
	1,177,000	1,109,000

As at 31 December 2017 and 2016, 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 and unabsorbed capital allowances 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.

26. Trade and other payables

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Trade payables				
Third parties	39,699,063	34,137,027	10,856,828	4,428,934
Accruals	32,896,100	28,707,273	29,745,886	28,012,742
Amount due to subsidiaries	-	-	17,233,135	16,560,033
	72,595,163	62,844,300	57,835,849	49,001,709
Other payables				
Other payables	1,695,056	1,019,152	1,219,718	898,647
Accruals	2,379,369	1,816,467	1,739,929	1,446,405
Dividend payable	9,928,113	-	9,928,113	-
Amount due to subsidiaries	-	-	2,139,258	-
	14,002,538	2,835,619	15,027,018	2,345,052
Total trade and other payables	86,597,701	65,679,919	72,862,867	51,346,761
Add: Loans and borrowings (Note 24)	180,571,115	140,641,412	137,049,413	126,959,016
Total financial liabilities carried at amortised cost	267,168,816	206,321,331	209,912,280	178,305,777

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 days to 60 days (2016: 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 (2016: 30 days).

(c) Amount due to subsidiaries

Amount due to subsidiaries under other payables are unsecured, bear interest at 5.5% (2016: Nil) and are repayable on demand.

27. Other current liabilities

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Accrued billings in respect of property development costs	3,199,860	6,048,086	3,199,860	4,757,839
Amount due to contract customer (Note 20)	3,745,305	-	-	-
	6,945,165	6,048,086	3,199,860	4,757,839

28. 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	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
(i) Rental expense of office building:				
Hiap Ghee Seng Sdn. Bhd. [(1)]	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. [(1)]				
- Commercial properties at Tabuan Tranquility Phase 3	-	710,750	-	710,750
- 8 storey strata-titled corporate office at NorthBank	2,703,000	-	2,703,000	-
(iv) Progress billings issued to Datuk Chew Chiaw Han				
- Commercial properties at Bintulu Town Square	-	397,400	-	-
- SOHO unit at Tabuan Tranquility Phase 3	84,000	-	84,000	-
- Apartments suite at ContiNew, Kuala Lumpur	253,064	-	253,064	-
(v) Progress billings issued to Dr. Sharifah Deborah Sophia Ibrahim				
- SOHO units at Tabuan Tranquility Phase 3	315,700	-	315,700	-
- Apartment suite at ContiNew, Kuala Lumpur	160,504	-	160,504	-
(vi) Progress billings issued to Ng Kee Tiong for apartments suite at ContiNew, Kuala Lumpur	318,700	-	318,700	-

28. Related party disclosures (contd.)

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
(vii) Progress billings issued to Ng Cheng Chuan for apartment suite at ContiNew, Kuala Lumpur	217,358	-	217,358	-
(viii) Progress billings issued to Liu Sze Leh [(2)] for apartment suite at ContiNew, Kuala Lumpur	130,104	-	130,104	-
(ix) Progress billings issued to Liu Sze Wei [(3)] for SOHO unit at Tabuan Tranquility Phase 3	108,250	-	108,250	-
(x) Progress billings issued to Global Makna Sdn. Bhd. [(4)] for apartments suite at ContiNew, Kuala Lumpur	539,498	-	539,498	-
(xi) Deposits placed for the sale of SOHO at Tabuan Tranquillity Phase 3:				
Liu Tow Hua	-	21,650	-	21,650
Liu Sze Wei [(2)]	-	21,650	-	21,650

[(1)] **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.

[(2)] **Liu Sze Leh ("LSL")**
LSL is a person connected to Liu Tow Hua, a director of the Company.

[(3)] **Liu Sze Wei ("LSW")**
LSW is a person connected to Liu Tow Hua, a director of the Company.

[(4)] **Global Makna Sdn. Bhd. ("GMSB")**
GMSB is a company connected to Datuk Chew Chiaw Han. Datuk Chew Chiaw Han, a director of the Company, is also a director and major shareholder of GMSB.

28. Related party disclosures (contd.)

(b) Transactions with subsidiaries:

	Company 2017 RM	2016 RM
Interest charged from subsidiaries:		
Ibraco HGS Sdn. Bhd.	228,889	-
Greater Tabuan Sdn. Bhd.	34,808	-
Syarikat Ibraco-Peremba Sdn. Bhd.	175,459	-
Interest charged to subsidiaries:		
Ibraco Construction Sdn. Bhd.	1,660,533	1,806,993
Ibraco Pelita Sdn. Bhd.	218,128	207,238
Warisar Sdn. Bhd.	567,338	94,608
Ibraco Infinity Sdn Bhd	7,386	-
Marketing fee charged to a subsidiary:		
Warisar Sdn. Bhd.	209,334	193,011
Landscaping services from a subsidiary:		
Ibraco Spectrum Sdn. Bhd.	1,800	1,800
Sub contractors billings from a subsidiary:		
Ibraco Construction Sdn. Bhd.	49,272,581	87,787,632
Sub contractors billings from a subsidiary:		
Ibraco Spectrum Sdn. Bhd.	-	8,970
Dividends declared and paid by subsidiaries:		
Ibraco HGS Sdn. Bhd.	1,400,000	1,400,000
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.

28. 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	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
Short term employee benefits	2,216,630	1,342,510	2,038,025	1,172,410
Defined contribution plan	291,991	182,469	268,197	159,177
Other short-term benefits	8,170	5,479	7,104	4,525
Benefits-in-kind	85,387	52,377	78,887	47,377
	2,602,178	1,582,835	2,392,213	1,383,489
Directors' remuneration	1,609,628	1,531,870	1,556,228	1,450,970

29. Commitments

(a) Finance lease commitments

The Group and the Company have 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		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
Minimum lease payments:				
Not later than 1 year	2,826,935	574,338	605,424	574,338
Later than 1 year but not later than 2 years	2,685,782	488,664	510,612	488,664
Later than 2 years but not later than 5 years	5,935,373	622,192	398,084	622,192
Total minimum lease payments	11,448,090	1,685,194	1,514,120	1,685,194
Less: Amounts representing finance charges	(1,396,162)	(120,443)	(100,107)	(120,443)
Present value of minimum lease payments	10,051,928	1,564,751	1,414,013	1,564,751

29. Commitments (contd.)

(a) Finance lease commitments (contd.)

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Present value of payments:				
Not later than 1 year	2,285,288	515,399	554,087	515,399
Later than 1 year but not later than 2 years	2,282,738	451,658	481,792	451,658
Later than 2 years but not later than 5 years	5,483,902	597,694	378,134	597,694
Present value of minimum lease payments	10,051,928	1,564,751	1,414,013	1,564,751
Less: Amount due within 12 months (Note 24)	(2,285,288)	(515,399)	(554,087)	(515,399)
Amount due after 12 months (Note 24)	7,766,640	1,049,352	859,926	1,049,352

(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 3 to 9 years (2016: 10 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 2017 RM	Group and Company 2016 RM
Not later than 1 year	3,519,017	3,229,666
Later than 1 year but not later than 5 years	13,296,068	14,102,539
Later than 5 years	12,477,565	19,320,960
	29,292,650	36,653,165

29. Commitments (contd.)

(c) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
Approved and contracted for:				
Investment properties	1,293,226	-	1,354,662	-
Property, plant and equipment	25,382,068	-	26,111,293	-
	26,675,294	-	27,465,955	-
Approved but not contracted for:				
Investment properties	43,850,220	-	45,165,727	-

30. 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

		2017		2016	
	Note	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
		RM	RM	RM	RM
Financial liabilities:					
Group					
Loans and borrowings					
- Non-current obligations under finance leases	24	7,766,640	8,032,737	1,049,352	1,046,904
Company					
Loans and borrowings					
- Non-current obligations under finance leases	24	859,926	821,347	1,049,352	1,046,904

30. Fair value of financial instruments (contd.)

(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	18
Cash and bank balances	22
Loans and borrowings (current and non-current, except non-current obligations under finance lease)	24
Trade and other payables	26
	====

(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.

(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.

31. 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).

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 2017 and 31 December 2016 were as follows:

	Note	**Date of valuation**	**Level 1** RM	**Level 2** RM	**Level 3** RM	**Total** RM
Group						
Assets for which fair values are disclosed						
Completed investment property	16(a)	31 December 2017	-	-	56,880,000	56,880,000
		31 December 2016	-	-	52,100,000	52,100,000
Investment property under construction	16(b)	31 December 2017	-	-	6,614,835	6,614,835
		31 December 2016	-	-	4,398,973	4,398,973
Liabilities for which fair values are disclosed						
Interest-bearing loans and borrowings - Obligations under finance lease	30(a)	31 December 2017	-	8,032,737	-	8,032,737
		31 December 2016	-	1,046,904	-	1,046,904
Assets measured at fair value						
Investment securities	21	31 December 2017	9,344	-	-	9,344
		31 December 2016	7,639,310	-	-	7,639,310

31. 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 2017 and 31 December 2016 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 properties	16(a)	31 December 2017	-	-	56,880,000	56,880,000
		31 December 2016	-	-	52,100,000	52,100,000
			=======	====	========	========
Investment property under construction	16(b)	31 December 2017	-	-	6,750,343	6,750,343
		31 December 2016	-	-	4,398,973	4,398,973
			=======	====	========	========
Liabilities for which fair values are disclosed						
Interest-bearing loans and borrowings						
- Obligations under finance lease	30(a)	31 December 2017	-	821,347	-	821,347
		31 December 2016	-	1,046,904	-	1,046,904
			=======	=======	========	========

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

32. Changes in liabilities arising from financing activities

	1 January 2017	New leases (Note 12)	Cash flows	31 December 2017
	RM	RM	RM	RM
Group				
Current interest-bearing loans and borrowings (excluding items listed below)	139,076,661	-	31,442,526	170,519,187
Current obligations under finance leases (Note 29(a))	515,399	2,399,854	(629,965)	2,285,288
Non-current obligations under finance leases (Note 29(a))	1,049,352	7,168,946	(451,658)	7,766,640
Total liabilities from financing activities	140,641,412	9,568,800	30,360,903	180,571,115
Company				
Current interest-bearing loans and borrowings (excluding items listed below)	125,394,265	-	10,241,135	135,635,400
Current obligations under finance leases (Note 29(a))	515,399	123,768	(85,080)	554,087
Non-current obligations under finance leases (Note 29(a))	1,049,352	262,232	(451,658)	859,926
Total liabilities from financing activities	126,959,016	386,000	9,704,397	137,049,413

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 RM130,917,800 (2016: RM30,800,000) relating to corporate guarantees provided by the Company to banks and financial institutions for 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 18. 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 18.

(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, 71% (2016: 59%) and 68% (2016: 60%) of the Group's and the Company's loans and borrowings (Note 24), 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 2017				
Group				
Financial liabilities				
Trade and other payables	86,597,701	-	-	86,597,701
Loans and borrowings	131,987,137	49,557,147	7,448,205	188,992,489
Total undiscounted financial liabilities	218,584,838	49,557,147	7,448,205	275,590,190
Company				
Financial liabilities				
Trade and other payables	73,928,349	-	-	73,928,349
Loans and borrowings	95,928,296	40,471,036	7,448,205	143,847,537
Financial guarantee contracts*	130,917,800	-	-	130,917,800
Total undiscounted financial liabilities	300,774,445	40,471,036	7,448,205	348,693,686

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 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

* 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 RM117,796 (2016: RM153,476) and RM103,503 (2016: RM127,479) 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.

- Major tenants 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 prospective tenants and decide 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. 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.

Notes to the Financial Statements
for the financial year ended 31 December 2017

34. Segment information (contd.)

	Property development activities		Property holding and management		Construction works		Elimination		Note	Per consolidated financial statements	
	2017	2016	2017	2016	2017	2016	2017	2016		2017	2016
	RM	RM	RM	RM	RM	RM	RM	RM		RM	RM
Revenue:											
External customers	110,562,771	155,508,933	3,701,517	3,260,864	12,334,355	-	-	-		126,598,643	158,769,797
Inter-segment	-	-	-	-	58,039,143	92,048,069	(58,039,143)	(92,048,069)	A	-	-
Total revenue	110,562,771	155,508,933	3,701,517	3,260,864	70,373,498	92,048,069	(58,039,143)	(92,048,069)		126,598,643	158,769,797
Results:											
Interest income	2,294,253	2,332,072	-	756	2,967,635	2,823,624	(5,074,710)	(4,630,616)	B	187,178	525,836
Dividend income	192,328	534,063	-	-	87	3,716	-	-		192,415	537,779
Fair value gain on investment properties	-	-	24,415	400,000	-	-	-	-		24,415	400,000
Depreciation	918,223	855,845	11,147	7,340	638,832	477,245	-	-		1,568,202	1,340,430
Other non-cash expenses	-	11,472	-	-	454,586	-	-	-	C	454,586	11,472
Segment profit	10,192,423	24,654,518	2,270,370	1,925,786	556,845	1,200,020	5,951,295	12,597,711		18,970,933	40,378,035
Assets:											
Additions to non-current assets	5,237,710	570,687	7,192,456	4,814,008	11,070,813	2,799	(135,507)	-	D	23,365,472	5,387,494
Segment assets	547,560,576	510,322,379	63,463,910	56,635,762	30,604,872	18,510,651	(29,614,067)	(40,320,865)		612,015,291	545,147,927
Segments liabilities	198,818,717	175,821,532	17,674,873	19,557,991	75,268,011	60,963,286	(16,607,458)	(43,652,490)		275,154,143	212,690,319

34. 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.

	2017 RM	**2016** RM
Property, plant and equipment written off	454,586	332
Bad debts written off	-	1,890
Deposits written off	-	9,250
	454,586	11,472

D. Additions to non-current assets consist of:

	2017 RM	**2016** RM
Investment in associate	49	-
Land held for development	47,703	6,582
Property, plant and equipment	16,013,996	581,939
Completed investment property	24,415	400,000
Investment property under construction	6,971,447	4,398,973
Other receivables	307,862	-
	23,365,472	5,387,494

35. 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 2017 and 31 December 2016.

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.

		Group		Company	
	Note	**2017**	**2016**	**2017**	**2016**
		RM	RM	RM	RM
Loans and borrowings	24	180,571,115	140,641,412	137,049,413	126,959,016
Trade and other payables	26	86,597,701	65,679,919	72,862,867	51,346,761
Less: Cash and bank balances	22	(37,696,717)	(22,911,918)	(24,147,217)	(16,813,405)
Net debt		229,472,099	183,409,413	185,765,063	161,492,372
Equity attributable to the owners of the Company		325,765,764	321,656,159	319,517,235	317,079,427
Capital and net debt		555,237,863	505,065,572	505,282,298	478,571,799
Gearing ratio		41.33%	36.31%	36.76%	33.74%

36. Subsequent events

(a) On 27 February 2018, Ibraco HELP Education Sdn. Bhd. ("IHESB") incorporated a new joint venture company, HELP IBRACO CMS Sdn. Bhd. ("HICMS"). HICMS's initial paid-up capital of RM100,000 of which 70% of the shares were subscribed by IHESB and the balance of 30% by CMS Education Sdn. Bhd ("CMSE"). The intended principal activity of HICMS is to provide education at primary, secondary and pre-university levels alone or in conjunction with either local or foreign institutions.

On 9 March 2018, IHESB has entered into a Shareholders' Agreement with CMSESB to:

(i) enter into a Build and Lease Agreement with the Company; and

(ii) enter into a Management Agreement with HELP Education Services Sdn. Bhd. to undertake the establishment, maintenance, running and operation of private school at pre-school, primary, secondary and pre-university levels at a new four storey school building with sports facilities.

(b) Pursuant to the extraordinary general meeting held on 9 March 2018, the shareholders approved the resolution in relation to the sale and purchase agreement entered between the Company and its major shareholder, Hiap Ghee Seng Sdn. Bhd. On the proposed sale of a proposed eight (8)-storey strata titled corporate office (with linked car parking structure and amenities) held under Survey Parent Lot 3741 of Master Parent Lot 2975 (to be known as Lot 3146) Block 12 Muara Tebas Land District, for a cash consideration of RM25,500,000.

(c) On 21 March 2018, the Company incorporated a new subsidiary, NewUrban Sdn. Bhd. ("NSB") with an initial paid-up capital of RM100. The intended principal activity of NSB is property development and construction.

37. Dividends

	Group and Company	
	2017	**2016**
	RM	RM
Recognised during the financial year:		
Dividends on ordinary shares:		
- Interim single-tier dividend for 2017:		
2.00 sen per share	9,928,113	-
- Interim single-tier dividend for 2016:		
3.50 sen per share	-	17,374,198
	9,928,113	17,374,198

Analysis of Shareholdings
as at 30 March 2018

Issued Share Capital : 496,405,652

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	24	2.73	830	0.00
100 to 1,000	375	42.66	120,744	0.02
1,001 to 10,000	245	27.87	1,211,396	0.24
10,001 to 100,000	167	19.00	6,055,466	1.22
100,001 and 24,820,281(*)	62	7.05	148,552,756	29.93
24,820,282 and above (**)	6	0.68	340,464,460	68.59
Total	**879**	**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 30 March 2018

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)	83,975,064	16.92
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 Microsite Enterprise Sdn. Bhd.	24,739,720	4.98
8.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Hiap Ghee Seng Sdn. Bhd.	24,150,976	4.87
9.	Kenanga Nominees (Asing) Sdn. Bhd. Exempt An for Phillip Securities Pte. Ltd. (Client Account)	22,546,192	4.54
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	7,975,000	1.61
13.	Lee Keck Liang	7,192,708	1.45
14.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chew Chiaw Han	4,480,000	0.90
15.	Tan Hock Liong	3,650,000	0.74
16.	Chew Chiaw Han	2,848,720	0.57
17.	Khor Kowi Kim	2,815,000	0.57

Analysis of Shareholdings
as at 30 March 2018

Top Thirty Shareholders (contd.)

No.	Shareholder Name	No. of Shareholdings	% of Shareholding
18.	Orienter Intertrade Co. Sdn. Bhd.	2,515,000	0.51
19.	Phang Chung Tchet	2,340,240	0.47
20.	Public Invest Nominees (Asing) Sdn. Bhd. Exempt An for Phillip Securities Pte. Ltd. (Clients)	2,196,600	0.44
21.	Ting Ding Ing	1,625,120	0.33
22.	Ong Li Xin	1,600,000	0.32
23.	Affin Hwang Nominees (Asing) Sdn. Bhd. DBS Vickers Secs (S) Pte Ltd for Ng Chee Meng	1,543,920	0.31
24.	Mayban Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ng Kee Tiong	1,099,120	0.22
25.	Chin Chiew Ted	1,005,000	0.20
26.	Ling Ah Chiong	990,584	0.20
27.	Goh Lee Fung	700,000	0.14
28.	Chieng Ung Kwong	686,000	0.14
29.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Hemang Yu Abit	650,000	0.13
30.	Sim Wee Ann	646,600	0.13

Directors' Direct And Indirect Interest In The Company

	No. of shares held			
Name of Directors	**Direct**	**%**	**Indirect**	**%**
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
Datuk (Dr.) Ting Ding Ing	1,625,120	0.33	-	-
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.

List of Material Properties

Held by the Group as at 30 March 2018

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	H.S.(D)120172, PT12, Bandar Petaling Jaya Selatan, Daerah Petaling, Negeri Selangor	99 years/ 06.10.2097	Vacant Commercial Land	0.8150	2.0139	-	16,486,680.00	11.09.2017
4	H.S.(D)120171, PT11, Bandar Petaling Jaya Selatan, Daerah Petaling, Negeri Selangor	99 years/ 06.10.2097	Vacant Commercial Land	0.6219	1.5367	-	12,441,777.00	11.09.2017
5	Lot 3530, Muara Tebas LD, Sg. Nida, Kuching*	Freehold/ Perpetuity	Residential Development	2.0113	4.9700	-	8,128,949.37	29.12.2010
6	H.S.(D)120169, PT9, Bandar Petaling Jaya Selatan, Daerah Petaling, Negeri Selangor	99 years/ 06.10.2097	Vacant Commercial Land	0.3505	0.8660	-	8,071,952.00	11.09.2017
7	Portion of Lot 1315, Block 11, Muara Tebas LD, Sg. Laruk, Kuching *	Freehold/ Perpetuity	Single Storey Commercial Mall	0.9990	2.4685	7.5	6,098,435.37	29.12.2010
8	Lot 4271, Muara Tebas LD, Ulu Sg. Ni-Ada, Kuching	Freehold/ Perpetuity	Residential Development	5.8400	14.4310	-	5,993,038.25	30.07.2003
9	Lot 4587, Muara Tebas LD, Sg. Ni-Ada, Kuching	Freehold/ Perpetuity	Residential Development	5.4190	13.3910	-	5,561,005.87	04.08.2003
10	Portion of Lot 9200, Block 11, Muara Tebas LD, Sg. Laru, Kuching *	Freehold/ Perpetuity	Single Storey Commercial Mall	0.9060	2.2390	7.5	5,530,713.47	29.12.2010

* Ibraco Berhad as the beneficial owner.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty-Sixth Annual General Meeting ("**AGM**") of Ibraco Berhad will be held at Hilton Kuching, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak, on **Friday, 25 May 2018 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 2017 together with the Reports of the Directors and Auditors thereon. *(Please refer Explanatory Note 1)*

2. To approve the payment of a Final Single Tier Dividend of 0.75 sen per ordinary share, in respect of the financial year ended 31 December 2017 as recommended by the Directors. Resolution No. 1

3. To approve the payment of Directors' fees of up to RM1,000,000 and benefits payable to the Directors up to an aggregate amount of RM56,000 from 1 January 2018 until the next AGM of the Company. Resolution No. 2

4. To re-elect the following Directors who are retiring by rotation in accordance with Article 83 of the Company's Articles of Association:- *(Please refer Explanatory Note 2)*

   i. Mr. Ng Cheng Chuan — Resolution No. 3
   ii. Puan Sharifah Deborah Sophia Ibrahim — Resolution No. 4
   iii. Datuk Chew Chiaw Han — Resolution No. 5

5. To re-appoint Messrs. Ernst & Young as the Auditors of the Company and to authorise the Directors to determine their remuneration. Resolution No. 6

SPECIAL BUSINESS

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

6. <u>Proposed Retention of Independent Directors</u>
   "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:- *(Please refer Explanatory Note 3)*

   (a) YBhg. Datuk (Dr) Philip Ting Ding Ing — Resolution No. 7
   (b) Mr. Guido Paul Philip Joseph Ravelli — Resolution No. 8

7. <u>Authority to Allot and Issue Shares Pursuant to Sections 75 & 76 of the Companies Act, 2016</u>
   "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. Resolution No. 9 *(Please refer Explanatory Note 4)*

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

Notice of Annual General Meeting

NOTICE OF BOOK CLOSURE AND DIVIDEND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of members at the forty-sixth Annual General Meeting to be held on 25 May 2018, a final single tier dividend of 0.75 sen per ordinary share for the financial year ended 31 December 2017 will be paid on 6 August 2018 to shareholders whose names appear in the Register of Depositors on 17 July 2018.

A depositor shall qualify for entitlement only in respect of:-

a. Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 17 July 2018 in respect of transfers.

b. Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By order of the Board,

Yeo Puay Huang (LS0000577)
May Wong Mei Ling (MIA 18483)
Company Secretaries
27 April 2018

Notes:

1. *Only depositors whose names appear in the Record of Depositors as at 21 May 2018 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 duly authorized officer. 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 must be deposited at the Company's Registered Office at No.898 Jalan Wan Alwi, Tabuan Jaya 93350 Kuching, Sarawak not less than 48 hours before the time for holding the 46th Annual General Meeting or at any adjournment thereof.*

Notice of Annual General Meeting

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 profiles of the Directors standing for re-election are set out in the Profile of Directors appearing on pages 13 to 15 of this Annual Report. Their shareholdings in the Company are set out in the Analysis of Shareholdings on page 124 of this Annual Report.

Explanatory Note 3

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 Corporate Governance Overview Statement in the Annual Report 2017.

Explanatory Note 4

The proposed Resolution No. 9, 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 45th AGM held on 26 May 2017 and which will lapse at the conclusion of the 46th AGM to be held on 25 May 2018. A renewal of this authority is being sought at the 46th AGM under Ordinary Resolution No. 9.

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.

IBRACO BERHAD (011286-P)
Incorporated in Malaysia

Form of Proxy

No. of Shares Held :

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-Sixth Annual General Meeting of the Company to be held at Hilton Kuching, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak, on Friday, 25 May 2018 at 11.45 a.m. and at any adjournment thereof in the manner as indicated below:-

NO.	RESOLUTION	FOR	AGAINST
1.	Approval for the payment of Final Dividend		
2.	Approval for the payment of Directors' Fees		
3.	Re-election of Mr. Ng Cheng Chuan		
4.	Re-election of Puan Sharifah Deborah Sophia Ibrahim		
5.	Re-election of Datuk Chew Chiaw Han		
6.	Re-appointment of Messrs. Ernst & Young as Auditors		
7.	Retention of Datuk (Dr.) Philip Ting Ding Ing as Independent Director		
8.	Retention of Mr. Guido Paul Philip Joseph Ravelli as Independent Director		
9.	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:

1. *Only depositors whose names appear in the Record of Depositors as at 21 May 2018 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 duly authorized officer. 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 must be deposited at the Company's Registered Office at No.898 Jalan Wan Alwi, Tabuan Jaya 93350 Kuching, Sarawak not less than 48 hours before the time for holding the 46th Annual General Meeting or at any adjournment thereof.*

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AFFIX
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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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