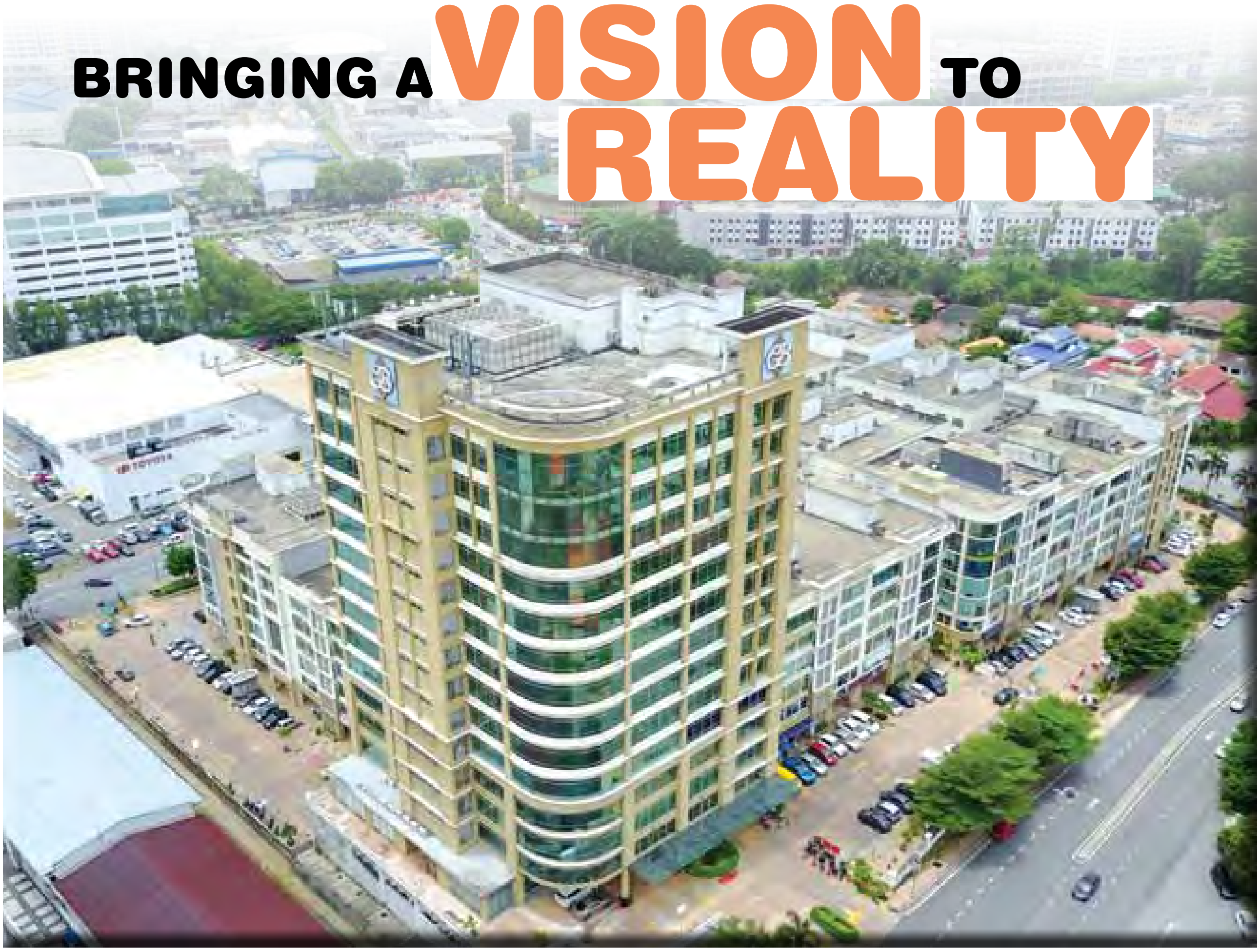
CREST BUILDER HOLDINGS BERHAD (573382-P)

ANNUAL REPORT 2017

contents

CORPORATE **PROFILE**



Crest Builder Holdings Berhad ("CBHB") was incorporated in Malaysia under the Companies Act 1965 on 9 March 2002 as a public limited company. CBHB is principally an investment holding company and had successfully undertaken a Corporate and Debt Restructuring Scheme which involved taking over the listing status of MGR Corporation Berhad. CBHB was listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") on 12 June 2003.

The CBHB Group was founded in 1983 by the late Mr. Yong Soon Chow. What started out as a small timer of less than 10 staffs has grown to a strong corporation of over 300 staffs under its stable. Over the past 30 years, the CBHB Group has carved a strong foothold in the local construction industry. With in-depth industry experience, the CBHB Group has a proven and established track record in the sector – especially in the commercial, residential and institutional building construction. The Group counts top branded developers and international property players amongst its clientele.

With a good blend of experience and vibrant protégés in its management team, the CBHB Group has moved along the supply chain and diversified beyond purely construction into other construction-related activities, such as property development, Mechanical & Electrical Engineering ("M&E") services and project management – and upon completion of our RM300 million maiden development namely 3 Two Square, the Group has also diversified into property management as well as car park management.

The Group has also completed various developments, including the UNITAR Campus at Tierra Crest, and a series of residential and commercial projects, i.e. Alam Idaman, Avenue Crest and Alam Sanjung in Shah Alam. The Group also manages a concession of the 5,000 student capacity UiTM Tapah campus which ends in 2034. Together with the conventional developments, the Group has also secured the privatisation and the redevelopment of Dang Wangi LRT station, Kelana Jaya LRT station as well as a Malaysian Rubber Board land along Jalan Ampang, Kuala Lumpur.

With the vision to be the '*Preferred*' organisation of choice by the partners and customers, the Group aspires to achieve distinction in the industry through prudent cost management, highest standards of quality and complete customer satisfaction.

NOTICE OF
16TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 16th annual general meeting will be held

Venue	Sime Darby Convention Centre 1A, Jalan Bukit Kiara 1 60000 Kuala Lumpur
Day, date and time	Wednesday, 20 June 2018 at 10:00 a.m.

AGENDA

Ordinary business

1. **Laying of audited financial statements and reports** *Resolution 1*
To receive and adopt the duly audited financial statements consisting of the consolidated statement of comprehensive income, the consolidated statement of financial position, the Reports of the Directors and Auditors for the financial year ended 31 December 2017, in compliance with Section 266(1)(a) of the Companies Act 2016 respectively.

2. **Declaration of dividend** *Resolution 2*
THAT the payment for a first and final single tier dividend of 4.00 Sen per ordinary share in respect of the financial year ended 31 December 2017 be hereby approved.

3. **Election of director** *Resolution 3*
THAT re-election of the Non-Executive Chairman, Tengku Dato' Sulaiman Shah Bin Tengku Abdul Jalil Shah who retires in accordance with Article 79 of the Company's Constitution, be hereby approved.

4. **Election of director** *Resolution 4*
THAT re-election of the Independent Non-Executive Director, Encik Mohd Khasan Bin Ahmad who retires in accordance with Article 80 of the Company's Constitution, be hereby approved.

5. **Election of director** *Resolution 5*
THAT re-election of the Independent Non-Executive Director, Mr. Lim Boon Teng, who retires in accordance with Article 86 of the Company's Constitution, be hereby approved.

6. **Appointment of auditors** *Resolution 6*
THAT the appointment of Messrs Baker Tilly Monteiro Heng, Chartered Accountants, as the auditors in accordance with Article 57 of the Company's Constitution and pursuant to Section 271(4)(a) of the Companies Act 2016 for the ensuing financial year ending 31 December 2018 be confirmed and that the directors be authorised to fix the remuneration of the auditors pursuant to Section 274(1)(a) of the Companies Act 2016 be hereby approved.

Special business

7. **Approval for fees for directors pursuant to Section 230(1)(a) of the Companies Act 2016** *Resolution 7*
THAT the payment of RM188,371 as fees for directors for the year ended 31 December 2017 (2016: RM198,000) in accordance with Article 88 of the Company's Constitution be hereby approved.

8. **Allotment of shares or grant of rights with the Company approval pursuant to Section 76 of the Companies Act 2016** *Resolution 8*
THAT pursuant to Section 76 of the Companies Act 2016 and subject to the approval of all relevant authorities being obtained, the directors be empowered for the purposes of Section 75(1) of the Companies Act 2016 to issue shares in the Company at any time 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 issued pursuant to this resolution does not exceed 10% of the issued and paid up capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next annual general meeting be hereby approved.

NOTICE OF 16TH ANNUAL GENERAL MEETING (cont'd)

9. **Proposed renewal of share buy-back authority of up to ten percent (10%) of the issued and paid-up share capital** ***Resolution 9***

THAT subject to Section 127 of the Companies Act 2016 and rules, regulations or orders made pursuant to the Companies Act 2016, provisions of the Company's Constitution and the requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the directors of the Company be and are hereby authorised to make purchases of ordinary shares comprised in the Company's issued and paid-up ordinary share capital, such purchases to be made through Bursa Securities subject further to the following:

(i) the aggregate number of ordinary shares in Crest Builder Holdings Berhad ("CBHB Shares") which may be purchased or held by the Company shall not exceed ten per cent (10%) of the issued and paid-up ordinary share capital of the Company ("Proposed Share Buy-Back"), subject to the restriction that the issued and paid-up ordinary share capital of CBHB does not fall below the minimum share capital requirements of the Listing Requirements of Bursa Securities ("Listing Requirements") applicable to a company listed on the Main Market of Bursa Securities and that the listed issuer continues to maintain a shareholding spread that is in compliance with the requirements of the Listing Requirements after the share purchase;

(ii) the maximum funds to be allocated by the Company for the purpose of purchasing the CBHB Shares under the Proposed Share Buy-Back shall not exceed the retained earnings account of the Company for the time being which stood at RM29,268,188.89 as at 31 December 2017 based on the latest audited financial statements of CBHB for the financial year ended 31 December 2017;

(iii) the authority conferred by this resolution to facilitate the Proposed Share Buy-Back will commence immediately upon passing of this ordinary resolution and will continue to be in force until:

(a) the conclusion of the next annual general meeting ("AGM") of the Company at which such resolution was passed at the time which the authority would lapse unless renewed by ordinary resolution, either unconditionally or conditionally; or

(b) the expiration of the period within the next AGM of the Company after that date is required by the Companies Act 2016 to be held; or

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

whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company of the CBHB Shares before the aforesaid expiry date and, made in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities; and

(iv) upon completion of the purchase(s) of the CBHB Shares by the Company, the directors of the Company be and are hereby authorised to retain the CBHB Shares so purchased as treasury shares, which may be distributed as dividends to shareholders, cancel and/or resold on Bursa Securities, in the manner as prescribed by the Companies Act 2016, rules, regulations and orders made pursuant to the Companies Act 2016 and the requirements of Bursa Securities and any other relevant authority for the time being in force,

AND THAT the directors of the Company be and hereby authorised to take all such steps as are necessary or expedient to implement, finalise, complete or to effect the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, resolutions, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as the said directors may deem fit and expedient in the best interest of the Company to give effect to and to complete the purchase of CBHB Shares.

NOTICE OF 16TH ANNUAL GENERAL MEETING (cont'd)

10. Continuing in office as Independent Non-Executive Directors

10.1 **THAT**, approval be and is hereby given to Encik Mohd Khasan bin Ahmad who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company. ***Resolution 10***

10.2 **THAT**, approval be and is hereby given to Mr. Kam Yong Kan who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company. ***Resolution 11***

NOTICE OF DIVIDEND ENTITLEMENT

Further NOTICE is hereby given that a first and final single tier dividend 4.00 Sen per ordinary share in respect of the financial year ended 31 December 2017 if approved by shareholders, will be paid on 3 August 2018 to depositors registered in the Record of Depositors at the close of business on 13 July 2018.

A depositor shall qualify for entitlement only in respect of:

(a) share transferred into the depositor's securities account before 4:00 noon on 13 July 2018 in respect of ordinary transfers; and

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

By order of the Board

Company Secretary
Heng Chiang Pooh FCIS
(MAICSA 7009923)

Dated: 27 April 2018

Notes

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint anyone to attend and vote in his stead as his proxy without limitation and the provisions of Section 334 of the Companies Act 2016 shall apply.*
2. *If a corporation is a member of the Company, the corporation may by resolution of its Board or other governing body authorise a person or persons to act as its representative or representatives at any meeting of members of the Company. A certificate of authorisation by a corporate member shall be prima facie evidence of the appointment or the revocation of the appointment, as the case may be, of a representative pursuant to Section 333 of the Companies Act 2016.*
3. *Shareholders' attention is hereby drawn to the Listing Requirements of the Bursa Malaysia Securities Berhad, which allows a member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, to appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities.*
4. *A member may appoint more than one (1) proxy provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy.*
5. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office situated at No. 62-2, Jalan 2A/27A, Section 1, Wangsa Maju, 53300 Kuala Lumpur, not less than forty-eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than twenty-four hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.*
6. *In respect to the deposited securities, only members whose name appear in the Record of Depositors on 13 June 2018 shall be eligible to attend the meeting or to appoint proxy to attend and/or vote on his behalf.*

STATEMENT ACCOMPANYING NOTICE OF 16TH ANNUAL GENERAL MEETING

1. VOTING BY WAY OF POLL

Pursuant to paragraph 8.29A(1) of the Main Market listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this notice shall be put to vote by way of poll.

2. ORDINARY BUSINESS – RESOLUTION 1

The Board had proposed that Resolution 1 be recommended for consideration at the annual general meeting to receive and adopt the duly audited financial statements consisting of the consolidated statement of comprehensive income, the consolidated statement of financial position, the Reports of the Directors and Auditors for the financial year ended 31 December 2017. However, the same matters had been formally approved by the Board in compliance with the provisions of the Companies Act 2016.

3. ORDINARY BUSINESS – RESOLUTION 2

The directors now recommend a first and final single tier dividend of 4.00 Sen (RM0.04) per each ordinary share held in respect of the financial year ended 31 December 2017.

4. ORDINARY BUSINESS – RESOLUTION 3, 4 & 5

The particulars of the retiring directors who are standing for re-election are set out in the relevant pages of the Annual Report as follows:

Name of Directors	Directors' Profile	Directors' Shareholdings
Tengku Dato' Sulaiman Shah bin Tengku Abdul Jalil Shah (Non-Executive Chairman)	Page 9	Page 150
Mohd Khasan bin Ahmad (Independent Non-Executive Director)	Page 9	Page 150
Lim Boon Teng (Independent Non-Executive Director)	Page 10	Page 150

Details of directors' attendance at Board Meetings are set out in the Statement of overview on Corporate Governance on Page 27 of the Annual Report.

5. ORDINARY BUSINESS – RESOLUTION 6

Pursuant to Section 273(b) of the Companies Act 2016, an auditor shall cease to hold office at the conclusion of the annual general meeting next following his appointment, unless the auditor is re-appointed.

6. SPECIAL BUSINESS – RESOLUTION 7

This authorisation by the general meeting would enable the payment of directors' remuneration in accordance with Article 88 of the Company's Constitution as follows:

Article 88 - Directors' Remuneration

The directors shall be paid by way of remuneration for their services such fixed sums (if any) as shall from time to time be determined by the Company in general meeting, and such remuneration shall be divided among the directors in such proportion and manner as the directors may determine. Provided always that:

(a) fees payable to directors who hold no executive office in the Company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover;

(b) salaries payable to directors who do hold an executive office in the Company may not include a commission on or percentage of turnover;

(c) fees payable to directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting;

(d) any fee paid to an Alternate Director shall be such as agreed between herself and the director nominating her shall be paid out of the remuneration of the latter.

STATEMENT ACCOMPANYING NOTICE OF 16TH ANNUAL GENERAL MEETING (cont'd)

7. SPECIAL BUSINESS – RESOLUTION 8

The Company had during its 15th Annual General Meeting held on 7 June 2017, obtained its shareholders' approval for the general mandate pursuant to Section 76 of the Companies Act 2016 and subject to the approval of all relevant authorities being obtained, the directors be empowered for the purposes of Section 75(1) of the Companies Act 2016 to issue shares in the Company at any time 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 issued pursuant to this resolution does not exceed 10% of the issued and paid up capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next annual general meeting be hereby approved. The Company did not issue any shares pursuant to the said mandate.

This Proposed Resolution 8 which is an Ordinary Resolution, if passed, will grant a renewed general mandate which will provide flexibility for the Company and will empower the directors to issue new shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for the purpose of funding current and/or future investment projects, working capital, and/or strategic development of the Group. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied at a general meeting, will be valid until the conclusion of the next annual general meeting.

At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is sought, the Company shall make an announcement in respect thereof.

8. SPECIAL BUSINESS – RESOLUTION 9

The Proposed Share Buy-Back of up to ten percent (10%) of the issued and paid-up share capital, if approved by the shareholders of the Company, will enable the Company to make purchases of ordinary shares comprised in the Company's issued and paid-up ordinary share capital. Further information can be obtained in the accompanying Circular dated 27 April 2018.

9. SPECIAL BUSINESS – RESOLUTION 10 & 11

In accordance with the Malaysian Code on Corporate Governance 2017, the Board of Directors has via the Nomination Committee assessed the independence of Encik Mohd Khasan bin Ahmad and Mr. Kam Yong Kan who each has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, and recommended them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:

(i) each of them fulfills the criteria of an Independent Director pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
(ii) each of them is familiar with the Company's business operations as each has been with the Company for more than nine (9) years;
(iii) each of them has devoted sufficient time and attention to his responsibilities as an Independent Non-Executive Director of the Company; and
(iv) each of them has exercised due care during his tenure as an Independent Director of the Company and carried out his duty in the interest of the Company and shareholders.

The proposed Resolutions 10 and 11, if passed, will enable Encik Mohd Khasan bin Ahmad and Mr. Kam Yong Kan to continue in office as Independent Non-Executive Directors.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tengku Dato' Sulaiman Shah Bin Tengku Abdul Jalil Shah
- *Non-Executive Chairman*

Yong Shang Ming
- *Managing Director*

Koh Hua Lan (f)
- *Executive Director*

Mohd Khasan Bin Ahmad
- *Independent Non-Executive Director*

Kam Yong Kan
- *Independent Non-Executive Director*

Lim Boon Teng
- *Independent Non-Executive Director*

Yong Tiok Keng (f)
- *Alternate Director to Koh Hua Lan (f)*

AUDIT COMMITTEE

Mohd Khasan Bin Ahmad, Chairman
Kam Yong Kan
Lim Boon Teng

REMUNERATION COMMITTEE

Lim Boon Teng, Chairman
Mohd Khasan Bin Ahmad
Kam Yong Kan

NOMINATION COMMITTEE

Kam Yong Kan, Chairman
Mohd Khasan Bin Ahmad
Lim Boon Teng

COMPANY SECRETARY

Heng Chiang Pooh FCIS (MAICSA 7009923)

REGISTERED OFFICE

No. 62-2, Jalan 2A/27A
Section 1, Wangsa Maju
53300 Kuala Lumpur
Tel : 03-4148 1888
Fax : 03-4149 1888

PRINCIPAL PLACE OF BUSINESS

Penthouse, The Crest
3 Two Square
No. 2, Jalan 19/1
46300 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7841 6000
Fax : 03-7841 6088
Email : corporate@crestbuilder.com.my

SHARE REGISTRAR

ShareWorks Sdn. Bhd.
No. 10-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Tel : 03-6201 1120
Fax : 03-6201 3121

AUDITORS

Baker Tilly Monteiro Heng
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel : 03 - 2297 1000
Fax : 03 - 2282 9980

PRINCIPAL BANKERS

Hong Leong Bank Berhad
AmBank (M) Berhad
United Overseas Bank (Malaysia) Bhd.
RHB Bank Berhad
Bank Islam Malaysia Berhad

STOCK EXCHANGE LISTING

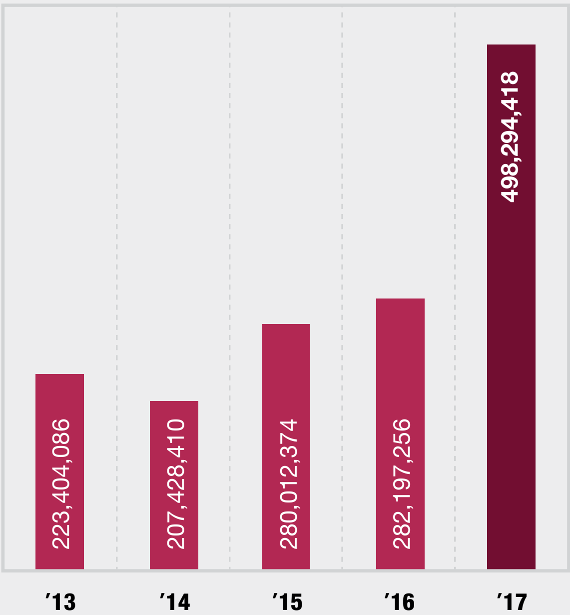
Bursa Malaysia Securities Berhad - Main Market
Sector : Construction

FINANCIAL **HIGHLIGHTS**

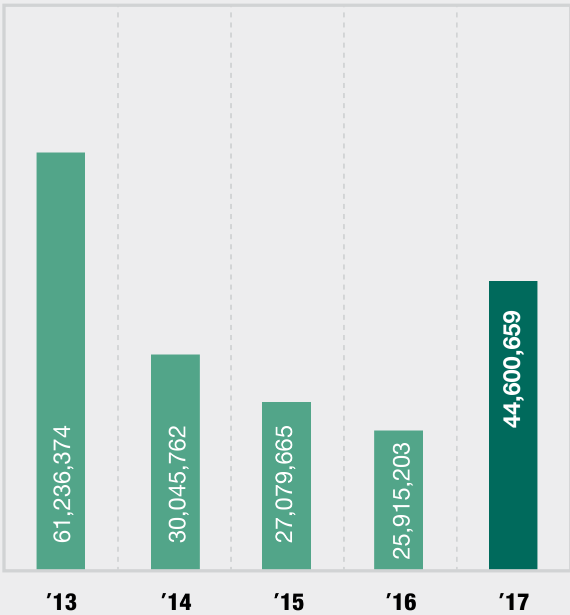
Financial Year Ended	2013 RM	2014 RM	2015 RM	2016 RM	2017 RM
Revenue	223,404,086	207,428,410	280,012,374	282,197,256	**498,294,418**
Profit Before Tax	61,236,374	30,045,762	27,079,665	25,915,203	**44,600,659**
Profit for the Financial Year	54,936,750	19,978,473	11,998,183	14,988,214	**30,380,456**
Profit attributable to Owners of the Company	48,766,759	20,756,458	9,686,023	13,212,158	**28,057,245**
Total Equity attributable to Owners of the Company	365,769,210	385,176,664	398,856,660	403,211,580	**424,441,163**
Net Assets per Share (RM)	2.27	2.33	2.25	2.28	**2.40**
Total Number of Shares	160,868,175	165,043,105	176,921,657	176,921,657	**176,921,657**
Basic Earnings per Share (sen)	32.60	12.79	5.74	7.73	**16.44**
Diluted Earnings per Share (sen)	30.99#	11.78#	5.74	7.73	**16.44**
Gross Dividend (sen)	3.75*	3.75*	4.00*	4.00*	**4.00***

* *Single Tier Dividend*
\# *After full conversion of Warrants and ESOS*

REVENUE
RM



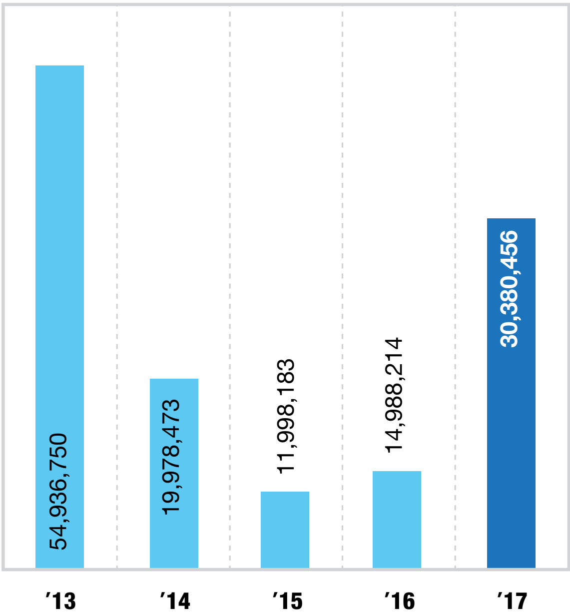
PROFIT BEFORE TAX
RM



FINANCIAL **HIGHLIGHTS** (cont'd)

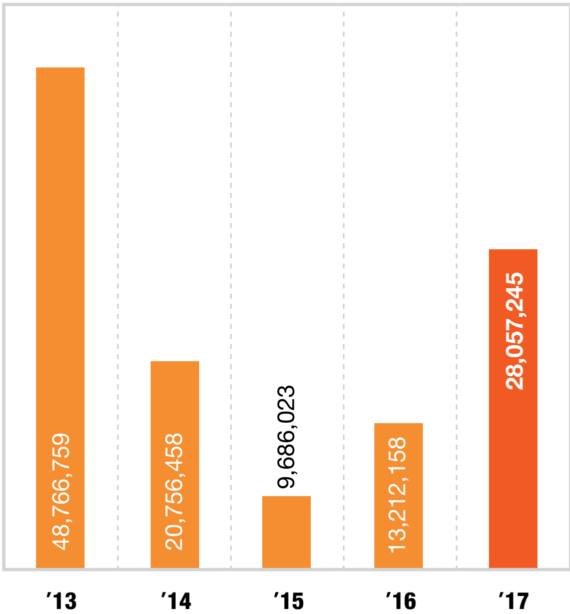
PROFIT FOR THE FINANCIAL YEAR

RM



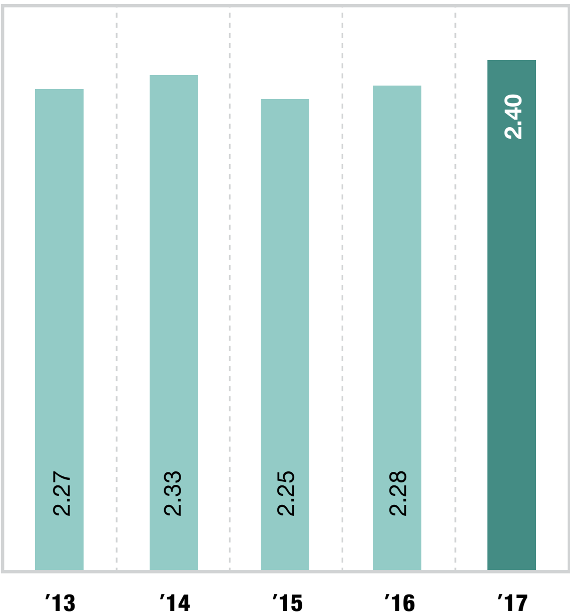
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

RM



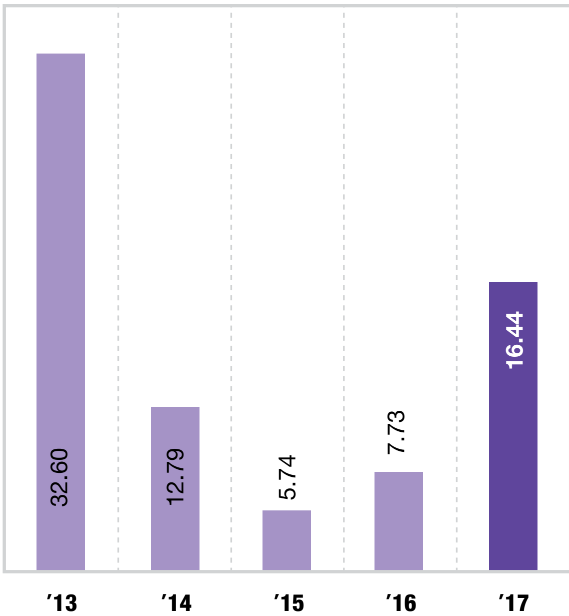
NET ASSETS PER SHARE

RM



BASIC EARNINGS PER SHARE

(SEN)



DIRECTORS' PROFILE

TENGKU DATO' SULAIMAN SHAH BIN TENGKU ABDUL JALIL SHAH
Non-Executive Chairman
aged 62

Tengku Dato' Sulaiman Shah Bin Tengku Abdul Jalil Shah * was appointed to the Board on 26 February 2003 as Executive Chairman and he was re-designated as the Non-Executive Chairman with effect from 1 March 2005. Tengku Dato' Sulaiman Shah has over 30 years of experience in the construction, printing, advertising, freight industries and health products. He was appointed as the "Orang Besar Istana" in year 1996 with the bestowed title of "Tengku Setia". In year 2007, he was awarded "Dato Sultan Sharafuddin Idris Shah" (D.S.I.S). He is primarily responsible for the orderly conduct and working of the Board and the public relation and communication affairs of the Group. He attended all of the five (5) Board meetings held during the financial year ended 31 December 2017.

YONG SHANG MING
Managing Director
aged 35

Yong Shang Ming was appointed to the Board on 31 January 2008. He graduated from City University, London with a Honours Degree in Civil Engineering. He joined the Group in June 2003 as the Special Assistant to the former Group Managing Director. He is involved in the project procurement and implementation as well as the business development ventures of the Group. He is also involved in the project planning, development and marketing operations of the Group's property development projects. He attended all of the five (5) Board meetings held during the financial year ended 31 December 2017.

KOH HUA LAN (F)
Executive Director
aged 66

Koh Hua Lan (f) was appointed to the Board on 26 February 2003. Madam Koh is a co-founder of Crest Builder Sdn. Bhd. and she has more than 30 years of experience in financial and administration management. She is principally responsible for the administration, human resource and management support services of the Group. She attended all of the five (5) Board meetings held during the financial year ended 31 December 2017.

MOHD KHASAN BIN AHMAD
Independent Non-Executive Director
aged 57

Mohd Khasan Bin Ahmad * was appointed to the Board on 25 February 2003 and is the Chairman of the Audit Committee, member of the Nomination Committee and member of the Remuneration Committee. He graduated from Universiti Teknologi MARA with a degree in Accountancy. He is a member of the Malaysian Institute of Accountants. He served in Bank Negara Malaysia for a period of about 7 years, the last 2 years of which he was seconded to the then Capital Issues Committee as its Principal Assistant Secretary. Subsequently, he joined the Securities Commission for a period of about 6 years and his last capacity was as an Assistant Manager in its Issues and Investment Division. During the tenure of his above appointments, he was involved in various corporate exercises ranging from initial public offerings, mergers and acquisitions, reverse take-overs, issuance of bonds and other capital raising exercises. He then joined the private sector in 1997 and held various senior management positions. He is also the director of Ta Win Holdings Berhad, Sinmah Capital Berhad (formerly known as Farm's Best Berhad), Homeritz Corporation Berhad and Mexter Technology Berhad. He attended all of the five (5) Board meetings held during the financial year ended 31 December 2017.

KAM YONG KAN
Independent Non-Executive Director
aged 59

Kam Yong Kan was appointed to the Board on 26 February 2003 and also the Chairman of the Nomination Committee, member of the Audit Committee and member of the Remuneration Committee. He is an ex-fellow member of the Association of Chartered Certified Accountants, United Kingdom, an ex-member of the Malaysian Institute of Accountants and an associate member of the Malaysian Institute of Taxation. He has over 25 years of experience in audit, finance, corporate finance, tax and treasury functions in property related industries. He was attached to a listed property group from 1991 to 2000 and held the position as a Finance Director during the last 4 years of his tenure in the property group. He attended all of the five (5) Board meetings held during the financial year ended 31 December 2017.

DIRECTORS' **PROFILE**
(cont'd)

LIM BOON TENG
Independent Non-Executive Director
aged 47

Lim Boon Teng * was appointed to the Board on 18 August 2017 and also the Chairman of the Remuneration Committee, member of the Audit Committee and member of the Nomination Committee. He graduated from Universiti Malaya with a Bachelor Degree in Accountancy. He is a member of the Malaysian Institute of Certified Public Accountants and a member of the Malaysian Institute of Accountants. He has more than 20 years of experience in the field of accounting, auditing and corporate finance. He worked in Ernst & Young Malaysia and CIMB Investment Bank Berhad before working in Ernst & Young China for 12 years, 3 years of which was as an audit partner. He joined Deloitte Malaysia in 2012 and worked as audit partner for 4 years. He is currently managing audit practices. He attended all of the two (2) Board meetings held during the financial year ended 31 December 2017 since his appointment date.

YONG TIOK KENG (F)
Alternate Director to Koh Hua Lan (f)
aged 39

Yong Tiok Keng (f) was appointed to the Board on 25 May 2009. She holds a B. Sc in Accounting & Finance from London School of Economics in 2001. She has over 15 years of experience in the fields of accounting and corporate finance activities and she is currently the Corporate Affairs Manager of Crest Builder Holdings Berhad. She is principally responsible for the Corporate Affairs and financial policies of the Group. She attended all of the five (5) Board meetings held during the financial year ended 31 December 2017.

Further information

All the directors are Malaysian.

Except for certain recurrent related party transaction of revenue nature or trading nature which are necessary for the day to day operation of the Group and for which Tengku Dato' Sulaiman Shah Bin Tengku Abdul Jalil Shah is deemed to be interested as disclosed in page 34.

Yong Shang Ming is the son to Koh Hua Lan. Yong Tiok Keng is the daughter to Koh Hua Lan. Saved as disclosed herein, there are no family relationships between the directors and/or major shareholders of the Company, or any personal interest or conflict of interest in any business arrangement involving the Group.

The securities holdings of the directors are disclosed on page 150. By virtue of their interests in shares of the Company and under Section 8 of the Companies Act 2016, Koh Hua Lan is deemed to be interested in the shares of all the subsidiary companies to the extent the Company has an interest.

None of the directors has been convicted of any offence within the past ten years other than traffic offences, if any.

Note :
* *Indicates directors who retire according to the Company's Constitution and are eligible to offer themselves for re-election.*

KEY MANAGEMENT **PERSONNEL'S PROFILE**

TEH HOCK HUA
Chief Executive Officer (Construction Division)
aged 45

Teh Hock Hua, a Malaysian, graduated from Universiti Malaya, with a Bachelor in Civil Engineering with a First Class Honours in 1998 and joined Crest Builder Sdn. Bhd. in the same year as a Project Engineer. As a young apprentice, he quickly rose up the ranks; being promoted to Project Manager, General Manager, Executive Director of Crest Builder Sdn. Bhd. and also the overall Head of the Construction Division of the Group. He is re-designated as the Chief Executive Officer of Construction Division with effect from 1 August 2017. Some of his more notable completed projects includes the prestigious 40 storey Northshore Gardens in Desa ParkCity, the Menara Bank Islam along Jalan Perak, Menara Worldwide along Jalan Bukit Bintang as well as Scott Sentral, off Jalan Istana. He is the overall person in charge in the Construction Division, and overseas the day to day operations, including the Contracts, M&E and other departments under the Construction Division.

YONG TIOK NEE
Head of Construction Solutions & Property Management
aged 30

Yong Tiok Nee, a Malaysian, was appointed as the Head of Construction Solutions and Property Management of Crest Builder Holdings Berhad in September 2015. She is the holder of Bachelor Degree of Planning and Design (Property and Construction) and Bachelor Degree of Property and Construction (Honours), both from University of Melbourne, Australia. She started her career in the Group as a Head of Contracts Solutions and Facility Management. During her tenure with the Group, she gained numerous experience in the area of building maintenance, building management which includes financial budgeting and cash flow management. She currently leads the Construction Solutions and Property Management divisions.

IR. DR. SIEW WOH HON
Chief Operating Officer (M&E Division)
aged 44

Ir. Dr. Siew Woh Hon, a Malaysian, graduated his BSc in Electrical Engineering from USA (1995), MSC in Construction Management from UK (2008) and PhD in Construction Management from USA (2014). He is a registered Professional Engineer with Practicing Certificate (PEPC) with Board of Engineers Malaysia. He has accumulated 20 years of experience in field of M&E and engineering design. He has vast experience of managing technically complex projects and possesses a forward-thinking approach to the management of clients and assignments. He has a long track record of delivering complex projects with a global reach and is able to manage the project delivery team through entire life-cycle, from clients' enquiry to invoice. He has led the teams on commercial, industrial, education and health projects where the highest standards are routinely demanded.

SZE TO PAUI KHAY
Chief Operating Officer (Property Division)
Aged 52

Sze To Paui Khay, a Malaysian, was graduated from National Cheng Kung University with a Bachelor Degree in Civil Engineering in 1989. He has over 28 years of experience in the field of consultancy, turnkey contractor and property development. He started his tenure in CB Land Sdn. Bhd. as a Project Director since 2013 and promoted to Chief Operating Officer (Property) in 2017. His primary roles in the Crest Builder group of companies as relationship management across internal business and expand the network with notable industry players, as well as execute organisation strategy to ensure good integration within the companies.

CHAIRMAN'S **STATEMENT**

Dear Valued Shareholders,

It gives me great pleasure to present to you the Annual Report and Audited Financial Statements of Crest Builder Holdings Berhad ("CBHB" or "the Group") for the financial year ended 31 December 2017 ("FYE2017").

The Malaysian economy remained resilient, registering GDP growth of 5.9% (2016: 4.2%) which was mainly driven by private sector demand coupled with public sector spending on mega infrastructure projects in line with the transport masterplan. Inflation increased to 3.7% (2016: 2.1%) mainly due to increases in the housing, water, electricity and gas prices.

Despite the challenging business environment, the Group managed to deliver outstanding results backed by improved operational efficiency and the completion of several big tickets projects during the year.

Financial Performance

I am pleased to report that the Group has achieved an excellent financial performance for FYE2017 sporting a year-on-year growth in revenue of 76.6% and higher net profit attributable to shareholders ("NPATS") of 112.9%. The Group recorded a full year revenue of RM498.3 million and NPATS of RM28.1 million as compared with its preceding year's revenue and NPATS of RM282.2 million and RM13.2 million respectively. In line with our policy to reward shareholders, the Board has proposed a first and final single-tier dividend of 4 sen per ordinary share which translates into a yield of approximately 4.4%.

Industry Prospects and Outlook

Bank Negara Malaysia has forecasted the Malaysian GDP to grow between 5.5% and 6.0% in 2018, bolstered by robust private sector expenditure brought about by continued growth in wages and employment leading to a more positive business outlook and growing demand. In addition to that, spill-over effects from the implementation of various mega infrastructure projects is expected to boost job flows for the construction sector in the near term as the projects intensifies.

Despite the continued fluctuation in raw material prices, increase in labour cost and a shortage in labour, the construction industry has recorded an amazing performance in 2017. The outlook for the construction sector for 2018 remains favourable as government rolls out more major infrastructure projects. The property outlook for 2018 is expected to stabilise as upcoming major projects are expected to spur the economy and developers shift their product offerings to focus on affordability.

CHAIRMAN'S STATEMENT (cont'd)

Going forward, we believe the property market will continue improve gradually in 2018. As we take cognisance of various geopolitical risks that may cause shocks to the global economy in the near term, we remain cautiously optimistic over the future economic landscape and are well-prepared to take on the upcoming challenges and strive for better performance in the coming year.

Appreciation

On behalf of the Board of Directors, I would like to extend our appreciation to the Government and regulatory authorities, our clients, business associates, vendors and bankers for their continuous support to CBHB.

To my fellow colleagues on the Board, I would like to extend my appreciation for your support, counsel and guidance and look forward to another successful year. I would also like to record my appreciation to Mr. Keong Choon Keat for his immense contribution to the Group during his tenure and wish him all the best in his future endeavours.

To our management team and employees, I would like to thank them for their dedication and contribution towards CBHB. We are fortunate to have with us a committed management team and employees who have been instrumental to our Group's stand-out performance in 2017.

Last but not least, I wish to thank our valuable shareholders for their continuous support and confidence in the Group over the years.

Tengku Dato' Sulaiman Shah Bin Tengku Abdul Jalil Shah
Non-Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Dear Valued Shareholders,

The Board of Directors of the Company and Management are pleased to present the Management Discussion and Analysis to offer you an overview and a better understanding of the Group's performance in the financial, business and operational spheres for the financial year ended 31 December 2017, and our take on the prospects for the coming years.

OVERVIEW

Crest Builder Holdings Berhad ("CBHB" or "the Group") is a registered Class A Contractor with the Ministry of Entrepreneurial Development and a Category G7 with the Construction Industry Development Board. With these registrations we are qualified to tender and carry out all categories of both government and private construction contracts with unlimited value. Armed with the necessary expertise and impressive track record spanning more than 30 years, the Group is capable of serving a broad spectrum of functions including building construction, property development, property management, M&E services, project management and car park management. Our past successful projects have well established our brand name in the area of construction works, construction related activities and property development.

Our construction division is largely focused on the infrastructure and building works of residential developments, healthcare amenities, infrastructure, leisure amenities, educational facilities and commercial developments. Our infrastructure services and engineering covers all elements, which include design, construction, completion and maintenance of roads, bridges and other basic facilities.

Our construction division comprehensively supports our property development division, hence enabling us to achieve an integrated operation benefit under one roof. Our property development division is supported with our own in-house team of subject matter experts, hence we are able to be involved in all aspects of the real estate business, from planning submission to the completion of interior furnishing of our own developments.

On top of our extensive experience in construction and property development, two of our key property development projects, namely The Crest and Tierra Crest are currently contributing recurring rental income which forms part of our investment in properties under our investment holding division.

Over the years, we have continuously built our expertise and capacity of our team, who has helped us drive and achieve our growth objectives. As such, our solid foundation has escalated our position as a premier player in the industry.

OBJECTIVES & STRATEGIES

1. Operational excellence and timely delivery

CBHB's objective is to provide superior quality products and services for our customers whilst delivering on time and within budget. Our focus on operational efficiency enables us to minimise the chance of error whilst ensuring that our quality and timeliness is a top priority. Our track record and success are evidenced by the various landmark projects completed and delivered by the Group over the years.

2. Environmental, Safety and Health

CBHB places the well-being of our workers as a key component of our success throughout the years. The Group continuously engages in various training initiatives to ensure that all our processes take into consideration the environment, safe and health aspects of the workers. We do not pursue profit at the expense of our workers well-being.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

OBJECTIVES & STRATEGIES (CONTINUED)

3. Training and upskilling of the workforce

CBHB constantly invests in training to upskill and educate our growing workforce as we keep up to breath with the most current developments in the construction industry. We believe that workers that are equipped with the latest knowledge will ultimately contribute to better results for the Group.

4. Innovation and technology

CBHB is a proponent of embracing technology in our processes as we seek to reduce the margin of human error and reliance of labour. We constantly innovate and adopt Industrialised Building System to increase operational efficiency and improve the quality of our final product.

PERFORMANCE REVIEW

Revenue and Profitability

We delivered a set of commendable financial results for FYE2017, amid the backdrop of Malaysia's challenging economic conditions and the weak property market sentiment. We achieved higher revenue of RM498.3 million for FYE2017, representing an increase of 76.6% as compared to RM282.2 million in our previous financial year ended 31 December 2016 ("FYE2016") mainly due to higher revenue contribution from our construction division. Our construction division contributed 64.8% of our revenue in FYE2017, while the remaining balance was contributed by property development, concession arrangement and investment holding divisions.

Our gross profit margin has decreased from 34.7% in FYE2016 to 23.1% in FYE2017, which is mainly due to higher material prices incurred in construction division and special discounts given to bulk purchasers in property development division during the financial year under review.

In FYE2017, our other income increased by 147.1% to RM12.6 million as compared to RM5.1 million in FYE2016 mainly due to reversal of allowance for impairment on trade and other receivables amounting to RM5.1 million collected from previously impaired debtors. On the other hand, our administrative expenses increased by 26.4% to RM38.8 million as compared to RM30.7 million in FYE2016 mainly due to higher sales commission incurred for increasing sales of development/completed properties during the financial year. While finance costs decreased marginally by 3.9% from RM46.4 million in FYE2016 to RM44.6 million in FYE2017 mainly due to interest saving from decreasing loans and borrowings upon repayment. Our income tax expense was higher by 30.1% as compared to FYE2016 which is in line with higher taxable profits generated during the financial year under review.

On the back of higher revenue and other income and lower finance costs, offset with higher administrative expenses and income tax expense, we achieved a higher net profit attributable to shareholders of RM28.1 million for FYE2017, representing a growth of 112.9% as compared to FYE2016, which translates into an improved return on equity ratio of 6.6% in FYE2017 as compared to 3.3% in FYE2016.

Construction

During FYE2017, our construction division recorded a higher revenue and profit before tax ("PBT") of RM322.8 million and RM12.0 million respectively as compared to RM169.8 million and RM1.8 million in FYE2016, representing an increase of 90.1% and 566.7% respectively. The increases in revenue and PBT were mainly due to higher progressive construction progress recognised from various projects undertaken during FYE2017. Main contributors during the financial year were Anggun Service Apartment project, Quarza, KL East project and DBKL Carparks project.

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

PERFORMANCE REVIEW (CONTINUED)

Property Development

Our property development division registered a higher revenue and PBT of RM112.4 million and RM21.8 million respectively in FYE2017 as compared to RM48.0 million and RM17.0 million respectively in FYE2016, representing an increase of 134.2% and 28.2% respectively. The increases in revenue and PBT were mainly due to higher sales generated from both completed projects, i.e. Alam Sanjung and Avenue Crest and a development project, i.e. Residensi Hijauan which was launched since July 2016.

Concession Arrangement

Meanwhile, our concession arrangement division recorded revenue of RM46.9 million and PBT of RM9.8 million as compared to RM47.4 million and RM7.2 million respectively in FYE2016, representing a decrease of 1.1% and an increase of 36.1% respectively. The decrease in revenue was mainly due to lower finance income recognised. The increase in PBT was mainly due to saving in finance costs with repayment of Sukuk Murabahah since the second quarter of previous financial year.

Investment Holding

Our investment holding division registered a revenue and a PBT of RM16.2 million and RM1.0 million respectively in FYE2017 as compared to RM17.0 million and a loss before tax of RM0.1 million respectively in FYE2016, representing a decrease of 4.7% and an increase of 1,100.0% in PBT respectively. The decrease in revenue was mainly due to marginal decrease in occupancy rate for certain investment properties. While the higher PBT in FYE2017 was mainly due to no share options expenses incurred during the financial year after Employees' Share Option Scheme of the Company lapsed on 18 April 2017.

Statements of Financial Position

As at 31 December 2017, our total equity was recorded higher at RM440.4 million as compared to RM416.7 million in the previous financial year mainly due to total assets increased by RM182.1 million to RM1.5 billion, offset with total liabilities that increased by RM158.5 million to RM1.1 billion. Our gearing ratio improved marginally from 0.57 times to 0.55 times as at 31 December 2017 as compared to previous financial year.

During the financial year, our property development costs increased by 223.3% from RM104.5 million to RM337.9 million mainly due to the condition precedents stated in joint land development agreement ("JLDA") entered with Prasarana Malaysia Berhad ("Prasarana") were fulfilled during the financial year and subsequently, RM217.8 million of land cost was recognised as part of the property development costs. As at the year end, trade and other receivables decreased by 15.0% from RM292.5 million to RM248.7 million mainly due to prompt payment from customers, reversal of allowance for impairment on trade and other receivables amounting to RM5.1 million and transfer of a deposit to property development costs upon fulfilment of the condition precedents of JLDA with Prasarana amounting to RM6.5 million.

While inventories decreased by 43.1% from RM66.4 million to RM37.8 million as at 31 December 2017, which was due to 105 units and 74 units of completed properties in respect of Alam Sanjung and Avenue Crest, were sold during the financial year. The amount due from contract customers as at 31 December 2017 increased by 95.0% from RM41.9 million to RM81.7 million as compared to previous financial year due to timing difference in issuance of progress billings and largely contributed by active construction projects undertaken like Quarza, KL East project and DBKL Carparks project. Our Group's cash and bank balances together with short term investments and fixed deposits placed with licensed banks decreased by 6.6% from RM122.1 million to RM114.0 million as at 31 December 2017. The decrease was mainly due to repayment of loans and borrowings and utilisation of funds for working capital.

As at the end of the year, total loans and other bank borrowings stood at RM657.9 million which is 2.7% lower as compared to previous financial year of RM676.1 million, this is mainly due to our repayment of term loans and Sukuk Murabahah. Overall, our total debt to total equity ratio improved significantly from 1.68 times as at 31 December 2016 to 1.55 times as at 31 December 2017. Whereas our trade and other payables increased significantly by 72.6% from RM235.1 million to RM405.8 million mainly due to recognition of a landowner's entitlement amounting to RM211.3 million, represents cost payable to Prasarana for land development right pursuant to the JLDA entered into with Prasarana.

We believe that our sound financial position will enable us to execute more construction and property development projects and continue to create value for our shareholders in future.

MANAGEMENT DISCUSSION **AND ANALYSIS** (cont'd)

PROJECT DEVELOPMENTS

No.	Project	Description	Contract value RM	Gross development value RM	Status
	Construction				
1.	Celcom Tower	36 storey office tower	90.0 m	–	97% complete
2.	Anggun Service Apartment	38 storey residential tower	197.8 m	–	95% complete
3.	Quarza, KL East	36 storey towers and 6 storey mall	438.3 m	–	53% complete
4.	DBKL Carparks	5 DBKL carparks	84.6 m	–	75% complete
5.	Media City Angkasapuri	Air conditioning and mechanical ventilation services	16.3 m	–	1% complete
6.	Capri Hotel	1 block of 44 storey hotel and car park podium	149.5 m	–	New project secured in 2018
7.	South Brooks	2 blocks of 40 storey residential apartments and car park podium	328.8 m	–	New project secured in 2018
8.	New Ocean World	6 storey office, factory and car parks	117.8 m	–	New project secured in 2018
	Property development				
9.	Residensi Hijauan	646 units of medium cost condominium	140.1 m#	330.0 m	Will be completed in Quarter 3 of 2018
10.	Latitud8, Dang Wangi	Retail, SOFO suites and office suites	350.0 m*#	1.1 b	Condition precedents of JLDA fulfilled. Pending commencement of main building works
11.	The Elevat8, Jalan Ampang	Retail, SOFO suites, office suites and serviced apartments	–	1.3 b	Pending Development Order
12.	Kelana Jaya LRT	Retail, office suites and residential	–	1.0 b	Pending Development Order
	Total		**1.9 b**	**3.7 b**	

\# *these are internal awarded construction contracts that will be eliminated at group*

* *this is an estimated contract value*

As at 31 December 2017, we have construction contracts worth RM1.3 billion and a sizeable outstanding balance of contract value approximately RM674.5 million. In the first quarter of year 2018, we have secured new contracts amounting to RM596.1 million.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

CORPORATE DEVELOPMENTS

On 17 August 2017, the Group was awarded a contract by China State Construction Engineering (M) Sdn. Bhd. for the supply, delivery, installation and commissioning of air conditioning and mechanical ventilation services for proposed Media City Angkasapuri at part of Lot PT23, 8354, 47446 and 47447, Kuala Lumpur for a contract sum of RM16.3 million.

On 16 October 2017, the Group acquired 510 ordinary shares, representing 51% of the total issued and paid up share capital of K L Waterfront Development Sdn. Bhd. for a cash consideration of RM510.

Subsequent to the financial year end, the Group was awarded a contract by Mega Capital Development Sdn. Bhd. for the construction of main buildings works that consist of one block of forty-four storey hotel and car park podium at Lot 790, 791, 792 & 793, Jalan Imbi, Seksyen 67, Kuala Lumpur for a contract sum of RM149.5 million on 18 January 2018.

On 23 Jan 2018, the Group was awarded a contract by Perdana ParkCity Sdn. Bhd. for the construction of main buildings works that consist of two blocks forty storey residential apartments and car park podium at part of Lot 64577, Jalan Daun Inai 20, Desa Parkcity, Mukim Batu, Kuala Lumpur for a contract sum of RM328.8 million.

On 20 Mar 2018, the Group was awarded a contract by Toyoma Aluminium Foil Packaging Sdn. Bhd. for the construction of main buildings works that consist of six storey of office, factory and car parks at Jalan 19/1, Seksyen 19, Mukim Bandar Petaling, Daerah Petaling, Selangor Darul Ehsan for a contract sum of RM117.8 million.

ANTICIPATED OR KNOWN RISKS

There are several risks involved in the Group's business and while the risks are identified, the Group takes measurement to mitigate the risks in order to maximise results and provide quality values to our shareholders and stakeholders alike.

The Group operates its construction business in a very competitive market condition as competition with other major contractors within the construction industry is inevitable. Other contributing factors to this risk is the fluctuations of raw material prices. Therefore, the Group strategically employs pricing management, attractive proposals and other necessary approach when bidding for projects.

The government has implemented a policy to freeze indefinitely approvals for luxury property developments such as high-rise condominiums, shopping malls and commercial units that are worth more than RM1 million to control the oversupply that is adversely impacting the property market. We expect this to encourage developers to shift their product offerings to include smaller unit sizes and focus on affordability when planning their upcoming projects. This bodes well for the market in the near and mid term as absolute unit prices are reduced hence leading to more purchases from first homebuyers.

The Group's construction division enters into contracts with different clients with different types of contracts that carries a variety of risks. In addition, the Group is dependent on the quantum of new contracts secured to sustain its earnings. Nevertheless, the Group is confident in securing its targeted contract wins for the year to replenish our outstanding order book and provide clear earnings visibility for the next few years.

MOVING FORWARD

Our Malaysian property sector is expected to be challenging in the coming year as developers may continue to delay the launch of their projects. This is due to the soft demand for new properties brought on by stringent housing loan approvals, excess supply of existing property stock and cautious consumer spending due to the higher cost of living and uncertainty of employment and wage growth. These factors are expected to hamper job flows from developers as project launches are deferred. That being said, we expect limited but consistent job flows from developers as they shift their project offerings to target the medium range of the market and focus on affordability.

At the company level, our team will work tirelessly to implement various initiatives to drive efficiency and professionalism across all our business divisions. Building on a strong execution track record, our capable management team is ensuring that all our ongoing projects are progressing within expectation and will contribute positively to CBHBs' earnings growth going forward. In addition, the contribution of UiTM Tapah concession project and its refinancing exercise are expected to improve overall margins in the near future.

Our outstanding orderbook as at 31 March 2018 is at an all time high of RM1.3 billion and contract wins during the first quarter of year 2018 totalled RM596.1 million. This huge orderbook cover ratio of 5.9x on FYE2017 construction revenue provides excellent earnings visibility for the Group.

Looking ahead, we will continue to actively bid for selective construction projects in both the public and private sector as we seek to build on our already strong construction orderbook. The Group will also continuously upskill our internal capabilities that will enable us to add value to our clients and maintain a competitive edge within the increasingly challenging construction industry.

DIVIDEND

There is no dividend policy established by the Group. The payment of dividend is made at sole discretion of the Board based on performance of the Group. Historically, the Group has been declaring dividend ranging from 3.75 sen to 4 sen per ordinary share during the past 5 years.

As a reward to our shareholders for your continuous support, the Board is recommending a first and final single tier dividend of 4 sen per ordinary share for the FYE2017, subject to the shareholders' approval in the forthcoming Annual General Meeting.

CORPORATE **STRUCTURE**

CREST BUILDER HOLDINGS BERHAD
(573382-P)
Investment Holding

- 100% — **CREST BUILDER SDN. BHD.** 110330-K *Construction*
  - 100% — **CRESTLAND DEVELOPMENT SDN. BHD.** 316852-A *Property Investment*
  - 51% — **LANDASAN BAYU SDN. BHD.** 978758-T *Property Development*
- 100% — **CBTECH (M) SDN. BHD.** 508386-M *Mechanical & Electrical Engineering Services*
- 100% — **CB INFRASTRUCTURE SDN. BHD.** 659478-V *Construction*
- 100% — **3 TWO SQUARE SDN. BHD.** 617273-X *Property Investment*
- 100% — **VERTICAL SUCCESS SDN. BHD.** 691623-V *Property Investment*
- 100% — **CB LAND SDN. BHD.** 658719-D *Property Development*
- 100% — **NEPFIELD SDN. BHD.** 592256-M *Property Development*
- 100% — **DAMANSARA ONE SDN. BHD.** 669184-V *Property Development*
- 100% — **JALUR ELIT SDN. BHD.** 1086674-D *Property Development*
- 100% — **CREST BUILDER INTERNATIONAL SDN. BHD.** 644441-T *Investment Holding*
  - 51% — **UNITAPAH SDN. BHD.** 846665-X *Concession holder*
  - 51% — **INTAN SEKITAR SDN. BHD.** 985063-T *Property Development*
  - 51% — **K L WATERFRONT DEVELOPMENT SDN. BHD.** 1177684-V *Property Development*

REPORT OF THE AUDIT COMMITTEE

COMPOSITION AND MEMBERS

The current Audit Committee ("the Committee") comprises three (3) members of the Board of Directors ("the Board") who are all Independent Non-Executive Directors. Among the Independent Non-Executive Directors, Mohd Khasan Bin Ahmad and Lim Boon Teng are members of the Malaysian Institute of Accountants. Below are the members of the Committee during the financial year:

Directors	Status
1. Mohd Khasan Bin Ahmad - Chairman	Independent Non-Executive Director
2. Kam Yong Kan	Independent Non-Executive Director
3. Lim Boon Teng	Independent Non-Executive Director

TERMS OF REFERENCE

The Committee is governed by the following terms of reference:

1. Composition

(i) The Committee shall be appointed by the Board from amongst the directors excluding Alternate Directors; shall consist of not less than three members, where all members are Independent Non-Executive Directors; and at least one member of the Committee:

(a) must be a member of the Malaysian Institute of Accountants; or

(b) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:

(aa) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or

(bb) he must be a member of one of the associations of accountants specified in Part 11 of the 1st Schedule of the Accountants Act, 1967; and

(c) fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad or approved by the Securities Commission.

The Chairman shall be an Independent Non-Executive Director elected by the members of the Committee.

(ii) In the event of any vacancy in the Committee resulting in the non-compliance of paragraph (i) above, the Board must fill the vacancy within 3 months.

(iii) In the event that a former key audit partner is appointed as a member of the Committee, a cooling-off period of at least 2 years is required to observe prior his/her appointment.

(iv) The term of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every 3 years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

2. Authority

The Committee is granted the authority to investigate any activity of the Company and its subsidiary companies within its terms of reference, and all employees are directed to co-operate as requested by members of the Committee. The Committee is empowered to obtain independent professional or other advice and retain persons having special competence as necessary to assist the Committee in fulfilling its responsibility.

REPORT OF THE **AUDIT COMMITTEE** (cont'd)

TERMS OF REFERENCE (CONTINUED)

3. Responsibility

The Committee is to serve as a focal point for communication between non-Committee directors, the external auditors, internal auditors and the management on matters in connection with financial accounting, reporting and controls. The Committee is to assist the Board in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the Company and all subsidiary companies and the sufficiency of auditing relative thereto. It is to be the Board's principal agent in assuring the independence of the Company's external auditors, the integrity of the management and the adequacy of disclosures to shareholders.

If the Committee is of the view that a matter reported to the Board has not been satisfactorily resolved resulting in a breach of the Bursa Malaysia Securities Berhad's ("Bursa Securities") Listing Requirements, the Committee shall promptly report such matter to the Exchange.

4. Functions

The functions of the Committee are as follows:

(i) review with the external auditors, their audit plan;

(ii) review with the external auditors, their evaluation of the system of internal controls;

(iii) review with the external auditors, their audit report;

(iv) review the assistance given by the Company's officers to the external auditors;

(v) review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;

(vi) review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

(vii) review the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:

- (a) changes in or implementation of major accounting policy changes;
- (b) significant and unusual events;
- (c) significant adjustments arising from the audit;
- (d) compliance with accounting standards and other legal requirements;
- (e) compliance with Bursa Securities; and
- (f) the going concern assumption.

(viii) review any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;

(ix) consider the nomination, appointment and re-appointment of external auditors, their audit fees, and any questions on resignation or removal; and

(x) review the allocation of options during the year under the Company's Employees' Share Option Scheme ("ESOS") to ensure that it is in accordance with the criteria determined by the Option Committee and in compliance with the ESOS By-Laws.

REPORT OF THE **AUDIT COMMITTEE** (cont'd)

TERMS OF REFERENCE (CONTINUED)

5. Meetings

(i) The Committee is to meet at least four times a year and as many times as the Committee deems necessary.

(ii) In order to form a quorum for any meeting of the Committee, two (2) of the members must be presented and all present must be Non-Executive Directors and majority must be Independent Directors.

(iii) The meetings and proceedings of the Committee are governed by the provisions of the Company's Constitution regulating the meetings and proceedings of the Board so far as the same are applicable.

(iv) The director/person responsible for the financial management of Crest Builder Holdings Berhad and the head of internal audit shall normally attend meetings of the Committee. The presence of a representative of the external auditors will be requested if required.

(v) Upon request by the external auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matters the external auditors believe should be brought to the attention of the directors or members of the Company.

(vi) At least twice a year, the Committee shall meet with the external auditors without the presence of other directors and employees of the listed issuer whenever deemed necessary.

6. Secretary and minutes

The secretary of the Committee shall be the Company Secretary. Minutes of each meeting are to be prepared and sent to the Committee members, and the Company's directors who are not members of the Committee.

MEETINGS

The Audit Committee convened five (5) meetings in respect for financial year ended 31 December 2017. The attendance for the meetings were as follows:

Members	No. of Meetings Attended	No. of Meetings Held During Tenure
1. Mohd Khasan Bin Ahmad - Chairman	5	5
2. Kam Yong Kan	5	5
3. Lim Boon Teng (Appointed on 18 August 2017)	2	2
4. Keong Choon Keat (Retired on 7 June 2017)	3	3

REPORT OF THE AUDIT COMMITTEE (cont'd)

SUMMARY OF ACTIVITIES

For the financial year under review, the Audit Committee carried out its duties as set out in the terms of reference. The Committee convened five (5) meetings to review the following:

- the annual financial statements prior to submission to the Board for consideration and approval;
- the unaudited Quarterly Financial Results for four quarters in year 2017 for the release to the Bursa Securities and Securities Commission Malaysia;
- the Recurrent Related Party Transactions and Related Party Transactions of the Company;
- the Statement of overview on Corporate Governance and Statement on Risk Management and Internal Control for disclosure in Annual Report 2016;
- review of the internal audit reports for financial year 2016 & 2017 including internal controls and implementation of recommendations;
- the internal and external audit planning memorandums and programmes of the internal and external auditors for the following year as well as the recommendation of their respective fees to the Board;
- consider and recommend to the Board the appointment of external and internal auditors; and
- the recommendations by the external auditors in respect of control weaknesses noted during the course of their audit.

The meetings were appropriately structured through the use of agendas and meeting papers, which were distributed to members 5 business days in advance before the meetings.

INTERNAL AUDIT FUNCTION

The Company has an outsourcing arrangement with an independent professional firm to provide internal audit services which assists the Audit Committee in discharge its functions. The internal auditors, Ernst & Young Advisory Services Sdn. Bhd., provide independent and objective reports on the organisation's management records, accounting policies and controls directly to the Audit Committee. Such audits/reviews also ensure instituted controls are appropriate and are effectively applied to achieve acceptable risks exposures. The internal audit function is carried out in accordance with a recognised framework guided by International Standards for the Professional Practice of Internal Auditing. In terms of resources allocated for each of their visit, the team with a size of 4 to 5 members is assigned and headed by the Engagement Partner. The internal auditors are free from any relationship or conflict of interest with the Group, which could impair their objectivity and independence in carrying out their duties.

During the financial year, the internal auditors conducted independent reviews and evaluated risk exposures relating to the Group's governance, operations and information system as follows:

- reliability and integrity of financial and operational information;
- effectiveness and efficiency of operations;
- safeguarding of assets; and
- compliance with policies and procedures, laws, regulations and contracts i.e. reasonably ensuring conformity and adherence to these matters.

The internal auditors also established follow-up audits/reviews to monitor and to ensure that internal audit's recommendations have been effectively implemented. Reports, including where relevant, action plans agreed with the operational level management, are circulated to senior management and are tabled at the Audit Committee Meeting. Internal audit fees of RM120,000 was paid to the outsourced internal auditors for the financial year ended 31 December 2017.

During the financial year, the internal audit activities have been carried out according to the internal audit plan which has been approved by the Audit Committee.

STATEMENT OF OVERVIEW ON **CORPORATE GOVERNANCE**

The Board of Directors ("the Board") remains committed to achieving and maintaining the highest standards of corporate governance throughout the Group. The Board views corporate governance as synonymous with four key concepts; namely transparency, accountability, integrity as well as corporate performance.

Measures and efforts have and shall be taken to ensure as far as practicable the adoption and implementation of the Principles and Recommendations set out in the Malaysian Code on Corporate Governance ("the Code") and in the Main Market Listing Requirements ("MMLR") of the Bursa Malaysia Securities Berhad ("Bursa Securities").

Set out below is a description of how the Group has applied the Principles of the Code and how the Board has complied with the Recommendations set out in the Code throughout the financial year ended 31 December 2017.

SECTION A - BOARD OF DIRECTORS

The Board

The Group recognises the important role played by the Board in the stewardship of its direction and operations and ultimately the enhancement of long term shareholder value. To fulfill this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Board has a formal schedule of matters reserved to itself for decision, which includes the overall Group strategy and direction, acquisition and divestment policy, approval of major capital expenditure projects and significant financial matters. The schedule ensures that the governance of the Group is in its hands.

Duties and Responsibilities of the Board

The responsibilities of the Board of the Company are as follows:

- reviewing and adopting a strategic plan for the Group which will enhance the future growth of the Group;
- overseeing the conduct of the Group's business to evaluate whether the business is being properly managed;
- identifying principal risks of the business and ensure the implementation of appropriate systems to manage these risks;
- succession planning;
- overseeing the development and implementation of shareholder communications policy for the Company; and
- reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board has formalised and adopted a Board Charter which serves as a source of reference for directors. The Board Charter comprises, amongst others, the duties and responsibilities of the Board and the management, Board composition, Board Committees, Board meetings, Directors' Code of Business Conduct and Ethics, Directors' training, Directors' remuneration as well as communication between the Board and shareholders.

The Board Charter approved by the Board is reviewed regularly to ensure that new laws, regulations or relevant developments having an impact on the discharge of the Board's responsibilities are taken into account.

The Board Charter is available on the Company's website at www.crestbuilder.com.my.

STATEMENT OF OVERVIEW ON CORPORATE GOVERNANCE (cont'd)

SECTION A - BOARD OF DIRECTORS (CONTINUED)

Board Balance & Independence of Directors

As at the date of this statement, the Board has seven (7) members, comprising four (4) Non-Executive Directors, two (2) Executive Directors and one (1) Alternate Director. Three (3) of the seven (7) Directors are Independent Non-Executive Directors. A brief profile of each director is presented on pages 9 and 10 of this Annual Report.

There is a clear division of responsibility between the Chairman and the Managing Director of the Group in order to provide for balance of power and authority. The Chairman is responsible for ensuring the Board effectiveness and conduct whilst the Managing Director has an overall responsibility over the operating units, organisational effectiveness and implementation of the Board's policies and decisions.

All the Independent Non-Executive Directors are independent of management and are free from any business or other relationship that could materially interfere with the exercise of their independent judgement. They have the calibre to ensure that the strategies proposed by the management are fully deliberated and examined in the long-term interest of the Group, as well as shareholders, employees and customers.

One of the recommendations of the Code states that the tenure of an independent director should not exceed a cumulative term of nine (9) years. However, the Nomination Committee and the Board have upon their annual assessment, concluded that each of the 2 Independent Non-Executive Directors, Encik Mohd Khasan Bin Ahmad and Mr. Kam Yong Kan continue to demonstrate conduct and behaviour that are essential indicators of independence, and that each of them continues to fulfil the definition of independence as set out in the MMLR. The length of their service on the Board does not in any way interfere with their exercise of independent judgement and ability to act in the best interest of Crest Builder Holdings Berhad.

Although the Company does not have a formal Board Diversity Policy, the Board is actively working towards promotion of corporate culture that embraces diversity in its recruitment process. The Board has achieved Boardroom diversity in terms of gender, age and ethnicity. As of to-date, 16.7% of Board members is represented by woman director (exclude Alternate Director).

Code of Conduct

The Company has issued and implemented a Code of Business Conduct and Ethics that applies to all directors and employees of the Group. All the employees are required to read, understand and abide by the Code of Business Conduct and Ethics. The Code of Business Conduct and Ethics is effectively communicated via the Company's Employee Handbook and is subject to regular review and updates.

The Company has a formalised whistleblower policy. The whistleblower policy is planned as a tool to manage non-compliance to the Group's Code of Business Conduct and Ethics and its future improvement. The whistleblower is advised to report and provide appropriate information of any improper conduct to any of the Risk Management Committee members for further action.

Board Meetings

The Board ordinarily meets at least four (4) times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. During the financial year, the Board met on five (5) occasions, where it deliberated upon and considered a variety of matters including the Group's financial results, major investments and strategic decisions, the business direction of the Group and corporate governance matters.

STATEMENT OF OVERVIEW ON CORPORATE GOVERNANCE (cont'd)

SECTION A - BOARD OF DIRECTORS (CONTINUED)

Board Meetings (Continued)

Details of the attendance of the directors at the Board Meetings are as follows:

Directors	Number of meetings attended in 2017
(i) Tengku Dato' Sulaiman Shah Bin Tengku Abdul Jalil Shah	5/5
(ii) Koh Hua Lan (f)	5/5
(iii) Yong Shang Ming	5/5
(iv) Mohd Khasan Bin Ahmad	5/5
(v) Kam Yong Kan	5/5
(vi) Yong Tiok Keng (f) (Alternate Director to Koh Hua Lan (f))	5/5
(vii) Lim Boon Teng (Appointed on 18 August 2017)	2/2
(viii) Keong Choon Keat (Retired on 7 June 2017)	3/3

Where a potential of conflict arises in the Group's investment, projects or any transactions involving director's interest, such director is required to declare his interest and abstain from further discussion and the decision making process.

Board Committees

Where appropriate, matters have been delegated to Board Committees, all of which have written constitutions and terms of reference to assist the Board in discharging its duties and responsibilities. The Board will then receive the reports of their proceedings and deliberations in its scheduled Board meetings.

(i) Audit Committee

The Audit Committee whose composition meets the revised Listing Requirements of Bursa Malaysia Securities Berhad, i.e. All members are Non-Executive Directors and at least one member is a qualified accountant. The primary objective of the Audit Committee is to assist the Board in fulfilling its responsibilities relating to accounting and reporting practices of the Group. The Report of the Audit Committee is set out on page 21. The Audit Committee is empowered to obtain external professional advice and to invite outsiders with relevant experience to attend its meeting when necessary.

(ii) Nomination Committee

The Nomination Committee has been charged with identifying and recommending new nominees to the Board as well as committees of the Board of Crest Builder Holdings Berhad. However, the Board makes all decisions on appointments after considering the recommendations of the Committee.

The Committee periodically reviews the required mix of skills, experience and other qualities including core competencies which Non-Executive Directors should bring to the Board.

All the members of the Nomination Committee are Independent Non-Executive Directors. The members of the Nomination Committee and the details of their attendance are as follows:

Directors	Number of meetings attended in 2017
Kam Yong Kan (Chairman)	3/3
Mohd Khasan Bin Ahmad	3/3
Lim Boon Teng (Appointed on 15 January 2018)	0/0
Keong Choon Keat (Retired on 7 June 2017)	2/2

STATEMENT OF OVERVIEW ON **CORPORATE GOVERNANCE** (cont'd)

SECTION A - BOARD OF DIRECTORS (CONTINUED)

Board Committees (Continued)

(iii) Remuneration Committee

The Remuneration Committee is responsible for developing the Group's remuneration policy and determining the remuneration packages of the directors of the Group. The Remuneration Committee proposes, subject to the approval of the Board, the remuneration and terms and conditions of service and the remuneration to be paid to each director for his services as a member of the Board as well as Committee of the Board.

The members of the Remuneration Committee and the details of their attendance are as follows:

Directors	Number of meetings attended in 2017
Lim Boon Teng (Chairman) (Appointed on 23 August 2017)	1/1
Mohd Khasan Bin Ahmad	2/2
Kam Yong Kan (Appointed on 23 August 2017)	1/1
Yong Shang Ming (Resigned on 23 August 2017)	2/2
Keong Choon Keat (Retired on 7 June 2017)	1/1

(iv) Option Committee (Dissolved on 18 April 2017)

The Option Committee was established on 15 March 2007. The Option Committee was established to administer the Group's Employees' Share Option Scheme ("ESOS") in accordance with the By-Laws of the ESOS and in such manner as it shall deem fit and, with such powers and duties as are conferred upon it by the Board.

The members of the Option Committee and the details of their attendance are as follows:

Directors	Number of meetings attended in 2017
Keong Choon Keat (Chairman) (Retired on 7 June 2017)	1/1
Mohd Khasan Bin Ahmad	1/1
Yong Shang Ming	1/1

On 18 April 2017, the Option Committee was dissolved upon expiration of the Group's ESOS.

Supply of Information

The Board is supported by a qualified and competent Company Secretary who is accountable to the Board and is responsible in advising the Board on issues relating to corporate governance with the relevant laws, rules, and regulations affecting the Group and the Company as well as ensuring compliance with the statutory requirements of the Companies Act 2016, the MMLR and other regulatory bodies.

All scheduled meetings held during the financial year were preceded with a formal agenda issued by the Company Secretary in consultation with the Chairman and the Managing Director. The agenda for each meeting was accompanied by the minutes of preceding meetings of the Board and Board Committees, reports on Group's financial performance, industry trends, business plans and proposals, quarterly result announcements and other relevant information. The Board papers are comprehensive and encompass all material aspects of the matters being considered, enabling the Board to look at both quantitative and qualitative factors so that informed decisions are made. All the Board papers are distributed 5 business days in advance of the meetings to ensure directors are well informed and prepared for the meetings.

All directors have access to the advice and services of the Company Secretary. Directors are informed and aware that they may take independent professional advice, if necessary and appropriate in furtherance of their duties, at the expense of the Group.

STATEMENT OF OVERVIEW ON **CORPORATE GOVERNANCE** (cont'd)

SECTION A - BOARD OF DIRECTORS (CONTINUED)

Appointments and Re-elections to the Board

The Nomination Committee is responsible for making recommendations for any appointments to the Board. In making these recommendations, the Nomination Committee considers the required mix of skills and experience which the directors should bring to the Board.

During the financial year ended 31 December 2017, Keong Choon Keat resigned as Senior Independent Non-Executive Director of the Company on 7 June 2017 and Lim Boon Teng was appointed as Independent Non-Executive Director on 18 August 2017.

Prior to appointment of a new director, the management reviewed several shortlisted candidates for consideration as well as seeking recommendation from the Nomination Committee. The management did not used any recruitment agencies, placed any advertisements or referred to any private directories to source for potential candidates as it was not regarded as suitable at these instances. Instead, the management relied on recommendations from the industry circle (independent source) to optimise the wealth of experience and exposure in order to have a balance of the Board.

The pre-selected candidate, Lim Boon Teng, is an approved company auditor with his own public practice, an accountant by profession and attached to various international accounting firms in Malaysia and China for the past 20 years and was an audit partner of Deloitte Malaysia and EY China. The Nomination Committee has recommended Lim Boon Teng after taking into consideration his working experiences, qualifications and exposure abroad would be an asset to the Board in carrying out his duties, responsibilities and obligations in the best interests of the Company.

In accordance with the Company's Constitution, all directors who are appointed by the Board are subject to re-election by rotation by shareholders at the first opportunity after their appointments. The Constitution also provides that at least 1/3 of the remaining directors be subject to re-election by rotation at each Annual General Meeting, provided that all directors including the Managing Director shall retire from office at least once every three years but shall be eligible for re-election.

Annual Evaluation

The Board has undertaken a formal and objective annual evaluation to determine the effectiveness of the Board, its committees and each individual director. Every year, directors are required to complete the Directors' Self-Performance Evaluation Form covering a series of key success factors, namely integrity & ethics, governance, strategic perspective, business acumen, judgement and decision making, teamwork, communication and leadership. Directors are also given opportunity to provide feedback on the performance of the Board and the Company and suggestion for improvement.

Directors' Training

All the directors of the Company have attended the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Securities for directors of public listed companies.

The Board encourages directors to participate in ongoing education, as well as participation in accredited director education programmes.

STATEMENT OF OVERVIEW ON CORPORATE GOVERNANCE (cont'd)

SECTION A - BOARD OF DIRECTORS (CONTINUED)

Directors' Training (Continued)

During the financial year 2017, all directors had attended various training programmes, conferences, seminars and workshops which they have individually or collectively considered as relevant and useful in contributing to the effective discharge of their duties as directors. The directors had attended/participated in one or more of the following training programmes/ conferences/seminars/workshops in 2017:

- Capital Market Conference 2017
- 2017 National Conference – AC Leadership Track
- Case Study Workshop for Independent Directors
- The Breakfast Talk – Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World
- MPERS – Practical Financial Reporting Issues - Including Impact of Companies Act 2016 and Revised Auditors Report
- Tax Audits & Investigations – The Practical Response
- Risk Assessment Workshop for ISO 9001:2015 & ISO 14001:2015 Quality & Environment Management System
- Internal Audit Training Integrated ISO 9001:2015 & 14001:2015
- ISO 9001:2015 & ISO 14001:2015 Quality & Environment Management System
- Qlassic Awareness Training
- Advocacy Sessions to Enhance Quality of MD&A

The directors are also kept informed of the various requirements and updates issued by regulatory authorities.

SECTION B - DIRECTORS' REMUNERATION

The objective of the Group's remuneration policy is to attract and retain the directors required to lead and control the group effectively. Generally, the remuneration of each director reflects the level of responsibility and commitment that goes with the Board Committee membership. In the case of Executive Directors, the component parts of the remuneration are structured so as to link rewards to individual and the Group's performance.

The Remuneration Committee reviews and recommends directors' fees for the Board's approval.

Disclosure

The Board has considered disclosure of details of the remuneration of each director. The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to directors' remuneration are appropriately served by the "band disclosure" as required by the Listing Requirements.

STATEMENT OF OVERVIEW ON **CORPORATE GOVERNANCE** (cont'd)

SECTION B - DIRECTORS' REMUNERATION (CONTINUED)

Disclosure (Continued)

The remuneration/fees received by the directors (including Alternate Director) from the Group for the financial year ended 31 December 2017 are as follows:

Salary Band (RM)	Director's name	Executive Director (Number of Directors)	Non-Executive Director (Number of Directors)
Less than 50,000	(i) Tengku Dato' Sulaiman Shah Bin Tengku Abdul Jalil Shah (ii) Mohd Khasan Bin Ahmad (iii) Kam Yong Kan (iv) Lim Boon Teng (v) Keong Choon Keat	–	5 *
500,001 to 550,000	(i) Yong Tiok Keng	1	–
550,001 to 600,000	–	–	–
600,001 to 650,000	(i) Yong Shang Ming (ii) Koh Hua Lan	2	–

* including a Non-Executive Director who has retired during the financial year.

Aggregate remuneration of directors is categorised into appropriate components:

	Directors' Fees (RM)	Salaries and/or Other Emoluments (RM)	Total (RM)
Executive Directors	–	1,759,132	1,759,132
Non-Executive Directors	188,371	–	188,371
Total	188,371	1,759,132	1,947,503

On top of the above, the top five senior management's remunerations paid during the financial year ended 31 December 2017 are as follows:

No.	Name	Salaries, bonuses, overtime and allowances RM	Defined contribution plan RM	Estimated benefits-in-kind RM	Total RM
	<u>Executive Directors (including Alternate Director)</u>				
1)	Yong Shang Ming (Managing Director)	547,079	65,550	23,950	636,579
2)	Koh Hua Lan (f) (Executive Director)	595,360	–	17,400	612,760
3)	Yong Tiok Keng (f) (Alternate Director to Koh Hua Lan (f))	450,529	53,964	5,300	509,793
	<u>Key Management Personnel</u>				
4)	Teh Hock Hua (Chief Executive Officer (Construction Division))	497,329	59,580	17,400	574,309
5)	Ir. Dr. Siew Woh Hon (Chief Operating Officer (M&E Division))	355,829	42,600	–	398,429

STATEMENT OF OVERVIEW ON **CORPORATE GOVERNANCE** (cont'd)

SECTION C - SHAREHOLDERS

Dialogue between the Company and Investors

The Group values communication with its shareholders and investors and does this through the Annual Report, Annual General Meeting and Corporate Announcements. All enquiries made are normally dealt with as promptly as practicable.

The Company also holds briefings with research analysts, fund managers and investors to explain the Group's strategies, performance and major developments and the Board plans to conduct regular dialogues with institutional investors, fund managers and analysts with the aim of fostering mutual understanding of the Group's objectives.

The Annual General Meeting

The Company has used the Annual General Meeting as a forum of communication with its shareholders. The Board encourages participation from shareholders by having a question and answer session during the Annual General Meeting whereby the directors are available to discuss aspects of the Group's performance and its business activities. Each item of special business included in the notice of the meeting is accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairman declares the number of proxies received, both for and against each separate resolution, where appropriate.

SECTION D - ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly announcement of results to shareholders as well as the Chairman's Statement and Management Discussion and Analysis in the Annual Report.

The directors consider that in preparing the financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. All accounting standards which the Board considers to be applicable have been complied with.

The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

Internal Control

The Board acknowledges responsibility for maintaining a sound internal control system and for reviewing its adequacy and integrity. The internal control system is designed to safeguard the shareholders' investments and the Group's assets, by its nature can only manage rather than eliminate risk of failure to achieve business objectives and inherently can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board regards risk management as an integral part of the business operations. During the year, managers in the Group have attended a series of briefings on risk management which were facilitated by external consultants to raise the level of knowledge of risk management amongst managers to enhance their understanding of the risks which potentially affect the achievement of their respective operating unit's business objectives.

Information on the Group's internal control is presented in the Statement on Risk Management and Internal Control laid out on pages 35 to 36 of this Annual Report.

STATEMENT OF OVERVIEW ON **CORPORATE GOVERNANCE** (cont'd)

SECTION D - ACCOUNTABILITY AND AUDIT (CONTINUED)

Relationship with Auditors

Through the Audit Committee, the Group has established a transparent and appropriate relationship with the Group's auditors, both external and internal, in ensuring compliance with the accounting standards in Malaysia. In relation to the Financial Statements, the role of the Audit Committee in relation to the external auditors are contained in the Report of the Audit Committee set out on pages 21 to 24 of this Annual Report.

The Audit Committee met the external auditors twice a year on 22 February 2017 and 23 August 2017 without the presence of the Executive Directors and the management to exchange independent views on matters which require the Audit Committee's attention.

The Audit Committee had assessed the suitability, objectivity and independence of the external auditors. In its assessment, the Audit Committee considered several factors such as competency and scope of audit and level of non-audit services rendered by Baker Tilly Monteiro Heng for financial year 2017.

Baker Tilly Monteiro Heng confirmed that they will continuously comply with the relevant ethical requirements regarding independence with respect to the audit of the financial statements of the Group and of the Company for financial year ended 31 December 2017 in accordance with *By-Laws (on Professional Ethics Conduct and Practice)* of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountant's *Code of Ethics for Professional Accountants*.

Being satisfied with Baker Tilly Monteiro Heng's performance, technical competency and audit independence, the Audit Committee recommended the re-appointment of Baker Tilly Monteiro Heng as external auditors for financial year ending 2018, which was concurred by the Board for it to be proposed for shareholders' approval at the forthcoming Annual General Meeting.

ADDITIONAL COMPLIANCE INFORMATION

In conformance with Bursa Securities Listing Requirements, the following information is provided:

1. Utilisation of Proceeds

The Company did not implement any fund raising proposal, whether involving the issue of securities or otherwise during the financial year.

2. Share Buy-Back

As at 31 December 2017, 6,230,100 shares were held as treasury shares.

There was no repurchase of the Company's issued ordinary shares, nor any resale, cancellation or distribution of treasury shares during the financial year.

3. Exercise of Options, Warrants or Convertible Securities

There was no exercise of options, warrants or convertible securities during the financial year.

4. American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme

The Company did not sponsor any ADR or GDR Programme during the financial year.

STATEMENT OF OVERVIEW ON **CORPORATE GOVERNANCE**
(cont'd)

ADDITIONAL COMPLIANCE INFORMATION (CONTINUED)

5. Imposition of Sanctions/Penalties

There were no sanctions/penalties imposed on the Company and/or its subsidiary companies, directors or management arising from any significant breach of rules/guidelines/legislations by the relevant regulatory authorities.

6. Non-Audit Fees

Non-audit fees amounting to RM99,300 were paid/payable to the external auditors for the financial year ended 31 December 2017.

7. Profit Estimate, Forecast or Projection

The Company did not announce any profit estimate, forecast or projection during the financial year.

8. Profit Guarantee

There was no profit guarantee given by the Company during the financial year.

9. Material Contracts

There were no material contracts entered into by the Company and its related parties which involved directors' and major shareholders' interests during the financial year.

10. Recurrent Related Party Transactions

The recurrent related party transactions during the financial year ended 31 December 2017 are as follows:

Related Party	Contracting Party	Nature of Transaction	Transacted Value for Financial Year Ended 31.12.2017 (RM)
Farima Sdn. Bhd. (company connected to Tengku Dato' Sulaiman Shah Bin Tengku Abdul Jalil Shah)	Crest Builder Sdn. Bhd.	Rental expense	24,000

11. Revaluation Policy

The revaluation policy on landed properties of the Company and its subsidiary companies is disclosed in Note 3.4 to the Financial Statements.

12. Variation in Results

There was no significant variation in results (differ by 10% or more) from any profit estimation/forecast/projection/ unaudited result announced.

STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**

THE BOARD'S RESPONSIBILITIES

In relation to internal control, pursuant to the requirements under the Malaysian Code of Corporate Governance for companies listed on Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board of Directors ("the Board") acknowledges their responsibility under the Bursa Malaysia Listing Requirements to:

- identify principal risks and ensure implementation of appropriate control measures to manage the risk; and
- review the adequacy and integrity of the internal control system and management information systems and systems for compliance with applicable laws, regulations, rules, directives and guidelines.

It should be noted that an internal control system is designed to manage risks rather than eliminate them, and can provide only reasonable but not absolute assurance against any material misstatement or loss.

The Board confirms that there is an ongoing risk management process established to identify, evaluate, and manage significant risks to effectively mitigate the risks that may impede the achievement of Crest Builder Group of Companies ("the Group") business and corporate objectives. The Board reviews the process on a regular basis to ensure proper management of risk and measures are taken to mitigate any weaknesses in the control environment.

RISK MANAGEMENT FRAMEWORK

The enterprise risk management framework prevalent in the Group was set up in 2003 with the assistance of a professional firm of consultants. The formalisation of the enterprise risk management framework involved developing the risk profile where principal business risks, which could affect the achievement of the strategic business objective of the Group, are systematically identified, evaluated and mitigated.

A risk management committee was formalised in 2006. The committee is dedicated to meet its obligations and fiduciary responsibilities to stakeholders of the Group. It is actively reviewing the framework to enhance the identification, evaluation and communication of the overall risk process to ensure critical risks (present and potential) are managed systematically and communicated to the Board on a timely basis. The committee also would ensure the framework is relevant and adaptive to changes in the business environment from time to time.

INTERNAL CONTROL

The Board through the Audit Committee and Management Committee reviews and monitors, as an ongoing process, the adequacy and integrity of the internal control system.

Audit Committee

The Audit Committee received reports from the internal auditors at least twice a year. The Group has an outsourcing arrangement with an independent professional firm in relation to its internal audit function. The internal audit function adopts a risk-based approach which focuses on the principal risks affecting the key business processes of the Group. Periodic scheduled internal audit visits have been carried out in accordance with the approved internal audit plan.

The internal audit function is responsible for undertaking regular and systematic review of the internal controls to provide the Audit Committee and the Board with sufficient assurance that the systems of internal control are effective in addressing the risks identified. On a half yearly basis, internal auditors submit audit reports and plan status for review and approval by the Audit Committee. Included in the reports are recommended corrective measures on risks identified, if any, for implementation by the management.

As required by paragraph 15.23 of Bursa Securities Listing Requirements, the external auditors have conducted a limited assurance engagement on this Statement on Risk Management and Internal Control. Their limited assurance engagement was performed in accordance with ISAE3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and Audit and Assurance Practice Guide 3 (previously RPG 5 (Revised 2015)) ("AAPG 3"), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control.*

STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**
(cont'd)

INTERNAL CONTROL (CONTINUED)

Audit Committee (Continued)

Based on their procedures performed, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this statement is not prepared, in all material aspects, in accordance with disclosure required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Controls: *Guidance for Directors of Listed Issuers* to be set out, nor is factually inaccurate. AAPG 3 does not require the external auditors to consider whether this Statement 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 Board and management thereon. The external auditors also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

Management Committee

The Management Committee oversees the day-to-day operations and conduct of the Group's businesses. Scheduled meetings are held at operational and management levels to identify, discuss and resolve business and operational issues. These include scheduled management meetings at Group and individual subsidiary levels, project managers meetings and site meetings. Minutes of these meetings and management reports are escalated to the relevant Executive Directors on a timely basis. Periodic meetings are held as part of an ongoing process to review and assess the adequacy and effectiveness of the Group's risk management and internal control system and to ensure that any shortcomings identified are addressed on a timely basis.

Other Features of the Group's Internal Control System

Other features of the Group's internal control system include the following:

- Quality Policy and Quality Objectives which clearly outlined the Group's direction
- Clear organisation structure with delineated reporting lines
- Systematic performance appraisal for all employees of the Group
- Continuous training provided to maintain high competency and capabilities levels
- Clearly defined objectives and term of reference of the various Committees established by the Board
- Frequent visits to the job sites by Executive Directors and senior management
- Process and procedures in accordance with the requirements of MS ISO 9001:2008 certification
- Staff Handbook available for reference
- Project Budget and controls

REVIEW

The Board has received assurance from Managing Director and Head of Finance that the Group's risk management and internal control system are operating adequately and effectively in all material aspect.

For the financial year under review, the Board is satisfied with the adequacy and effectiveness of the risk management, and the review and monitoring of the internal control system gives reasonable assurance that the internal controls in place are adequate. Where exceptions were noted, they were not material in the context of this report and corrective actions have been taken.

The Board recognises that the Group operates in a dynamic business environment and that the Group's internal control system must be responsive to changes in the business environment and continuously evolves to support its business objectives. The review of all control procedures were continuously carried out throughout the period under review and up to the date of approval of this statement for inclusion in the annual report to ensure an effective and efficient system of internal control. The Board remains committed towards continuous improvements and enhancements of its system of internal control and will, when necessary, put in place action plans to ensure that there is increased certainty of the achievement of business objectives, thus enhancing shareholders' value.

This Statement is made in accordance with the resolution of the Board dated 17 April 2018.

CORPORATE SOCIAL **RESPONSIBILITIES**

The Board of Directors of Crest Builder Holdings Berhad acknowledges the significance of Corporate Social Responsibilities ("CSR").

Encouraged by the success of the CSR initiatives in the previous year, the Group continues to strengthen its commitment in CSR this year.

COMMUNITY ENGAGEMENT

The Group continues to focus and remains committed through various CSR initiatives.

The Group steps forward and serves the community in which it operates and strives to make positive contribution to the community particularly in helping the underprivileged and the less fortunate.

The Group continues to lend support in terms of financial assistance and donations to the following charitable bodies and non-profit organisations such as National Kidney Foundation of Malaysia, Pusat Penjagaan Kanak-Kanak Cacat Taman Megah, Malaysia Association for the Blind, Breast Cancer Welfare Association Malaysia, Kiwanis Down Syndrome Foundation, Malaysian Diabetes Association, Pertubuhan Kebajikan Mental Selangor and Master Builders Association Malaysia.

The Group has also been taking in students from various universities and colleges to undergo practical trainings. In year 2017, students from the following institutions have completed their respected trainings with the Group:

- Asia Pacific University (1 student)
- Consist College (4 students)
- INTI International University (7 students)
- Kolej Vokasional Ampangan (1 student)
- Politeknik Sultan Salahuddin Abdul Aziz Shah (1 student)
- Unitar International University (1 student)
- Universiti Sains Malaysia (1 student)
- Universiti Teknologi MARA (4 students)
- Universiti Tunku Abdul Rahman (1 student)
- University of Nottingham (1 student)

WORKPLACE DEVELOPMENT

The Group recognises the importance of equipping its management and staffs with the right skills and knowledge in order to perform their duties professionally. The Group continues to provide employees with the necessary training and development by attending seminar, courses offered by professional bodies including subjects in Construction Technology, Construction Management, Finance and Accounting, Management and Marketing.

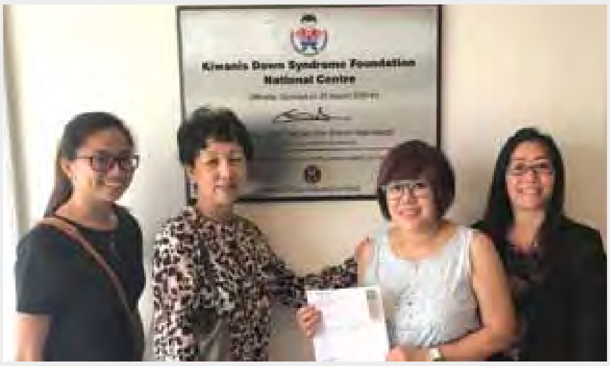
The Group continues to maintain a safe and healthy working environment for all employees and workers through various measures. The Construction division has adopted and adheres strictly to the guidelines on public safety and health at construction sites issued by the Department of Occupational Safety and Health. The Construction division are also MS ISO 14001:2004, BS OHSAS 18001:2007 and MS 1722: Part 1:2005 certified.

ENVIRONMENTAL SUSTAINABILITY

As a construction player in the country, the Group's activities are often be subjected to adverse environmental impact. The Group is mindful of the direct impact our businesses have on environment. Various environmental best practices and preservation initiatives are continually being introduced and carried out at our project sites. Through the adoption of internationally recognised construction methodology and practices, the Group continues to operate in a responsible manner by optimising our resources and reducing the generation of waste.

CORPORATE SOCIAL **RESPONSIBILITIES**
(cont'd)

CORPORATE SOCIAL **RESPONSIBILITIES** (cont'd)



STATEMENT ON DIRECTORS' RESPONSIBILITIES

As required under the Companies Act 2016, the directors of Crest Builder Holdings Berhad have made a statement expressing an opinion on the financial statements. The Board of Directors ("the Board") is of the opinion that the financial statements have been drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company for the financial year ended 31 December 2017.

In the process of preparing these financial statements, the directors have reviewed the accounting policies and practices to ensure that they were consistently applied throughout the financial year. In cases where judgement and estimates were made, they were based on reasonableness and prudence.

Additionally, the directors have relied on the system of internal control to ensure that the information generated for the preparation of the financial statements from the underlying accounting records is accurate and reliable.

This statement is made in accordance with a resolution of the Board dated 17 April 2018.

financial statements

DIRECTORS' REPORT

The directors hereby submit 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 principally engaged as an investment holding company. The principal activities of the subsidiary companies are as disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year	30,380,456	8,155,361
Attributable to:		
Owners of the Company	28,057,245	8,155,361
Non-controlling interests	2,323,211	–
	30,380,456	8,155,361

DIVIDENDS

Since the end of the previous financial year, the Company paid a single tier first and final dividend of 4 sen per ordinary share amounting to RM6,827,662 in respect of financial year ended 31 December 2016 on 14 July 2017.

At the forthcoming Annual General Meeting, a single tier first and final dividend of 4 sen per ordinary share based on the number of outstanding ordinary shares in issue (net of treasury shares) as at 31 December 2017 of 170,691,557 ordinary shares amounting to RM6,827,662 in respect of the current financial year ended 31 December 2017, will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

RESERVES OR PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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; and

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

In the opinion of the directors, no contingent or other liability of the Group or of the Company 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 as and when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; 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 and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

DIRECTORS' REPORT
(cont'd)

TREASURY SHARES

As at 31 December 2017, the Group held 6,230,100 (2016: 6,230,100) of the Company's shares.

The directors of the Company are committed to enhance the value of the Company and its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

The repurchased transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia. The Company has the right to reissue or to cancel these shares at a later date. As treasury shares, the rights attached as to voting, dividends and participation in other distribution are suspended.

There was no repurchase of the Company's issued ordinary shares, nor any resale, cancellation or distribution of treasury shares during the financial year.

EMPLOYEES' SHARE OPTION SCHEME

On 14 March 2007, approval was granted by the shareholders at the Extraordinary General Meeting held for the establishment of the Crest Builder Holdings Berhad Employees' Share Option Scheme ("CBHB – ESOS"). The CBHB – ESOS is governed by the By-Laws approved by the shareholders at the Extraordinary General Meeting. The CBHB – ESOS was implemented on 19 April 2007 and was in force for a period of five (5) years and expired on 18 April 2012.

On 16 April 2012, the Company announced the extension of CBHB – ESOS which would have expired on 18 April 2012 for another five (5) years until 18 April 2017. The extension is in accordance with the terms of the ESOS By-Laws.

The ESOS Committee appointed by the Board of Directors to administer the CBHB – ESOS, may from time to time grant options to eligible employees of the Group to subscribe for new ordinary shares in the Company.

On 18 April 2014, the ESOS Committee had made the decision to grant 5,616,000 additional Options under the existing CBHB – ESOS at an exercise price of RM1.40 each. The Options granted can be exercised over three (3) years from the date of ESOS granted but not later than 18 April 2017.

The salient features of the ESOS are as follows:

(a) the total number of shares to be offered shall not exceed in aggregate 15% of the issued and fully paid-up share capital of the Company at any point of offer during the duration of the CBHB – ESOS;

(b) eligible persons for the CBHB – ESOS are full time confirmed employees of the Group who have been employed for a period of at least six (6) months, and directors of the Group who have been appointed for a period of at least three (3) months and the entitlement has been approved by the shareholders of the Company in general meeting;

(c) subject to paragraph (d) below, no option shall be granted for less than 100 shares;

(d) in the event of any alteration in the capital structure of the Company except for certain exemptions, adjustments will be made to the option price and/or the number of shares in respect of options granted but not exercised, such that the grantee will be entitled to the same proportion of the issued and paid-up share capital of the Company prior to the event giving rise to such alteration;

(e) the price at which the grantee is entitled to subscribe for each new ordinary share shall be the higher of the following:

    (i) at a discount of not more than 10% from the weighted average market price of the ordinary shares for the 5 market days as shown in the daily official list issued by the Bursa Malaysia Securities Berhad immediately preceding the date of offer; or

    (ii) the par value of the ordinary shares; and

EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

The salient features of the ESOS are as follows (continued):

(f) the option granted may be exercised at any time within a period of five (5) years from 19 April 2007. On 16 April 2012, the option was further extended for another five (5) years upon the initial expiry date.

Information in respect of the number of share options granted under CBHB – ESOS is as follows:

	Number of share options 2017 Unit	2016 Unit
At 1 January	5,268,400	5,424,400
Lapsed	(5,268,400)	(156,000)
At 31 December	–	5,268,400

The movements of options under unissued new ordinary shares of the Company granted under CBHB – ESOS during the financial year are as follows:

		Number of share options				
Date of offer	Option price	1.1.2017	Granted	Exercised	Lapsed	31.12.2017
19.4.2007	RM1.00	453,000	–	–	(453,000)	–
19.4.2009	RM1.00	266,000	–	–	(266,000)	–
19.4.2012	RM1.00	778,000	–	–	(778,000)	–
18.4.2014	RM1.40	3,771,400	–	–	(3,771,400)	–
		5,268,400	–	–	(5,268,400)	–

There was no exercise of ESOS since the end of the previous financial year. On 18 April 2017, ESOS of the Company has expired and consequently, the remaining 5,268,400 unexercised options were entirely lapsed on the expiry date.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Tengku Dato' Sulaiman Shah Bin Tengku Abdul Jalil Shah *
Koh Hua Lan *
Yong Shang Ming *
Mohd Khasan Bin Ahmad
Kam Yong Kan
Yong Tiok Keng (Alternate Director to Koh Hua Lan) *
Lim Boon Teng (Appointed on 18 August 2017)
Keong Choon Keat (Retired on 7 June 2017)

* *Directors of the Company and of certain subsidiary companies*

DIRECTORS' REPORT
(cont'd)

DIRECTORS (CONTINUED)

Other than as stated above, the names of the directors of the subsidiary companies of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

Firdaus Bin Tajuddin
Khoo Kheng Kiat
Sri Rahayu Binti Tajuddin
Teh Hock Hua
Vignesh Naidu A/L Kuppusamy Naidu
Yong Tiok Nee
Long Chay Seeng (Resigned on 31 December 2017)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares			
	At 1.1.2017	**Bought**	**Sold**	**At 31.12.2017**
The Company				
Crest Builder Holdings Berhad				
Indirect interests				
Tengku Dato' Sulaiman Shah Bin Tengku Abdul Jalil Shah #	6,807,939	–	(6,807,939)	–
Koh Hua Lan #	66,622,000	–	–	66,622,000
Yong Shang Ming #	66,622,000	–	–	66,622,000
Yong Tiok Keng # ^	66,622,000	–	–	66,622,000

	Number of options over ordinary shares				
	At 1.1.2017	**Granted**	**Exercised**	**Lapsed**	**At 31.12.2017**
The Company					
Crest Builder Holdings Berhad					
Tengku Dato' Sulaiman Shah Bin Tengku Abdul Jalil Shah	200,000	–	–	(200,000)	–
Koh Hua Lan	500,000	–	–	(500,000)	–
Yong Shang Ming	500,000	–	–	(500,000)	–
Yong Tiok Keng ^	500,000	–	–	(500,000)	–
Mohd Khasan Bin Ahmad	100,000	–	–	(100,000)	–
Kam Yong Kan	100,000	–	–	(100,000)	–

\# *Held by a company in which the directors have interests*
^ *Alternate Director to Koh Hua Lan*

DIRECTORS' INTERESTS (CONTINUED)

By virtue of their interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Koh Hua Lan is deemed to have an interest in the ordinary shares of the subsidiary companies to the extent that the Company has an interest.

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in shares in the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 34 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, other than any deemed benefits which may arise from transactions entered into the ordinary course of business as disclosed in Note 36(b) to the financial statements.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, other than those arising from the share options granted under the ESOS.

SUBSIDIARY COMPANIES

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

The auditors' reports on the financial statements of the subsidiary companies did not contain any qualification.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 30 to the financial statements.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

TENGKU DATO' SULAIMAN SHAH BIN TENGKU ABDUL JALIL SHAH
Director

YONG SHANG MING
Director

Kuala Lumpur

Date: 17 April 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 RM	2016 RM
ASSETS			
Non-current assets			
Property, plant and equipment	5	16,620,657	16,759,993
Investment properties	6	320,800,000	320,800,000
Golf club membership	8	54,000	54,000
Goodwill	9	33,608,137	33,608,137
Land held for property development	10	9,425,698	6,747,149
Operating financial asset	11	307,094,771	313,989,757
Deferred tax assets	12	6,343,282	9,445,303
Trade and other receivables	13	42,156,563	11,467,293
Total non-current assets		736,103,108	712,871,632
Current assets			
Property development costs	15	337,932,147	104,533,885
Inventories	16	37,818,451	66,356,780
Operating financial asset	11	6,893,860	6,127,015
Trade and other receivables	13	206,539,963	281,078,014
Amount due from contract customers	17	81,682,686	41,927,223
Current tax assets		5,002,009	8,800,936
Short term investments	18	20,356,336	28,020,520
Fixed deposits placed with licensed banks	19	71,475,930	83,309,309
Cash and bank balances	20	22,165,775	10,807,466
Total current assets		789,867,157	630,961,148
TOTAL ASSETS		1,525,970,265	1,343,832,780

CONSOLIDATED STATEMENT **OF FINANCIAL POSITION**
AS AT 31 DECEMBER 2017
(cont'd)

	Note	2017 RM	2016 RM
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	21	181,190,804	176,921,657
Share premium	22	–	4,269,147
Treasury shares	23	(5,795,292)	(5,795,292)
Reserves	24	249,045,651	227,816,068
		424,441,163	403,211,580
Non-controlling interests		15,911,485	13,517,869
TOTAL EQUITY		440,352,648	416,729,449
Non-current liabilities			
Loans and borrowings	25	428,750,410	469,371,431
Deferred tax liabilities	12	16,718,870	13,913,579
Trade and other payables	26	27,551,168	13,145,667
Total non-current liabilities		473,020,448	496,430,677
Current liabilities			
Loans and borrowings	25	229,154,333	206,723,971
Current tax liabilities		461,184	804,074
Trade and other payables	26	378,247,626	221,914,364
Amount due to contract customers	17	4,734,026	1,230,245
Total current liabilities		612,597,169	430,672,654
TOTAL LIABILITIES		1,085,617,617	927,103,331
TOTAL EQUITY AND LIABILITIES		1,525,970,265	1,343,832,780

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT **OF COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM	2016 RM
Revenue	27	498,294,418	282,197,256
Cost of sales	28	(382,958,470)	(184,180,661)
Gross profit		115,335,948	98,016,595
Other income		12,571,889	5,057,556
Administrative expenses		(38,751,644)	(30,736,854)
Operating profit		89,156,193	72,337,297
Finance costs	29	(44,555,534)	(46,422,094)
Profit before tax	30	44,600,659	25,915,203
Income tax expense	31	(14,220,203)	(10,926,989)
Profit for the financial year		30,380,456	14,988,214
Other comprehensive income, net of tax		–	–
Total comprehensive income for the financial year		30,380,456	14,988,214
Profit attributable to:			
Owners of the Company		28,057,245	13,212,158
Non-controlling interests		2,323,211	1,776,056
		30,380,456	14,988,214
Total comprehensive income attributable to:			
Owners of the Company		28,057,245	13,212,158
Non-controlling interests		2,323,211	1,776,056
		30,380,456	14,988,214
Earnings per share (sen):	32		
- basic		16.44	7.73
- diluted		16.44	7.73

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT **OF CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Share capital RM	Share premium RM	Treasury shares RM	Share option reserves RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
		← Attributable to owners of the Company →							
At 1 January 2016		176,921,657	4,269,147	(3,152,005)	976,483	219,841,378	398,856,660	6,890,813	405,747,473
Total comprehensive income for the financial year		–	–	–	–	13,212,158	13,212,158	1,776,056	14,988,214
Transactions with owners:									
Dividends on ordinary shares	33	–	–	–	–	(6,827,662)	(6,827,662)	–	(6,827,662)
Options granted under ESOS	34	–	–	–	613,711	–	613,711	–	613,711
ESOS lapsed		–	–	–	(36,120)	36,120	–	–	–
Purchase of treasury shares	23	–	–	(2,643,287)	–	–	(2,643,287)	–	(2,643,287)
Subscription of shares in a subsidiary company by a non–controlling shareholder		–	–	–	–	–	–	4,851,000	4,851,000
Total transactions with owners		–	–	(2,643,287)	577,591	(6,791,542)	(8,857,238)	4,851,000	(4,006,238)
At 31 December 2016		176,921,657	4,269,147	(5,795,292)	1,554,074	226,261,994	403,211,580	13,517,869	416,729,449

CONSOLIDATED STATEMENT **OF CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(cont'd)

	Note	Attributable to owners of the Company Share capital RM	Share premium RM	Treasury shares RM	Share option reserves RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 January 2017		176,921,657	4,269,147	(5,795,292)	1,554,074	226,261,994	403,211,580	13,517,869	416,729,449
Total comprehensive income for the financial year		–	–	–	–	28,057,245	28,057,245	2,323,211	30,380,456
Transactions with owners:									
Dividends on ordinary shares	33	–	–	–	–	(6,827,662)	(6,827,662)	–	(6,827,662)
ESOS lapsed		–	–	–	(1,554,074)	1,554,074	–	–	–
Arising from increase in share capital in a subsidiary company		–	–	–	–	–	–	73,500	73,500
Subscription of shares in a subsidiary company by a non-controlling shareholder	7	–	–	–	–	–	–	(3,095)	(3,095)
Transition to no-par value regime	21, 22	4,269,147	(4,269,147)	–	–	–	–	–	–
Total transactions with owners		4,269,147	(4,269,147)	–	(1,554,074)	(5,273,588)	(6,827,662)	70,405	(6,757,257)
At 31 December 2017		181,190,804	–	(5,795,292)	–	249,045,651	424,441,163	15,911,485	440,352,648

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT **OF CASH FLOWS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM	2016 RM
Cash flows from operating activities			
Profit before tax		44,600,659	25,915,203
Adjustments for:			
Allowance for impairment on trade receivables		3,002,835	–
Amortisation of discount on Sukuk Murabahah	29	3,519,168	3,798,885
Depreciation of property, plant and equipment		3,263,838	1,572,751
Finance income	27	(37,608,778)	(38,290,437)
Gain on disposal of property, plant and equipment		(514,303)	(281,115)
Income from short term investments		(835,816)	(1,602,701)
Interest expense		41,036,366	42,623,209
Interest income from banks		(3,028,114)	(2,695,399)
Property, plant and equipment written off		–	7,334
Reversal of allowance for impairment on:			
- trade receivables		(5,044,427)	–
- other receivables		(73,695)	–
Share options expenses	34	–	613,711
Operating profit before changes in working capital		48,317,733	31,661,441
Changes in working capital:			
Operating financial asset		43,736,919	43,736,919
Land held for property development		(2,678,549)	–
Property development costs		(232,883,046)	(44,795,900)
Inventories		28,538,329	17,405,033
Trade and other receivables		38,912,885	(27,624,805)
Accrued billings in respect of property development		7,051,183	(11,176,149)
Amount due from contract customers		(39,755,463)	24,706,223
Trade and other payables		175,547,226	(14,592,398)
Amount due to contract customers		3,503,781	133,941
Net cash flows generated from operations		70,290,998	19,454,305
Income tax paid		(5,126,480)	(9,003,724)
Income tax refunded		269,626	439,077
Interest received	27	122,797	50,643
Net cash from operating activities		65,556,941	10,940,301

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

	Note	2017 RM	2016 RM
Cash flows from investing activities			
Interest received		2,905,317	2,644,756
Acquisition of a subsidiary company	7(d)(ii)	1,442	–
Proceeds from disposal of property, plant and equipment		530,283	286,674
Proceeds from disposal of short term investments		8,500,000	33,000,000
Purchase of property, plant and equipment	(a)	(840,938)	(1,764,956)
Fixed deposits pledged		(75,301)	(1,681)
Net decrease in bank balances maintained in an escrow account		57,020	57,894
Net cash from investing activities		11,077,823	34,222,687
Cash flows from financing activities	**(b)**		
Dividends paid	33	(6,827,662)	(6,827,662)
Interest paid		(41,551,582)	(42,740,716)
Increase in share capital in a subsidiary company by a non-controlling shareholder		73,500	–
Purchase of treasury shares		–	(2,643,287)
Repayment of term loans		(25,505,253)	(17,302,519)
Payment of finance lease liabilities		(1,625,997)	(382,331)
Repayment of Sukuk Murabahah		(30,000,000)	(30,000,000)
Drawdown of bankers' acceptances		35,433,063	15,850,481
(Repayment)/Drawdown of revolving credits		(6,184,817)	19,283,516
Net cash used in financing activities		(76,188,748)	(64,762,518)
Net increase/(decrease) in cash and cash equivalents		446,016	(19,599,530)
Cash and cash equivalents at the beginning of the financial year		61,371,718	80,971,248
Cash and cash equivalents at the end of the financial year		61,817,734	61,371,718

CONSOLIDATED STATEMENT **OF CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

	Note	2017 RM	2016 RM
Analysis of cash and cash equivalents			
Fixed deposits placed with licensed banks	19	71,475,930	83,309,309
Cash and bank balances	20	22,165,775	10,807,466
		93,641,705	94,116,775
Less:			
Bank overdrafts	25	(28,053,530)	(28,992,897)
Fixed deposits pledged with licensed banks	19	(3,027,865)	(2,952,564)
Bank balances maintained in an escrow account	20	(742,576)	(799,596)
		61,817,734	61,371,718

(a) Purchase of property, plant and equipment:

	Group 2017 RM	2016 RM
Purchase of property, plant and equipment	3,140,482	8,419,956
Financed by:		
- finance lease arrangements	2,299,544	1,842,000
- other payables	–	4,813,000
Cash payments on purchase of property, plant and equipment	840,938	1,764,956

(b) Reconciliation of liabilities arising from financing activities:

	As at 1.1.2017 RM	Cash flows RM	Non-cash Acquisition RM	Addition RM	Fair value changes RM	As at 31.12.2017 RM
Term loans	74,536,549	(25,505,253)	–	–	–	49,031,296
Finance lease liabilities	2,178,232	(1,625,997)	2,299,544	4,813,000	–	7,664,779
Sukuk Murabahah	448,874,931	(30,000,000)	–	–	3,519,168	422,394,099
Bankers' acceptances	27,599,137	35,433,063	–	–	–	63,032,200
Revolving credits	93,913,656	(6,184,817)	–	–	–	87,728,839
Bank overdrafts	28,992,897	(939,367)	–	–	–	28,053,530
	676,095,402	(28,822,371)	2,299,544	4,813,000	3,519,168	657,904,743

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 RM	2016 RM
ASSETS			
Non-current assets			
Property, plant and equipment	5	–	–
Investment in subsidiary companies	7	106,365,270	97,365,270
Amount due from subsidiary companies	14	121,886,057	67,574,150
Total non-current assets		228,251,327	164,939,420
Current assets			
Amount due from subsidiary companies	14	26,591,960	82,883,600
Prepayments		19,896	17,916
Current tax assets		170,992	642,686
Short term investments	18	18,787,117	20,100,783
Fixed deposits placed with licensed banks	19	2,999,860	2,925,380
Cash and bank balances	20	115,012	115,075
Total current assets		48,684,837	106,685,440
TOTAL ASSETS		276,936,164	271,624,860
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	21	181,190,804	176,921,657
Share premium	22	–	4,269,147
Treasury shares	23	(5,795,292)	(5,795,292)
Reserves	24	29,268,189	27,940,490
TOTAL EQUITY		204,663,701	203,336,002
Non-current liability			
Loans and borrowings	25	8,002,000	16,714,000
Total non-current liability		8,002,000	16,714,000
Current liabilities			
Loans and borrowings	25	11,401,943	13,007,075
Other payables	26	314,168	328,138
Amount due to subsidiary companies	14	52,554,352	38,239,645
Total current liabilities		64,270,463	51,574,858
TOTAL LIABILITIES		72,272,463	68,288,858
TOTAL EQUITY AND LIABILITIES		276,936,164	271,624,860

The accompanying notes form an integral part of these financial statements.

STATEMENT OF **COMPREHENSIVE INCOME**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM	2016 RM
Revenue	27	11,565,262	17,172,503
Cost of sales		–	–
Gross profit		11,565,262	17,172,503
Other income		344,109	-
Administrative expenses		(972,611)	(7,386,792)
Operating profit		10,936,760	9,785,711
Finance costs	29	(2,011,527)	(3,075,887)
Profit before tax	30	8,925,233	6,709,824
Income tax expense	31	(769,872)	(305,669)
Profit for the financial year		8,155,361	6,404,155
Other comprehensive income, net of tax		–	–
Total comprehensive income for the financial year		8,155,361	6,404,155

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Share capital RM	Share premium RM	Treasury shares RM	Share option reserves RM	Retained earnings RM	Total equity RM
		Attributable to owners of the Company					
At 1 January 2016		176,921,657	4,269,147	(3,152,005)	976,483	26,773,803	205,789,085
Total comprehensive income for the financial year		–	–	–	–	6,404,155	6,404,155
Transactions with owners:							
Dividends on ordinary shares	33	–	–	–	–	(6,827,662)	(6,827,662)
Options granted under ESOS	34	–	–	–	613,711	–	613,711
ESOS lapsed		–	–	–	(36,120)	36,120	–
Purchase of treasury shares		–	–	(2,643,287)	–	–	(2,643,287)
Total transactions with owners		–	–	(2,643,287)	577,591	(6,791,542)	(8,857,238)
At 1 January 2017		176,921,657	4,269,147	(5,795,292)	1,554,074	26,386,416	203,336,002
Total comprehensive income for the financial year		–	–	–	–	8,155,361	8,155,361
Transactions with owners:							
Dividends on ordinary shares	33	–	–	–	–	(6,827,662)	(6,827,662)
ESOS lapsed		–	–	–	(1,554,074)	1,554,074	–
Transition to no-par value regime	21, 22	4,269,147	(4,269,147)	–	–	–	–
Total transactions with owners		4,269,147	(4,269,147)	–	(1,554,074)	(5,273,588)	(6,827,662)
At 31 December 2017		181,190,804	–	(5,795,292)	–	29,268,189	204,663,701

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM	2016 RM
Cash flows from operating activities			
Profit before tax		8,925,233	6,709,824
Adjustments for:			
Amortisation of discount on amount due from subsidiary companies		(344,109)	–
Dividend income		(5,000,000)	(12,000,000)
Effect of discounting on amount due from subsidiary companies		–	5,976,477
Income from short term investments		(686,334)	(939,586)
Interest expense		2,011,527	3,075,887
Interest income from banks		(122,797)	(50,643)
Interest income from subsidiary companies		(5,756,131)	(4,182,274)
Share options expenses	34	–	613,711
Operating loss before changes in working capital		(972,611)	(796,604)
Changes in working capital:			
Prepayments		(1,980)	(937)
Other payables		(13,970)	(152,071)
Net cash flows used in operations		(988,561)	(949,612)
Dividends received		5,000,000	12,000,000
Income tax paid		(298,178)	(228,719)
Interest received		5,878,928	4,232,917
Net cash from operating activities		9,592,189	15,054,586
Cash flows from investing activities			
Subscription of ordinary shares in a subsidiary company		(9,000,000)	–
Proceeds from disposal of short term investments		2,000,000	10,000,000
Repayment from/(Advances to) subsidiary companies		2,323,842	(17,725,545)
Fixed deposits pledged		(74,480)	–
Net cash used in investing activities		(4,750,638)	(7,725,545)

STATEMENT OF
CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(cont'd)

	Note	2017 RM	2016 RM
Cash flows from financing activities	**(a)**		
Dividends paid	33	(6,827,662)	(6,827,662)
Interest paid		(2,011,527)	(3,075,887)
Repayment of term loan		(8,771,733)	(8,777,590)
Purchase of treasury shares		–	(2,643,287)
Advances from subsidiary companies		14,314,707	10,428,922
Net cash used in financing activities		(3,296,215)	(10,895,504)
Net increase/(decrease) in cash and cash equivalents		1,545,336	(3,566,463)
Cash and cash equivalents at the beginning of the financial year		(3,996,597)	(430,134)
Cash and cash equivalents at the end of the financial year		(2,451,261)	(3,996,597)
Analysis of cash and cash equivalents			
Fixed deposits placed with licensed banks	19	2,999,860	2,925,380
Cash and bank balances	20	115,012	115,075
		3,114,872	3,040,455
Less:			
Bank overdrafts	25	(2,566,273)	(4,111,672)
Fixed deposits pledged with licensed banks	19	(2,999,860)	(2,925,380)
		(2,451,261)	(3,996,597)

(a) Reconciliation of liabilities arising from financing activities

Changes in liabilities arising from financing activities are changes arising from cash flows.

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Crest Builder Holdings Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 62-2, Jalan 2A/27A, Section 1, Wangsa Maju, 53300 Kuala Lumpur.

The principal place of business of the Company is located at Penthouse, The Crest, 3 Two Square, No. 2, Jalan 19/1, 46300 Petaling Jaya, Selangor Darul Ehsan.

The Company is principally engaged as an investment holding company. The principal activities of the subsidiary companies are as disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 17 April 2018.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRSs") and the requirements of the Companies Act 2016 in Malaysia.

2.2 Adoption of amendments/improvements to FRSs

The Group and the Company have adopted the following amendments/improvements to FRSs that are mandatory for the current financial year:

Amendments/Improvements to FRSs	
FRS 12	Disclosure of Interests in Other Entities
FRS 107	Statement of Cash Flows
FRS 112	Income Taxes

The adoption of the above amendments/improvements to FRSs did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies, except for those as discussed below:

Amendments to FRS 107 Statement of Cash Flows

Amendments to FRS 107 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The Group and the Company have applied the amendments prospectively and accordingly, have disclosed the reconciliation in the statements of cash flows.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION (CONTINUED)

2.3 MASB Approved Accounting Standards ("MFRSs")

In conjunction with the planned convergence of FRSs with International Financial Reporting Standards as issued by the International Accounting Board on 1 January 2012, the MASB had on 19 November 2011 issued a new MASB approved accounting standards, MFRSs ("MFRSs Framework") for application in the annual periods beginning on or after 1 January 2012.

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 *Agriculture* and/or IC Int 15 *Agreements for Construction of Real Estate* ("Transitioning Entities"). The Transitioning Entities are given an option to defer the adoption of MFRSs Framework and shall apply the MFRSs Framework for annual periods beginning on or after 1 January 2018. Transitioning Entities also include those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply FRSs framework for annual periods beginning on or after 1 January 2012.

Accordingly, the Group and the Company which are Transitioning Entities have chosen to defer the adoption of MFRSs Framework. As such, the Group and the Company will prepare their first MFRSs financial statements using MFRSs Framework for financial year ending 31 December 2018. The main effects arising from the transition to MFRSs Framework are discussed below.

Application of MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards ("MFRS 1")

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective or prohibits retrospective application of some aspects of MFRSs.

The Group and the Company are currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adoption of MFRS 1 cannot be determined and estimated reliably until the process is completed.

MFRS 9 Financial Instruments

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

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification and measurement of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

  In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

2. BASIS OF PREPARATION (CONTINUED)

2.3 MASB Approved Accounting Standards ("MFRSs") (Continued)

MFRS 9 Financial Instruments (Continued)

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses which replaces the "incurred loss" model in MFRS 139. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised. Trade receivables and contract assets that do not contain a significant financing component shall always measure the loss allowance at an amount equal to lifetime expected credit losses.

- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

The Group will apply MFRS 9 retrospectively. The Group is currently performing a detailed analysis to quantify any transition adjustments on initial application of this standard.

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to 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. An entity recognises revenue in accordance with the core principle by applying the following steps:

(i) identify the contracts with a customer;
(ii) identify the performance obligation in the contract;
(iii) determine the transaction price;
(iv) allocate the transaction price to the performance obligations in the contract; and
(v) recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

The Group is currently performing a detailed analysis to determine the election of the practical expedients and to quantify the transition adjustments on initial application of this standard.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION (CONTINUED)

2.3 MASB Approved Accounting Standards ("MFRSs") (Continued)

MFRS 16 Leases

Currently under MFRS 117 *Leases*, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

On initial adoption of MFRS 16, there may be impact on the accounting treatment for leases, which the Group as a lessee currently accounts for as operating leases. On adoption of this standard, the Group will be required to capitalise its rented premises and equipment on the statements of financial position by recognising them as "right-of-use" assets and their corresponding lease liabilities for the present value of future lease payments.

The Group and the Company plan to adopt this standard when it becomes effective in the financial year beginning 1 January 2019 by applying the transitional provisions and include the required addition disclosures in their financial statements of that year.

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3 to the financial statements.

2.6 Use of estimates and judgement

The preparation of financial statements in conformity with FRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the financial statements are disclosed in Note 4 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(a) Subsidiary companies and business combination

Subsidiary companies are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiary companies are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus

- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus

- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less

- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

The accounting policy for goodwill is set out in Note 3.6 to the financial statements.

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

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

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

Changes in the Group's ownership interest in a subsidiary company that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

NOTES TO THE **FINANCIAL STATEMENTS** (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(b) Non-controlling interests

Non-controlling interests represent the equity in subsidiary companies not attributable, directly or indirectly, to owners of the Company are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

(c) Transactions eliminated on consolidation

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

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiary companies is measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.14(b) to the financial statements.

3.3 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.14(b) to the financial statements.

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.18 to the financial statements.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as a separate item of property, plant and equipment.

Subsequent to initial recognition, property, plant and equipment, except for freehold land and building-in-progress, are stated at cost less accumulated depreciation and any accumulated impairment losses. Freehold land is stated at cost less any accumulated impairment losses.

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment (Continued)

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Building-in-progress is stated at cost unless in the opinion of the directors there is a permanent diminution in value. Depreciation on building-in-progress commences when the asset is ready for its intended use.

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives. The depreciable amount is determined after deducting the residual value. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:

Buildings	2 – 20%
Equipment, furniture and fittings	10 – 20%
Light equipment	20%
Motor vehicles	20%
Plant and machineries	20%

The residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

(d) Derecognition

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 arising on derecognition of the asset is recognised in profit or loss.

3.4 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or for both.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in fair value of investment properties are recognised in profit or loss in the financial year in which they arise.

Cost includes purchase price and any directly attributable costs incurred to bring the properties to their present location and condition intended for use as investment properties. The cost of a self-constructed investment property includes the cost of material, direct labour and any other direct attributable costs. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.18 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Investment properties (Continued)

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. Alternatively, the fair value of the investment properties is performed by using discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

An investment property is derecognised on their disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gains and losses arising from derecognition of the asset is recognised in the profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property carried at fair value 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 property, any difference arising on the date of change in use between the carrying amount of the item immediately prior to the transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment.

3.5 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

(a) Lessee accounting

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (Continued)

(a) Lessee accounting (Continued)

For operating leases, the Group does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Any upfront lease payments are classified as land use rights within intangible assets.

(b) Lessor accounting

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statements of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

3.6 Goodwill

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.14(b) to the financial statements.

3.7 Financial instruments

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

Financial instruments are recognised initially at fair value, except for financial instruments not measured at fair value through profit or loss, they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

(a) Subsequent measurement

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

(i) Financial assets

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial instruments (Continued)

(a) Subsequent measurement (Continued)

(i) Financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial assets are either held for trading or are designated into this category upon initial recognition. Financial assets held for trading are 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 with the gain or loss recognised in profit or loss.

Financial asset 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 or non-current based on the settlement date.

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 less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.14(a) to the financial statements. 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 period which are classified as non-current.

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group and the Company have the positive intention and ability to hold them to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.14(a) to the financial statements. 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 end of the reporting period which are classified as current.

As at the end of the reporting period, there were no financial assets classified under this category.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial instruments (Continued)

(a) Subsequent measurement (Continued)

(i) Financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets comprise investment in equity and debt securities that are designated as available-for-sale or are not classified in any of the three preceding categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair values hedges which 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 assets are derecognised. Interest income calculated using effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instruments are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

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

As at the end of the reporting period, there were no financial assets classified under this category.

Unquoted equity instruments carried at cost

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.14(a) to the financial statements.

(ii) Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

As at the end of the reporting period, there were no financial liabilities classified under this category.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial instruments (Continued)

(a) Subsequent measurement (Continued)

(ii) Financial liabilities (Continued)

Other financial liabilities

The Group's and the Company's other financial liabilities include trade and other payables, amount due to subsidiary companies and loans and borrowings.

Trade and other payables and amount due to subsidiary companies 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 classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process.

(b) Financial guarantee contracts

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

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and the amount initially recognised less cumulative amortisation.

(c) Regular way purchase or sale of financial assets

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

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company themselves purchase or sell an asset). Trade date accounting refers to:

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial instruments (Continued)

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset is transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.8 Land held for property development

Land held for property development consists of land where no significant 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 as non-current assets and is stated at cost less any accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.14(b) to the financial statements. Cost includes cost of land and attributable development expenditures.

Costs associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Pre-acquisition costs are charged to the profit or loss as incurred unless such costs are directly identifiable to the consequent property development activity.

Land held for property development will be reclassified to property development costs when significant development work has been undertaken and is expected to be completed within the normal operating cycle.

3.9 Operating financial asset

The Group constructs or upgrade infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time. These arrangements may include infrastructure used in public-to-private service concession arrangement for its entire concession period. Under the concession arrangement, the grantor controls the significant residual interest in the infrastructure at the end of the concession period.

The Group accounts for its service concession arrangement under the financial asset model. The financial asset model is used when the Group has an unconditional contractual right to receive cash or other financial asset from or at the direction of the grantor for the construction services.

In the financial asset model, the amount due from the grantor meets the definition of a receivable which is measured at fair value. It is subsequently measured at amortised cost. The amount initially recognised plus the cumulative interest income on that amount is calculated using the effective interest method.

Any asset carried under concession arrangement using financial asset model is derecognised when the contractual rights to the financial asset expire.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Property development costs

Property development costs consist of the cost of land and 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 of a development activity is determined by the proportion of property development costs incurred for the work performed up to the reporting date over the estimated total property development costs. Under this method, profits are recognised as the property development activity progresses.

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

Any foreseeable loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately in profit or loss. Property development costs not recognised as an expense is recognised as an asset, which is measured at the lower of cost and net realisable value. Upon the completion of the development, the unsold completed development properties are transferred to inventories.

Borrowing costs incurred on the property development project are capitalised and included as part of property development costs in accordance with the accounting policy on borrowing costs in Note 3.18 to the financial statements.

The excess of revenue recognised in profit or loss over billings to purchasers is classified as accrued billings and the excess of billings to purchasers over revenue recognised in profit or loss is classified as advance billings.

3.11 Construction contracts

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

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that 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 costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from contract customers. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is classified as amount due to contract customers.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Inventories

Inventories comprising properties held for sale are valued at the lower of cost and net realisable value.

Cost of unsold completed properties comprises costs associated with the acquisition of land, direct development costs and appropriate proportions of common costs.

The cost of inventory recognised in profit or loss is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative sale value of the property sold.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.13 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances and deposits (other than deposits pledged with licensed banks). Cash and cash equivalents are presented net of bank overdrafts and exclude deposits pledged to secure banking facilities.

3.14 Impairment of assets

(a) Impairment and uncollectibility of financial assets

At each reporting date, all financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiary companies) are assessed whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group and the Company may include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment of assets (Continued)

(a) Impairment and uncollectibility of financial assets (Continued)

Loans and receivables (Continued)

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment that was recognised, the previously recognised impairment loss is then reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If a write-off is later recovered, the recovery is credited to the profit or loss.

Available-for-sale financial assets

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment. The Group uses its judgement to determine what is considered as significant or prolonged decline, evaluating past volatility experiences and current market conditions.

Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified from equity to profit or loss shall be the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss.

Impairment losses on available-for-sale equity investments are not reversed through profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss, is recognised in other comprehensive income.

Unquoted equity instruments carried at cost

In the case of unquoted equity instruments carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories, amount due from contract customers, deferred tax assets and investment properties measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount. For goodwill that has an indefinite useful live, the recoverable amount is estimated at the end of each reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment of assets (Continued)

(b) Impairment of non-financial assets (Continued)

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

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount of asset is reduced 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 group 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.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

Impairment losses in respect of goodwill are not reversed. For other assets, 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. An 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. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised 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.

3.15 Share capital

(a) Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Share capital (Continued)

(b) Treasury shares

When share capital recognised as equity is repurchased, the amount of consideration paid is recognised directly in equity. Repurchased shares that have not been cancelled including any attributable transaction costs are classified as treasury shares and presented as a deduction from total equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration and the carrying amount is presented as a movement in equity.

3.16 Revenue and other income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, rebates, returns and taxes.

The following specific recognition criteria must also be met before revenue is recognised:

(a) Construction contracts

Revenue from construction contracts is accounted for by using the stage of completion method as described in Note 3.11 to the financial statements. The stage of completion method is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Any expected loss on construction project is recognised as an expense immediately.

(b) Property development

Revenue from sale of properties is accounted for by using the stage of completion method in respect of the property units sold as described in Note 3.10 to the financial statements. The stage of completion method is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

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

(c) Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the lease.

(d) Rendering of services

Revenue is recognised net of discount upon the rendering of services.

(e) Finance income

Finance income is recognised as it accrues using the effective interest method in profit or loss. The notional interest income resulting from the accretion of its financial asset using effective interest method is recognised in the profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Revenue and other income (Continued)

(f) Dividend income

Dividend income is recognised when the right to receive payment is established.

(g) Car park income

Car park income is recognised for rental of car park spaces.

(h) Sale of completed unsold properties

Revenue from sale of completed unsold properties are measured at the fair value of the consideration receivable and are recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

(i) Maintenance revenue

Revenue from maintenance works is recognised based on monthly fixed fee and recognised when earned over the term of the concession.

(j) Interest income

Interest income is recognised using the effective interest method.

(k) Income from short term investments

Income from short term investments is recognised when the right to receive payment is established.

3.17 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group and the Company.

(b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

(c) Employees' share option scheme

Employees of the Group and of the Company 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 the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's and the Company'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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Employee benefits (Continued)

(c) Employees' share option scheme (Continued)

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 reissuance of treasury shares.

3.18 Borrowing costs

Borrowing costs are interests and other costs that the Group and the Company incur in connection with borrowing of funds.

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

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

The Group and the Company begin capitalising borrowing costs when the Group and the Company have incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

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

3.19 Taxes

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

(a) Current tax

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

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses, unabsorbed capital allowances and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unutilised tax losses, unabsorbed capital allowances and unused tax credits can be utilised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Taxes (Continued)

(b) Deferred tax (Continued)

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiary companies, branches, associates and interests in joint ventures, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 the benefit of part or all of that 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 is measured at the tax rates that are expected to apply in the period 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.

Where investment properties are carried at fair value in accordance with the accounting policy as disclosed in Note 3.4 to the financial statements, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within the business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

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.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Taxes (Continued)

(c) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("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.

The net amount of GST refundable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.20 Earnings per share

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

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

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

3.21 Operating segment

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

3.22 Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Fair value measurements (Continued)

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.23 Contingent liabilities

A contingent liability is a possible obligation 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 of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(b) the amount of the obligation cannot be measured with sufficient reliability.

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

3.24 Provisions

Provisions are recognised when the Group and the Company have 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.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

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.

3.25 Deferred income

Deferred income relates to fund contributed by a customer for the purpose of periodic major repairs or capital replacements for the Facilities and Infrastructure of UiTM Campus to be incurred in the following financial years. The deferred income is initially recognised in the statements of financial position at the fair value consideration received. Deferred income is subsequently recognised in profit or loss upon rendering the services.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amounts recognised in the financial statements include the following:

4.1 Valuation of investment properties (Note 6)

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss. Significant judgement is required in estimating the fair value which may be derived based on different valuation method determined to be appropriate and the use of key assumptions. In making the judgement, the Group engaged an external independent valuer to determine the fair value as at end of the reporting period.

4.2 Impairment of goodwill (Note 9)

The Group tests goodwill for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

4.3 Impairment of trade receivables and amount due from contract customers (Note 13 and Note 17)

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments or outcome of legal disputes. The Group monitors its receivables individually and therefore the impairment is assessed based on the knowledge of each individual debtor.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

4.4 Construction contracts and property development (Note 27 and Note 28)

The Group recognises construction contracts and property development revenue and costs in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that construction contracts and property development costs incurred for the work performed to date bear to the estimated total construction contracts and property development costs respectively. Significant judgement is required in determining the stage of completion, the extent of the construction and property development costs incurred, the estimated total construction contracts and property development revenue and costs, as well as the recoverability of the construction contracts and development projects. The estimated total revenue and costs are affected by a variety of uncertainties that depend on the outcome of future events.

5. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Buildings RM	Equipment, furniture and fittings RM	Light equipment RM	Motor vehicles RM	Plant and machineries RM	Total RM
2017							
Cost							
At 1 January	3,044,094	4,771,302	6,616,998	4,750,700	3,360,109	23,777,931	46,321,134
Additions	–	111,560	393,565	9,700	1,264,807	1,360,850	3,140,482
Disposals	–	–	–	(180,000)	(506,508)	(1,980,467)	(2,666,975)
Written off	–	–	–	(2,019,290)	–	(1,935,132)	(3,954,422)
At 31 December	3,044,094	4,882,862	7,010,563	2,561,110	4,118,408	21,223,182	42,840,219
Accumulated depreciation							
At 1 January	–	1,022,408	4,870,530	4,669,824	1,996,741	17,001,638	29,561,141
Depreciation for the financial year	–	743,297	535,982	15,578	521,940	1,447,041	3,263,838
Disposals	–	–	–	(180,000)	(490,528)	(1,980,467)	(2,650,995)
Written off	–	–	–	(2,019,290)	–	(1,935,132)	(3,954,422)
At 31 December	–	1,765,705	5,406,512	2,486,112	2,028,153	14,533,080	26,219,562
Carrying amount at 31 December 2017	3,044,094	3,117,157	1,604,051	74,998	2,090,255	6,690,102	16,620,657

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM	Buildings RM	Equipment, furniture and fittings RM	Light equipment RM	Motor vehicles RM	Plant and machineries RM	Building-in-progress RM	Total RM
2016								
Cost								
At 1 January	3,049,653	3,175,978	6,776,842	5,754,404	4,674,508	18,180,964	2,659,268	44,271,617
Additions	–	–	526,247	–	287,086	6,790,567	816,056	8,419,956
Disposals	(5,559)	–	–	–	(1,086,550)	(543,600)	–	(1,635,709)
Written off	–	–	(686,091)	(1,003,704)	(514,935)	(650,000)	–	(2,854,730)
Transfer to inventories	–	(1,880,000)	–	–	–	–	–	(1,880,000)
Reclassification	–	3,475,324	–	–	–	–	(3,475,324)	–
At 31 December	3,044,094	4,771,302	6,616,998	4,750,700	3,360,109	23,777,931	–	46,321,134
Accumulated depreciation								
At 1 January	–	550,391	5,088,834	5,655,559	3,149,258	18,125,294	–	32,569,336
Depreciation for the financial year	–	575,417	467,787	17,969	448,968	62,610	–	1,572,751
Disposals	–	–	–	–	(1,086,550)	(543,600)	–	(1,630,150)
Written off	–	–	(686,091)	(1,003,704)	(514,935)	(642,666)	–	(2,847,396)
Transfer to inventories	–	(103,400)	–	–	–	–	–	(103,400)
At 31 December	–	1,022,408	4,870,530	4,669,824	1,996,741	17,001,638	–	29,561,141
Carrying amount at 31 December 2016	3,044,094	3,748,894	1,746,468	80,876	1,363,368	6,776,293	–	16,759,993

NOTES TO THE **FINANCIAL STATEMENTS** (cont'd)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	**Equipment, furniture and fittings RM**
2017	
Cost	
At 1 January/31 December	14,465
Accumulated depreciation	
At 1 January/31 December	14,465
Carrying amount at 31 December 2017	–
2016	
Cost	
At 1 January/31 December	14,465
Accumulated depreciation	
At 1 January/31 December	14,465
Carrying amount at 31 December 2016	–

The carrying amount of property, plant and equipment acquired under finance lease arrangements are as follows:

	Group	
	2017 RM	**2016 RM**
Motor vehicles	1,824,348	1,039,217
Plant and machineries	6,549,600	1,680,000
	8,373,948	2,719,217

The leased assets are pledged as security for the finance lease liabilities granted to the Group as disclosed in Note 25 to the financial statements.

6. INVESTMENT PROPERTIES

	Group	
	2017 RM	**2016 RM**
At fair value		
At 1 January/31 December	320,800,000	320,800,000

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

6. INVESTMENT PROPERTIES (CONTINUED)

(a) Included in the above are:

	Group 2017 RM	Group 2016 RM
At fair value		
Freehold land and building	192,800,000	192,800,000
Leasehold land and building with unexpired lease period of more than 50 years	128,000,000	128,000,000
At 31 December	320,800,000	320,800,000

(b) The following are recognised in profit or loss in respect of investment properties:

	Group 2017 RM	Group 2016 RM
Rental income from investment properties	15,449,915	15,954,394
Direct operating expenses on income generating investment properties	(6,479,213)	(6,369,945)

(c) Investment properties of the Group with fair value of RM297,600,000 (2016: RM297,600,000) are pledged for credit facilities granted to the Group as disclosed in Note 25 to the financial statements.

(d) The investment properties are stated at fair value, which has been determined based on valuations at the end of the reporting period. Valuations are performed by an accredited valuer as at 31 December 2017 and 31 December 2016. The fair value of the investment properties has been determined using the comparison approach and investment approach depending on the nature of the properties.

(e) Fair value of investment properties are categorised as follows:

Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2017				
Office, retails, shoplots and car parks	–	4,800,000	316,000,000	320,800,000
2016				
Office, retails, shoplots and car parks	–	4,800,000	316,000,000	320,800,000

6. INVESTMENT PROPERTIES (CONTINUED)

(e) Fair value of investment properties are categorised as follows (Continued):

Level 2 fair value

Level 2 fair values of buildings have been derived using the comparison approach. Transactions of comparable buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable buildings.

Level 3 fair value

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant inputs used in the valuation models.

Property category	Valuation technique	Significant unobservable inputs	By the accredited valuer
Mixed development of office, retails, shoplots and car parks	Investment and comparison approach	- Estimated average rental rate per square foot per month	RM1.10 to RM12.07
		- Estimated price per parking bay	RM25,000 to RM38,000
		- Estimated outgoings per square foot per month	RM0.56 to RM1.30
		- Estimated term yield rate	6.0% to 7.0%

The estimated fair value would increase/(decrease) if:

- Estimated average rental rate per square foot per month was higher/(lower)
- Estimated price per parking bay was higher/(lower)
- Estimated outgoings per square foot per month was lower/(higher)
- Estimated term yield rate was higher/(lower)

Valuation processes applied by the Group for Level 3 fair value

The fair value of investment properties is determined by an external independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuation company provides the fair value of the Group's investment properties portfolio annually. Changes in Level 3 values are analysed by the management annually after obtaining valuation report from the independent property valuer. There has been no change to the valuation technique during the financial year.

Highest and best use

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Transfer between Level 1 and Level 2

There is no transfer between Level 1 and Level 2 fair values during the financial year ended 31 December 2017 or 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

7. INVESTMENT IN SUBSIDIARY COMPANIES

	Company 2017 RM	Company 2016 RM
Unquoted shares, at cost		
At 1 January	97,365,270	97,365,270
Additions	9,000,000	–
At 31 December	106,365,270	97,365,270

The details of the subsidiary companies, all of which are incorporated in Malaysia are as follows:

Name of company	Effective ownership interest and voting interest 2017 %	2016 %	Principal activities
Direct subsidiary companies			
3 Two Square Sdn. Bhd.	100	100	Property investment and property development
CB Land Sdn. Bhd.	100	100	Property investment and property development
CBTech (M) Sdn. Bhd.	100	100	Mechanical and electrical engineering services
Crest Builder International Sdn. Bhd.	100	100	Investment holding
Crest Builder Sdn. Bhd. (Note 7(a))	100	100	Construction
CB Infrastructure Sdn. Bhd.	100	100	Construction
Damansara One Sdn. Bhd.	100	100	Property investment and property development
Nepfield Sdn. Bhd.	100	100	Property investment and property development
Vertical Success Sdn. Bhd.	100	100	Property investment and property development
Jalur Elit Sdn. Bhd.	100	100	Property investment and property development

7. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

The details of the subsidiary companies, all of which are incorporated in Malaysia are as follows (Continued):

Name of company	Effective ownership interest and voting interest 2017 %	2016 %	Principal activities
Held through Crest Builder Sdn. Bhd.			
Crestland Development Sdn. Bhd.	100	100	Property investment and property development
Landasan Bayu Sdn. Bhd. (Note 7(b))	51	51	Property investment and property development
Held through Crest Builder International Sdn. Bhd.			
Unitapah Sdn. Bhd.	51	51	Concession holder
Intan Sekitar Sdn. Bhd. (Note 7(c))	51	51	Property investment and property development
K L Waterfront Development Sdn. Bhd. (Note 7(d))	51	–	Property investment and property development

(a) During the financial year, the Company subscribed for additional 9,000,000 ordinary shares for a cash consideration of RM9,000,000, representing 100% of total issued and paid up share capital of Crest Builder Sdn. Bhd.

(b) In the previous financial year, a wholly-owned subsidiary company, Crest Builder Sdn. Bhd. subscribed for additional 5,049,000 ordinary shares for a cash consideration of RM5,049,000, representing 51% of total issued and paid up share capital of Landasan Bayu Sdn. Bhd.

(c) During the financial year, a wholly-owned subsidiary company, Crest Builder International Sdn. Bhd. subscribed for additional 76,500 ordinary shares for a cash consideration of RM76,500, representing 51% of total issued and paid up share capital of Intan Sekitar Sdn. Bhd.

(d) **Acquisition of a subsidiary company**

(i) On 16 October 2017, a wholly-owned subsidiary company, Crest Builder International Sdn. Bhd. acquired 510 ordinary shares, representing 51% of the total issued and paid-up share capital of K L Waterfront Development Sdn. Bhd. ("KL Waterfront") for a cash consideration of RM510. As a result, KL Waterfront became a subsidiary company of the Group.

7. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

(d) Acquisition of a subsidiary company (Continued)

(ii) The acquisition of KL Waterfront does not constitute a business. As such, the purchase consideration has been allocated to the individual identifiable assets and liabilities of KL Waterfront on the basis of their relative fair values at the date of acquisition. The transaction did not give rise to any goodwill.

The identifiable assets and liability of KL Waterfront at the date of acquisition are:

	KL Waterfront RM
Assets	
Cash and bank balances	1,952
Other receivables	3,731
	5,683
Liability	
Other payables	(8,268)
Net identifiable liabilities acquired	(2,585)
Non-controlling interest	3,095
Purchase consideration for the acquisition	510

The effect of the acquisition on cash flows is as follows:

	2017 RM
Total cost of the acquisition	510
Less: Cash and cash equivalent of a subsidiary company acquired	(1,952)
Net cash inflow on acquisition	(1,442)

7. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

(e) Non-controlling interests in subsidiary companies

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

	2017				
	Unitapah Sdn. Bhd. RM	**Landasan Bayu Sdn. Bhd. RM**	**Intan Sekitar Sdn. Bhd. RM**	**Other immaterial subsidiary companies RM**	**Total RM**
NCI percentage of ownership interest and voting interest	49%	49%	49%	49%	49%
Carrying amount of NCI	12,304,655	4,617,269	(1,248,983)	238,544	15,911,485
Profit/(Loss) allocated to NCI	3,768,330	(119,803)	(1,324,405)	(911)	2,323,211

Summarised financial information before intra-group elimination:

	Unitapah Sdn. Bhd. RM	**Landasan Bayu Sdn. Bhd. RM**	**Intan Sekitar Sdn. Bhd. RM**
Summarised statement of financial position as at 31 December 2017			
Non-current assets	430,082,838	115,000	3,672,438
Current assets	86,829,082	27,903,276	267,008,695
Non-current liabilities	(455,157,983)	–	(14,754,809)
Current liabilities	(32,642,396)	(18,595,278)	(258,475,268)
Net assets	29,111,541	9,422,998	(2,548,944)
Summarised statement of comprehensive income for the financial year ended 31 December 2017			
Revenue	46,866,716	–	–
Profit/(Loss) for the financial year	7,690,469	(244,495)	(2,702,867)
Total comprehensive income/(loss)	7,690,469	(244,495)	(2,702,867)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

7. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

(e) Non-controlling interests in subsidiary companies (Continued)

Summarised financial information before intra-group elimination (Continued):

	Unitapah Sdn. Bhd. RM	Landasan Bayu Sdn. Bhd. RM	Intan Sekitar Sdn. Bhd. RM
Summarised of cash flows information for the financial year ended 31 December 2017			
Cash from/(used in) operating activities	42,668,993	(4,496,835)	(15,016,327)
Cash from/(used in) investing activities	5,844,384	–	(87,462)
Cash (used in)/from financing activities	(58,236,897)	4,496,772	16,053,866
Net (decrease)/increase in cash and cash equivalents	(9,723,520)	(63)	950,077
Dividends paid to NCI	–	–	–

	2016			
	Unitapah Sdn. Bhd. RM	Landasan Bayu Sdn. Bhd. RM	Other immaterial subsidiary companies RM	Total RM
NCI percentage of ownership interest and voting interest	49%	49%	49%	49%
Carrying amount of NCI	8,536,325	4,737,072	244,472	13,517,869
Profit/(Loss) allocated to NCI	1,906,546	(97,693)	(32,797)	1,776,056

	Unitapah Sdn. Bhd. RM	Landasan Bayu Sdn. Bhd. RM
Summarised statement of financial position as at 31 December 2016		
Non-current assets	313,989,772	175,000
Current assets	220,478,742	23,579,843
Non-current liabilities	(478,640,737)	(14,070,813)
Current liabilities	(34,406,705)	(16,537)
Net assets	21,421,072	9,667,493

7. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

(e) **Non-controlling interests in subsidiary companies (Continued)**

Summarised financial information before intra-group elimination (Continued):

	Unitapah Sdn. Bhd. RM	Landasan Bayu Sdn. Bhd. RM
Summarised statement of comprehensive income for the financial year ended 31 December 2016		
Revenue	47,428,080	–
Profit/(Loss) for the financial year	3,890,911	(199,373)
Total comprehensive income/(loss)	3,890,911	(199,373)
Summarised of cash flows information for the financial year ended 31 December 2016		
Cash from/(used in) operating activities	46,993,717	(23,508,787)
Cash from investing activities	1,514,489	–
Cash (used in)/from financing activities	(59,702,538)	23,508,722
Net decrease in cash and cash equivalents	(11,194,332)	(65)
Dividends paid to NCI	–	–

8. GOLF CLUB MEMBERSHIP

	Group	
	2017 RM	2016 RM
At cost		
At 1 January/31 December	54,000	54,000

9. GOODWILL

	Group	
	2017 RM	2016 RM
At 1 January/31 December	33,608,137	33,608,137

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. GOODWILL (CONTINUED)

(a) Impairment test for goodwill

Goodwill arising from business combination is allocated to the following Group's CGUs which are also the reportable operating segments, which represent the lowest level within the Group at which the goodwill is monitored for internal management purpose. The carrying amount of goodwill allocated to the CGU are:

	Construction RM	Investment holding RM	Property development RM	Total RM
2017	33,561,766	32,988	13,383	33,608,137
2016	33,561,766	32,988	13,383	33,608,137

(b) Key assumptions used in value in use calculations

The goodwill allocated to investment holding and property development segments are not significant in comparison with the Group's total carrying amount of goodwill.

The recoverable amount of CGU has been determined based on value in use calculations using cash flow projections based on financial forecasts approved by the directors for the next three years. The same method has also been used in the previous financial year. The key assumptions used for value in use calculations are:

	2017		2016	
	Discount rate %	Gross profit margin %	Discount rate %	Gross profit margin %
Construction	16	11	14	12

The following describes each key assumption on which the directors have based the cash flows projections for the purposes of impairment testing of goodwill:

(i) Discount rate – based on the weighted average cost of capital of the CGU. The discount rate applied is pre-tax and reflects management's estimate of the risk specific to the CGU at the date of assessment.
(ii) Gross profit margin – based on the average of forecasted gross profit margin for projects secured by CGU.

(c) Sensitivity to changes in assumptions

Based on the sensitivity analysis performed, the directors believe that no reasonably possible change in any of the above key assumptions would have caused the carrying value of the CGU to materially exceed its recoverable amounts. As a result of the analysis, the management did not identify any impairment for this CGU.

10. LAND HELD FOR PROPERTY DEVELOPMENT

	Group 2017 RM	2016 RM
Freehold land, at cost	6,200,000	6,200,000
Development costs	547,149	547,149
Development costs transfer from property development costs (Note 15)	2,678,549	–
At 31 December	9,425,698	6,747,149

11. OPERATING FINANCIAL ASSET

The Group had entered into a concession agreement with the Government of Malaysia and Universiti Teknologi Mara ("UiTM") on 4 May 2010 to design, develop, construct of the Facilities and Infrastructure and the maintenance works for a period of 23 years comprising 3 years of construction works and 20 years of maintenance works ("Maintenance Period"). Upon expiry of the concession period, the Group is required to handover the Facilities and Infrastructure at no cost to UiTM in a well maintained condition, fair wear and tear.

	Group 2017 RM	2016 RM
Non-current	307,094,771	313,989,757
Current	6,893,860	6,127,015
	313,988,631	320,116,772

UiTM will pay the Group throughout the Maintenance Period concession charges which comprise availability charges for the availability of the facilities and infrastructure and maintenance charges for the provision of maintenance works in accordance with the provisions of the concession agreements. The Group and UiTM may make request in writing for the review of the maintenance charges at the interval of every five years after the maintenance commencement date, subject to the Government's approval.

The amount, being the financial asset arising from the above concession agreements represents the fair value of the consideration receivable for the construction services delivered during the stage of construction. It carries interest rate of 11.85% (2016: 11.85%) per annum and repayable in the form of availability charges upon fulfilment of the terms and conditions in the concession agreements.

12. DEFERRED TAX ASSETS/(LIABILITIES)

	Group 2017 RM	2016 RM
Deferred tax assets		
At 1 January	9,445,303	11,898,784
Recognised in profit or loss	(3,102,021)	(2,453,481)
At 31 December	6,343,282	9,445,303

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

12. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

	Group 2017 RM	2016 RM
Deferred tax liabilities		
At 1 January	(13,913,579)	(11,002,376)
Recognised in profit or loss	(2,805,291)	(2,911,203)
At 31 December	(16,718,870)	(13,913,579)

Presented after appropriate offsetting:

	Group 2017 RM	2016 RM
Deferred tax assets	6,343,282	9,445,303
Deferred tax liabilities	(16,718,870)	(13,913,579)
At 31 December	(10,375,588)	(4,468,276)

The recognition of the deferred tax assets of the Group is dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. The evidence used to support this recognition is the directors' budget, which shows that it is probable that the deferred tax assets would be realised in future years.

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

Group	At 1 January 2016 RM	Recognised in profit or loss RM	At 31 December 2016 RM	Recognised in profit or loss RM	At 31 December 2017 RM
Deferred tax assets					
Allowance for impairment	46,269	–	46,269	(46,269)	–
Property development	8,982,475	(808,109)	8,174,366	(2,284,880)	5,889,486
Unabsorbed capital allowances	12,621,719	481,698	13,103,417	761,234	13,864,651
Unutilised tax losses	4,092,293	(1,282,512)	2,809,781	(1,449,011)	1,360,770
	25,742,756	(1,608,923)	24,133,833	(3,018,926)	21,114,907
Deferred tax liabilities					
Property, plant and equipment	327,693	(601,828)	(274,135)	102,379	(171,756)
Investment properties	(6,073,645)	–	(6,073,645)	–	(6,073,645)
Operating financial asset	(19,100,396)	(3,153,933)	(22,254,329)	(2,990,765)	(25,245,094)
	(24,846,348)	(3,755,761)	(28,602,109)	(2,888,386)	(31,490,495)
	896,408	(5,364,684)	(4,468,276)	(5,907,312)	(10,375,588)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

13. TRADE AND OTHER RECEIVABLES

	Group 2017 RM	Group 2016 RM
Non-current		
Trade receivables		
Trade receivables	14,774,645	–
Retention sums	24,147,918	11,467,293
	38,922,563	11,467,293
Other receivables		
Sundry receivables	3,234,000	–
	42,156,563	11,467,293
Current		
Trade receivables		
Trade receivables	136,389,158	184,390,080
Accrued billings in respect of property development	4,124,966	11,176,149
Retention sums	22,353,864	32,044,060
	162,867,988	227,610,289
Less: Allowance for impairment	(29,608,732)	(31,681,223)
Trade receivables, net	133,259,256	195,929,066
Other receivables		
Sundry receivables	54,435,377	59,571,096
Less: Allowance for impairment	(4,724,266)	(4,797,961)
Other receivables, net	49,711,111	54,773,135
GST refundable	421,639	348,366
Advances made to suppliers and sub-contractors	1,840,643	1,481,176
Deposits	20,414,898	27,903,159
Prepayments	892,416	643,112
Total other receivables, net	73,280,707	85,148,948
	206,539,963	281,078,014
Total trade and other receivables	248,696,526	292,545,307

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables

The Group's normal trade credit terms range from 7 to 90 days (2016: 14 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

Included in trade receivables of the Group is an amount of RM18,214,979 (2016: RM23,014,979) due from a company in which a director has interest. In the previous financial year, the Group had entered into an agreement with this company to settle the balance over the next six years.

Ageing analysis of trade receivables

The Group maintains an ageing analysis in respect of trade receivables only. The ageing analysis of the Group's trade receivables (excluded accrued billings) are as follows:

	Group	
	2017 RM	2016 RM
Neither past due nor impaired	71,770,986	73,717,755
Past due but not impaired		
1 to 30 days past due but not impaired	34,378,234	5,392,020
31 to 60 days past due but not impaired	15,183,538	4,443,041
61 to 90 days past due but not impaired	9,017,592	3,565,210
91 to 120 days past due but not impaired	5,606,308	4,550,709
More than 120 days past due not impaired	32,100,195	104,551,475
	96,285,867	122,502,455
Impaired	29,608,732	31,681,223
	197,665,585	227,901,433

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are credit worthy debtors with good payment records with the Group.

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to RM96,285,867 (2016: RM122,502,455) that are past due at the end of the reporting period but not impaired because the Group has a credit policy in place and the exposure of credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. The Group does not hold any collateral or credit enhancements over these balances.

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (Continued)

Trade receivables that are past due but not impaired (Continued)

Included in the trade receivables and retention sums of the Group are amounts of RM27,502,516 (2016: RM27,502,516) due from customers for contracts under disputes. The details are as follows:

(i) A subsidiary company of the Company, Crest Builder Sdn. Bhd. ("CBSB") is a claimant in an arbitration case against an employer in respect of a construction project. CBSB is claiming RM51,398,443 for workdone, variation work, retentions money and prolongation costs. The employer filed a defence counterclaim which includes claims of RM65,109,486 for damages for delay and cost of rectification of defective works. The hearing is completed and the final award is expected to be delivered in the third quarter of year 2018.

No allowance and provision has been made in the financial statements of the Group as the directors have been advised by their solicitor that CBSB has reasonable prospect of success in this claim and in resisting the employer's claim.

(ii) A dispute arose between the parties wherein CBSB was employed by an employer as the main contractor to complete a project. Due to, amongst others, the failure by the employer to make timely payment to CBSB, CBSB contended that the employer had repudiated the contract and thereby, terminating the contract by accepting the repudiation in September 2011. Subsequently, the employer issued a Notice of Reference of Arbitration on 8 May 2012 to refer the disputes to arbitration.

A preliminary meeting was held on 14 September 2015 where parties were directed to file their respective pleadings, documents and witness statements by agreed datelines. The employer is claiming against CBSB the total sum of RM94,685,625 including liquidated damages of RM6,580,000. CBSB contested all of the employer's claims and in turn counterclaims against the employer for the sum of RM31,084,048 and interest thereon and costs. On 10 January 2017, the Arbitrator delivered his decision allowing CBSB's amendment application. The parties have filed their respective documents and witnesses' statements (including CBSB's Expert Reports). The hearing commenced on 6 and 7 November 2017, whereby the first witness of the employer has completed his evidence taking process. The Arbitrator then adjourned the matter to 30 and 31 July 2018 as well as 2 and 3 August 2018 for continued hearing, whereby the employer will produce its next witnesses to be cross-examined by CBSB's counsel.

No allowance and provision has been made in the financial statements of the Group as the directors have been advised by their solicitor that CBSB has reasonable prospect of success in this claim and in resisting the employer's claim.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (Continued)

Trade receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period are as follows:

	Group	
	2017 RM	**2016 RM**
Individually impaired		
Trade receivables	29,608,732	31,681,223
Less: Allowance for impairment	(29,608,732)	(31,681,223)
	–	–

The movement in impairment for trade receivables is as follows:

	Group	
	2017 RM	**2016 RM**
At 1 January	31,681,223	31,681,223
Charge for the financial year	3,002,835	–
Reversal of impairment loss	(5,044,427)	–
Written off	(30,899)	–
At 31 December	29,608,732	31,681,223

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

(b) Other receivables

Included in sundry receivables of the Group are amounts of RM49,073,500 (2016: RM49,000,000) due from non-controlling shareholders of subsidiary companies which are non-trade in nature, unsecured, interest free, repayable on demand and are expected to be settled in cash.

Included in deposits is an amount of RM17,397,597 (2016: RM23,914,553) placed with Prasarana Malaysia Berhad and Lembaga Getah Malaysia for the development projects prior to the fulfilment of condition precedents as stated in the agreements. Once the condition precedents are fulfilled, the amount will be recognised as land cost in property development costs.

Included in other receivables of the Group is an amount of RM2,422,824 (2016: RM2,422,824) due from a company in which a director has interest. In the previous financial year, the Group had entered into an agreement with this company to settle balance over the next six years. The amount is non-trade in nature, unsecured and interest free.

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Other receivables (Continued)

Other receivables that are impaired

At the end of the reporting period, the Group has provided an allowance of RM4,724,266 (2016: RM4,797,961) for impairment of the other receivables. These other receivables are in significant delay in payments or have defaulted on payments. These other receivables are not secured by any collateral or credit enhancements.

The movement in impairment for other receivables is as follows:

	Group	
	2017 **RM**	**2016** **RM**
At 1 January	4,797,961	4,797,961
Reversal of impairment loss	(73,695)	–
At 31 December	4,724,266	4,797,961

Included in total impairment for other receivables of the Group is an amount of RM2,422,824 (2016: RM2,422,824) due from a company in which a director has interest.

14. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES

The amount due from subsidiary companies is non-trade in nature, unsecured, interest free, repayable on demand and is expected to be settled in cash, except for an amount of RM75,821,052 (2016: RM58,049,791) which bears an effective interest rates ranging from 8.20% to 8.29% (2016: 8.20% to 8.45%) per annum.

The non-current amount due from subsidiary companies is not expected to be settled within the next twelve months and includes an amount of RM46,065,005 (2016: RM67,574,150) measured at amortised cost at imputed rate of 8.20% to 8.29% (2016: 8.20% to 8.35%) per annum.

The amount due to subsidiary companies are non-trade in nature, unsecured, interest free, repayable on demand and is expected to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

15. PROPERTY DEVELOPMENT COSTS

	Group 2017 RM	Group 2016 RM
Freehold land, at cost		
At 1 January	7,547,626	13,298,361
Less: Adjustment for completed project	–	(5,750,735)
At 31 December	7,547,626	7,547,626
Leasehold land, at cost		
At 1 January	–	–
Transfer from deposits	6,516,956	–
Additions	211,290,396	–
At 31 December	217,807,352	–
Development costs		
At 1 January	105,707,883	105,908,702
Costs incurred during the financial year	60,390,844	62,438,239
Less: Adjustment for completed project	–	(54,122,102)
Transfer to deposits	–	(8,516,956)
Transfer to land held for property development (Note 10)	(2,678,549)	–
At 31 December	163,420,178	105,707,883
Property development costs at 31 December	388,775,156	113,255,509
Accumulated costs recognised in profit or loss		
At 1 January	(8,721,624)	(59,857,540)
Recognised during the financial year	(42,121,385)	(8,736,921)
Adjustment for completed project	–	59,872,837
At 31 December	(50,843,009)	(8,721,624)
Carrying amount at 31 December	337,932,147	104,533,885

15. PROPERTY DEVELOPMENT COSTS (CONTINUED)

The property development costs incurred included the following charges during the financial year:

	Group 2017 RM	Group 2016 RM
Unwinding of discount on landowner's entitlement	784,219	–
Interest costs	515,216	388,462
Salaries, bonus, overtime and allowances	1,011,334	1,411,014
Defined contribution plan ("EPF")	117,919	48,779
Other staff related expenses	10,569	4,176

Freehold lands with carrying amount of RM7,547,626 (2016: RM7,547,626) are pledged to financial institutions for credit facilities as disclosed in Note 25 to the financial statements.

16. INVENTORIES

	Group 2017 RM	Group 2016 RM
Completed development properties		
- at cost	36,053,451	64,591,780
- at net realisable value	1,765,000	1,765,000
	37,818,451	66,356,780

The Group's cost of inventories recognised as an expense in cost of sales during the financial year in the Group amounting to RM28,538,329 (2016: RM17,405,033).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

17. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

	Group	
	2017 RM	2016 RM
Aggregate construction contract costs incurred to-date	1,564,774,298	1,276,660,841
Add: Attributable profits	151,990,752	131,283,863
	1,716,765,050	1,407,944,704
Less: Progress billings	(1,639,816,390)	(1,367,247,726)
	76,948,660	40,696,978
Represented by gross amounts:		
- due from contract customers	81,682,686	41,927,223
- due to contract customers	(4,734,026)	(1,230,245)
	76,948,660	40,696,978
Advances received on contracts, included within progress billings	–	9,609,165

The costs incurred to-date on construction contracts include the following charges during the financial year:

	Group	
	2017 RM	2016 RM
Hire of plant and machineries	5,228,875	2,353,244
Depreciation of property, plant and equipment	1,437,313	14,809
Rental of premises	20,600	86,750
Salaries, bonus, overtime and allowances	6,740,598	4,061,878
Defined contribution plan ("EPF")	773,073	600,055
Other staff related expenses	77,004	47,321

Included in the amount due from contract customers of the Group is amount of RM12,264,871 and RM16,334,200 (2016: RM12,264,871 and RM16,334,200) respectively, which the contracts are under disputes with customers as disclosed in Note 13(a)(i) and Note 13(a)(ii) to the financial statements.

18. SHORT TERM INVESTMENTS

The short term investments are in respect of investment in unquoted unit trust funds placed with fund management companies and are redeemable with one day notice.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

19. FIXED DEPOSITS PLACED WITH LICENSED BANKS

(a) The fixed deposits placed with licensed banks of the Group and of the Company earn interest rates ranging from 1.58% to 3.65% (2016: 1.64% to 3.40%) and 1.58% to 1.63% (2016: 1.64% to 1.78%) per annum respectively.

(b) Included in fixed deposits of the Group amounting to RM28,005 (2016: RM27,184), which is pledged for the purpose as a guarantee for performance bonds issued in favour of third parties in respect of projects undertaken by a subsidiary company.

(c) Included in fixed deposits of the Group and of the Company amounting to RM2,999,860 and RM2,999,860 (2016: RM2,925,380 and RM2,925,380) respectively, which are pledged for the purpose as a debt services reserve for term loan of the Group and of the Company as disclosed in Note 25 to the financial statements.

(d) Included in fixed deposits of the Group are amounts of RM68,448,065 (2016: RM80,356,745), set aside as part of security arrangements of Sukuk Murabahah, and therefore restricted from use in other operations.

20. CASH AND BANK BALANCES

(a) Included in cash and bank balances of the Group is an amount of RM7,253 (2016: RM300,733), set aside as part of security arrangements of Sukuk Murabahah, and therefore restricted from use in other operations.

(b) Included in cash and bank balances of the Group is an amount of RM1,225,927 (2016: RM604,575) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966 in Malaysia and therefore restricted from use in other operations.

(c) Included in cash and bank balances of the Group is an amount of RM742,576 (2016: RM799,596) which was maintained in an escrow account.

21. SHARE CAPITAL

	Group and Company			
	2017		2016	
	Number of shares Unit	RM	Number of shares Unit	RM
Ordinary shares				
Issued and fully paid:				
At 1 January	176,921,657	176,921,657	176,921,657	176,921,657
Transfer pursuant to Section 618(2) of Companies Act 2016	–	4,269,147	–	–
At 31 December	176,921,657	181,190,804	176,921,657	176,921,657

21. SHARE CAPITAL (CONTINUED)

The Companies Act 2016 in Malaysia which came into effect on 31 January 2017 has abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account of RM4,269,147 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM4,269,147 for purposes as set out in Section 618(3) of the Companies Act 2016 in Malaysia. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

CBHB – ESOS

On 14 March 2007, approval was granted by the shareholders at the Extraordinary General Meeting held for the establishment of the Crest Builder Holdings Berhad Employees' Share Option Scheme ("CBHB – ESOS"). The CBHB – ESOS is governed by the By-Laws approved by the shareholders at the Extraordinary General Meeting. The CBHB – ESOS was implemented on 19 April 2007 and was in force for a period of five (5) years and expired on 18 April 2012.

On 16 April 2012, the Company announced the extension of CBHB – ESOS which would have expired on 18 April 2012 for another five (5) years until 18 April 2017. The extension is in accordance with the terms of the ESOS By-Laws.

The ESOS Committee appointed by the Board of Directors to administer the CBHB – ESOS, may from time to time grant options to eligible employees of the Group to subscribe for new ordinary shares in the Company.

On 18 April 2014, the ESOS Committee had made the decision to grant 5,616,000 additional Options under the existing CBHB – ESOS at an exercise price of RM1.40 each. The Options granted can be exercised over three (3) years from the date of ESOS granted but not later than 18 April 2017.

The salient features of the ESOS are as follows:

(a) the total number of shares to be offered shall not exceed in aggregate 15% of the issued and fully paid-up share capital of the Company at any point of offer during the duration of the CBHB – ESOS;

(b) eligible persons for the CBHB – ESOS are full time confirmed employees of the Group who have been employed for a period of at least six (6) months, and directors of the Group who have been appointed for a period of at least three (3) months and the entitlement has been approved by the shareholders of the Company in general meeting;

(c) subject to paragraph (d) below, no option shall be granted for less than 100 shares;

(d) in the event of any alteration in the capital structure of the Company except for certain exemptions, adjustments will be made to the option price and/or the number of shares in respect of options granted but not exercised, such that the grantee will be entitled to the same proportion of the issued and paid-up share capital of the Company prior to the event giving rise to such alteration;

21. SHARE CAPITAL (CONTINUED)

CBHB – ESOS (Continued)

(e) the price at which the grantee is entitled to subscribe for each new ordinary share shall be the higher of the following:

(i) at a discount of not more than 10% from the weighted average market price of the ordinary shares for the 5 market days as shown in the daily official list issued by the Bursa Malaysia Securities Berhad immediately preceding the date of offer; or

(ii) the par value of the ordinary shares; and

(f) the option granted may be exercised at any time within a period of five (5) years from 19 April 2007. On 16 April 2012, the option was further extended for another five (5) years upon the initial expiry date.

Information in respect of the number of share options granted under the CBHB – ESOS is as follows:

	Number of share options 2017 Unit	2016 Unit
At 1 January	5,268,400	5,424,400
Lapsed	(5,268,400)	(156,000)
At 31 December	–	5,268,400

The movements of options over unissued new ordinary shares of the Company granted under the CBHB – ESOS during the financial year are as follows:

Date of offer	Option price	Number of share options 1.1.2017	Granted	Exercised	Lapsed	31.12.2017
19.4.2007	RM1.00	453,000	–	–	(453,000)	–
19.4.2009	RM1.00	266,000	–	–	(266,000)	–
19.4.2012	RM1.00	778,000	–	–	(778,000)	–
18.4.2014	RM1.40	3,771,400	–	–	(3,771,400)	–
		5,268,400	–	–	(5,268,400)	–

There were no exercise of ESOS since the end of the previous financial year. On 18 April 2017, ESOS of the Company has expired and consequently, the remaining 5,268,400 unexercised options were entirely lapsed on the expiry date.

21. SHARE CAPITAL (CONTINUED)

CBHB – ESOS (Continued)

The fair value of share options granted was estimated using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and the assumptions are as follows:

	19 April 2014
Fair value of share granted (RM)	0.4179
Share price (RM)	1.550
Exercised price (RM)	1.400
Expected volatility (%)	35.41%
Expected lives (years)	3
Risk free rate (%)	3.40%
Expected dividend yield (%)	3.23%

The expected lives of share options was based on historical data and was not necessarily indicative of exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was an indicative of future trends, which may also not necessarily be the actual outcome. No other feature of the option was incorporated into the measurement of fair value.

22. SHARE PREMIUM

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. Pursuant to Section 618(2) of the Companies Act 2016 in Malaysia, the amount of RM4,269,147 standing to the credit of the Company's share premium account has been transferred and became part of the Company's share capital as disclosed in Note 21 to the financial statements.

23. TREASURY SHARES

As at 31 December 2017, the Group held 6,230,100 (2016: 6,230,100) of the Company's shares.

The directors of the Company are committed to enhance the value of the Company and its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

The repurchased transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia. The Company has the right to reissue or cancel these shares at a later date. As treasury shares, the rights attached as to voting, dividends and participation in other distribution are suspended.

There was no repurchase of the Company's issued ordinary shares, nor any resale, cancellation or distribution of treasury shares during the financial year.

24. RESERVES

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Share option reserves	–	1,554,074	–	1,554,074
Retained earnings	249,045,651	226,261,994	29,268,189	26,386,416
Total reserves	249,045,651	227,816,068	29,268,189	27,940,490

Share option reserves

The share option reserves represent the equity-settled share options granted to employees. This reserve is made-up of the cumulative value of services received from employees recorded on grant share options.

On 18 April 2017, ESOS of the Company has expired and consequently, the remaining share option reserves were transferred to retained earnings.

25. LOANS AND BORROWINGS

		Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Non-current					
Term loans	(a)	22,513,928	48,797,310	8,002,000	16,714,000
Sukuk Murabahah	(b)	400,641,295	419,079,632	–	–
Finance lease liabilities	(c)	5,595,187	1,494,489	–	–
		428,750,410	469,371,431	8,002,000	16,714,000
Current					
Term loans	(a)	26,517,368	25,739,239	8,835,670	8,895,403
Sukuk Murabahah	(b)	21,752,804	29,795,299	–	–
Finance lease liabilities	(c)	2,069,592	683,743	–	–
Bankers' acceptances	(d)	63,032,200	27,599,137	–	–
Revolving credits	(d)	87,728,839	93,913,656	–	–
Bank overdrafts	(d)	28,053,530	28,992,897	2,566,273	4,111,672
		229,154,333	206,723,971	11,401,943	13,007,075
Total loans and borrowings					
Term loans	(a)	49,031,296	74,536,549	16,837,670	25,609,403
Sukuk Murabahah	(b)	422,394,099	448,874,931	–	–
Finance lease liabilities	(c)	7,664,779	2,178,232	–	–
Bankers' acceptances	(d)	63,032,200	27,599,137	–	–
Revolving credits	(d)	87,728,839	93,913,656	–	–
Bank overdrafts	(d)	28,053,530	28,992,897	2,566,273	4,111,672
		657,904,743	676,095,402	19,403,943	29,721,075

25. LOANS AND BORROWINGS (CONTINUED)

(a) Term loans

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current				
- not later than one year	26,517,368	25,739,239	8,835,670	8,895,403
Non-current				
- later than one year but not later than two years	15,573,424	26,283,424	8,002,000	8,712,000
- later than two years but not later than five years	6,940,504	22,513,886	–	8,002,000
	22,513,928	48,797,310	8,002,000	16,714,000
	49,031,296	74,536,549	16,837,670	25,609,403

The term loans of the Group and of the Company are denominated in Ringgit Malaysia.

Term loan 1 of the Company of RM16,837,670 (2016: RM25,609,403) bears interest ranging from 8.20% to 8.29% (2016: 8.20% to 8.45%) per annum and is repayable by monthly instalments of RM726,000 over ten years commencing from the day of first drawdown and is secured as follows:

(i) Loan agreement and third party Deed of Assignment of a leasehold investment property of the Group as disclosed in Note 6 to the financial statements;

(ii) Corporate guarantee by a subsidiary company, Crest Builder Sdn. Bhd.;

(iii) Third party Deed of Assignment of rental proceeds from the property; and

(iv) Charge over the monies in the Debt Services Reserve Account as disclosed in Note 19 to the financial statements.

Term loan 2 of a subsidiary company of RM10,000,000 (2016: RM19,104,440) bears interest ranging from 6.18% to 6.45% (2016: 5.85% to 6.45%) per annum and is repayable by quarterly instalments of RM2,500,000 over two years commencing from 18 months after the first disbursement and is secured as follows:

(i) Legal charge under the National Land Code over the Project Land, i.e. Alam Sanjung Project and six retail units at Avenue Crest;

(ii) Charge and assignment over residual proceeds of the accounts set up pursuant to the Housing Development Account under Alam Sanjung Project;

(iii) Assignment of all rights, titles and benefits of the Company under the construction contract, insurance policies and performance bonds and assignment over proceeds and/or collections from the car park;

(iv) Corporate guarantee by the Company; and

(v) Legal charge and assignment over the Designated Accounts.

25. LOANS AND BORROWINGS (CONTINUED)

(a) Term loans (Continued)

Term loan 3 of a subsidiary company of RM22,193,626 (2016: RM29,822,706) bears interest ranging from 6.27% to 6.29% (2016: 6.24% to 6.53%) per annum and is repayable by monthly instalments of RM630,952 over seven years commencing from the day of first drawdown and is secured as follows:

(i) First party legal charge over investment property as disclosed in Note 6 to the financial statements;

(ii) Assignment by way of charge over all the interest, titles, rights and benefits to all insurance on the investment property;

(iii) Assignment by way of charge over all rents and other monies payables and all the subsidiary company's rights, remedies and benefits under the tenancies executed and/or to be executed in respect of the investment property;

(iv) A limited debenture by way of fixed and floating charge over the investment property;

(v) A first legal charge over the rental/car park proceeds account to be opened and maintained by the subsidiary company; and

(vi) Corporate guarantee by the Company.

(b) Sukuk Murabahah

On 12 December 2014, Unitapah Sdn. Bhd. issued a sukuk facility based on the Shariah principles of Murabahah via a Tawarruq arrangement ("Sukuk Murabahah") of RM510 million in nominal value. The remaining tenure of the sukuk ranges from 0.5 to 16.5 years (2016: 0.5 to 17.5 years) with profit rate of 5.90% to 7.65% (2016: 5.78% to 7.65%) per annum over nominal value.

	Group	
	2017	**2016**
	RM	**RM**
Current		
- not later than one year	21,752,804	29,795,299
Non-current		
- later than one year but not later than two years	21,972,391	24,623,685
- later than two years but not later than five years	67,149,069	72,702,110
- more than five years	311,519,835	321,753,837
	400,641,295	419,079,632
	422,394,099	448,874,931

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25. LOANS AND BORROWINGS (CONTINUED)

(b) Sukuk Murabahah (Continued)

The Sukuk Murabahah is secured by the following:

(i) Debenture evidencing a fixed and floating charge over a subsidiary company's present and future assets;

(ii) First ranking charge and assignment of the Designated Accounts and the credit balances therein; and

(iii) First ranking assignment of takaful policies, if any, in relation to the Concession Agreement with the Security Trustee designated as loss payee/mortgagee.

(c) Finance lease liabilities

Finance lease facilities bear interest rates ranging from 1.88% to 3.20% (2016: 2.38% to 3.20%) per annum.

	Group	
	2017 RM	2016 RM
Minimum finance lease liabilities:		
- not later than one year	2,457,111	796,822
- later than one year but not later than five years	6,046,341	1,656,556
	8,503,452	2,453,378
Less:		
Future finance charges	(838,673)	(275,146)
Present value of finance lease liabilities	7,664,779	2,178,232
Represented by:		
Current		
- not later than one year	2,069,592	683,743
Non-current		
- later than one year but not later than five years	5,595,187	1,494,489
	7,664,779	2,178,232

The finance lease liabilities of the Group are secured by the property, plant and equipment as disclosed in Note 5 to the financial statements.

25. LOANS AND BORROWINGS (CONTINUED)

(d) Bankers' acceptances, revolving credits and bank overdrafts

The other bank borrowings of the Group and of the Company are denominated in Ringgit Malaysia and bear interest rates ranging from 3.61% to 8.70% (2016: 3.58% to 8.45%) and 8.20% to 8.29% (2016: 8.20% to 8.45%) per annum respectively.

Other bank borrowings of the Group and of the Company are secured by:

(i) Legal charge over Project Land of Residensi Hijauan Project;

(ii) Facility agreement together with interest, commission and all other charges thereon;

(iii) Second ranking legal charge over Project Land of Alam Sanjung Project;

(iv) A first party second fixed charge over investment properties as disclosed in Note 6 to the financial statements;

(v) Supplement Agreement to extend the Assignment of Rental Proceeds executed between borrower and bank;

(vi) Second legal charge over the designated escrow account;

(vii) Corporate guarantee provided by the Company;

(viii) Specific debenture on the Residensi Hijauan Project; and

(ix) Any other securities as may be advised by the bank's solicitors.

26. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Non-current				
Trade payables				
Retention sums	16,940,196	6,374,297	–	–
Other payables				
Deferred income	–	6,771,370	–	–
Landowner's entitlement	10,610,972	–	–	–
	10,610,972	6,771,370	–	–
	27,551,168	13,145,667	–	–

26. TRADE AND OTHER PAYABLES (CONTINUED)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current				
Trade payables				
Trade payables	126,787,672	149,782,447	–	–
Retention sums	24,406,623	39,602,431	–	–
	151,194,295	189,384,878	–	–
Other payables				
Sundry payables	8,457,030	8,129,624	98,597	61,238
Landowner's entitlement	200,679,424	–	–	–
GST payable	1,118,398	1,458,651	–	–
Deposits received	3,626,789	3,640,457	–	–
Accruals	3,912,249	18,987,986	215,571	266,900
Deferred income	9,075,446	–	–	–
Deferred rental income	183,995	312,768	–	–
	227,053,331	32,529,486	314,168	328,138
	378,247,626	221,914,364	314,168	328,138
Total trade and other payables	405,798,794	235,060,031	314,168	328,138

(a) Deferred income

	Group	
	2017 RM	2016 RM
At 1 January	6,771,370	4,467,294
Additions	2,304,076	2,304,076
At 31 December	9,075,446	6,771,370

Deferred income relates to a fund contributed by a customer for the purpose of periodic major repairs or capital replacements for the Facilities and Infrastructure of UiTM Campus to be incurred in the following financial years. The deferred income is initially recognised in the consolidated statement of financial position at the fair value of consideration received. Deferred income is subsequently recognised in profit or loss upon rendering the services.

(b) Trade payables

The Group's normal trade credit terms granted ranging from 30 to 60 days (2016: 30 to 60 days).

26. TRADE AND OTHER PAYABLES (CONTINUED)

(c) Other payables

Landowner's entitlement represents cost payable for land development right pursuant to the Joint Land Development Agreement entered into with the landowner. Included in landowner's entitlement is an amount of RM14,017,396 (2016: RM Nil) to be settled in cash and is measured at amortised cost at imputed rate of 8.29% (2016: Nil) per annum.

Included in the accruals of the Group are:

(i) an amount of RM314,307 (2016: RM13,260,996) which relates to development costs of completed development projects; and

(ii) an amount of RM504,536 (2016: RM515,319) which relates to construction costs of investment properties.

27. REVENUE

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Construction revenue	322,763,781	169,805,137	–	–
Property development revenue	59,537,405	14,300,683	–	–
Sales of completed properties	52,867,470	33,718,732	–	–
Rental income from investment properties	15,449,915	15,954,394	–	–
Interest income	122,797	50,643	5,878,928	4,232,917
Income from short term investments	686,334	939,586	686,334	939,586
Dividend income	–	–	5,000,000	12,000,000
Finance income	37,608,778	38,290,437	–	–
Maintenance income	9,257,938	9,137,644	–	–
	498,294,418	282,197,256	11,565,262	17,172,503

28. COST OF SALES

	Group	
	2017 RM	**2016 RM**
Costs of construction contracts	297,469,302	152,190,270
Costs of property development	42,121,385	(326,914)
Costs of completed properties sold	28,538,329	17,405,033
Costs of maintenance of investment properties	6,479,213	6,369,945
Costs of maintenance of facilities and infrastructure	8,350,241	8,542,327
	382,958,470	184,180,661

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

29. FINANCE COSTS

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Bank overdrafts interest	1,677,939	1,950,864	236,018	298,391
Bankers' acceptances interest	2,642,804	881,587	–	–
Amortisation of discount on Sukuk Murabahah	3,519,168	3,798,885	–	–
Finance lease interest	398,191	37,094	–	–
Revolving credits interest	5,126,540	5,017,932	–	–
Sukuk Murabahah interest	26,869,304	28,352,538	–	–
Term loans interest	4,321,588	6,112,239	1,775,509	2,777,496
Others	–	270,955	–	–
	44,555,534	46,422,094	2,011,527	3,075,887

30. PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) to arrive at profit before tax:

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Allowance for impairment on trade receivables	3,002,835	–	–	–
Amortisation of discount on amount due from subsidiary companies	–	–	(344,109)	–
Auditors' remuneration				
- statutory audit:				
- current year	230,000	208,400	50,000	38,000
- (over)/under accrual in prior years	(5,400)	20,100	10,000	5,000
- non-audit services	99,300	44,100	68,200	13,200
Depreciation of property, plant and equipment (Note 5)	3,263,838	1,572,751	–	–
Effect of discounting on amount due from subsidiary companies	–	–	–	5,976,477
Employee benefits expenses (Note 34)	16,558,573	14,914,592	188,371	811,711
Gain on disposal of property, plant and equipment	(514,303)	(281,115)	–	–
Hire of plant and machineries	5,273,458	2,399,282	–	–
Income from short term investments	(149,482)	(663,115)	–	–
Interest income from banks	(2,905,317)	(2,644,756)	–	–
Property, plant and equipment written off	–	7,334	–	–
Rental expense	20,600	108,684	–	–
Reversal of allowance for impairment on:				
- trade receivables	(5,044,427)	–	–	–
- other receivables	(73,695)	–	–	–

31. INCOME TAX EXPENSE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Income tax				
- current year	8,594,091	5,767,589	1,029,008	468,405
- over accrual in prior years	(281,200)	(205,284)	(259,136)	(162,736)
	8,312,891	5,562,305	769,872	305,669
Deferred tax				
- current year	6,460,131	4,569,872	–	–
- (over)/under accrual in prior years	(552,819)	794,812	–	–
	5,907,312	5,364,684	–	–
	14,220,203	10,926,989	769,872	305,669

The income tax is calculated at the Malaysian statutory income tax rate of 24% (2016: 24%) of the estimated taxable profit for the financial year.

The reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit before tax	44,600,659	25,915,203	8,925,233	6,709,824
Tax at Malaysia statutory income tax rate of 24% (2016: 24%)	10,704,158	6,219,649	2,142,056	1,610,358
Tax effects arising from:				
- non-taxable income	(2,224,600)	(1,641,276)	(1,282,586)	(2,880,000)
- non-deductible expenses	6,574,664	5,759,088	169,538	1,738,047
- (over)/under accrual of current and deferred tax in prior years	(834,019)	589,528	(259,136)	(162,736)
Income tax expense	14,220,203	10,926,989	769,872	305,669

32. EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year, adjusted for treasury shares held.

	Group 2017 RM	Group 2016 RM
Profit attributable to owners of the Company (RM)	28,057,245	13,212,158
Number of shares in issue as of 1 January	170,691,557	173,363,657
Effect of purchase of treasury shares	–	(2,333,451)
Weighted average number of ordinary shares in issue	170,691,557	171,030,206
Basic earnings per share (sen)	16.44	7.73

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the treasury shares held, for the effects of dilutive potential ordinary shares from exercise of ESOS. The adjusted weighted average number of ordinary shares is the weighted average number of ordinary shares in issue during the financial year, adjusted for treasury shares held and plus the weighted average number of ordinary shares which would be issued on the full conversion of the outstanding ESOS into ordinary shares. The ESOS is deemed to have been converted into ordinary shares at the date of issue of the ESOS. No adjustment is made to the net profit for the calculation.

	Group 2017 RM	Group 2016 RM
Profit attributable to owners of the Company (RM)	28,057,245	13,212,158
Weighted average number of ordinary shares in issue	170,691,557	171,030,206
Adjustment for ESOS	–	*
Adjusted weighted average number of ordinary shares in issue and issuable	170,691,557	171,030,206
Diluted earnings per share (sen)	16.44	7.73

* *Not taken into account in the computation of diluted earnings per share because the effect is anti-dilutive.*

33. DIVIDENDS ON ORDINARY SHARES

	Group and Company	
	2017 RM	2016 RM
First and final 4.00 sen single tier dividend in respect of financial year ended 31 December 2016	6,827,662	–
First and final 4.00 sen single tier dividend in respect of financial year ended 31 December 2015	–	6,827,662
	6,827,662	6,827,662

At the forthcoming Annual General Meeting, a single tier first and final dividend of 4 sen per ordinary share based on the number of outstanding ordinary shares in issue (net of treasury shares) as at 31 December 2017 of 170,691,557 ordinary shares amounting to RM6,827,662 in respect of the current financial year ended 31 December 2017, will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

34. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Salaries, bonus, overtime and allowances	14,520,568	12,632,629	188,371	198,000
Defined contribution plan ("EPF")	1,583,629	1,362,144	–	–
Share options expenses	–	613,711	–	613,711
Other staff related expenses	454,376	306,108	–	–
	16,558,573	14,914,592	188,371	811,711

Included in employee benefits expenses are directors' remuneration as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Executive Directors (including Alternate Director)				
- Salaries and other emoluments (included estimated benefits-in-kind)	1,759,132	1,601,943	–	–
Non-Executive Directors				
- Fees	188,371	198,000	188,371	198,000
Total directors' remuneration	1,947,503	1,799,943	188,371	198,000

34. EMPLOYEE BENEFITS EXPENSES (CONTINUED)

The number of directors of the Company whose total remuneration are analysed into bands of RM50,000 is as follows:

	Number of Directors	
	2017	**2016**
	RM	**RM**
Executive Directors (including Alternate Director)		
Less than RM50,000	–	–
RM350,001 to RM400,000	–	–
RM400,001 to RM450,000	–	–
RM450,001 to RM500,000	–	1
RM500,001 to RM550,000	1	–
RM550,001 to RM600,000	–	2
RM600,001 to RM650,000	2	–
	3	3
Non-Executive Directors		
Less than RM50,000	5	4
Total	8	7

35. OPERATING LEASE ARRANGEMENTS

(a) The Group as lessee

The Group has entered into a tenancy agreement for the rental of land, resulting in future rental commitment which may, subject to certain terms in the agreement, be revised accordingly or upon its expiry based on prevailing market rates.

The Group leases a land under non-cancellable operating lease agreement. The Group is required to give a one-month notice for the termination of the agreement.

The future minimum rental payable under the non-cancellable operating lease at the reporting date is as follows:

	Group	
	2017	**2016**
	RM	**RM**
Not later than one year	116,615	110,014

35. OPERATING LEASE ARRANGEMENTS (CONTINUED)

(b) The Group as lessor

The Group has entered into non-cancellable operating lease agreements on its investment properties portfolio. These leases have remaining non-cancellable lease terms of between one to eight years.

The future minimum rental receivable under non-cancellable operating lease contracted for as at the end of the reporting period but not recognised as receivables are as follows:

	Group	
	2017 RM	2016 RM
Not later than one year	11,616,188	11,322,471
Later than one year but not later than five years	33,343,702	34,365,097
More than five years	2,507,223	3,724,419
	47,467,113	49,411,987

A few operating lease arrangements are bearing an option to renew for the subsequent one to three years after the contract period.

36. RELATED PARTIES

(a) Identification of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

In general, related parties of the Group include:

(i) Subsidiary companies;
(ii) Companies in which directors of the Company have interest;
(iii) Corporate shareholders of subsidiary companies; and
(iv) Key management personnel comprise persons (including the directors of the Company) who have the authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

36. RELATED PARTIES (CONTINUED)

(b) Significant related party transactions and balances

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Transactions with:				
Subsidiary companies				
Dividends received/receivable	–	–	5,000,000	12,000,000
Interest income received/receivable	–	–	5,756,131	4,182,274
Companies in which directors of the Company have interest				
Rental received/receivable	24,000	24,000	–	–
Reversal of allowance for impairment on trade receivables	4,800,000	–	–	–

Significant outstanding balances with related parties at the end of the reporting period are as disclosed in Note 13 and Note 14 to the financial statements.

(c) Key management personnel remuneration

The remuneration of the key management personnel during the financial year is as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Directors of the Company and subsidiary companies				
Directors' fees	188,371	198,000	188,371	198,000
Short-term employment benefits (included estimated benefits-in-kind)	3,051,482	2,123,767	–	–
Defined contribution plan ("EPF")	283,305	178,020	–	–
	3,523,158	2,499,787	188,371	198,000

Executive Directors of the Group and of the Company (included Alternate Director) and other members of key management have been granted the following number of options under CBHB – ESOS:

	Group and Company	
	2017 RM	2016 RM
At 1 January	2,000,000	2,000,000
Lapsed	(2,000,000)	–
At 31 December	–	2,000,000

37. SEGMENT REPORTING

The information reported to the Chairperson of Group Executive Committee, as the Group's chief operating decision maker, in making decisions to allocate resources to segments and to assess their performance is based on the nature of the industry (business segments) of the Group.

Measurement of reportable segments

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements.

Segment statements of comprehensive income are profit earned or loss incurred by each segment with allocation of central administrative costs, non-operating investment revenue, finance costs, tax expense and other non-cash expenses. There are no significant changes from previous financial year in the measurement methods used to determine reported segment statements of comprehensive income.

There are varying levels of integration among Investment holding segment with Construction segment and Property development segment. This integration includes rental of properties, corporate support and provision of construction, mechanical and electrical engineering services. Inter-segment pricing is determined on a negotiated basis.

All the Group's assets are allocated to reportable segments.

All the Group's liabilities are allocated to reportable segments.

Business segments

For management purposes, the Group is organised into business units based on their products and services provided. The Group is organised into four main business segments as follows:

(a) Construction – general construction, mechanical and electrical engineering services;

(b) Concession arrangement – construction and maintenance of facilities and infrastructure;

(c) Investment holding – investment in shares, properties and other investment activities; and

(d) Property development – development of residential and commercial properties.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

Geographical segments

No information is prepared on the geographical segment as the Group principally operates within Malaysia.

37. SEGMENT REPORTING (CONTINUED)

2017	Construction RM	Concession arrangement RM	Investment holding RM	Property development RM	Adjustments and eliminations RM	Note	Group RM
Revenue							
External customer	322,763,781	46,866,716	16,259,046	112,404,875	–		498,294,418
Inter-segment revenue	107,760,653	–	11,924,181	–	(119,684,834)	(a)	–
Total revenue	430,524,434	46,866,716	28,183,227	112,404,875	(119,684,834)		498,294,418
Results							
Segment results	28,047,016	39,191,635	24,729,058	11,159,953	(16,392,020)	(b)	86,735,642
Depreciation of property, plant and equipment	(2,130,269)	–	(145,950)	(1,220,085)	232,466	(b)	(3,263,838)
Finance costs	(7,041,484)	(31,738,472)	(8,180,070)	(3,574,506)	5,978,998	(b)	(44,555,534)
Gain on disposal of property, plant and equipment	514,303	–	–	–	–		514,303
Allowance for impairment on trade receivables	(2,790,000)	–	(212,835)	–	–		(3,002,835)
Interest income from banks	66	2,580,382	887	323,982	–		2,905,317
Income from short term investments	147,125	–	2,357	–	–		149,482
Reversal of allowance for impairment on:							
- trade receivables	5,039,027	–	5,400	–	–		5,044,427
- other receivables	73,695	–	–	–	–		73,695
Income tax expense	(4,936,740)	(2,343,076)	(2,919,950)	(2,059,557)	(1,960,880)	(b)	(14,220,203)
Consolidated profit for the financial year							30,380,456

37. SEGMENT REPORTING (CONTINUED)

2017	Construction RM	Concession arrangement RM	Investment holding RM	Property development RM	Adjustments and eliminations RM	Note	Group RM
Assets							
Segment assets	383,646,308	516,911,919	693,656,397	513,612,134	(626,863,921)	(c)	1,480,962,837
Golf club membership	54,000	–	–	–	–		54,000
Goodwill	33,561,766	–	32,988	13,383	–		33,608,137
Deferred tax assets	–	–	–	499,657	5,843,625	(c)	6,343,282
Current tax assets	3,371,789	–	299,554	1,330,666	–		5,002,009
Total assets	420,633,863	516,911,919	693,988,939	515,455,840	(621,020,296)		1,525,970,265
Liabilities							
Segment liabilities	182,640,954	10,795,599	243,755,998	405,760,851	(432,420,582)	(d)	410,532,820
Loans and borrowings	119,080,872	467,394,099	81,326,347	35,103,425	(45,000,000)	(d)	657,904,743
Deferred tax liabilities	61,676	9,516,689	7,072,655	67,850	–		16,718,870
Current tax liabilities	160,539	93,992	206,653	–	–		461,184
Total liabilities	301,944,041	487,800,379	332,361,653	440,932,126	(477,420,582)		1,085,617,617

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

37. SEGMENT REPORTING (CONTINUED)

2016	Construction RM	Concession arrangement RM	Investment holding RM	Property development RM	Adjustments and eliminations RM	Note	Group RM
Revenue							
External customer	169,805,137	47,428,081	16,944,623	48,019,415	–		282,197,256
Inter-segment revenue	47,783,715	–	16,829,097	–	(64,612,812)	(a)	–
Total revenue	217,588,852	47,428,081	33,773,720	48,019,415	(64,612,812)		282,197,256
Results							
Segment results	10,578,651	38,073,916	24,007,403	14,771,440	(16,489,303)	(b)	70,942,107
Depreciation of property, plant and equipment	(654,173)	(878)	(159,883)	(948,902)	191,085	(b)	(1,572,751)
Finance costs	(4,823,989)	(33,501,424)	(7,820,896)	(2,724,144)	2,448,359	(b)	(46,422,094)
Gain on disposal of property, plant and equipment	281,115	–	–	–	–		281,115
Property, plant and equipment written off	(7,334)	–	–	–	–		(7,334)
Share options expenses	–	–	(613,711)	–	–		(613,711)
Interest income from banks	80	2,621,754	1,682	21,240	–		2,644,756
Income from short term investments	660,837	–	2,278	–	–		663,115
Income tax expense	(2,437,423)	(3,302,457)	(1,349,395)	(2,659,745)	(1,177,969)	(b)	(10,926,989)
Consolidated profit for the financial year							14,988,214

37. SEGMENT REPORTING (CONTINUED)

2016	Construction RM	Concession arrangement RM	Investment holding RM	Property development RM	Adjustments and eliminations RM	Note	Group RM
Assets							
Segment assets	336,515,245	534,468,514	686,668,641	297,679,389	(563,407,385)	(c)	1,291,924,404
Golf club membership	54,000	–	–	–	–		54,000
Goodwill	33,561,766	–	32,988	13,383	–		33,608,137
Deferred tax assets	1,062,996	–	–	253,802	8,128,505	(c)	9,445,303
Current tax assets	4,825,360	–	868,568	3,107,008	–		8,800,936
Total assets	376,019,367	534,468,514	687,570,197	301,053,582	(555,278,880)		1,343,832,780
Liabilities							
Segment liabilities	212,587,389	11,278,856	227,387,975	168,255,957	(383,219,901)	(d)	236,290,276
Loans and borrowings	67,951,453	448,874,931	98,800,023	60,468,995	–		676,095,402
Deferred tax liabilities	–	7,789,735	6,043,438	80,406	–		13,913,579
Current tax liabilities	218,841	103,921	157,312	–	324,000	(d)	804,074
Total liabilities	280,757,683	468,047,443	332,388,748	228,805,358	(382,895,901)		927,103,331

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

37. SEGMENT REPORTING (CONTINUED)

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

(a) Inter-segment revenue are eliminated on consolidation;

(b) Inter-segment transactions are eliminated on consolidation;

(c) Inter-segment assets are eliminated on consolidation; and

(d) Inter-segment liabilities are eliminated on consolidation.

Information about major customers

The following are major customers with revenue equal or more than 10% of the Group's total revenue:

	Revenue 2017 RM	Revenue 2016 RM	Segment
Customer A	93,771,007	67,819,953	Construction
Customer B	144,411,318	45,686,745	Construction
Customer C	66,121,283	–	Construction
Customer D	–	47,428,081	Concession arrangement

38. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 to the financial statements describe how classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised.

38. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Classification of financial instruments (Continued)

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

Group	Loans and receivables RM	Fair value through profit or loss RM	Other financial liabilities RM	Total RM
2017				
Financial assets				
Operating financial asset	313,988,631	–	–	313,988,631
Trade and other receivables *	245,541,828	–	–	245,541,828
Amount due from contract customers	81,682,686	–	–	81,682,686
Short term investments	–	20,356,336	–	20,356,336
Fixed deposits placed with licensed banks	71,475,930	–	–	71,475,930
Cash and bank balances	22,165,775	–	–	22,165,775
	734,854,850	20,356,336	–	755,211,186
Financial liabilities				
Trade and other payables #	–	–	198,147,955	198,147,955
Finance lease liabilities	–	–	7,664,779	7,664,779
Bankers' acceptances	–	–	63,032,200	63,032,200
Term loans	–	–	49,031,296	49,031,296
Revolving credits	–	–	87,728,839	87,728,839
Bank overdrafts	–	–	28,053,530	28,053,530
Sukuk Murabahah	–	–	422,394,099	422,394,099
	–	–	856,052,698	856,052,698

38. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Classification of financial instruments (Continued)

Group	Loans and receivables RM	Fair value through profit or loss RM	Other financial liabilities RM	Total RM
2016				
Financial assets				
Operating financial asset	320,116,772	–	–	320,116,772
Trade and other receivables *	290,072,653	–	–	290,072,653
Amount due from contract customers	41,927,223	–	–	41,927,223
Short term investments	–	28,020,520	–	28,020,520
Fixed deposits placed with licensed banks	83,309,309	–	–	83,309,309
Cash and bank balances	10,807,466	–	–	10,807,466
	746,233,423	28,020,520	–	774,253,943
Financial liabilities				
Trade and other payables #	–	–	226,517,242	226,517,242
Finance lease liabilities	–	–	2,178,232	2,178,232
Bankers' acceptances	–	–	27,599,137	27,599,137
Term loans	–	–	74,536,549	74,536,549
Revolving credits	–	–	93,913,656	93,913,656
Bank overdrafts	–	–	28,992,897	28,992,897
Sukuk Murabahah	–	–	448,874,931	448,874,931
	–	–	902,612,644	902,612,644

* *exclude advances made to suppliers and sub-contractors, prepayments and GST refundable*

\# *exclude deferred income, deferred rental income, GST payable and landowner's entitlement*

38. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Classification of financial instruments (Continued)

Company	Loans and receivables RM	Fair value through profit or loss RM	Other financial liabilities RM	Total RM
2017				
Financial assets				
Amount due from subsidiary companies	148,478,017	–	–	148,478,017
Short term investments	–	18,787,117	–	18,787,117
Fixed deposits placed with licensed banks	2,999,860	–	–	2,999,860
Cash and bank balances	115,012	–	–	115,012
	151,592,889	18,787,117	–	170,380,006
Financial liabilities				
Amount due to subsidiary companies	–	–	52,554,352	52,554,352
Other payables	–	–	314,168	314,168
Term loan	–	–	16,837,670	16,837,670
Bank overdraft	–	–	2,566,273	2,566,273
	–	–	72,272,463	72,272,463
2016				
Financial assets				
Amount due from subsidiary companies	150,457,750	–	–	150,457,750
Short term investments	–	20,100,783	–	20,100,783
Fixed deposits placed with licensed banks	2,925,380	–	–	2,925,380
Cash and bank balances	115,075	–	–	115,075
	153,498,205	20,100,783	–	173,598,988
Financial liabilities				
Amount due to subsidiary companies	–	–	38,239,645	38,239,645
Other payables	–	–	328,138	328,138
Term loan	–	–	25,609,403	25,609,403
Bank overdraft	–	–	4,111,672	4,111,672
	–	–	68,288,858	68,288,858

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management

The Group and the Company seek to manage effectively the various risks namely credit risk, liquidity risk and interest rate risk, to which the Group and the Company are exposed to in their daily operations. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders.

The Group's and the Company's exposure to the financial risks and the objectives, policies and processes put in place to manage these risks are discussed below:

(i) Credit risk

Credit risk is the risk of financial loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group's exposure to credit risk primarily arises from its operating financial asset and trade and other receivables while the Company's exposure to credit risk primarily arises from amount due from subsidiary companies. The maximum risk associated with recognised financial assets are the carrying amounts as presented in the statements of financial position.

Credit risk of the Group is controlled by the application of credit approvals, limits and monitoring procedures. Credit risk is minimised and monitored strictly by limiting the Group's association to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 13 to the financial statements. Fixed deposits placed with licensed banks are placed with reputable licensed financial institutions.

Financial assets that are past due but not impaired

Information regarding trade receivables that are past due but not impaired is disclosed in Note 13 to the financial statements.

<u>Credit risk concentration profile</u>

The Group determines the credit risk concentration of its operating financial asset, trade receivables, retention sums and accrued billings in respect of property development by segment on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	Group			
	2017 RM	**%**	**2016 RM**	**%**
Construction	130,881,904	27%	176,682,108	33%
Concession arrangement	315,167,351	65%	321,076,806	61%
Others	40,121,195	8%	29,754,217	6%
	486,170,450	100%	527,513,131	100%

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit risk (Continued)

Related company balances

The Company provides advances to subsidiary companies. The maximum exposure to credit risk is represented by its carrying amounts as disclosed in Note 14 in the statement of financial position as at the end of the financial year.

As at the end of the reporting period, there was no indication that the advances to subsidiary companies are not recoverable. The Company monitors the results of the subsidiary companies in determining the recoverability of intercompany balances.

Financial guarantees

The Company provides secured corporate guarantees to banks in respect of banking facilities provided to subsidiary companies.

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of loans granted to certain subsidiary companies. The Company monitors the results of the subsidiary companies and their repayment on an ongoing basis. The maximum exposure to credit risk amounting to RM254,646,285 (2016: RM248,484,759) which representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 38(b)(ii) to the financial statements. As at the reporting date, there was no indication that the subsidiary companies would default on repayment.

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

(ii) Liquidity risk

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

The Group and the Company manage their operating cash flows by maintaining sufficient level of cash to meet their working capital requirements and availability of funding through an adequate amount of credit facilities.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(ii) Liquidity risk (Continued)

Maturity analysis

The maturity profile of the Group's and the Company's financial liabilities by their relevant maturity at the end of the reporting period based on contractual undiscounted repayment obligations are as follows:

Group	Carrying amount RM	Contractual undiscounted cash flows RM	On demand or within one year RM	One to five years RM	Over five years RM
2017					
Financial liabilities					
Trade and other payables #	198,147,955	200,241,920	171,416,311	28,825,609	–
Finance lease liabilities	7,664,779	8,503,452	2,457,111	6,046,341	–
Bankers' acceptances	63,032,200	63,032,200	63,032,200	–	–
Term loans	49,031,296	52,843,092	28,994,272	23,848,820	–
Revolving credits	87,728,839	87,728,839	87,728,839	–	–
Bank overdrafts	28,053,530	28,053,530	28,053,530	–	–
Sukuk Murabahah	422,394,099	689,150,000	50,499,000	189,472,000	449,179,000
	856,052,698	1,129,553,033	432,181,263	248,192,770	449,179,000
2016					
Financial liabilities					
Trade and other payables #	226,517,242	226,753,722	220,142,945	6,610,777	–
Finance lease liabilities	2,178,232	2,453,378	796,822	1,656,556	–
Bankers' acceptances	27,599,137	27,599,137	27,599,137	–	–
Term loans	74,536,549	82,602,478	29,825,005	52,777,473	–
Revolving credits	93,913,656	93,913,656	93,913,656	–	–
Bank overdrafts	28,992,897	28,992,897	28,992,897	–	–
Sukuk Murabahah	448,874,931	746,101,000	56,951,000	194,456,500	494,693,500
	902,612,644	1,208,416,268	458,221,462	255,501,306	494,693,500

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(ii) Liquidity risk (Continued)

Maturity analysis (Continued)

The maturity profile of the Group's and the Company's financial liabilities by their relevant maturity at the end of the reporting period based on contractual undiscounted repayment obligations are as follows (Continued):

Company	Carrying amount RM	Contractual undiscounted cash flows RM	On demand or within one year RM	One to five years RM	Over five years RM
2017					
Financial liabilities					
Other payables	314,168	314,168	314,168	–	–
Term loan	16,837,670	18,205,456	9,814,684	8,390,772	–
Bank overdraft	2,566,273	2,566,273	2,566,273	–	–
Amount due to subsidiary companies	52,554,352	52,554,352	52,554,352	–	–
Financial guarantee contracts	–	254,646,285	254,646,285	–	–
	72,272,463	328,286,534	319,895,762	8,390,772	–
2016					
Financial liabilities					
Other payables	328,138	328,138	328,138	–	–
Term loan	25,609,403	28,738,858	10,533,403	18,205,455	–
Bank overdraft	4,111,672	4,111,672	4,111,672	–	–
Amount due to subsidiary companies	38,239,645	38,239,645	38,239,645	–	–
Financial guarantee contracts	–	248,484,759	248,484,759	–	–
	68,288,858	319,903,072	301,697,617	18,205,455	–

exclude deferred income, deferred rental income, GST payable and landowner's entitlement

(iii) Interest rate risk

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

The Group's and the Company's primary interest rate risk relate to floating interest-bearing financial instruments which include bank overdrafts, other bank borrowings and term loans. The investments in financial assets are mainly short-term in nature and have been mostly placed in unit trust funds and fixed deposits which yield better returns than cash at bank.

The Group and the Company actively review their debt portfolio, taking into account the investment holding period and nature of their assets.

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(iii) Interest rate risk (Continued)

This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes. As at 31 December 2017, the Group and the Company have not entered into any hedging instruments arrangement to minimise their exposure to interest rate volatility.

Sensitivity analysis for interest rate risk

If the interest rate had been 50 (2016: 50) basis point higher/lower and all other variables held constant, the Group's profit for the financial year ended 31 December 2017 would decrease/increase by RM2,151,075 (2016: RM2,146,109) and the Company's profit for the financial year ended 31 December 2017 would increase/decrease by RM9,056 (2016: decrease/increase by RM25,441) respectively as a result of exposure to floating rate fixed deposits placed with licensed banks, short term investments and loans and borrowings.

(c) Fair value measurement

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of current financial assets and financial liabilities are reasonable approximate to their fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date. Other long term financial assets and liabilities are reasonable approximation of fair value because they are floating rate instruments which are re-priced to market interest rates or estimated by discounting future cash flows using current lending rates for similar types of arrangements.

Fair value hierarchy

Policy on transfer between levels

The fair value of asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

During the financial year ended 31 December 2017 and 31 December 2016, there was no transfer between the fair value measurement hierarchy.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable:

(i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Transfer between Level 1 and Level 2

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2016: no transfer in either directions).

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

38. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement (Continued)

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

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Total fair value RM	Carrying amount RM
2017										
Financial asset										
Operating financial asset	–	–	–	–	–	–	313,988,631	313,988,631	313,988,631	313,988,631
Financial liability										
Sukuk Murabahah	–	–	–	–	–	–	422,394,099	422,394,099	422,394,099	422,394,099
2016										
Financial asset										
Operating financial asset	–	–	–	–	–	–	320,116,772	320,116,772	320,116,772	320,116,772
Financial liability										
Sukuk Murabahah	–	–	–	–	–	–	448,874,931	448,874,931	448,874,931	448,874,931

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

38. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement (Continued)

Financial instruments not carried at fair value

Type	Valuation technique	Significant unobservable data	Inter-relationship between significant unobservable inputs and fair value measurement
Operating financial asset	Discounted cash flows	Not applicable	Not applicable
Sukuk Murabahah	Discounted cash flows	Not applicable	Not applicable

Valuation processes applied by the Group for Level 3 fair value

The Group has an established control framework in respect to the measurement of fair values of financial instruments. The management has overall responsibility for overseeing all significant fair value measurement, including Level 3 fair values, and reports directly to the Executive Director. The valuation team regularly reviews significant unobservable inputs and valuation adjustments.

39. CAPITAL COMMITMENT

	Group 2017 RM	Group 2016 RM
Contracted but not provided for:		
- contractual commitment for acquisition of land development rights ^	530,454,889	744,047,293

^ *The gross contractual commitment for the acquisition of land development rights is RM547,852,486 (2016: RM767,961,846). After taking into consideration the deposits paid of RM17,397,597 (2016: RM23,914,553), the net contractual commitment is RM530,454,889 (2016: RM744,047,293).*

40. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a strong credit rating and healthy capital ratio 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 their 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 and processes during the financial years ended 31 December 2017 and 31 December 2016.

The Group and the Company monitor capital using a gearing ratio, which is net debts divided by total capital plus net debts. Net debts comprise loans and borrowings less cash and bank balances whilst total capital is the shareholders' funds of the Group and of the Company.

40. CAPITAL MANAGEMENT (CONTINUED)

The gearing ratio for the Group and for the Company as at 31 December 2017 and 31 December 2016 are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Loans and borrowings	657,904,743	676,095,402	19,403,943	29,721,075
Less:				
Short term investments	(20,356,336)	(28,020,520)	(18,787,117)	(20,100,783)
Fixed deposits placed with licensed banks	(71,475,930)	(83,309,309)	(2,999,860)	(2,925,380)
Cash and bank balances	(22,165,775)	(10,807,466)	(115,012)	(115,075)
Net debts	543,906,702	553,958,107	(2,498,046)	6,579,837
Equity	440,352,648	416,729,449	204,663,701	203,336,002
Total equity plus net debts	984,259,350	970,687,556	202,165,655	209,915,839
Gearing ratio	0.55	0.57	not meaningful	0.03

The Group and certain subsidiary companies are required to comply with certain debt to equity ratio, interest coverage ratio and Finance Service Cover Ratio in respect of the loans and borrowings.

Gearing ratios are not governed by Financial Reporting Standards and their definitions and calculations may vary between reporting entities.

STATEMENT **BY DIRECTORS**

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

We, **TENGKU DATO' SULAIMAN SHAH BIN TENGKU ABDUL JALIL SHAH** and **YONG SHANG MING**, being two of the directors of **CREST BUILDER HOLDINGS BERHAD**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 48 to 141 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 financial year then ended.

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

TENGKU DATO' SULAIMAN SHAH BIN TENGKU ABDUL JALIL SHAH
Director

YONG SHANG MING
Director

Kuala Lumpur

Date: 17 April 2018

STATUTORY **DECLARATION**

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

I, **CHONG SUN CHOI**, being the officer primarily responsible for the financial management of **CREST BUILDER HOLDINGS BERHAD**, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 48 to 141 are 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.

CHONG SUN CHOI
Officer
MIA Membership No.: CA 30642

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 17 April 2018.

Before me,

Commissioner for Oaths

INDEPENDENT
AUDITORS' REPORT
TO THE MEMBERS OF CREST BUILDER HOLDINGS BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Crest Builder Holdings Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 48 to 141.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and cash flows for the financial 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 financial 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. We have determined the matters below to be the key audit matters to be communicated in our report.

Group

Investment properties (Note 4.1 and Note 6 to the financial statements)

Risk:

The Group's investment properties are measured at fair value subsequent to their initial recognition. The directors estimated the fair value of the investment properties based on the market valuation performed by an external independent valuer. We focused on this area because the valuation requires significant judgement in determining the appropriate valuation methods and the key assumptions used in the valuations.

Our audit response:

Our audit procedures included, among others:
- evaluating the competence, capabilities and objectivity of the external valuer which included consideration of their qualifications and experience;
- understanding the scope and purpose of the valuation by assessing whether any matters that might have affected their objectivity or limited the scope of their work;
- reading the valuation reports for significant properties and discussing with external valuer on their valuation approach and the significant judgements they made, including the selection of comparable properties and adjustments for differences in key attributes made to the transacted value of comparable properties; and
- assessing the valuation approach used and appropriateness of the key assumptions based on our knowledge of the property industry.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CREST BUILDER HOLDINGS BERHAD (cont'd)

Key Audit Matters (Continued)

Group (Continued)

Trade receivables and amount due from contract customers (Note 4.3, Note 13 and Note 17 to the financial statements)

Risk:

The Group has significant trade receivables and amount due from contract customers as at 31 December 2017 which include certain amounts which are long outstanding and/or in legal disputes. We focused on this area because the directors made significant judgements in determining whether there is objective evidence of impairment by considering factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments or outcome of legal disputes, and in estimating the amount and timing of future cash flows. The trade receivables and amount due from contract customers are monitored individually by the directors and therefore the impairment is assessed based on knowledge of each individual debtor.

Our audit response:

Our audit procedures included, among others:
- developing an understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports prepared by management;
- obtaining confirmation of balances from selected receivables;
- where necessary, reading legal opinion obtained for receivables under disputes; and
- reviewing subsequent receipts, customer correspondence, and considering level of activity with the customer and management explanation on recoverability with significantly past due balances.

Revenue and corresponding costs recognition for construction and property development activities (Note 4.4, Note 27 and Note 28 to the financial statements)

Risk:

The amount of revenue and corresponding costs of the Group's construction and property development activities is recognised based on the stage of completion method. The stage of completion is determined by reference to costs incurred for works performed to date bear to the estimated total costs for each project. We focused on this area because significant directors' judgement is required, in particular with regards to determining the stage of completion, the extent of the construction and property development costs incurred, the estimated total construction contracts and property development revenue and costs, as well as the recoverability of the construction contracts and development projects. The estimated total revenue and costs are affected by a variety of uncertainties that depend of the outcome of future events.

Our audit response:

Our audit procedures on a sample of major projects included, among others:
- understanding the Group's process in preparing project budget and the calculation of the stage of completion;
- comparing directors' major assumptions to contractual terms, our understanding gathered from the analysis of changes in the assumptions from previous financial year and discussing with project manager;
- assessing the reasonableness of computed stage of completion for identified projects against architect or consultant certificate; and
- checking the mathematical computation of recognised revenue and corresponding costs for the projects during the financial year.

Company

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to be communicated in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the 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.

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.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CREST BUILDER HOLDINGS BERHAD
(cont'd)

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

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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 financial 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 contents of this report.

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Lee Kong Weng
No: 02967/07/2019 J
Chartered Accountant

Kuala Lumpur

Date: 17 April 2018

LIST OF **PROPERTIES**

Location	Tenure	Approx. Area / Built-up	Description	Year of Expiry	Fair Value / Carrying Amount @ 31.12.17 (RM)	Approx. Age of Building (years)	Date of Valuation / Acquisition
Lot 60, Seksyen 45, Bandar and Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur	Leasehold	11,008 sq metres	Land use right for development of a single 44-storey integrated mixed development tower	2113	217,807,352	–	2017
Tierra Crest, Jalan SS6/3, 47301 Petaling Jaya, Selangor Darul Ehsan	Freehold	280,549 sq ft	A commercial complex - 2 blocks of office building & parking bays	–	158,000,000	5	2017
The Crest, 3 Two Square, No. 2, Jalan 19/1, Petaling Jaya, 46300 Selangor Darul Ehsan	Leasehold	150,522 sq ft	16-storey office block, shops & parking bays	2106	127,000,000	11	2017
Avenue Crest, No. 2A, Jalan Jubli Perak, 22/1 Seksyen 22, 40150 Shah Alam	Freehold	29,210 sq ft	Retail lots & car parks	–	31,000,000	4	2017
GM 1059 Lot No.1863, Mukim Batu, Daerah Kuala Lumpur	Freehold	2.93 acres	Cultivation land	–	6,200,000	–	2004
No. Hakmilik 0244869, Lot No. 0034701, Mukim Damansara, Daerah Petaling, Selangor Darul Ehsan	Freehold	7.14 acres	Residential land	–	7,547,626	–	2005
H.S. (D) 46981, Lot No. 11073, Mukim Sg. Buloh, Daerah Petaling, Negeri Selangor	Freehold	9,612 sq ft	3-storey shop office/office	–	3,800,000	17	2017
No. 28 & 30, Jalan SS 24/13, Taman Megah, 47301 Petaling Jaya, Selangor Darul Ehsan	Freehold	12,939 sq ft	2 units of 3-storey shop office/office	–	3,360,903	21	2002
P.N 19970 (Old title H.S. (D) 44166) P.T. No. 16311, Mukim Setapak, Daerah Wilayah Persekutuan, Negeri Wilayah Persekutuan	Leasehold	4,200 sq ft	3-storey shop office/office	2075	1,000,000	32	2017

ANALYSIS OF SHAREHOLDINGS
AS AT 13 APRIL 2018

Issued and paid-up share capital	:	RM176,921,657
Adjusted issued and paid-up share capital	:	RM170,691,557 (excluding 6,230,100 treasury shares)
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share

ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 13 APRIL 2018

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	2,159	31.99	105,244	0.06
100 to 1,000	1,938	28.72	723,844	0.42
1,001 to 10,000	1,754	25.99	8,936,350	5.24
10,001 to 100,000	781	11.57	24,806,369	14.53
100,001 to less than 5% of issued shares	115	1.72	77,497,750	45.41
5% and above of issued shares	1	0.01	58,622,000	34.34
Total	6,748	100.00	170,691,557	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 13 APRIL 2018
(In accordance with the Register maintained pursuant to Section 144(1) of the Companies Act 2016)

	Direct Interest		Indirect Interest	
Name	No. of Shares	%	No. of Shares	%
SC Yong Holdings Sdn Bhd	66,622,000	39.03	–	–
Koh Hua Lan	–	–	66,622,000	39.03
Yong Shang Ming	–	–	66,622,000	39.03
Yong Tiok Chin	–	–	66,622,000	39.03
Yong Tiok Keng	–	–	66,622,000	39.03
Yong Tiok Nee	–	–	66,622,000	39.03

THIRTY LARGEST SHAREHOLDERS AS AT 13 APRIL 2018
(without aggregating securities from different securities accounts belonging to the same person)

No.	Name of Shareholders	No. of Shares	%
1	SC Yong Holdings Sdn. Bhd.	58,622,000	34.34
2	Kenanga Nominees (Tempatan) Sdn. Bhd. SC Yong Holdings Sdn. Bhd.	8,000,000	4.69
3	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Sri Rahayu Binti Tajuddin	4,000,000	2.34
4	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt An for DBS Bank Ltd. (SFS)	3,690,000	2.16
5	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LPF)	3,470,300	2.03
6	Cimsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Siow Wong Yen @ Siow Kwang Hwa	3,341,000	1.96
7	Mercsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Len Min Sin	3,339,300	1.96
8	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LBF)	3,091,739	1.81

ANALYSIS OF SHAREHOLDINGS
AS AT 13 APRIL 2018
(cont'd)

THIRTY LARGEST SHAREHOLDERS AS AT 13 APRIL 2018 (CONTINUED)
(without aggregating securities from different securities accounts belonging to the same person)

No.	Name of Shareholders	No. of Shares	%
9	Amanahraya Trustees Berhad Public Smallcap Fund	3,064,200	1.80
10	Maybank Nominees (Asing) Sdn. Bhd. Pledged Securities Account for San Tuan Sam	2,797,200	1.64
11	Mercsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Siow Wong Yen @ Siow Kwang Hwa	2,477,200	1.45
12	Lim Khuan Eng	2,280,000	1.34
13	Cimsec Nominees (Tempatan) Sdn. Bhd. CIMB for Lim Han Weng	2,124,900	1.24
14	Amanahraya Trustees Berhad Public Strategic Smallcap fund	1,841,800	1.08
15	Amanahraya Trustees Berhad Public Ittikal Sequel Fund	1,802,900	1.06
16	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Noor Asiah Mahmood	1,750,000	1.03
17	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for United Asean Discovery Fund	1,696,200	0.99
18	Tekad Maju Sdn. Bhd.	1,600,000	0.94
19	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chow Soong Ming	1,266,890	0.74
20	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Obata-Ambak Holdings Sdn. Bhd.	1,250,000	0.73
21	Koperasi Permodalan Felda Malaysia Berhad	1,100,000	0.64
22	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lim Han Weng	887,100	0.52
23	Maybank Nominees (Tempatan) Sdn. Bhd. Ng Hau Ching	836,100	0.49
24	Cimsec Nominees (Tempatan) Sdn. Bhd. CIMB for General Technology Sdn. Bhd.	833,000	0.49
25	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Khoo Ter Kern @ Stanley Khoo	830,000	0.49
26	UOBM Nominees (Tempatan) Sdn. Bhd. UOB Asset Management (Malaysia) Berhad	820,000	0.48
27	Malacca Equity Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ng Aik Wei	695,000	0.41
28	Chai Min Hing	532,000	0.31
29	Lim Jit Hai	468,600	0.27
30	Maybank Securities Nominees (Asing) Sdn. Bhd. Maybank Kim Eng Securities Pte. Ltd. for Chumpon Chantharakulpongsa @ Chan Teik Chuan	439,000	0.26
		118,946,429	**69.69**

ANALYSIS OF SHAREHOLDINGS
AS AT 13 APRIL 2018
(cont'd)

STATEMENT OF DIRECTORS' INTERESTS IN SHARES IN THE COMPANY AS AT 13 APRIL 2018

DIRECTORS' SHAREHOLDINGS
(In accordance with the Register maintained pursuant to Section 59 of the Companies Act 2016)

	Direct Interest		Indirect Interest	
Name	No. of Shares	%	No. of Shares	%
Tengku Dato' Sulaiman Shah Bin Tengku Abdul Jalil Shah	–	–	–	–
Koh Hua Lan	–	–	66,622,000	39.03
Yong Shang Ming	–	–	66,622,000	39.03
Mohd Khasan Bin Ahmad	–	–	–	–
Kam Yong Kan	–	–	–	–
Lim Boon Teng	–	–	–	–
Yong Tiok Keng	–	–	66,622,000	39.03

CREST BUILDER HOLDINGS BERHAD
(573382-P)

PROXY FORM

No. of Ordinary Shares Held	

I/We ....

NRIC No.../Passport No. ....

of ....
being a member/members of the abovenamed Company hereby appoint

....[holding shares] ....

of..

NRIC No.../Passport No. ....
And/or failing him/her

....[holding shares] ....

of..

NRIC No.../Passport No. ....
as *my/our proxy to vote for *me/us and on *my/our behalf at the 16th Annual General Meeting of the Company, to be held at Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Wednesday, 20 June 2018 at 10:00 a.m. or at any adjournment thereof.

Ordinary business		**For**	**Against**
1.	To receive and adopt the reports of the directors, auditors and the audited financial statements for the financial year ended 31 December 2017.		
2.	To declare a final single tier dividend of 4.00 Sen for the financial year ended 31 December 2017.		
3.	To re-elect the Non-Executive Chairman, Tengku Dato' Sulaiman Shah bin Tengku Abdul Jalil Shah.		
4.	To re-elect the Independent Non-Executive Director, Encik Mohd Khasan bin Ahmad.		
5.	To re-elect the Independent Non-Executive Director, Mr. Lim Boon Teng.		
6.	To appoint Messrs Baker Tilly Monteiro Heng, Chartered Accountants, as auditors for the ensuing financial year ending 31 December 2018 and authorise the fixing of their remuneration by directors.		
Special business		**For**	**Against**
7.	To approve payment of directors' remunerations for the financial year ended 31 December 2017 in accordance with Article 88 of the Company's Constitution.		
8.	To empower the directors to issue shares pursuant to Section 76 of the Companies Act 2016 and in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad.		
9.	To approve the mandate for Share Buy-Back.		
10.	To re-elect Encik Mohd Khasan bin Ahmad as Independent Non-Executive Director.		
11.	To re-elect Mr. Kam Yong Kan as Independent Non-Executive Director.		

Please indicate with a cross [x] in the box provided, how you wish to cast your votes. If no specific instruction as to voting is given, the proxy may vote or abstain at his discretion.

....
Signature of member/Common Seal of corporate member

Dated:

Notes:

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint anyone to attend and vote in his stead as his proxy without limitation and the provisions of Section 334 of the Companies Act 2016 shall apply.*
2. *If a corporation is a member of the Company, the corporation may by resolution of its Board or other governing body authorise a person or persons to act as its representative or representatives at any meeting of members of the Company. A certificate of authorisation by a corporate member shall be prima facie evidence of the appointment or the revocation of the appointment, as the case may be, of a representative pursuant to Section 333 of the Companies Act 2016.*
3. *Shareholders' attention is hereby drawn to the Listing Requirements of the Bursa Malaysia Securities Berhad, which allows a member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, to appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities.*
4. *A member may appoint more than one (1) proxy provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy.*
5. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office situated at No. 62-2, Jalan 2A/27A, Section 1, Wangsa Maju, 53300 Kuala Lumpur, not less than forty-eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than twenty-four hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.*
6. *In respect to the deposited securities, only members whose name appear in the Record of Depositors on 13 June 2018 shall be eligible to attend the meeting or to appoint proxy to attend and/or vote on his behalf.*

Director *Director/Secretary*

....

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AFFIX
60 SEN
STAMP

THE COMPANY SECRETARY
CREST BUILDER HOLDINGS BERHAD *(573382-P)*
NO. 62-2, JALAN 2A/27A
SECTION 1, WANGSA MAJU
53300 KUALA LUMPUR

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2017

Crest Builder Holdings Berhad (573382-P)
Penthouse, The Crest, 3 Two Square, No. 2, Jalan 19/1
46300 Petaling Jaya, Selangor Darul Ehsan, Malaysia
T: 03-7841 6000 **F:** 03-7841 6088 **E:** corporate@crestbuilder.com.my

www.crestbuilder.com.my