PERAK CORPORATION BERHAD

INCORPORATED IN MALAYSIA (210915-U)

2017
ANNUAL REPORT

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(210915-U)

ANNUAL REPORT 2017

page

PERAK CORPORATION BERHAD
(Company No.: 210915-U)
(INCORPORATED IN MALAYSIA)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-seventh Annual General Meeting ("**AGM**") of the Company will be held at Amanjaya Convention Centre, Casuarina @ Meru Hotel, No. 1-C, Jalan Meru Casuarina, Bandar Meru Raya, 30020 Ipoh, Perak Darul Ridzuan on **Wednesday, 27 June 2018 at 10.00 a.m.** to transact the following businesses:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Report of the Directors and Auditors thereon. **[Please refer to Note 8]**

2. To approve the increase in Directors' fees in respect of the financial year ended 31 December 2017 and the payment of Directors' fees of RM441,650 thereon. **Resolution 1**

3. To approve the payment of Directors' benefits up to an amount of RM150,000, in respect of the financial year ended 31 December 2017 and for the period until the next AGM of the Company. **Resolution 2**

4. To re-elect the following Directors who retire by rotation in accordance with Article 80 of the Articles of Association:
   a) Dato' Dr Vasan a/l Sinnadurai **Resolution 3**
   b) Datuk Dr Wan Norashikin binti Wan Noordin **Resolution 4**

5. To re-appoint Messrs Ernst & Young as Auditors of the Company for the financial year ending 31 December 2018 and to authorise the Directors to fix their remuneration. **Resolution 5**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions with or without modifications:

6. **Ordinary Resolution – Continuing in office as Independent Non-executive Director** **Resolution 6**

   "That authority be and is hereby given to Tuan Haji Ab Rahman bin Mohammed who has served as an Independent Non-executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as Independent Non-executive Director of the Company."

7. **Ordinary Resolution – Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature** **Resolution 7**

"That approval be and is hereby given pursuant to Paragraph 10.09 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements for the Company and/or its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for day-to-day operations with the Related Parties, as detailed in Section 2.2 of Part A of the Circular to Shareholders of the Company dated 30 April 2018, subject to the following:

(a) the transactions are carried out in the ordinary course of business on terms not more favourable to the Related Parties than those generally available to the public and not detrimental to minority shareholders of the Company; and

(b) disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year based on the following information:

(i) the type of the recurrent related party transactions made; and
(ii) the names of the Related Parties involved in each type of the recurrent related party transactions made and their relationship with the Company.

That the approval given in the paragraph above shall only continue to be in force until:

(a) the conclusion of the next AGM of the Company, at which time it will lapse, unless by a resolution passed at the said AGM, the authority is renewed;

(b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to section 340(2) of the Companies Act 2016 ("**Act**"), but must not extend to such extension as may be allowed pursuant to section 340(4) of the Act; or

(c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier.

And that authority be and is hereby given to the Directors of the Company to complete and do all such acts and things (including executing all such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

8. **Special Resolution – Proposed Adoption of a New Constitution of the Company** **Resolution 8**

"That approval be and is hereby given to adopt a new Constitution of the Company as set out in Part B of the Circular to Shareholders of the Company dated 30 April 2018 in place of the existing Memorandum and Articles of Association of the Company with immediate effect.

And that authority be and is hereby given to the Directors of the Company to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

9. To transact any other business of which due notice shall have been given in accordance with the Act and the Company's Articles of Association.

By order of the Board

Cheai Weng Hoong
Company Secretary

Ipoh
30 April 2018

NOTES:

1. A member of the Company entitled to attend and vote at the meeting may appoint any person to be his/her proxy to attend and vote in his/her stead. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy. A proxy shall have the same rights as the member to speak at the meeting.
2. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
3. When a member appoints more than one proxy the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding to be represented by each proxy.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at D-3-7, Greentown Square, Jalan Dato' Seri Ahmad Said, 30450 Ipoh, Perak Darul Ridzuan at least 48 hours before the time appointed for holding the AGM or at any adjournment thereof.
6. Only members whose names appear in the Record of Depositors as at 21 June 2018 will be entitled to attend and vote at the above Meeting.
7. The registration for the above Meeting will commence on Wednesday, 27 June 2018 at 9.00 a.m.
8. **Audited Financial Statements for financial year ended 31 December 2017**

   The audited financial statements under Agenda 1 are meant for discussion only, as the provision of Section 340(1)(a) of the Act does not require a formal approval of the shareholders and hence, Agenda 1 is not put forward for voting.
9. **Resolution 1**

   The proposed increase in Directors' fees is equivalent to 10% , or RM6,600 for each director, as compared to the previous financial year.

   Resolution 1, if passed, will allow the Company to pay the Directors' fees of RM441,650 in respect of the financial year ended 31 December 2017 comprised the following:

	Fees (RM)
Non-Executive Directors	363,000
Executive Director	72,600
Audit Committee's Chairman	6,050

   The Chairman of the Company does not receive any Director's fee. He is paid a remuneration pursuant to the terms and conditions of his appointment as an executive director of a subsidiary of the Company.

10. **Resolution 2**

Resolution 2, if passed, will allow the Company to pay the Directors' benefits comprising the meeting and travelling allowances to the directors for the financial year ended 31 December 2017 and as and when incurred for the period until the next AGM of the Company.

11. **Resolutions 3 and 4**

Resolutions 3 and 4, if passed, will re-elect Dato' Dr Vasan a/l Sinnadurai and Datuk Dr Wan Norashikin binti Wan Noordin respectively as directors of the Company.

Pursuant to Article 80 of the Company's Articles of Association, an election of directors takes place subsequent to their appointment each year where one-third (⅓) of the directors or if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (⅓), shall retire by rotation from office and shall be eligible for re-election at each AGM and that each director shall retire from office at least once in every three (3) years and shall be eligible for re-election.

The profiles of the directors who retire by rotation and are standing for re-election are disclosed on pages 11 and 12 of the Annual Report and the details of their interest in the securities of the Company are disclosed under Analysis of Shareholdings on page 50 of the Annual Report.

12. **Resolution 6**

Resolution 6, if passed, will allow Tuan Haji Ab Rahman bin Mohammed to continue to act as an Independent Non-Executive Director of the Company.

The term of office of Tuan Haji Ab Rahman bin Mohammed as an Independent Non-Executive Director of the Company shall be reaching a cumulative term of more than nine (9) years.

The Board has assessed the independence of Tuan Haji Ab Rahman bin Mohammed and concurred with the recommendation of the Nomination and Remuneration Committee that the approval of the members be sought to re-appoint Tuan Haji Ab Rahman bin Mohammed as Independent Non-executive Director as he possesses the following aptitudes necessary in discharging his roles and functions as Independent Non-executive Director of the Company:-

i. He has fulfilled the criteria under the definition of an independent director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
ii. He has ensured effective check and balance in the proceedings of the Board;
iii. He has actively participated in Board deliberations, provided independent voice on the Board to ensure that objectivity in decision-making of the Board is achieved and that no judgement can be compromised by, amongst others, familiarity or close relationship with other Board members;
iv. He has exercised due care in the interest of the Company and members during his tenure as independent director of the Company; and
v. He has attended all the meetings held and participation in and contributions to the activities of the Board.

13. **Resolution 7**

Resolution 7, if passed, will allow the Company and its subsidiaries to enter into the recurrent related party transaction(s) of a revenue or trading nature which are necessary for the day-to-day operations and are in the ordinary course of business of the Group. Please refer to Part A of the Circular to Shareholders dated 30 April 2018 which is enclosed together with the Annual Report of the Company.

14. **Resolution 8**

Special Resolution 8, if passed, will bring the new Constitution of the Company in line with the enforcement of the Act and to ensure compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The details of the proposed new Constitution of the Company are set out in Part B of the Circular to Shareholders dated 30 April 2018 which is enclosed together with the Annual Report of the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

YB Dato' Nasarudin bin Hashim DIMP, AMP, BPC, BCM
Chairman, Non-Independent Non-Executive

Dato' Wan Hashimi Albakri bin Wan Ahmad Amin Jaffri DIMP
Non-Independent Non-Executive

Tuan Haji Ab Rahman bin Mohammed
Senior Independent Non-Executive

Dato' Abd Karim bin Ahmad Tarmizi DPMP
Independent Non-Executive

Dato' Dr Vasan a/l Sinnadurai DPMP
Independent Non-Executive

Datuk Dr Wan Norashikin binti Wan Noordin DPSM, PMP
Independent Non-Executive

Dato' Aminuddin bin Md Desa DSDK
Group Chief Executive Officer, Non-Independent

NOMINATION AND REMUNERATION COMMITTEE

Dato' Abd Karim bin Ahmad Tarmizi DPMP (Chairman)
Dato' Wan Hashimi Albakri bin Wan Ahmad Amin Jaffri DIMP
Dato' Dr Vasan a/l Sinnadurai DPMP
Datuk Dr Wan Norashikin binti Wan Noordin DPSM, PMP

AUDIT COMMITTEE

Tuan Haji Ab Rahman bin Mohammed (Chairman)
Dato' Dr Vasan a/l Sinnadurai DPMP
Datuk Dr Wan Norashikin binti Wan Noordin DPSM, PMP

MANAGEMENT TEAM

Dato' Aminuddin bin Md Desa DSDK
Group Chief Executive Officer
Perak Corporation Berhad

Rozahan bin Osman
Group Chief Financial Officer
Perak Corporation Berhad

PRINCIPAL PLACE OF BUSINESS

No. 1-A, Blok A, Menara PKNP
Jalan Meru Casuarina
Bandar Meru Raya
30020 Ipoh
Perak Darul Ridzuan
Tel : +6 (05) 501 9888
Fax : +6 (05) 501 9999
Website : www.perakcorp.com.my

COMPANY SECRETARY

Mr Cheai Weng Hoong (LS 0005624)

AUDITORS

Ernst & Young (AF 0039)
Chartered Accountants

PRINCIPAL BANKERS

CIMB Bank Berhad
Malayan Banking Berhad

REGISTERED OFFICE

D-3-7, Greentown Square
Jalan Dato' Seri Ahmad Said
30450 Ipoh, Perak Darul Ridzuan
Tel : +6 (05) 241 7762, 253 0760
Fax : +6 (05) 241 6761

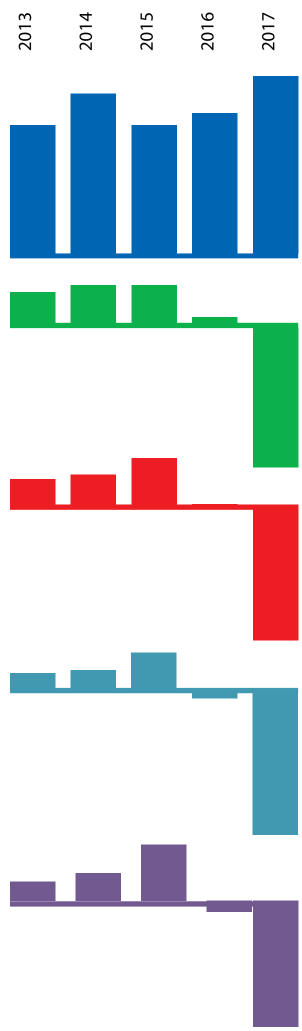
REGISTRAR

Shared Services & Resources Sdn Bhd
D-3-7, Greentown Square
Jalan Dato' Seri Ahmad Said
30450 Ipoh, Perak Darul Ridzuan
Tel : +6 (05) 241 7762, 253 0760
Fax : +6 (05) 241 6761

STOCK EXCHANGE LISTING

Main Market,
Bursa Malaysia Securities Berhad
Name : PRKCORP
Stock Code : 8346

FINANCIAL HIGHLIGHTS 31 DECEMBER



	2013 RM '000	2014 RM '000	2015 RM '000	2016 RM '000	2017 RM '000
Revenue	133,987	167,043	134,174	146,704	185,788
Earnings before interest, taxes, depreciation and amortisation	67,386	80,946	80,946	19,186	-263,170
Profit before tax	59,624	71,089	109,493	1,731	-320,109
Profit after tax	44,314	51,769	92,524	-16,015	-340,573
Net profit attributable to equity holders	26,473	38,796	77,449	-15,580	-174,957

		2013	2014	2015	2016	2017
Total assets	RM '000	769,889	827,975	747,462	1,185,132	1,080,624
Shareholders' equity	RM '000	599,713	651,423	661,842	643,063	299,986
Owners' equity	RM '000	514,281	563,018	575,862	561,212	386,255
Total borrowings	RM '000	102,416	104,925	29,172	446,136	536,557
Paid-up capital	RM '000	100,000	100,000	100,000	100,000	272,770
Net assets per share	RM	5.14	5.63	5.76	5.61	1.42
Share price as at fiscal year-end	RM	2.92	2.28	2.26	2.26	1.28
Return on total assets	%	7.74	8.59	14.65	0.15	-29.62
Return on equity	%	5.15	6.89	13.45	-2.78	-45.30
Gross dividend per share	%	8.50	0.00	0.00	0.00	0.00
Gross dividend yield per share	%	2.91	0.00	0.00	0%	0%
Earnings per share	sen	26.47	38.80	77.45	-15.58	-64.14
Price-earnings ratio	times	11.0	5.9	0.0	-0.15	-0.02
Gearing ratio	%	1.0	14.0	-4.8	75.3	183.0

CORPORATE STRUCTURE AS AT 31 DECEMBER 2017

PERAK CORPORATION BERHAD
MANAGEMENT SERVICES & OTHERS

- **PCB Leisure Sdn Bhd (100%)**
  - Casuarina Pangkor Sdn Bhd (100%)
  - Casuarina Tanjong Malim Sdn Bhd (100%)
  - Casuarina Taiping Sdn Bhd (100%)
  - Casuarina Teluk Intan Sdn Bhd (100%)
  - Casuarina Boathouse Sdn Bhd (100%)
  - Lanai Casuarina Sdn Bhd (100%)
  - Labu Sayong Cafe Sdn Bhd (100%)
  - Meru Raya Park Sdn Bhd (100%)
  - Meru Raya Water Park Sdn Bhd (100%)
  - BioD Leisure and Recreation Sdn Bhd (100%)
  - Rimba Land Sdn Bhd (100%) formerly known as Pangkor Village Resort Sdn Bhd
- **PCB Equity Sdn Bhd (100%)**
  - Visi Cenderawasih Sdn Bhd (49%)
  - Unified Million (M) Sdn Bhd (30%)
- **PCB Taipan Sdn Bhd (100%)**
  - Lumut Maritime Terminal Sdn Bhd (50% + 1 share)
    - LMT Capital Sdn Bhd (100%)
  - Casuarina Meru Sdn Bhd (89.54%)
    - Silveritage Corporation Sdn Bhd (100%)
      - Cash Complex Sdn Bhd (73.91%)
- **PCB Development Sdn Bhd (100%)**
  - Animation Theme Park Sdn Bhd (51%)
  - Cempaka Majujaya Sdn Bhd (30%)
  - OPG Meru Land Sdn Bhd (20%)
  - Gelombang Prestasi Sdn Bhd (20%)
  - D'Aman Residences Sdn Bhd (20%)
- **Rungkup Port Sdn Bhd (70%)**

PROFILE OF DIRECTORS

DATO' NASARUDIN BIN HASHIM

DIMP, AMP, BPC, BCM

Non-Independent Non-Executive Director
Malaysian, Male, aged 67 years

Chairman

YB Dato' Nasarudin bin Hashim was first appointed to the Board on 25 August 2009 and thereafter as the Chairman of the Board on 26 August 2009.

He graduated with a Bachelor of Arts with Honours from University of Malaya. He also holds a Certificate in Urban and Rural Planning, United Kingdom.

He has previously served as an Administrative and Diplomatic Services Officer for 23 years at state and federal level. He was a member of Parliament (Parit) from 2004 to 2008 and has been elected as a member of the State Legislative Assembly (Bota, Perak) since 2008. He was previously the Chairman of FELCRA Bhd (2006-2008) and Chairman of Technology Park Malaysia Corporation Sdn Bhd (2009 to 2015). He is the Executive Director of PCB Development Sdn Bhd, a wholly owned subsidiary of the Company, since 1 September 2009.

He attended 5 out of 7 Board of Directors' meetings held during the financial year ended 31 December 2017. He does not have any family relationship with any director and/or major shareholder and has no conflict of interest with the Company. He has no conviction for any offence within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

TUAN HAJI AB RAHMAN BIN MOHAMMED

Senior Independent Non-Executive Director, Malaysian, Male, aged 72 years

Tuan Haji Ab Rahman bin Mohammed was first appointed to the Board on 7 August 2007. He was appointed as a member and thereafter the Chairman of the Audit Committee on 29 August 2007 and 26 August 2009 respectively.

He graduated with a Bachelor of Economics with Honours from University of Malaya in 1969. He obtained Masters in Business Management from Asian Institute of Management, Philippines in 1997. He is a Chartered Member of the Institute of Internal Auditors, Malaysia.

Previously, he sat on the Board on behalf of Permodalan Nasional Berhad, then a major shareholder of the Company. He has been redesignated as an Independent Non Executive Director on 26 August 2009. He has served in various Government Departments for 30 years. He has served as Deputy Auditor General of Jabatan Audit Negara (1996-2000) and Chief Internal Auditor for Tenaga Nasional Berhad (2001-2005).

He attended all 7 out of 7 Board of Directors' meetings held during the financial year ended 31 December 2017. He does not have any family relationship with any director and/or major shareholder and has no conflict of interest with the Company. He has no conviction for any offence within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He has an indirect interest via his spouse and child's shareholdings of 6,000 ordinary shares of the Company.

DATO' ABD KARIM BIN AHMAD TARMIZI DPMP

Independent Non-Executive Director, Malaysian, Male, aged 68 years

Dato' Abd Karim bin Ahmad Tarmizi was first appointed to the Board on 2 November 2009. He was appointed as the Chairman of the Nomination and Remuneration Committee on 24 November 2014.

He graduated with a Bachelor of Economics from North Queensland University, Australia. An Australian trained Chartered Accountant, he is also a member of the Malaysian Institute of Accountants.

In 1976-1980, he served the government in the Accountant General's Office in a senior position. He left for the private sector initially joining Paremba/Sime UEP Bhd. Thereafter, he held a few senior corporate positions in the Sime Darby Group. He ended his professional corporate career as the Group Managing Director of Land & General Berhad. In 2001, he initiated the management buyout of Industrial Resins (Malaysia) Sdn Bhd and spearheaded its operation and listing in 2005 as Chairman/CEO of IRM Group Berhad. He has previously served in the listed boards of Land and General Bhd, SPPK Bhd, RHB Bhd and as a Council member of the Malaysian Timber Council. He was active in the Petrochemical Industry as past President of the Plastic Resins Producers Group (PRPG) and Vice President of the Malaysian Petrochemical Association (MPA). He also laid the foundation as initial Chairman for the formation of the Malaysian Plastic Forum (MPF), a plastic advocacy group.

He attended all 7 out of 7 Board of Directors' meetings held during the financial year ended 31 December 2017. He does not have any family relationship with any director and/or major shareholder and has no conflict of interest with the Company. He has no conviction for any offence within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

DATO' WAN HASHIMI ALBAKRI BIN WAN AHMAD AMIN JAFFRI DIMP

Non-Independent Non-Executive Director Malaysian, Male, aged 59 years

Dato' Wan Hashimi Albakri bin Wan Ahmad Amin Jaffri was first appointed to the Board on 18 June 2008. He was appointed as the Chairman of the Nomination and Remuneration Committee on 2 November 2009 and re-designated as a member of the Nomination and Remuneration Committee on 24 November 2014.

He graduated with a Bachelor of Science in Civil Engineering. He sits on the Board on behalf of Sime Darby Property Berhad, a major shareholder of the Company where he is the Chief Operating Officer – Township Development. Prior to that, he was the Chief Executive Officer of Negara Properties (M) Berhad, the main property arm and subsidiary of Golden Hope Plantations Berhad.

He was the Chief Operating Officer of Putrajaya Homes Sdn Bhd, a subsidiary of Putrajaya Holdings Sdn Bhd, the master developer for Putrajaya. He has been involved, hands-on in the company's activities including strategizing, planning, development, construction and marketing of 67,000 residential units in Putrajaya.

He was also the Executive Director with Irat Management Services Sdn Bhd, a Project Management service company. Prior to that, he was the General Manager for General Lumber Construction Sdn Bhd, the construction arm of General Lumber & Fabricators Berhad.

Throughout an extensive 36 years experience in the property development and construction industry, he has been with various organisations, including IKRAM, Pengurusan Lebuhraya Berhad and Island & Peninsular Berhad.

He is the Vice President of REHDA Malaysia and Chairman for REHDA (KL) Branch Malaysia. He is a member of Construction Industry Transformation Programme Working Groups. In addition to that, he is the Chairman for the Task Force on Property Development Handbook and the Chairman for Taskforce on First Home Buyer's Guide for REHDA Malaysia.

He attended 5 out of 7 Board of Directors' meetings held during the financial year ended 31 December 2017. He does not have any family relationship with any director and/or major shareholder and has no conflict of interest with the Company. He has no conviction for any offence within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

DATUK DR WAN NORASHIKIN BINTI WAN NOORDIN DPSM, PMP

Independent Non-Executive Director, Malaysian, Female, aged 45 years

Datuk Dr Wan Norashikin binti Wan Noordin was first appointed to the Board, a member of the Audit Committee and a member of the Nomination and Remuneration Committee on 2 November 2009.

She graduated with a Bachelor of Dental Surgery (BDS) from the University of Malaya in 1997. She had previously served in the Ministry of Health as a Government Dental Officer from 1997 before she became a private dental practitioner in 2005. She served as the Perak State Assemblywoman for Kampong Gajah from March 2008 to April 2013.

She attended all 7 out of 7 Board of Directors' meetings held during the financial year ended 31 December 2017. She does not have any family relationship with any director and/or major shareholder and has no conflict of interest with the Company. She has no conviction for any offence within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

DATO' DR VASAN A/L SINNADURAI DPMP

Independent Non-Executive Director, Malaysian, Male, aged 54 years

Dato' Dr Vasan a/l Sinnadurai was first appointed to the Board, a member of the Audit Committee and a member of the Nomination and Remuneration Committee on 2 November 2009.

He graduated with Bachelor of Medicine and Bachelor of Surgery from University of Madras, India in 1991. He received the M. MED Orthopaedic from University Science Malaysia (USM) in 2001. He also holds various fellowships, among others, Fellowship in Foot and Ankle Reconstruction (Australia), Fellowship in Sport and Shoulder (Korea), American Orthopaedic Travelling (USA) and is a Certified Medical Independent Assessor (CMIA).

He is currently the Consultant of Orthopaedic and Adult Reconstruction Surgeon at Pantai Hospital Ipoh and Adjunct Professor of AIMST University. He has provided medical services for more than 27 years.

He attended 6 out of 7 Board of Directors' meetings held during the financial year ended 31 December 2017. He does not have any family relationship with any director and/or major shareholder and has no conflict of interest with the Company. He has no conviction for any offence within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

DATO' AMINUDDIN BIN MD DESA DSDK

Non-Independent Executive Director, Malaysian, Male, aged 56 years, Group Chief Executive Officer

Dato' Aminuddin bin Md Desa was appointed to the Board on 27 February 2013, following his appointment as the Group Chief Executive Officer of the Company on 1 February 2013.

He graduated with an Advance Diploma in Business Studies (Insurance) and a Diploma in Accountancy from Universiti Teknologi MARA. He is also an Associate Member of the Chartered Insurance Institute, United Kingdom and of the Malaysian Insurance Institute.

He is the Chief Executive of Perbadanan Kemajuan Negeri Perak where he was appointed on 1 February 2013. Previously, he has served as Deputy General Manager of Syarikat Takaful Malaysia Bhd, General Manager of Arab Malaysian Assurance Bhd, CEO of Takaful Nasional Sdn Bhd, Executive Director and CEO of Mayban Fortis Holdings Bhd, Executive Director and Chief Financial Officer of Malayan Banking Bhd.

He sits on the board of Majuperak Holdings Berhad and UiTM Holdings Sdn Bhd. He has also served on the boards of Malayan Banking Berhad, Maybank Investment Bank Bhd, Etiqa Takaful Bhd, Etiqa Insurance Bhd, Pak-Kuwait Takaful Co. Ltd, Mayban Investment Management Bhd and a few off shore companies.

He attended all 7 out of 7 Board of Directors' meetings held during the financial year ended 31 December 2017. He does not have any family relationship with any director and/or major shareholder and has no conflict of interest with the Company. He has no conviction for any offence within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He does not hold any shares of the Company.

KEY SENIOR MANAGEMENT

ROZAHAN BIN OSMAN
Malaysian, Male, aged 53 years

Group Chief Financial Officer
Date of Appointment: 1 Jul 2013

Academic/ Professional Qualification(s)
~ The Association of Chartered Certified Accountants (ACCA)
~ Certified Management Accountant (CMA)
~ Chartered Financial Analyst (CFA)
~ Certified SAP Consultant- Controlling

Present Appointment(s)
~ Director Finance, Accounts & Administration of Perbadanan Kemajuan Negeri Perak
~ Chief Financial Officer of Majuperak Holdings Berhad

Directorships in Public Companies and Listed Issuer
~ Nil

Working Experiences
~ Chief Financial Officer of Cement Industries of Malaysia Berhad
~ General Manager, Finance/Corporate Planning of Malaysia Marine and Heavy Engineering Berhad
~ Group Financial Controller of Magna Prima Berhad
~ Financial Controller of Malakoff Berhad
~ Research Analyst of Zalik Securities Sdn Bhd
~ Audit Senior 1 of Ernst and Young

Family Relationship
He does not have any family relationship with any director and/or major shareholder and has no conflict of interest with the Company.

Securities holdings in the Company
~ Nil

Conviction of offences
He has no conviction for any offence within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

MUBARAK ALI BIN GULAM RASUL
Malaysian, Male, aged 50 years

Chief Executive Officer
Lumut Maritime Terminal Sdn Bhd
Date of Appointment: 1 Mar 2015

Academic/ Professional Qualification(s)
~ Master of Business Administration in General Management, University of Greenwich
~ LCCI in Accounting – Inter and Higher

Directorships in Public Companies and Listed Issuer
~ Nil

Working Experiences
~ Director of Special Projects, National Air Cargo Middle East
~ Director, Abel (M) Sdn Bhd
~ Senior Vice President, Business Development, Konsortium Logistik Berhad
~ General Manager Commercial, Spanco Sdn Bhd
~ Senior Manager, Alam Flora Sdn Bhd
~ Resources Management Manager, Malaysia Airlines
~ Operations Manager, United Parcel Service

Family Relationship
He does not have any family relationship with any director and/or major shareholder and has no conflict of interest with the Company.

Securities holdings in the Company
~ Nil

Conviction of offences
He has no conviction for any offence within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

CHAIRMAN'S STATEMENT

PENYATA PENGERUSI

On behalf of the Board of Directors, I am pleased to present the Annual Report of PERAK CORPORATION BERHAD for the financial year ended 31 December 2017.

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan PERAK CORPORATION BERHAD bagi tahun kewangan berakhir 31 Disember 2017.

EXECUTIVE SUMMARY

The Group operated in a virtuous economic environment in 2017 when Malaysia's economy recorded a growth of 5.9% (2016: 4.2%), supported by faster expansion in both private and public sector spending. A key highlight for the year was the rebound in gross exports growth as global demand strengthened. This was mainly due to higher demand from major trading partners following the upswing in the global technology cycle, investment expansion in the advanced economies and the turnaround in commodity prices. Meanwhile, headline inflation increased to 3.7% in 2017 (2016:2.1%) which primarily driven by higher domestic fuel prices

Despite the positive overview on the economic front, the Group finds the year quite challenging due to various factors especially with many development projects of the Group yet to become fully operational.

However, the Group remains committed to its strategic initiatives that were in place since 2014. The focus continues to be on the three (3) core businesses, namely ports and logistics, hospitality and tourism as well as property development.

RINGKASAN EKSEKUTIF

Kumpulan ini telah beroperasi dalam persekitaran ekonomi yang baik pada tahun 2017 apabila ekonomi Malaysia mencatat pertumbuhan sebanyak 5.9% (2016: 4.2%), disokong oleh pengembangan yang lebih pesat dalam perbelanjaan sektor swasta dan awam. Pencapaian penting pada tahun itu ialah peningkatan eksport kasar, ekoran permintaan global yang semakin kukuh. Keadaan ini diperkukuhkan lagi oleh permintaan yang lebih tinggi daripada rakan perdagangan utama berikutan peningkatan pesat dalam kitaran teknologi global, pengembangan pelaburan dalam negara maju dan pemulihan harga komoditi. Sementara itu, kadar Inflasi keseluruhan meningkat kepada 3.7% pada tahun 2017 (2016: 2.1%) yang didorong terutamanya oleh harga bahan api dalam negeri yang lebih tinggi.

Walaupun terdapat tanda positif di sudut ekonomi, Kumpulan mendapati tahun 2017 agak mencabar kerana pelbagai faktor terutamanya banyak projek pembangunan Kumpulan belum beroperasi sepenuhnya.

Walau bagaimanapun, Kumpulan tetap komited terhadap inisiatif strategiknya yang telah dilaksanakan sejak tahun 2014. Tumpuan akan diteruskan di dalam tiga (3) perniagaan utama iaitu pelabuhan dan logistik, hospitaliti dan pelancongan serta pembangunan hartanah.

One of the key touch points is the soft opening of the first animation theme park in Asia which is Movie Animation Park Studios (**"MAPS"**) and the implementation of Lumut Maritime Terminal Sdn Bhd's (**"LMTSB"**) Business and Strategic Plan 2016-2026.

The ports and logistics segment continue to perform very well as compared to the previous financial year, where for the first time Lumut Port has managed to exceed RM100 million in terms of revenue contribution to the Group. The current results from the hospitality and tourism segment has shown an encouraging performance due to the soft opening of MAPS since 26 June 2017 and supported by the performance of its hotel operations. The second revenue contributor for the Group is from property development segment which recorded 23% of the Group's total revenue and increased by 38% as compared to previous year, due to sales of land. However, we are pleased to report that affordable housing projects in Bandar Meru Raya, Ipoh which include the development of D'Aman Residensi, Casa Kayangan and Suria @ Meru involving a total delivery of 1,877 units' houses will be completed in 2018 and will indirectly boost the Group's revenue in 2018.

The Group's results are particularly impacted by the provision for impairment made in the hospitality and tourism segment mainly by Animation Theme Park Sdn Bhd. Despite the challenges in this segment, we believe this segment is set to become a key contributor to the Group's overall profitability once MAPS fully opens its Dream Zone in 2018.

The Group is fully committed to diversify its revenue base to avoid being overly dependent on the ports and logistics segment alone as the major contributor, and this effort is now slowly showing with the hospitality and tourism segment contributing at 18% (FYE 2016: 9%) of the Group's total revenue in 2017 as compared to the previous financial year.

*Salah satu perkembangan menarik adalah bilamana taman tema animasi pertama di Asia iaitu Movie Animation Park Studios ("***MAPS***") memasuki fasa pra-operasi dan juga pelaksanaan Pelan Perniagaan & Strategik 2016-2026 bagi Lumut Maritime Terminal Sdn Bhd ("***LMTSB***").*

Segmen pelabuhan dan logistik terus menunjukkan prestasi yang baik berbanding tahun kewangan sebelumnya, dimana buat pertama kalinya Pelabuhan Lumut berjaya menyumbang pendapatan melebihi RM100 juta kepada Kumpulan. Pencapaian terkini bagi segmen hospitaliti dan pelancongan pula telah menunjukkan prestasi yang memberangsangkan berikutan pra-operasi MAPS mulai 26 Jun 2017 yang juga disokong oleh prestasi positif sektor perhotelannya. Penyumbang pendapatan kedua bagi Kumpulan adalah daripada segmen pembangunan hartanah yang telah mencatatkan 23% daripada jumlah pendapatan Kumpulan iaitu meningkat sebanyak 38% berbanding tahun sebelumnya, disebabkan oleh penjualan tanah. Walau bagaimanapun, kami dengan sukacitanya ingin melaporkan bahawa projek perumahan mampu milik di Bandar Meru Raya yang terdiri daripada projek D'Aman Residensi, Casa Kayangan dan Suria @ Meru yang melibatkan pembinaan sebanyak 1,877 unit rumah akan siap pada tahun 2018 dan secara tidak langsung akan meningkatkan pendapatan Kumpulan pada tahun 2018.

Prestasi Kumpulan menerima impak daripada peruntukan rosot nilai bagi segmen hospitaliti dan pelancongan terutamanya daripada Animation Theme Park Sdn Bhd. Walaupun terdapat cabaran dalam segmen ini, kami percaya bahawa segmen ini akan menjadi penyumbang utama kepada keuntungan keseluruhan Kumpulan apabila MAPS membuka Dream Zone sepenuhnya pada tahun 2018.

Kumpulan terus komited untuk mempelbagaikan asas pendapatannya bagi mengurangkan kebergantungan pada segmen pelabuhan dan logistik sebagai penyumbang utama pendapatan, dan usaha ini telah menunjukkan hasil apabila segmen hospitaliti dan pelancongan menyumbang sebanyak 18% (2016: 9%) daripada jumlah pendapatan Kumpulan bagi tahun 2017 berbanding tahun sebelumnya.

The Perak Corporation Berhad 2017 Annual Report and the essence of the Management Discussion and Analysis will outline the Group's performance in 2017 and the challenges, prospects and planning that are to be shared with all our stakeholders.

Laporan Tahunan 2017 Perak Corporation Berhad dan intipati Perbincangan dan Analisis Pengurusan akan menggariskan prestasi Kumpulan pada tahun 2017 serta cabaran, prospek dan perancangan yang akan dikongsi dengan semua pihak yang berkepentingan.

FINANCIAL REVIEW

For the financial year ended 31 December 2017, the Group recorded revenue of RM185.8 million, an increase by 27%, as compared to the previous financial year revenue of RM146.7 million. Despite the higher revenue achieved, the Group recorded a pre-tax loss of RM320.1 million for the financial year as compared to the pre-tax profit of RM1.7 million recorded in the previous financial year which is mainly due to the provision for impairment in the hospitality and tourism segment. Accordingly, the net loss attributable to shareholders was RM174.9 million in comparison to the net loss of RM15.6 million in the previous financial year.

Earnings per share attributable to ordinary equity holders of the Company achieved for the financial year under review was a loss of 174.96 sen (2016: 15.58 sen) while the net assets per share as at 31 December 2017 was RM1.42 (2016: RM5.61) based on the ordinary shares in issue of 100 million (2016: 100 million) units.

Further analysis of the financial performance of the Group is contained in the Management Discussion and Analysis section of this Annual Report.

TINJAUAN KEWANGAN

Bagi tahun kewangan berakhir 31 Disember 2017, Kumpulan mencatatkan pendapatan sebanyak RM185.8 juta, meningkat sebanyak 27%, berbanding pendapatan tahun sebelumnya sebanyak RM146.7 juta. Walaupun hasil yang lebih tinggi dicapai, Kumpulan mencatatkan kerugian sebelum cukai sebanyak RM320.1 juta bagi tahun kewangan berbanding keuntungan sebelum cukai sebanyak RM1.7 juta yang dicatatkan pada tahun kewangan sebelumnya yang disebabkan oleh peruntukan rosotnilai dalam segmen hospitaliti dan pelancongan. Sehubungan itu, kerugian bersih yang diagihkan kepada pemegang saham adalah RM174.9 juta berbanding kerugian bersih sebanyak RM15.6 juta pada tahun kewangan sebelumnya.

Perolehan sesaham yang diagihkan kepada pemegang ekuiti biasa Syarikat yang dicapai bagi tahun kewangan yang ditinjau adalah kerugian sebanyak 174.96 sen (2016: 15.58 sen) manakala aset bersih sesaham pada 31 Disember 2017 ialah RM1.42 (2016: RM5.61) berdasarkan saham biasa dalam terbitan 100 juta (2016: 100 juta) unit.

Analisis lanjut tentang prestasi kewangan Kumpulan terkandung dalam bahagian Perbincangan dan Analisis Pengurusan Laporan Tahunan ini.

CORPORATE REVIEW

On 28 February 2012, the Company has entered into a conditional settlement agreement ("**Settlement Agreement**") with Perak Equity Sdn Bhd to partially settle the total debt of RM104.62 million ("**PESB Debt**") owing at 31 December 2011 by Perak Equity Sdn Bhd to the Company by way of set-off against the total purchase consideration of RM70.27 million for two (2) properties to be acquired by the Company from Perak Equity Sdn Bhd ("**Proposed Settlement**"). The resolution with respect to the Proposed Settlement were duly approved by the shareholders of the Company on 26 July 2012.

TINJAUAN KORPORAT

*Pada 28 Februari 2012, Syarikat telah memeterai perjanjian penyelesaian bersyarat ("**Perjanjian Penyelesaian**") dengan Perak Equity Sdn Bhd untuk menyelesaikan sebahagian hutang sebanyak RM104.62 juta ("**Hutang PESB**") pada 31 Disember 2011 oleh Perak Equity Sdn Bhd kepada Syarikat dengan cara set-off terhadap jumlah pembelian sebanyak RM70.27 juta untuk dua (2) hartanah yang akan diambil oleh Syarikat dari Perak Equity Sdn Bhd ("**Cadangan Penyelesaian**"). Resolusi berkenaan dengan Cadangan Penyelesaian telah diluluskan oleh para pemegang saham pada 26 Julai 2012.*

On 12 February 2015, the Company has entered into a supplementary agreement to the Settlement Agreement with Perak Equity Sdn Bhd to vary certain pieces of land located at Perak Hi-Tech Park which resulted in a revised acreage and total purchase consideration of 959.87 acres and RM70.36 million respectively.

The Settlement Agreement has yet to be completed as certain conditions precedent in connection therewith have not been fully met as at to-date. The latest request for extension of time to 30 September 2018 from Perak Equity Sdn Bhd has been approved by the Board. The PESB Debt as at 31 December 2017 amounted to RM75.24 million.

CORPORATE GOVERNANCE

The Board is committed to ensuring that good corporate governance is practiced throughout the Group. The Group has adopted and complied, as far as practicable, with the principles and recommendations set out in the Malaysian Code on Corporate Governance 2017 throughout the financial year ended 31 December 2017.

PROSPECTS FOR THE YEAR 2018

For 2018, growth prospects are further lifted by strengthening global economic conditions. Growth will be underpinned by continued expansion in private sector activity. The strong growth momentum will also be supported by the continued positive spillovers from the external sector to the domestic economic activity. Malaysia's trade performance will benefit from favorable global demand, exposure to the global technology cycle and new export production capacity. On the domestic front, continued income and employment growth will sustain household spending, amid the continuation of Government measures and improving consumer sentiments. In this positive environment, Malaysia is projected to remain firmly on a steady growth path to grow by 5.5% – 6.0% (2017: 5.9%). (Source: Bank Negara Malaysia)

Pada 12 Februari 2015, Syarikat telah memeterai perjanjian tambahan kepada Perjanjian Penyelesaian dengan Perak Equity Sdn Bhd untuk meminda butiran tanah yang terletak di Perak Hi-Tech Park yang mengakibatkan semakan kepada tanah dan jumlah pembelian masing-masing sebanyak 959.87 ekar dan RM70.36 juta.

Perjanjian Penyelesaian masih belum selesai kerana syarat-syarat tertentu berkaitan dengannya masih belum dipenuhi sepenuhnya pada ketika ini. Permohonan untuk lanjutan masa sehingga 30 September 2018 daripada Perak Equity Sdn Bhd telah diluluskan oleh Lembaga Pengarah. Hutang PESB sehingga 31 Disember 2017 berjumlah RM75.24 juta.

TADBIR URUS KORPORAT

Lembaga Pengarah komited untuk memastikan tadbir urus korporat yang baik diamalkan di seluruh Kumpulan. Kumpulan telah menerima pakai dan mematuhi prinsip dan syor yang dinyatakan di dalam Kod Tadbir Urus Korporat Malaysia 2017 sepanjang tahun kewangan berakhir 31 Disember 2017.

PROSPEK BAGI TAHUN 2018

Bagi tahun 2018, prospek pertumbuhan ditingkatkan lagi dengan pengukuhan keadaan ekonomi global. Pertumbuhan akan disokong oleh pengembangan yang berterusan dalam aktiviti sektor swasta. Momentum pertumbuhan yang kukuh juga akan disokong oleh limpahan positif yang berterusan daripada sektor luaran kepada aktiviti ekonomi dalam negeri. Prestasi perdagangan Malaysia akan mendapat manfaat daripada permintaan global yang menggalakkan, dedahan kepada kitaran teknologi global, dan kapasiti pengeluaran eksport baharu. Di dalam negeri, pertumbuhan pendapatan dan guna tenaga yang berterusan akan mengekalkan perbelanjaan isi rumah yang mampan, yang disokong pula oleh langkah-langkah Kerajaan yang berterusan dan sentimen pengguna yang bertambah baik. Dalam persekitaran yang positif ini, Malaysia diunjurkan akan terus berada pada landasan pertumbuhan yang stabil sebanyak 5.5% – 6.0% (2017: 5.9%). (Sumber: Bank Negara Malaysia)

Headline inflation is expected to average between 2.0% – 3.0% in 2018 (2017: 3.7%). While global energy and commodity prices are expected to trend higher in 2018, the higher base in 2017 will result in a smaller contribution to headline inflation. In addition, a stronger ringgit exchange rate compared to 2017 will partially offset the impact of higher global energy and commodity prices. It will also contain increases in import costs.

Inflasi keseluruhan dijangka berpurata antara 2.0%– 3.0% pada tahun 2018 (2017: 3.7%). Walaupun harga tenaga dan komoditi global dijangka meningkat pada tahun 2018, asas yang agak besar ditahun 2017 akan menghasilkan impak yang lebih kecil kepada inflasi keseluruhannya. Selain itu, kadar pertukaran ringgit yang lebih kukuh berbanding dengan tahun 2017 akan mengimbangi sebahagian kesan kenaikan harga tenaga dan komoditi global. Pengukuhan kadar pertukaran ringgit juga akan membendung kenaikan dalam kos import.

Given the dependency of domestic inflation on the trajectory of global oil prices, there remains a high degree of uncertainty surrounding the inflation projection. Underlying inflation, as measured by core inflation, is also expected to moderate in 2018, due to smaller cost pass-through to retail prices compared to the previous year. Inflationary pressures from domestic demand factors will be contained by improving labour productivity and ongoing investments for capacity expansion, according to Bank Negara annual report 2017.

Memandangkan inflasi dalam negeri bergantung pada trajektori harga minyak global, masih wujud banyak ketidakpastian tentang unjuran inflasi. Inflasi asas, seperti yang diukur oleh inflasi teras, juga dijangka menurun pada tahun 2018 disebabkan oleh kesan pindahan kos yang lebih kecil kepada harga runcit berbanding dengan tahun sebelumnya. Tekanan inflasi daripada faktor permintaan dalam negeri akan dikekang oleh peningkatan produktiviti pekerja dan pelaburan berterusan untuk pengembangan kapasiti, berdasarkan laporan tahunan Bank Negara 2017.

More resources and efforts will be put in to explore collaborative opportunities to improve the revenue and profitability of the Group's.

Lebih banyak sumber dan usaha akan dikerah bagi meneroka peluang kolaborasi untuk meningkatkan pendapatan dan keuntungan Kumpulan.

While ports and logistics segment remain the staple contributor to the Group revenue, hospitality and tourism segment has shown an improvement in terms of its revenue contribution in 2017 as compared to 2016. We do expect that this segment will start to bear fruits once MAPS become fully operational by the end of first half 2018 and supported by Casuarina products and offerings.

Walaupun segmen pelabuhan dan logistik kekal sebagai penyumbang utama kepada pendapatan Kumpulan, segmen hospitaliti dan pelancongan telah menunjukkan peningkatan dalam menyumbang pendapatan kepada Kumpulan bagi tahun 2017 berbanding pada tahun 2016. Kami menjangkakan bahawa segmen ini akan membuahkan hasil apabila MAPS beroperasi sepenuhnya pada akhir separuh pertama 2018 selain disokong oleh perkembangan produk yang ditawarkan oleh Casuarina.

We believe the business is now fundamentally good and looking ahead, the Group will continue to adopt a cautious business strategy and will persevere to complete all its development as planned.

Kami percaya bahawa perniagaan Kumpulan berada pada asas yang kukuh pada ketika ini dan melihat ke hadapan, Kumpulan akan terus menerapkan strategi perniagaan dengan berhati-hati dan gigih dalam melengkapkan semua pembangunan seperti yang telah dirancang.

DIVIDEND

The Board does not recommend the payment of a dividend in respect of the financial year ended 31 December 2017.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express our gratitude to our clients, suppliers, bankers, business associates and the various government authorities for their support and confidence in the Group. The Board would also like to extend its appreciation to the management and staff for their dedication and commitment in their work throughout the financial year under review.

Lastly, to our shareholders, the Board would like to pledge its commitment in protecting and further enhancing the shareholders' value in the coming years.

YB DATO' NASARUDIN BIN HASHIM
Chairman

30 April 2018

DIVIDEN

Lembaga Pengarah tidak mencadangkan pembayaran dividen pada tahun kewangan berakhir 31 Disember 2017.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin mengambil kesempatan ini untuk mengucapkan terima kasih kepada para pelanggan, pembekal, bank, rakan perniagaan dan pelbagai pihak berkuasa kerajaan atas sokongan dan keyakinan mereka terhadap Kumpulan. Lembaga Pengarah juga ingin merakamkan penghargaan kepada pihak pengurusan dan kakitangan atas dedikasi dan komitmen mereka dalam kerja mereka sepanjang tahun kewangan yang ditinjau.

Akhir sekali, kepada para pemegang saham kami, Lembaga Pengarah ingin menjanjikan komitmennya dalam melindungi dan mempertingkatkan nilai pemegang saham pada tahun-tahun akan datang.

YB DATO' NASARUDIN BIN HASHIM
Pengerusi

30 April 2018

MANAGEMENT DISCUSSION AND ANALYSIS

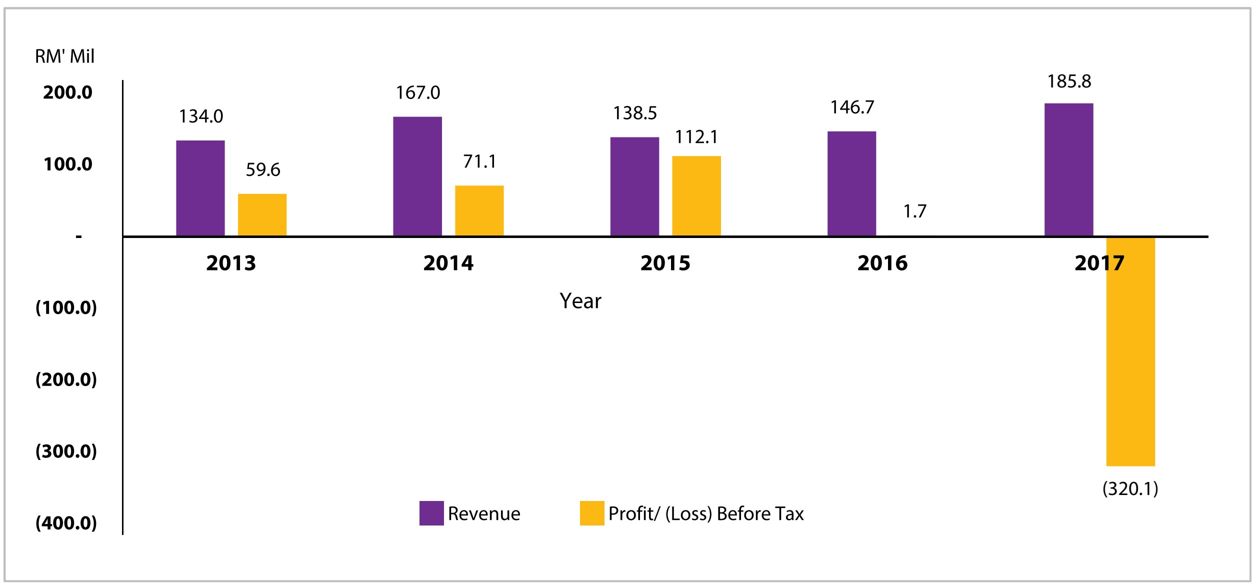
OVERVIEW

Perak Corporation Berhad (**"PCB"**) is a public listed Malaysian company which focuses on three (3) core businesses which are property development, ports and logistics as well as hospitality and tourism.

The Group's main contributor during the financial year under review is from the ports and logistics segment (**"PL segment"**). The Group manages Lumut Port, through its subsidiary Lumut Maritime Terminal Sdn Bhd (**"LMTSB"**) which is primarily a bulk cargo terminal owner, operator and port services provider. The PL segment contributed 57% of the Group's total revenue in 2017 (2016: 67%), followed by the property development segment ("**PD segment**") and hospitality and tourism segment ("**HT segment**") by contributing 22% (2016: 22%) and 18% (2016: 9.2%) respectively of the Group's total revenue. The increase in revenue by the HT segment is due to the soft opening of Movie Animation Park Studios ("**MAPS**") on 26 June 2017 and its hotel operations in 2017.

The Group will continue to build on its strengths in all of its business segments and diversify its revenue base to remain competitive and improve on its financial performance in the future. The performance of the three core businesses under the Group is reviewed below

FINANCIAL REVIEW



The Group posted a loss before tax (**"LBT"**) of RM320.1 million for the financial year under review (2016: PBT RM1.7 million) on the back of RM185.8 million in revenue in 2017 (2016: RM146.7 million). The significant drop in our pre-tax earnings was mainly due to the provision for impairment made in the HT segment.

The Group's source of revenue for 2017 has increased by 27% from the previous year's revenue of RM146.7 million. The increase in revenue for the Group is contributed by the better performance in the PL segment, PD segment as well as the HT segment due to increase in sales of land as well as the HT segment showed a positive performance during 2017.

Contributions from the segments are as follows:

Note: Revenue and Profit/ (loss) before tax excludes Group elimination amounting at RM2.9 million and RM279.4 million respectively.

The Group's revenue for 2017 is more varied, as some of our core businesses recorded revenue growth despite the challenging 2017 market environment.

The Group's revenue is mainly contributed by the PL segment amounting to RM105.3 million in 2017 as compared to RM98.0 million in 2016 due to an increase in the amount of throughput cargoes reported for Lumut Port in 2017.

Historically, the Group relied on the PL segment to contribute most of the revenue. The Group has always strived to mitigate the risk from depending too heavily on this segment due to factors that may affect the performance and profitability of Lumut Port and in this regard, efforts are taken to diversify revenue and the HT segment is targeted to provide growing sources of revenue for the Group from development of theme parks, hotels and resorts as well as food and beverages outlet businesses. The desired results will only be achieved in a few years' time as most of the projects are still in the early development phase.

The improvement of the HT segment is recorded when its revenue increased by RM17.7 million from the previous year to RM33.0 million, mainly derived from higher demands for accommodations, convention halls, food and beverages business in Hotel Casuarina @ Meru and from Lanai's products. In addition to that, the revenue for this segment is also contributed by the soft opening of MAPS on 26 June 2017 and the commencement of food and beverages outlet chain business under the Group, namely Labu Sayong Signature @ Meru and Labu Sayong Café @ Silveritage. However, the HT segment posted LBT of RM374.8 million in 2017 (2016: LBT RM6.6 million) due to provisions for impairment made during the financial year under review.

For the financial year ended 31 December 2017, the PD segment's revenue increased by 38% to RM43.5 million from RM31.6 million in the previous financial year due to increase in sales of land and recorded a loss before tax of RM239.5 million due to provision of impairment during the financial year under review.

The management services and other segment (**"MS segment"**) contributed RM6.8 million to the Group's revenue in 2017 (2016: RM17.9 million) derived from dividend income, and office rental. This segment recorded pre-tax loss of RM23.7 million increased by more than 100% as compared to RM6.8 million pre-tax loss in the previous year. The increase in the LBT is mainly due to higher finance costs and operating expenses incurred in 2017.

The Group recorded loss per share attributable to owners of the Company of 174.96 sen per share as at 31 December 2017 as compared to previous year, recorded a loss of 15.58 sen per share. The net assets per share of the Group as at 31 December 2017 is RM1.42 compared to RM5.61 in 2016.

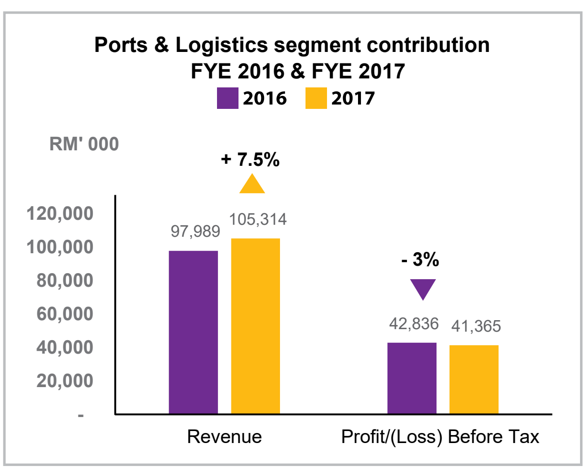
OPERATIONAL REVIEW

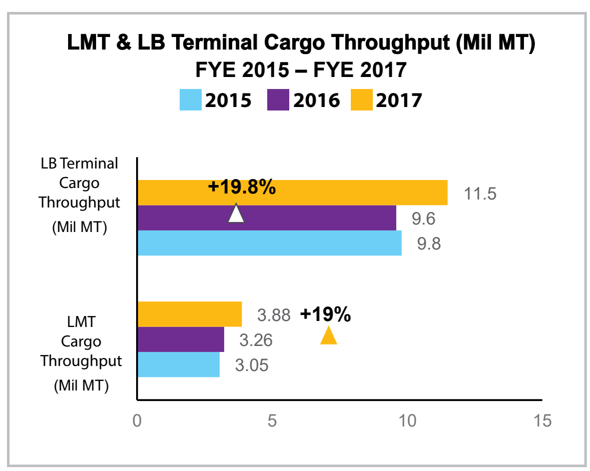
Ports and Logistics

Ports contribution in the economic growth is significant to the state's and nation's Gross Domestic Product (GDP). This economic impact can be further amplified by the availability of well-connected logistics network, including inland depot and freight villages.

The Group manages Lumut Port, through its subsidiary Lumut Maritime Terminal Sdn Bhd (LMTSB) with the vision to be the most efficient bulk cargo terminal operator in South East Asia. LMTSB provides an integrated port services, inclusive of tuggage, pilotage, berthing, stevedorage, cargo handling, storage and ancillary services. LMTSB is also the operator and manager of Lekir Bulk Terminal (**"LB Terminal"**), a dedicated terminal to handle coal for Janakuasa Sultan Azlan Shah in Sri Manjung, Perak.

Since the implementation of phase 1 of LMTSB's strategic business plan from 2016, LMTSB has begun to record an increase in cargo handling amounting to 3.88 million MT in 2017 from 3.26 million MT in 2016 and 3.05 million MT in 2015. LMTSB has also planned for the expansion of Lumut Port in phase 2, located in Batu Undan, Lumut Perak and will be expected to handle clean cargo covering an area of approximately 115 acres. This development plan will indirectly increase port capacity from 4.84 million MT per annum to 14 million MT per annum, once all phases of its business improvement plan are implemented.





Strong performance was shown in the PL segment where its revenue grew by 7.5% to RM105.3 million in the financial year 2017 from RM98.0 million in 2016, as 2017 saw the increase in cargo throughput in Lumut Port of 19%. The PL segment continues to perform very well as compared to 2016 where for the first time Lumut Port has managed to exceed RM100.0 million in terms of revenue and the results have shown an encouraging performance to the Group. We believe the business is now fundamentally strong and will continue to be a key contributor to the Group's overall profitability.

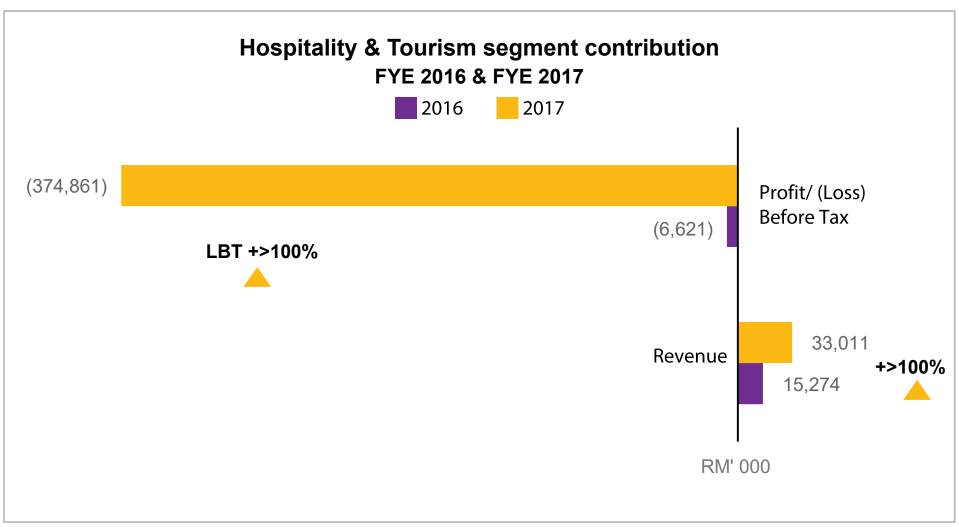
This segment has contributed about 57% to the Group's total revenue in 2017 (2016: 67%). The pre-tax profit of RM41.4 million in 2017 is however lower compared to RM42.8 million in 2016 in the previous year despite higher throughput achieved. This is caused by the fact that the increase in throughput came from the lower margin type of cargo while the administrative and operating expenses slightly increased.

Hospitality and Tourism

The Group owns and operates Hotel Casuarina @ Meru, Lanai Casuarina @ Cempaka Sari, Parit, Casuarina Boathouse @ Temenggor 1, Restoran Rumah Tradisional Melayu (**"RRTM"**) and manages some properties of Perak State, namely Rumah Rehat Kerajaan Negeri, Pangkor (**"RRKN"**) and Pasir Salak Eco Resort (**"PSER"**). The Group is also in the restaurant business, namely Labu Sayong Signature @ Meru and Labu Sayong Café @ Silveritage. These cafes provide delicious and authentic fare to both locals and visitors and have opened since August 2017 and November 2017 respectively.

Moving forward, the Group will continue with the expansion plan to open more hotels and cafés in Perak State including Hotel Casuarina @ Teluk Intan, Lanai Casuarina @ Kuala Kangsar, Hotel Casuarina @ Taiping, Taiping Rest House, Labu Sayong Café @ Taiping Rest House, Labu Sayong Café @ Teluk Intan.

The Group, through PCB Development Sdn Bhd's ("**PCBD**") 51% shareholding in ATP, owns a comprehensive entertainment park which features MAPS. The park soft opening was on 26 June 2017 and expected to be fully operational by July 2018 with targeted annual visitors of 0.5 million. In the financial year 2018, MAPS will initiate more aggressive marketing campaigns in line with current market trends and continue to leverage on online marketing and digital media advertising to increase its brand awareness among its target visitors.

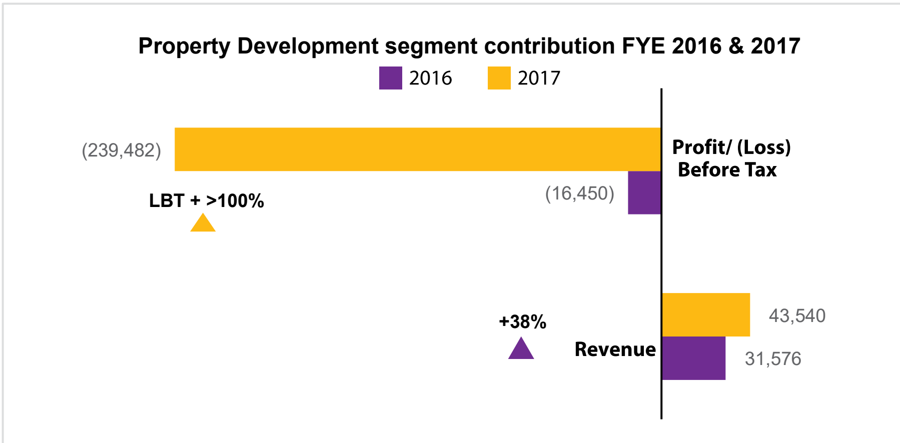


The HT segment registered an increased revenue of RM33.0 million for the financial year under review compared to RM15.3 million in the previous financial year, primarily due to the revenue contribution from MAPS, Labu Sayong Signature @ Meru and Labu Sayong Café @ Silveritage as well as RRKN and PSER in 2017. Despite the increase in revenue, the HT segment registered a LBT of RM374.9 million (2016: LBT RM6.6 million) mainly due to provision of impairment during the financial year under review.

Property Development

PCBD**,** the Company's wholly owned subsidiary is the Group's main contributor of this segment.

During the financial year under review, the Malaysian property market is seeing growth and improved sentiment compared to the "quiet market" in the previous year. However, it is still plagued by issues related to accessibility of loans and financing to potential buyers.



The PD segment capitalised on the local demand and focused tenaciously on managing ongoing projects to ensure delivery of high quality products to its purchasers. Among the affordable housing projects that are currently under construction include D'Aman Residensi @ Bandar Meru Raya ("**BMR**"), Casa Kayangan and Suria @ Meru which offer about 1,877 residential units to locals located especially in BMR, Ipoh. It is heartening to note that all the aforesaid projects are expected to be completed in 2018. Nevertheless, sales from land stocks for the financial year under review remain slow, partly impacted by the soft economic sentiment in this particular sector and we expect the scenario to remain challenging in 2018.

Despite the challenges, BMR, a township which has been developed by PCBD, is actively becoming an integrated township with a vibrant community, residential properties, commercial centres, hospitality and tourism attractions and government agencies offices. The Group has recently completed the development of RRTM located in BMR which offers a truly immersive "Perak experience" through its authentic ambience and cuisine.

Bulatan Amanjaya, a recreational park that is owned and managed by the Group, is the green lung of BMR equipped with various facilities such as mini wading pool for kids, skating area, playground area and mini wall climbing. It also has open areas for hosting activities and programs. Bulatan Amanjaya is filled with a green landscape within its 18 acres of space in BMR. The park recently won the Best Outdoor Public Space 2017 awarded by The Malaysian Institute of Planners (MIP) – Think City MyPlace Awards. This award was given based on the park's contribution in providing leisure facilities with a creative space to the local communities.

Being a key player in propelling the economic growth in Perak state, the Group strives to ensure its stakeholders continue to benefit from its ventures into new territories. In this regard, South Perak Region ("**SPR**") will be the new frontier which holds massive opportunities for economic development on a regional scale and Kumpulan Perbadanan Kemajuan Negeri Perak through PCB Group is committed to ensure the success of the SPR development. SPR is a vast area covering one (1) million acres of land that consists of four (4) interconnected nodes. The nodes are focusing on 14 Economic Catalysts Projects and each node represents its own unique strength. It plans to develop new township, commercial areas and industrial developments in this region.

The PD segment registered a better revenue of RM43.5 million in the financial year under review as compared to RM31.6 million in the previous financial year mainly due to increase in land sales transaction which recorded a 38% increase in revenue as compared from the previous year. The revenue from the PD segment derives mainly from sales of land, profits from property development joint ventures and other ancillary services. The PD segment registered a pre-tax loss of RM239.5 million as compared to pre-tax loss in the previous financial year of RM16.5 million due to provision of impairment of its investment in ATP. The impact of this impairment however is eliminated in the Group consolidated financial result for financial year end 2017.

The property market sentiment is anticipated to remain subdued in 2018 and continues to be impacted by the economic uncertainties although the local residential property market is expected to be sustained by the implementation of various property-related incentives and strong local demand; particularly in the affordable housing segment.

Management Services and Others

The Group's main contributors of this segment are the Company itself and PCB Taipan Sdn Bhd. The Company derives its income from dividends from its subsidiaries and office rental. PCB Taipan Sdn Bhd mainly obtains income from dividends from LMTSB, office rental and interest income.

In 2017, the segment contributed RM6.8 million to the Group's revenue, decreased by more than 100% as compared to previous financial year at RM17.9 million. The decrease in revenue is mainly due to lower land sales transaction. This segment recorded LBT of RM23.7 million (2016: LBT RM6.8 million) due to higher finance costs and operating expenses in 2017 compared to the previous year.

FUTURE PROSPECTS

The Group shall strive to achieve good results for the financial year ending 31 December 2018 through continuous commitment to its long-term strategies which will lead to the growth of the Group. As we move forward, we will continue to strengthen our position and build on our strong operational performance, improving further as we progress through the coming years.

More resources and efforts will be put in to explore collaborative opportunities to improve the revenue and profitability of the Group. While the PL segment remains the staple contributor to the Group's earnings by contributing at 57% of Group's revenue, the HT segment has shown an improvement in terms of its segmental revenue by contributing 18% as compared to previous year which contributed only 9% of the Group's revenue. We do expect that this segment will start to bear fruits once MAPS become fully operational in 2018 and supported by Casuarina's product. We believe the business is now fundamentally good and will continue to be a key contributor to the Group's overall profitability.

The Group recognises it will face a challenging environment in 2018 but is nevertheless confident it is now on a strong platform to persevere and bounce back with a stronger performance in the future.

SUSTAINABILITY STATEMENT

INTRODUCTION

The Board of Directors ("**Board**") of Perak Corporation Berhad ("**Company**" or "**PCB**") is committed to ensure the Company and its subsidiaries ("**Group**") run their businesses in a responsible and sustainable manner so as to achieve a fair balance between profitability and how they impact the economy, environment and society.

Sustainability has always been an integral part of our way of doing business and a guiding principle in our decision making and development processes. Over the years, the Group has undertaken various efforts to ensure top priority in our sustainability initiatives especially towards our three core businesses within the Group, namely Township and Property Development, Ports and Logistics as well as Hospitality and Tourism Business.

This Statement incorporates some standard disclosures from Bursa Malaysia Securities Berhad ("**Bursa Malaysia**") on the Sustainability Reporting Guideline and meeting the expectations of Bursa Malaysia's Main Market Listing Requirements covering sustainability reporting. Through this Statement, we aim to provide our stakeholders with a reliable economic, environmental and social (EES) information about our Company and in doing so, strengthen trust and relationship with our stakeholders through increased transparency and disclosure.

A. ECONOMIC

Property Development

Recognising the significance of townships and its communities, the Group leads the way in creating integrated townships in identified places to support progressive community needs, to facilitate the creation of values within existing townships and develop plans with the ultimate goal of raising overall socio-economic values in the areas.

Bandar Meru Raya ("**BMR**"), a fast-emerging township dubbed as the "New Heartbeat of Ipoh", has a unique mix of residential, commercial and retail areas. Developed as Ipoh's satellite metropolis, it is designed as the epitome of comprehensive and integrated destination for work, live, play and learn.

BMR currently houses 6 government offices in an expanding Government Precinct. With the relocation of 18 more government agencies in the pipeline, BMR is set to be the main administrative centre of Perak Darul Ridzuan.

Being a key player which takes the driver's seat in propelling economic growth in Perak State, the Group strives to ensure the stakeholders as well as the community within the area feel the development impact.

Moving forward from the success of BMR, the Group also places key emphasis on new growth regions with huge potentials which is located in South Perak Region. PCB Group is part of Kumpulan Perbadanan Kemajuan Negeri Perak (PKNP Group) and we have place strong commitment to be a key player in the South Perak Region Development which holds massive opportunities for economic development on a regional scale.

The South Perak Region is a vast area covering over 1 million acres of land that consists of four (4) interconnected nodes. The nodes are focusing on 14 Economic Catalysts Projects and each node represents its own unique strength. It plans to develop new townships, commercial areas and industrial developments in this region. This development will ensure continuous value creation by harnessing current resources for current and future generations.

Hospitality and Tourism – Supporting Perak goals in the tourism industry

Perak state will be in a position to capitalise on the positive economic overview, especially in the hospitality and tourism sector. With the current optimistic sentiment of the Malaysian economy, the number of domestic visitors, number of trips and the current spendings continue to increase, according to Domestic Tourism Survey (DTS) for the year 2016. Each category recorded increases of 7%, 8% and 10.2% respectively from the previous year.

In supporting Perak state and the Group's goals in the tourism industry, development of attraction centres, hotels as well as rebranding of rest houses in the state takes centre stage under the hospitality and tourism division. The Group is currently operating Movie Animation Park Studios (MAPS) and it is expected to attract 1 million visitors in its first operation year after the full opening of MAPS, including Dream Zone which would galvanise economic growth in the area.

The Group is also managing the operations of Hotel Casuarina @ Meru, Bulatan Amanjaya and Restaurant Rumah Traditional Melayu ("**RRTM**") which are located side by side in BMR. RRTM is an area hosting three (3) traditional themed restaurants with a food truck area besides the restaurant which currently accommodates approximately eight (8) food trucks. The Group is committed to continue its development of 2 Casuarina 4-star hotels at Teluk Intan and Kuala Kangsar whilst Lanai Casuarina @ Cempaka Sari, Parit has opened to public since 1 July 2016 and is located by the riverside of Sungai Perak.

Vibrant and competitive development components such as an integrated township, exceptional tourist attractions, efficient connectivity and the right skills and community mix are key factors to catalyse economic growth.

Port and Logistics

Ports play the important role in facilitating internal and external trades. Acting as enablers, ports provide key logistical services thus opening up trades and creating economic opportunities. Ports contribution in the economic growth is significant to the state's and nation's Gross Domestic Product (GDP). This economic impact can be further amplified by the availability of well-connected logistics network, including inland depot and freight villages.

There is no denial that the Group's main contributor is in the Ports and Logistics segment. The Group manages Lumut Port, through its subsidiary Lumut Maritime Terminal Sdn Bhd ("**LMTSB**") with the vision to be the most efficient bulk cargo terminal operator in South East Asia. LMTSB provides an integrated port services, inclusive of tuggage, pilotage, berthing, stevedorage, cargo handling, storage and ancillary services.

Since the implementation of phase 1 of LMTSB's (LMT1) strategic business plan from 2016, LMTSB has begun to record an increase in cargo handling of 3.88 million MT in 2017 compared to 3.26 million MT in 2016. LMTSB has also planned a comprehensive development plan for Lumut Port in phase 2 (LMT2) located in Batu Undan, Lumut Perak and will be expected to handle clean cargo covering an area of approximately 115 acres. This development plan will indirectly increase port capacity from 4.84 million MT per annum to 14 million MT per annum (LMT1 and LMT2).

B. ENVIRONMENTAL

From the time of our establishment since 1991, PCB Group has always been committed to comply with the legal and regulatory requirements of the Malaysian Department of Environment (DOE) and other regulators and authorities. To this end, environmental protection measures and considerations have long been embedded in our three core business.

Environmental Conservation through Bulatan Amanjaya, Recreational Park

Bulatan Amanjaya, a recreational park that is managed by the Group, is the green lung of BMR equipped with various facilities such as mini wading pool for kids, skating area, playground area and mini wall climbing. It also has open areas for hosting activities and programs.

Bulatan Amanjaya is filled with a green landscape within its diameters of 18 acres in BMR. In recognition of its development, the Group won the **Best Outdoor Public Space 2017** given by The Malaysian Institute of Planners (MIP) – Think City MyPlace Awards. This award was given based on the Group's contribution in providing leisure facilities with a creative space to the local communities.

Environmental Conservation through Sungai Sah Beautification in BMR

The Group recognises that several of its activities may have an impact to the environment. As a result, the Group has begun plans to beautify the Sungai Sah in BMR. Sungai Sah is about 10 kilometres away from Ipoh Town and it has overall length about 8.5 kilometres. It has about 1,274 hectares total catchment area and around 265 hectares total catchment area within BMR.

The strategies used for this environmental conservation includes:
- ~ Improving the quality of water;
- ~ Increasing the water depth for recreational area;
- ~ Increasing the water depth to be used as water resources and;
- ~ Designing the landscape along 1.5km in Sungai Sah reserves area.

Lumut Maritime Terminal ("LMT") certified to ISO 9001:2015

Lumut Port endeavours to control and mitigate the impacts of LMTSB's activities on the environment through responsible business activities. It adopts initiatives to conserve biodiversity via various programs in partnership with local groups, community and associations.

On 24 August 2016, LMT has been certified with ISO 9001:2015. This certification shows LMTSB has established a systematic approach to instil quality by ensuring that its products meet customer requirements.

C. SOCIAL

PCB has always believed that the way to build a great and enduring company is to strike a balance between profitability and fulfilling its social responsibilities. In today's inter-connected world, no business can operate as an entity onto itself. Companies are also measured in terms of their standing in the eyes of the community. Throughout the year 2017, PCB Group continued to make progress to operate responsibly and with care to meet the changing expectations on society.

Affordable Housing Development – Meeting Housing needs

PCB through its subsidiary, PCB Development Sdn Bhd, has established joint venture companies for the development of affordable housing project in BMR. To-date, the Group has launched three affordable housing projects namely D'Aman Residensi, Casa Kayangan and Suria @ Meru and offers about 1,877 residential units to locals which are located in BMR.

Besides meeting the needs of the rakyat to own houses, the aim here is to also encourage entrepreneurial growth, especially among the Bumiputera community, and present entrepreneurs with opportunities to rise up to meet the challenges of growing their capabilities and capacity in construction industry.

Local Communities Development

We believe fulfilling our dues to society should not solely be driven by the Company, but also from individuals as well. PCB Group has always encouraged its management and staffs to be involved in welfare work and charity and we are pleased that the spirit of giving is very much alive within the Group.

*Perak Corp Nature Foundation ("**PCNF**")*

The Group through PCNF on 26 April 2017 has collaborated with Malaysian SWCorp to organise a Recycling Education Program at SK Jati, Meru Ipoh. Officiated by YB Dato' Nasarudin bin Hashim, the Chairman of PCB Group, this program is one of the social responsibility program in fostering and maintaining the spirit of loving the environment among schoolchildren. The program for the day included lectures, workshops and creative activities. PCNF sponsored a total of 10 kinds of herbs to the Herb Garden Corner SK Jati in order to bring more students close to values and importance in maintaining the environment.

Giving Back to the Society

In furtherance to the Blood Donation Campaign which received overwhelming response from the workforce over the years, the Biro Kebajikan Kelab Warga Kumpulan continued this noble course in 2017 at Hotel Casuarina @ Meru, Ipoh.

The target donors are among employees of the Group, government departments and local residents around BMR. As human blood is a scarce and precious resource, this drive has successfully raised awareness on blood donation and encouraged the culture of voluntary blood donation as it is a safe, simple and speedy process that helps to save lives.

In 2017, with the aim to promote social welfare among the less fortunate, the Group sponsored charity activities which include iftar program with Pertubuhan Anak Yatim & Miskin, Bait-Al-Amin, Perak, Rumah Ar Ridhwani, Manjoi and Rumah DaHikmah, Gopeng. This program has become one of our Corporate Social Responsibility (CSR) programmes to care for the welfare of the people.

Development of Human Resources

At PCB Group, we value the contribution of each and every one of our employees, which is why we place utmost importance in creating a conducive work environment to nurture our employees' growing talent and ambitions. We believe that by helping our employees realise their full potential, they in turn, can help us achieve PCB Group's corporate aspiration, making the Group an ideal place to attract talented individuals to build their careers.

For continuous employees' development, training is one of the most important facet in PCB Group. In line with the Strategic Human Capital Management Plan, the Group establishes a system to continuously:

~ Identify knowledge gap;
~ Identify training programmes suitable to achieve Company and Group objectives;
~ Establish training support from both internal and external resources; and
~ Continuous assessment on the effectiveness of training programmes.

CONCLUSION

In our journey towards integrating sustainability in our business, the Group will establish formal procedures in internalising sustainability considerations in our organisation. We will strive to further seek enhancement opportunities in pursuing business, environment and social sustainability. A copy of the Group's Sustainability Policy is available on PCB Group's website at www.perakcorp.com.my, under Investor Relations column.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Perak Corporation Berhad ("**PCB**" or the "**Company**") fully support the Malaysian Code on Corporate Governance 2017 ("**MCCG 2017**") which sets out the principles, intended outcomes and practices for good corporate governance that should apply towards achieving the optimal framework to protect and enhance shareholders value and the financial performance of the Company and its subsidiaries ("**Group**").

The Board of Directors ("**Board**") of PCB is responsible for delivering shareholders value over the long-term, through the Group's culture, strategy, values and governance. This Statement provides an overview of the Company's commitment to apply the three principles and the practices with reference to the principles set out in the MCCG 2017, except where stated otherwise, during the financial year ended 31 December 2017 under the leadership of the Board. The extent of the application of each practice encapsulated in the principles of the MCCG 2017 is further presented in the Corporate Governance Report which can be viewed on the Company's website at www.perakcorp.com.my.

SECTION 1: BOARD LEADERSHIP AND EFFECTIVENESS

Board Roles and Responsibilities

The Board has seven (7) members as at the date of this Statement, comprising one (1) executive director who is the Group Chief Executive Officer ("**GCEO**"), two (2) non-executive non-independent directors and four (4) independent directors. More than half of the Board members are independent directors.

The profile of the Board members is set out on pages 9 to 12 of this Annual Report.

The Board retains full and effective control of the Company. This includes responsibility for determining the Company's overall strategic direction as well as development and control of the Group. No individual or group of individuals dominates the Board's decision making and the number of directors fairly reflects the nominees of each of the Company's major shareholders. The Company considers that its complement of non-executive directors provides an effective Board with a mix of industry-specific knowledge and business and commercial experience. This balance enables the Board to provide clear and effective leadership to the Company and to bring informed and independent judgement to many aspects of the Company's strategy and performance so as to ensure that the Company maintains the highest standard of conduct and integrity.

The functions reserved for the Board are clearly stated in the Board Charter besides the discharge of their fiduciary duties.

In order to assist the Board in the discharge of its responsibilities, the Board has also delegated certain responsibilities to other Board committees, which operate within clearly defined terms of reference. The Board Committees are the Audit Committee and the Nomination and Remuneration Committee. The respective Committees report to the Board on the matters considered and their recommendations thereon. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

The Board Chairman

YB Dato' Nasarudin bin Hashim is the non-independent non-executive Chairman of the Board. The Chairman is responsible for the oversight, leadership, effectiveness, conduct and governance of the Board.

Although the Chairman is not an independent director, all decisions of the Board are based on the decision of the majority of the Board members and matters are deliberated with active participation of the four (4) independent directors.

The majority of the Board members are independent directors since the Company recognises the contribution of independent directors as equal Board members in the development of the Company's strategy, the importance of representing the interest of public shareholders and providing a balanced and independent view to the Board. The independent directors are independent of management and free from any relationship that could interfere with their independent judgement.

Separation of Roles between the Chairman and the Group Chief Executive Officer

Dato' Aminuddin bin Md Desa, the GCEO and a Board member, leads the management team. There is a clear division of responsibility between the Chairman and the GCEO and between the non-executive Board members and the GCEO together with his executive management team to ensure a balance of power and authority.

The GCEO has the overall responsibility for the day-to-day management of the business and implementation of the Board's policies and decisions. The GCEO is responsible to ensure due execution of strategic goals, effective operation within the Company, and to explain, clarify and inform the Board on matters pertaining to the Group. The GCEO is supported by the senior management team with their respective scope of responsibilities. The senior management team's performance is assessed by the GCEO based on the approved key performance indexes and then reported to the Board.

Company Secretary

The Board is supported by an experienced and competent Company Secretary who is qualified to act as company secretary under Section 235(2) of the Companies Act 2016. The Company Secretary reports directly to the Board and plays an advisory role to the Board and Board Committees, particularly with regard to their policies and procedures and the Company's compliance with regulatory requirements, rules, guidelines and legislation, as well as the best practices of corporate governance.

All directors have access to the advice and services of the Company Secretary and are updated on the changes in the regulatory framework and corporate governance practices. The Company Secretary provides support to the Board in ensuring that the applicable rules and regulations are complied with as well as that the governance structure of the Group remains relevant and effective.

The Company Secretary attends all meetings of the Board and Board Committees and ensures that meeting procedures are followed and deliberations and proceedings at the meetings are accurately recorded and well-documented.

Supply of Information

Each Board member receives quarterly interim financial reports, including comprehensive review and analysis. Prior to each Board meeting, directors are sent an agenda and a full set of Board papers for each agenda item prepared and presented in a concise and comprehensive manner so that the directors have a proper and relevant depiction of the issues to be discussed at the meeting. This is issued in sufficient time to enable the directors to obtain further explanations, where necessary.

Directors have access to all information within the Company whether as full board members or in their individual capacity, in furtherance to their duties. Directors have also direct access to the services of the Company Secretary who is responsible for ensuring the Board procedures are followed. Directors are entitled to obtain independent professional advice in the course of discharging their duties at the Company's expense.

Board Charter

The Company has formalised a Board Charter which clearly set out the composition, roles and responsibilities of the Board and Board committees and the processes and procedures for convening their meetings. The Board Charter serves as a reference providing prospective and existing members of the Board and management insight into the fiduciary duties of directors.

The Board reviews the Board Charter on a regular basis to keep up to date with changes in Bursa Malaysia Securities Berhad's ("**Bursa Malaysia**") Main Market Listing Requirements ("**Listing Requirements**"), other regulation and best practices and ensure its effectiveness and relevance to Board's objectives. The details of the Board Charter are available for reference on the Company's website at www.perakcorp.com.my.

Code of Conduct

The Board has formalised a Code of Conduct ("**Code**") which is based on the principles in relation to integrity sincerity, honesty, responsibility, social responsibility and accountability in order to enhance the standard of corporate governance and behaviour.

The Board is committed to create a corporate culture within the Group to operate the businesses of the Group in an ethical manner and to uphold the highest standards of professionalism and exemplary corporate conduct.

The Code is to assist the directors and all personnel of the Group in defining the ethical standards and conduct at work and extent beyond normal working hours which they should possess in discharging their duties and responsibilities.

The Board reviews the Code when deemed necessary to ensure it remains relevant and appropriate and the Code can be viewed on the Company's website at www.perakcorp.com.my.

Whistle Blowing Policy

The Board has established a Whistle Blowing Policy to improve the overall organisational effectiveness and to uphold the integrity of the Group which acts as a formal internal communication channel, where the staff may communicate in cases where the Group's business conduct is deemed to the contrary to the common values of the Group.

The Group is committed to maintain the highest possible standards of integrity, openness and accountability in the conduct of its businesses and operations within the Group and aspires to conduct its affairs in an ethical, responsible and transparent manner. The policy is intended to provide and facilitate a mechanism for any persons to report concerns related to any suspected and/or known misconduct, wrongdoing, corruption, fraud, waste and/or abuse of which they become aware, and to ensure that the reporting person can report allegation of such malpractice or misconduct in an appropriate manner and without fear of retaliation.

All reports will be investigated promptly and dealt with fairly and equitably. Actions will be taken based on the nature of the allegation and may be resolved by agreed action.

The Board reviews the policy when deemed necessary to ensure it remains relevant and appropriate and the policy can be viewed on the Company's website at www.perakcorp.com.my.

Tenure of Independent Directors

In determining the independence of individual directors, the Board, through the Nomination and Remuneration Committee, conducts assessment on the independent directors of the Company annually.

As at the financial year ended 31 December 2017, the tenure of the independent directors is as follows:

	Appointment Date	*Tenure*
Tuan Haji Ab Rahman bin Mohammed	26 August 2009	8 years
Dato' Abd Karim bin Ahmad Tarmizi	2 November 2009	8 years
Dato' Dr Vasan a/l Sinnadurai	2 November 2009	8 years
Datuk Dr Wan Norashikin binti Wan Noordin	2 November 2009	8 years

The Board has carefully assessed and reviewed the performance carried out by the existing independent directors and concluded that they are able to discharge their duties and responsibilities effectively to ensure that there is a balance of power and authority on the Board. Based on the recent annual review, the Board is satisfied that the independent directors have fulfilled the criteria as defined in the Listing Requirements.

The Board noted that the MCCG 2017 recommends that the tenure of an independent director should not exceed a cumulative term of nine (9) years. The Board believes that the length of service of the independent director on the Board does not interfere with their exercise of independent judgment and act in the best interest of the Group notably in discharging their roles. The Board shall undertake further assessment on independence of its independent directors whose tenure exceeds the cumulative term of nine (9) years.

All four (4) independent directors' tenure have yet to exceed the cumulative term of nine (9) years as at the end of the financial year 2017.

The Board, through the Nomination and Remuneration Committee, have determined that Tuan Haji Ab Rahman bin Mohammed, who declared himself as independent since 26 August 2009, reaching a cumulative term of nine (9) years in the financial year 2018, remains unbiased, objective and independent in expressing his opinion and in participating in decision-making of the Board. The length of his services on the Board has not in any way interfered with his objective and independent in carrying his roles as member of the Board. Accordingly, Tuan Haji Ab Rahman bin Mohammed has been assessed and reviewed and the Board is satisfied with his independence. He is a person of high calibre and integrity and based on his immense knowledge and expertise as well as experience, in this respect, the Board recommend that the approval of shareholders be sought to allow Tuan Haji Ab Rahman bin Mohammed to continue to act as independent director of the Company.

Board Diversity Policy

The Board recognises the importance of diversity in determining the optimum composition of the Board and amongst its workforce, including but not limited to race, ethnicity, age, gender, skills, experience, exposure and competencies. The ultimate decision will be based on the competency, ability, leadership quality and qualification, particularly candidates with specialised knowledge, that meet the Group's needs.

The Board considers that gender diversity contributes positively to the performance of the Board which is vital to the sustainability of the Group's businesses. Currently, the Board has one female director out of a total of seven directors, representing approximately 14% of women participation in the boardroom. The Board will actively work towards identifying suitably female directors to be appointed to the Board. The Board recognises that the evolution of the diversity is a long process and weighs the various factors relevant to board balance and diversity when vacancies arise.

Overall, the Board is satisfied with the existing number and composition of the members and is of the view that the Board comprises a good mix of members with diverse experiences background to provide for a collective range of skills, expertise and experience which are relevant to support the growth and cope with the complexities of the Group's businesses.

Sourcing and Nomination of Board members

The Board, through the Nomination and Remuneration Committee, continuously reviews the composition of the Board and source for suitable directors considering the diversity in business background, area of expertise, skills, educational background, gender, and ethnicity as well as other factors that may provide the Board with a boarder range of viewpoints and perspectives.

The Nomination and Remuneration Committee is responsible for proposing new nominees for appointment to the Board, and recommends to the Board for approval on the appointment, re-appointment, re-election and annual assessment of directors.

The Nomination and Remuneration Committee considers and recommends to the Board candidates of sufficient calibre, knowledge, integrity, reliability, professionalism and experience to fulfill the duties of a director. This Committee also considers the ability of the candidate to attend Board and Board committees' meetings regularly and devote sufficient time and effort to carry out their duties and responsibilities effectively, and be committed to serve on the Board for an extended period of time.

Directors' Training

All directors are encouraged to continuously undertake training and regularly update and refresh their skills and knowledge to enable them to effectively discharge their duties. In this connection, the Board has adopted the Guidelines for Directors' Training Needs as recommended by the Nomination and Remuneration Committee. The guidelines require each director to attend at least one (1) seminar/course/workshop during the financial year.

From time to time, directors also receive further training on developments which may have a bearing on their duties and contribution to the Board, from professional bodies, regulatory institutions and corporations. Basically, all directors have complied with the Guidelines for Directors' Training Needs for the year 2017 as they were briefed on changes in regulatory environment with the implementation of the Companies Act 2016 and MCCG 2017: Key changes and highlights internally during the year.

The directors who have attended the training programmes are as follows:

YB Dato' Nasarudin bin Hashim

~ Sustainability Forum for Directors/CEOs: The Velocity of Global Change & Sustainability – The New Business Model
~ Corporate Governance Breakfast Series with Directors: Board Excellence – How to Engage and Enthuse Beyond Compliance with Sustainability
~ International Directors Summit 2017

Tuan Haji Ab Rahman bin Mohammed

~ The New Companies Act 2016 – The Key Issues and Potential Pitfalls and Disclosure of Interest by Nominee Directors
~ PNB Investment Series 2017 – The Future of Fintech / Digital Disruption
~ PNB Investment Series 2017 – The Future of Globalisation and Liberalisation: Are We Losing the Battle?

Dato' Wan Hashimi Albakri bin WAA Jaffri

~ The 20th National Housing & Property Summit
~ PAM Housing and Urbanity Symposium 2017
~ CEO Series 2017

Dato' Dr Vasan a/l Sinnadurai
- ~ Implementing A Risk Management & Internal Control Framework based on The Malaysian Code of Corporate Governance 2017

Datuk Dr Wan Norashikin binti Wan Noordin
- ~ Effective Internal Audit Function for Audit Committee

Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises four (4) non-executive directors, three (3) of whom are independent. The Committee is headed by Dato' Abd Karim bin Ahmad Tarmizi and the other members are Dato' Wan Hashimi Albakri bin Wan Ahmad Amin Jaffri, Dato' Dr Vasan a/l Sinnadurai and Datuk Dr Wan Norashikin binti Wan Noordin. The Committee is empowered to bring to the Board recommendations as to the appointment of any new executive or non-executive director upon evaluation of the candidate's ability to discharge the expected responsibilities. In addition, the Committee is responsible for establishing a formal and transparent procedure for developing policy on the remuneration packages of the executive and non-executive directors of the Company.

The Chairman of the Nomination and Remuneration Committee is not the Senior Independent Director, who is currently the Audit Committee's Chairman, for better segregation of duties among the directors.

In 2017, the Committee held two (2) meetings on the following dates: 22 February and 22 November 2017.

The attendance of the members is as follows:

	Meeting attendance in 2017
Dato' Abd Karim bin Ahmad Tarmizi (Chairman)	2/2
Dato' Wan Hashimi Albakri bin Wan Ahmad Amin Jaffri	1/2
Dato' Dr Vasan a/l Sinnadurai	2/2
Datuk Dr Wan Norashikin binti Wan Noordin	2/2

The activities of the Nomination and Remuneration Committee during the financial year ended 31 December 2017 include recommendation to the Board on the following matters:

(a) Renewal of contract of service of the Group Chief Financial Officer;
(b) Directors' remuneration packages for executive and non-executive directors and gratuity payment to directors;
(c) Evaluation and assessment of directors, the Board as a whole and the independence directors;
(d) Evaluation and assessment of the performance of the Audit Committee's members and the Audit Committee as a whole;
(e) Re-appointment and re-election of directors at the Annual General Meeting ("**AGM**") of the Company; and
(f) Assessment of the Directors' training needs to ensure all Directors receive appropriate continuous training.

Board, Audit Committee and Individual Director Assessment

The Nomination and Remuneration Committee conducts annual assessment of each individual director under the evaluation process to ensure the effectiveness of the Board as a whole. The assessment of directors is an examination of each director's ability to contribute to the effective decision making of the Board.

The Nomination and Remuneration Committee also conducts annual review of the term of office performance of the Audit Committee's members annually and assess whether the Audit Committee as a whole carried out their duties in accordance with its terms of reference.

The overall results of the evaluation process and the improvements recommended thereon are presented by the Chairman of the Nomination and Remuneration Committee to the Board in respect of the performance of the Audit Committee and the Board as a whole.

Based on the recent annual review, the Nomination and Remuneration Committee is satisfied that the Board composed of directors with appropriate mix of skill and experience to meet the Company's requirements and the Audit Committee and its members discharged their functions, duties and responsibilities in accordance with its terms of reference.

Board Meetings

In 2017, the Board held seven (7) meetings on the following dates: 22 February, 8 May, 30 May, 30 June, 23 August, 5 September and 22 November 2017. At each scheduled meeting, there is a full financial and business review and discussion, including operational and financial performance to date against annual budget and financial plan previously approved by the Board for that year.

The details of meeting attendance of each individual director are as follows:

	Meeting attendance in 2017
YB Dato' Nasarudin bin Hashim (Chairman)	5/7
Tuan Haji Ab Rahman bin Mohammed	7/7
Dato' Wan Hashimi Albakri bin Wan Ahmad Amin Jaffri	5/7
Dato' Abd Karim bin Ahmad Tarmizi	7/7
Dato' Dr Vasan a/l Sinnadurai	6/7
Datuk Dr Wan Norashikin binti Wan Noordin	7/7
Dato' Aminuddin bin Md Desa	7/7

Remuneration Policy and Procedure

For the remuneration policy, the Nomination and Remuneration Committee reviews the salaries, annual fees, attendance allowance and other benefits for the executive and non-executive directors of the Company bench marked against industry standards and market competitiveness in light of the performance of the Group in the industry. The decision to determine the level of remuneration shall be the responsibility of the Board as a whole after considering recommendations from the Nomination and Remuneration Committee. In addition, the annual fees of non-executive directors shall be subject to the ultimate approval of shareholders at the AGM.

Directors' Remuneration

The remuneration of the current directors of the Company on a named basis for the financial year ended 31 December 2017 is as follows:

Name of directors	*Fees RM*	*Salaries RM*	*Other emoluments RM*	*Benefit-in-kind RM*	*Total RM*
Company					
YB Dato' Nasarudin bin Hashim	-	-	4,800	-	4,800
Dato' Wan Hashimi Albakri bin Wan Ahmad Amin Jaffri	72,600	-	4,800	-	77,400
Tuan Haji Ab Rahman bin Mohammed	78,650	-	10,350	-	89,000
Dato' Abd Karim bin Ahmad Tarmizi	72,600	-	6,000	-	78,600
Dato' Dr Vasan a/l Sinnadurai	72,600	-	8,400	-	81,000
Datuk Dr Wan Norashikin binti Wan Noordin	72,600	-	7,800	-	80,400
Dato' Aminuddin bin Md Desa	72,600	-	7,800	-	80,400
Group					
YB Dato' Nasarudin bin Hashim	-	150,000	4,800	-	154,800
Dato' Aminuddin bin Md Desa	119,374	-	56,333	-	175,707

Senior Management' Remuneration

The remuneration component including salary, bonus, benefits in-kind and other emoluments of the current senior management on a named basis in bands of RM50,000 for the financial year ended 31 December 2017 is as follows:

Band of remuneration	*Name of senior managements*
RM100,001 to RM150,000	Rozahan bin Osman
RM150,001 to RM200,000	Dato' Aminuddin bin Md Desa
RM650,001 to RM700,000	Mubarak Ali bin Gulam Rasul

SECTION 2: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

The Audit Committee comprises three (3) independent directors. The Audit Committee is headed by Tuan Haji Ab Rahman bin Mohammed, who is the Senior Independent Director, and the other members are Dato' Dr Vasan a/l Sinnadurai and Datuk Dr Wan Norashikin binti Wan Noordin. The Committee provides assistance to the Board in fulfilling its oversight responsibilities of the financial reporting process, the system of internal controls, the audit process and the process of monitoring compliance with laws and regulations and the code of conduct.

The role and summary of the activities of the Audit Committee are described in more detail in the Audit Committee Report set out on pages 45 to 48 of this Annual Report.

Financial Reporting

For financial reporting through quarterly interim financial reports to Bursa Malaysia and the audited annual financial statements to shareholders, the Board has a responsibility to present a balanced and fair assessment of the Group's financial position, performance and future prospects.

The Statement of Directors' Responsibility in relation to the preparation of the annual audited financial statements of the Company and the Group is set out on page 53 of the Annual Report.

The Audit Committee assists the Board in scrutinising the financial reporting processes and quality of the financial reporting of the Group. This Committee, on a quarterly basis, reviews the quarterly interim financial reports and yearly financial statements to ensure accuracy, adequacy and completeness as well as to comply with applicable financial reporting standards and other regulatory and legal requirements.

Assessment of Suitability and Independence of External Auditors

Through the Audit Committee, the Company has always maintained a close and transparent relationship with its external auditors in seeking professional advice and ensuring compliance with applicable financial reporting standards in Malaysia. This Committee is accorded the power to communicate directly with the external auditors.

Following the cessation of office of Messrs KPMG PLT as the external auditors of the Company at the conclusion of the Twenty-sixth AGM, the Audit Committee has reviewed the profile, competence, audit quality, resource capacity and experience of Messrs Ernst & Young after taking into account of the size and complexity of the Group's operation as well as the suitability, objectivity and independence of Messrs Ernst & Young and was of the opinion that Messrs Ernst & Young would be able to meet the audit obligations of the Group in compliance with the Listing Requirements and provisions of the Companies Act 2016.

Having regard to the outcome of the assessment of external auditors by the Audit Committee, the Board has agreed with the Audit Committee's recommendation to seek shareholders' approval at an Extraordinary General Meeting. The resolution for the appointment of Messrs Ernst & Young as auditors of the Company was approved by the shareholders at the Extraordinary General Meeting held on 22 November 2017.

The Audit Committee conducts an annual assessment of the suitability, objectivity and independence of the external auditors by considering among other –

- the competence, audit quality and resource capacity of the external auditor in relation to the audit;
- the nature and extent of the non-audit services rendered and the appropriateness of the level of fees; and
- obtaining written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

Messrs Ernst & Young has confirmed that they were and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements, including the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

Based on the annual assessment, the Audit Committee is satisfied with the independence, objectivity, technical competency and professionalism demonstrated by Messrs Ernst & Young. Having regard to the outcome of the annual assessment of external auditors by the Audit Committee, the Board has agreed with the Audit Committee's recommendation to seek shareholders' approval at the forthcoming AGM on the appointment of Messrs Ernst & Young as external auditors of the Company for the financial year ending 31 December 2018.

Risk Management and Internal Control

The Board takes responsibility for the Group's risk management and internal control system and for reviewing its adequacy and integrity. The Board is of the view that the current system of risk management and internal control in place throughout the Group is sufficient to safeguard the Group's assets and shareholders' investment.

The Statement on Risk Management and Internal Control as set out on pages 42 to 44 in this Annual Report provides an overview of the state of risk management and internal controls within the Group.

Internal Audit Function

The Board recognises that effective monitoring on a continuous basis is a vital component of a sound internal control system. The Group has in place an adequately resourced internal audit department of the Company's ultimate holding corporation who conduct regular reviews of the internal controls and report to the Audit Committee.

SECTION 3: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with Shareholders and other Stakeholders

The Board acknowledges the importance of effective, transparent and timely dissemination of material information and has in place internal corporate disclosure procedures which enable comprehensive, accurate and timely disclosures relating to the Company to shareholders, regulators and other stake stakeholders. These procedures also set out the authority and responsibility to approve such disclosure. In formulating these procedures, the Board is guided by Investor Relations Policy and Corporate Disclosure Guide 2011 introduced by Bursa Malaysia whilst adhering with the corporate disclosure requirements as set out in the Listing Requirements.

Announcements via Bursa LINK of Annual Reports, quarterly interim financial reports and business acquisitions and disposals provide the shareholders and the investing public with an overview of the Group's performance, operations and directions. Members of the public can obtain the Annual Reports, full financial results, quarterly interim financial reports and the Company's announcements on the Company's website at www.perakcorp.com.my. Notices of general meetings and minutes of general meetings are also available on the Company's website.

The Board has designated Tuan Haji Ab Rahman bin Mohammed as the Senior Independent Director of the Company to whom shareholders may address their concerns relating to the Group. In addition, nominees of the Company's substantial shareholders sit on the Board. This provides a platform for interactions and direct communications between the Board, management and shareholders. At all times, any queries from other shareholders may be communicated through the Company Secretary.

Conduct of General Meetings

The AGM is the principal forum for dialogue with shareholders. Notice of the AGM together with the Annual Report will be sent out to shareholders at least twenty-eight (28) days before the date of meeting.

The Board encourages participation from shareholders by having a question and answer session during the AGM. The directors and the GCEO are available to provide responses to questions from shareholders during the meeting.

All resolutions set out in the notice of general meetings of the Company are to be conducted by poll and an independent scrutineer is appointed to monitor the conduct of polling for each general meeting.

At the AGM held on 30 June 2017, poll voting was conducted in respect of all resolutions by way of e-polling process and Symphony Corporatehouse Sdn Bhd was appointed as Scrutineers to verify the poll results. The outcome of the poll against the resolutions was announced at the same meeting and detailed results stating the votes cast were announced via Bursa LINK.

Other than the AGM, an Extraordinary General Meeting was held on 22 November 2017 to consider the following resolution:

Resolution	*Result*
Ordinary Resolution Proposed Appointment of Auditors	Approved

Poll voting was also conducted in respect of the resolution and the result of the poll was scrutinised by Symphony Corporatehouse Sdn Bhd, the appointed Scrutineers.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board is responsible for the adequacy and effectiveness of the risk management framework and to maintain a system of internal control in the Company and its subsidiaries ("**Group**") to safeguard shareholders' investments and the Group's assets. Paragraph 15.26(b) of Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("**Listing Requirements**") requires directors of listed companies to include a statement in annual reports on the state of the internal control of the listed issuer as a group. The recent guidelines on the Statement on Risk Management and Internal Control (Guidelines for Directors of Listed Issuers) ("**Risk Management and Internal Control Guidance**") further emphasises the need for maintaining a risk management framework and internal control system.

Set out below is the Board's Statement on Risk Management and Internal Control, which has been prepared in accordance with the Risk Management and Internal Control Guidance.

BOARD RESPONSIBILITY

The Board recognises the importance of risk management practices and internal controls to good corporate governance. The Board affirms its overall responsibility for the Group's system of risk management and internal control, and for reviewing the adequacy and integrity of those systems. Due to the limitations that are inherent in any system of internal control, the system is designed to manage rather than eliminate the risk of failure to achieve corporate objectives. Accordingly, the system can provide only reasonable and not absolute assurance against material misstatement or loss. The system of internal control covers, inter alia, risk management and financial, organisational, operational and compliance controls. The Board confirms that in four (4) of its meetings in 2017, Internal Audit matters were presented and discussed to ensure an on-going process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of the Group's business objectives. The Board shall regularly review this process and ensure compliance with the Risk Management and Internal Control Guidance.

RISK MANAGEMENT FRAMEWORK

In accordance with the Risk Management and Internal Control Guidance, the Board would also like to affirm its overall responsibility for identifying, evaluating and managing risks faced by the Group and the Group has instituted risk management framework and policy for two significant entities within the Group.

The key elements of the risk management framework of the two significant entities of the Group involve the following:

1. Risk Management Committee

The Risk Management Committee shall identify risks, their changes and action plans to manage the risks.

2. Risk Management Policies and Procedures Manual

Risk management policies and procedures have been drafted and reviewed to adapt to current business activities as well as risk exposures in the forthcoming year.

In order to sustain corporate resilience, the Group shall continue to strengthen continuous risk awareness and assessment to ensure proper actions to mitigate risks as well as to address the various risk exposures in the forthcoming year.

REVIEW OF INTERNAL CONTROL EFFECTIVENESS

The Group, via the ultimate holding corporation's internal audit department, provides support to the Audit Committee in discharging its duties with respect to the adequacy and integrity of the internal control's systems within the Group. During the financial year under review, the internal auditors of the ultimate holding corporation carried out procedures on the operating subsidiaries of the Group based on an internal audit plans approved by the Audit Committee. Their internal audit reports were tabled at the Audit Committee meetings, where Audit Committee members reviewed the findings with management. Internal auditors shall ensure that recommendations to improve controls are implemented by management.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

The Group has in place the following key elements of internal control:

1. Strategic Blue Print and Objectives

In order to chart the Group's business direction, the ultimate holding corporation and the Company have produced the Group's Strategic Blue Print (2014-2018) where strategic thrusts to support the achievement of the Group's key business strategic objectives are identified and undertaken by the Group.

2. Organisational Structure

The Group has put in place an organisational structure with clearly defined lines of accountability and delegated authority for all aspects of the business as set out in the Board Charter and Limits of Authority to the Board committees, the Group Chief Executive Officer and the operating units.

3. Policies and Operating Procedures Manual

There is an Operating Procedures Manual that sets out the policies, procedures and practices covering activities including the following:

3.1 Limits of Authority
Limits of Authority outlines and empowers the individual or group of persons in making decisions within the Group.

3.2 Budgeting
Budgets are generated annually at each operating unit. The budgets will then be presented to the ultimate holding corporation and the Group's Board for review and approval.

*3.3 Senior Executive Committee ("**SEC**") of the ultimate holding corporation*
Requests for major purchases of goods and services and procurement of contract works are submitted to the SEC for reviews and approvals.

4. Management Financial Report

Quarterly interim financial reports are submitted to the Audit Committee and the Board which include the monitoring of results against budget, with major variances being explained and management actions taken for improvement of results. This involves the inclusion of Statements of Comprehensive Income, Statements of Financial Position, Group Statements of Changes in Equity and Statements of Cash Flows being presented to the Audit Committee and the Board. The Board confirms that financial discussions are held four (4) times in 2017 to monitor financial progress and performance within the Group.

5. Investment Appraisal

Investment proposals covering acquisition of property and long term investments are appraised by the Board. Post implementation reviews on these investments are conducted and reported to the Board on a quarterly basis. Likewise, similar actions are taken in respect of disposal of property/ long term investments/subsidiaries.

CONCLUSION

For the financial year under review and up to the date of issuance of the audited financial statements, the Board considers the system of risk management and internal control of the Group to be satisfactory and the risks to be at an acceptable level within the context of the Group's business environment. The Board has received assurance from the Group Chief Executive Officer and the Group Chief Financial Officer of the Company who are satisfied with the adequacy, integrity and effectiveness of the Group's system of risk management and internal controls. No material losses, contingencies or uncertainties have arisen from any inadequacy or failure of the Group's system of risk management and internal control, except for a number of minor weaknesses which were identified and addressed during the year, that would require disclosure in the Annual Report.

AUDIT COMMITTEE REPORT

The Audit Committee provides assistance to the Board in fulfilling its oversight responsibilities of the financial reporting process, the system of internal controls, the audit process and the process of monitoring compliance with laws and regulations and the code of conduct.

COMPOSITION AND MEETING ATTENDANCE

The Audit Committee comprises three (3) independent non-executive directors.

The Audit Committee shall meet at least four (4) times a year, although additional meetings may be called at any time at the Chairman's discretion and if requested by any member or internal or external auditors. The Committee may meet with the external auditors, the internal auditors or both without the attendance of other directors and employees of the Company, whenever deemed necessary. The Committee may invite any person to be in attendance at each meeting.

The Audit Committee met seven (7) times during the financial year under review on the following dates: 21 February, 5 April, 14 April, 29 May, 22 August, 5 September and 22 November 2017 and the attendance of members in 2017 is as follows:

	Meeting attendance in 2017
Tuan Haji Ab Rahman bin Mohammed (Chairman) *Senior Independent Non-Executive*	*7/7*
Dato' Dr Vasan a/l Sinnadurai *Independent Non-Executive*	*7/7*
Datuk Dr Wan Norashikin binti Wan Noordin *Independent Non-Executive*	*6/7*

The Nomination and Remuneration Committee has conducted annual review of the term of office and performance of the Audit Committee and its members and is satisfied that the Audit Committee as a whole and its members have carried out their duties in accordance with its terms of reference.

SUMMARY OF ACTIVITIES

The summary of key activities undertaken by the Audit Committee during the financial year under review is provided below:

Financial Reporting

In its oversight of the financial reporting process, for the financial year under review, the Audit Committee obtained assurance from the Group Chief Financial Officer on the integrity of the quarterly interim financial reports and annual audited financial statements and that they comply with the applicable financial reporting standards and other legal requirements.

- The Audit Committee reviewed the quarterly interim financial reports with management during its quarterly scheduled meetings before submission with its recommendation to the Board for approval prior to the quarterly announcements made to Bursa Malaysia Securities Berhad and the Securities Commission;
- The Audit Committee deliberated on the issues related to the audit of the financial statements of the Company for the financial year ended 31 December 2016 resulting in the delay in the issuance of the audited financial statements for the year ended 31 December 2016; and
- The Audit Committee reviewed the annual audited financial statements and the audit report thereon as presented by the external auditors covering the following areas with management before submission with its recommendation to the Board for approval:

    ~ appropriate accounting policies that have been adopted and applied consistently;
    ~ audit approach;
    ~ key audit issues which arose during the audit and their subsequent resolution;
    ~ key significant audit findings; and
    ~ external auditors' management letter and management's response thereto.

In its oversight of the external audit process, the Audit Committee met with the external auditors twice (2) during the year on 5 April 2017 and 29 May 2017.

External Audit

In respect of the financial year under review, the Company had, on 5 June 2017, announced to Bursa Malaysia Securities Berhad that Messrs KPMG PLT had indicated their intention not to seek for re-appointment as the auditors of the Company. In their place, on 22 November 2017, the Company appointed Messrs Ernst & Young as the external auditors of the Group for the financial year ended 31 December 2017.

- The Audit Committee considered the profile of Messrs Ernst & Young and assessed their competence, audit quality, resource capacity and experience after taking into account of the size and complexity of the Group's operation as well as the suitability, objectivity and independence of Messrs Ernst & Young prior to their appointment as the external auditors of the Group. The Audit Committee recommended to the Board its support for the appointment of Messrs Ernst & Young as the external auditors of the Group for the financial year ended 31 December 2017;

- The Audit Committee discussed with Messrs Ernst & Young on their audit plan in respect of the audit for the financial year ended 31 December 2017, outlining the nature and scope of the audit work and the proposed fees for the statutory audit, as well as the audit procedures to be undertaken; and

- The Audit Committee obtained assurance from Messrs Ernst & Young that they are independent in respect of the audit for the financial year ended 31 December 2017 in accordance with the terms of the relevant professional and regulatory requirements.

The amount of audit fees and non-audit fees payable to Messrs Ernst & Young for the financial year ended 31 December 2017, are as follows:

	Audit fees (RM)	*Non-Audit fees (RM)*
Company	120,000	20,000
Group	492,000	93,500

The non-audit fees include assurance services rendered comprise annual review of the Statement on Risk Management and Internal Control.

Internal audit

In its oversight of the internal audit process, the Audit Committee met with the internal auditors four (4) times during the year on 21 February 2017, 29 May 2017, 22 August 2017 and 22 November 2017.

- The Audit Committee reviewed and approved the annual internal audit plan based on risk-based approach as presented by the internal auditors and discussed with them on the scope of work, adequacy of resources and coordination with the external auditors; and

- The Audit Committee reviewed the four (4) internal audit reports presented by the internal auditors on their findings and recommendations thereon with respect to system and controls weaknesses and management's response to these recommendations and ensure the adequacy implementation of corrective actions to address such control deficiencies.

Risk Management and Others

- The Audit Committee reviewed and approved the Statement on Risk Management and Internal Control and the Audit Committee Report for inclusion in the Company's Annual Report, for recommendation to the Board for approval;

- The Audit Committee reviewed the proposal for the acquisition of four (4) lots of leasehold land measuring a total area of approximately 115.312 acres all situated at Mukim Lumut, District of Manjung, State of Perak by Lumut Maritime Terminal Sdn Bhd, a 50% + 1 share subsidiary the Company, from Perbadanan Kemajuan Negeri Perak, the ultimate holding corporation of the Company, for a total purchase consideration of RM57.0 million exclusive of goods and services tax ("**Proposed Acquisition**"), for recommendation to the Board for approval. The Audit Committee was satisfied that the Proposed Acquisition is fair, reasonable and on normal commercial terms and is of the opinion that the Proposed Acquisition is in the best interest of the Company and not detrimental to the interest of the minority shareholders;

- The Audit Committee reviewed related party transactions and recurrent related party transactions entered into by the Company and its subsidiaries and the Circular to Shareholders related to recurrent related party transactions, for recommendation to the Board for approval. The Audit Committee was satisfied that these transactions are fair, reasonable and on normal commercial terms and is of the opinion that these transactions are in the best interest of the Company and not detrimental to the interest of the minority shareholders;

INTERNAL AUDIT FUNCTION

The Board recognises that effective monitoring on a continuous basis is a vital component of a sound internal control system. In this respect, the Audit Committee is supported adequately by the internal audit department from the Company's ultimate holding corporation in which the personnel have the relevant experience, competency and resources as well as able to access the necessary information to carry out their function and role effectively. The internal auditors may outsource to any other consultant or professional firm if there is a requirement to do so. The main role of the internal auditors is to review the effectiveness of the system of internal control and this is performed with impartiality, proficiency and due professional care. The internal auditors report directly to the Audit Committee on audit matters and to the Group Chief Executive Officer on administrative matters.

The internal audit activities have been carried out according to the internal audit plan based on risk-based approach, which has been approved by the Audit Committee. In 2017, the internal auditors have conducted a series of audits of the operating units including subsidiaries of the Company. The internal auditors ensured, on a follow up basis, that recommendations to improve controls are implemented by management. These initiatives, together with management's adoption of the external auditor's recommendations for improvement on internal controls noted during their annual audit, provide reasonable assurance that control procedures are in place.

The cost incurred on the internal audit function for the financial year ended 31 December 2017 amounted to RM100,000.

ADDITIONAL COMPLIANCE INFORMATION

RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") OF REVENUE NATURE

The RRPT of revenue nature conducted during the financial year is as follows:

Type of RRPT	*Name of related party*	*Relations with the Company*	*Actual value 1/1/2017 – 31/12/2017 (RM)*
Procure and purchase of merchandise by Animation Theme Park Sdn Bhd ("**ATP**")	Nexus Jade Sdn Bhd ("**NJSB**")	See Note 1 below	2,866,618
Operation and maintenance contract provided by Lumut Maritime Terminal Sdn Bhd ("**LMTSB**")	Lekir Bulk Terminal Sdn Bhd ("**LBTSB**")	See Note 2 below	41,196,055

Note:

1. Perbadanan Kemajuan Negeri Perak holds 55.12% equity interest in Majuperak Holdings Berhad which in turn holds 51% equity interest in NJSB through two intermediate wholly owned subsidiaries. Perbadanan Kemajuan Negeri Perak holds 52.9% equity interest in Perak Corporation Berhad which in turn holds 51% equity interest in ATP through its wholly owned subsidiary.

2. Integrax Berhad holds 100% equity interest in Pelabuhan Lumut Sdn Bhd which in turn holds 50% minus 1 share equity interest in LMTSB and 80% equity interest in LBTSB.

UTILISATION OF PROCEEDS

No proceeds were raised by the Company from any corporate exercise during the financial year ended 31 December 2017.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company or its subsidiary involving the interest of the directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year, except as disclosed in notes 37 and 38 of the financial statements of the Company for the financial year ended 31 December 2017.

ANALYSIS OF SHAREHOLDINGS AS 16 APRIL 2018

Total number of issued shares	:	100,000,000
Class of Shares	:	Ordinary shares
Voting Rights	:	One (1) vote per ordinary share held

DISTRIBUTION OF SHAREHOLDERS

Size of shareholdings	No. of holders	%	Total shareholdings	%
Less than 100	252	11.00	11,513	0.01
100 to 1,000	237	10.34	152,599	0.15
1,001 to 10,000	1,395	60.89	5,042,261	5.04
10,001 to 100,000	354	15.45	10,969,174	10.97
100,001 to 4,999,999	51	2.23	26,193,203	26.20
5,000,000* and above	2	0.09	57,631,250	57.63
	2,291	100.00	100,000,000	100.00

Note:
*	Denotes 5% of the issued capital

SUBSTANTIAL SHAREHOLDERS

		No. of shares held			
No.	**Name of holders**	**Direct**	**%**	**Indirect**	**%**
1	Perbadanan Kemajuan Negeri Perak	52,271,253 *1	52.27	627,150 *2	0.63
2	Sime Darby Property Berhad	6,125,000	6.13	-	-

Note :
*1	Including 51,506,250 shares held under CIMB Group Nominees (Tempatan) Sdn Bhd
*2	Deemed interest through its direct and indirect wholly owned subsidiaries, namely Fast Continent Sdn Bhd, Cherry Blossom Sdn Bhd and Perak Equity Sdn Bhd

DIRECTORS' SHAREHOLDINGS

		No. of shares held			
No.	**Name of holder**	**Direct**	**%**	**Indirect**	**%**
1	Tuan Haji Ab Rahman bin Mohammed	-	-	6,000*	0.01

Note:
* Deemed interest through his spouse and child

THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of shares held	%
1	CIMB Group Nominees (Tempatan) Sdn Bhd *CIMB Bank Bhd for Perbadanan Kemajuan Negeri Perak (CBD-NR-PERAKCB)*	51,506,250	51.51
2	Sime Darby Property Berhad	6,125,000	6.13
3	Pui Cheng Wui	3,930,600	3.93
4	KAF Trustee Berhad *KIFB for KAF Seagroatt & Campbell Berhad*	3,912,000	3.91
5	Chua Sim Neo @ Diana Chua	3,785,500	3.79
6	CIMB Group Nominees (Asing) Sdn Bhd *Exempt an for DBS Bank Ltd (SFS)*	1,461,700	1.46
7	Kenanga Nominees (Asing) Sdn Bhd *Cantal Capital Inc.*	1,000,000	1.00
8	Gan Kho @ Gan Hong Leong	831,600	0.83
9	Wong Shak On	830,000	0.83
10	Perbadanan Kemajuan Negeri Perak	765,003	0.76
11	Gan Kho @ Gan Hong Leong	706,900	0.71
12	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Han Fook Fong (E-PPG)*	474,500	0.47
13	Lim Gaik Bway @ Lim Chiew Ah	466,600	0.47
14	Tharumanathan a/l S. Eliathamby	463,000	0.46
15	Cherry Blossom Sdn Bhd	367,150	0.37
16	KAF Trustee Berhad *KIFB for Yayasan Istana Abdul Aziz*	360,000	0.36
17	KAF Trustee Berhad *KIFB for DYMM Tuanku Bainun Mohd Ali*	351,000	0.35
18	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chin Kiam Hsung*	319,700	0.32
19	Chee Ah Ngoh	309,700	0.31
20	Ng Poh Cheng	302,200	0.30
21	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tam Seng @ Tam Seng Sen (E-PTS)*	300,000	0.30
22	Cheong Yoke Choy	250,000	0.25
23	Renfield Investment Limited	250,000	0.25
24	Fast Continent Sdn Bhd	247,500	0.25
25	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tay Ong Ngo @ Tay Boon Fang*	240,000	0.24
26	Toh Hai Hai	234,400	0.23
27	UOB Kay Hian Nominees (Asing) Sdn Bhd *Exempt an for UOB Kay Hian Pte Ltd (A/C Clients)*	234,350	0.23
28	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chin Kiam Hsung*	230,000	0.23
29	Tan Teck Peng	228,000	0.23
30	Chin Kian Fong	211,600	0.21
		80,694,253	80.69

SUMMARY OF PROPERTIES AS AT 31 DECEMBER 2017

<table>
<tr><th colspan="2">Locations</th><th>Approximate Land area (acres)</th><th>Tenure</th><th>Description</th><th>Date of Acquisitions Approx. Age (Building) Net Book Value</th><th>Existing Use</th></tr>
<tr><td rowspan="6">PCB Development Sdn Bhd</td><td>Part of Lot 140407, 15437, 25459, 33004, 52566, 21310, 18202 Mukmin Ulu Kinta, District Of Kinta, Perak Darul Ridzuan.</td><td>45.8</td><td>Freehold</td><td>Agricultural land with approvals for mixed development from Pejabat Pengarah & Galian.</td><td>31.12.1997
RM7,054,528</td><td>Agriculture (Proposed for mixed development)</td></tr>
<tr><td>No. HDS 98757, PT 167585 Negeri Perak, Mukmin Ulu Kinta, District Of Kinta, Perak Darul Ridzuan.</td><td>5.00</td><td>Freehold</td><td>3-storey institutional building.</td><td>1.1.2002
RM3,613,136
15 Years</td><td>Vacant</td></tr>
<tr><td>a) No. HSD 159908, PT 213246</td><td>0.062</td><td rowspan="4">Freehold</td><td rowspan="4">Double storey building.</td><td rowspan="4">30.9.2011
RM1,137,500
5 Years</td><td rowspan="4">Vacant</td></tr>
<tr><td>b) No. HDS 159909, PT 213247</td><td>0.065</td></tr>
<tr><td>c) No. HDS 159910, PT 213248</td><td>0.065</td></tr>
<tr><td>Mukim Ulu Kinta, District Of Kinta, Perak Darul Ridzuan.</td><td></td></tr>
<tr><td colspan="2">Lot PT 2273, Mukim Lumut, Daerah Manjung, Perak Darul Ridzuan.</td><td>27.46</td><td>Leasehold (99 years) expiring year 2094</td><td>Waterbody</td><td>30.9.1995
RM679,558</td><td>Port operation</td></tr>
<tr><td colspan="2">Lot PT 6973, Mukim Lumut, Daerah Manjung, Perak Darul Ridzuan.</td><td>72.54</td><td>Leasehold (99 years) expiring year 2094</td><td>Wharf, warehouse, & office complex building</td><td>10.4.1997
RM81,595,549
20 years</td><td>Port operation</td></tr>
<tr><td colspan="2">PT 6972/Lot 11063, Mukim Lumut, Daerah Manjung, Perak Darul Ridzuan (purchase vacant land in YR2013)</td><td>1.65</td><td>Leasehold (99 years) expiring year 2094</td><td>Waterbody</td><td>17.4.2013
RM2,434,180
4 years</td><td>Port operation</td></tr>
<tr><td colspan="2">PT 4859, Mukim Lumut, Daerah Manjung, Perak Darul Ridzuan (purchase vacant land in YR2014)</td><td>3.49</td><td>Leasehold (99 years) expiring year 2113</td><td>Waterbody</td><td>10.3.2015
RM1,838,912</td><td>Port operation</td></tr>
<tr><td colspan="2">PT 10445 and PT10447, Mukim Lumut, Daerah Manjung, Perak Darul Ridzuan (purchase vacant land in YR2017)</td><td>13.3</td><td>Leasehold (99 years) expiring year 2105</td><td>Waterbody</td><td>31.01.2017
RM12,510,538</td><td>Port operation</td></tr>
<tr><td colspan="2">PT 16661, 16662, 16838 & 16839, Mukim Lumut, Daerah Manjung, Perak Darul Ridzuan (purchase vacant land in YR2017)</td><td>115.31</td><td>Leasehold (99 years) expiring year 2114</td><td>Waterbody</td><td>31.05.2017
RM60,900,612</td><td>Port operation</td></tr>
<tr><td colspan="2">H.S(D) 204383 PT 245010, Mukim Ulu Kinta, District Of Kinta, Perak Darul Ridzuan.</td><td>7.34</td><td>Freehold</td><td>Hotel, convention centre & 2 office towers.</td><td>31.2.2013
RM56,332,226
4 Years</td><td>Hotel and office operation</td></tr>
</table>

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE ANNUAL AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 2016 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and their results and cash flows for the financial year then ended.

In preparing the financial statements, the Directors have:

- Complied with the applicable MASB approved accounting standards in Malaysia.
- Adopted and consistently applied appropriate accounting policies.
- Made judgements and estimates that are prudent and reasonable.

The Directors have responsibility for ensuring that the Company and the Group keep accounting records, which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Companies Act, 2016.

The Directors have general responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

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PERAK CORPORATION BERHAD

INCORPORATED IN MALAYSIA
(210915-U)

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

Principal activities

The principal activities of the Company consist of property and investment holding, real property development and provision of management services.

The principal activities and other information of the subsidiaries, associates and joint operations are disclosed in Notes 17, 18 and 36 to the financial statements.

Ultimate holding corporation

The ultimate holding corporation is Perbadanan Kemajuan Negeri Perak, a body corporate established under Perak Enactment No. 3, 1967.

Results

	Group RM	Company RM
Loss for the year	(340,572,671)	(28,270,488)
Attributable to:		
Owners of the Company	(174,957,156)	(28,270,488)
Non-controlling interests	(165,615,515)	-
	(340,572,671)	(28,270,488)

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

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

Dividend

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

Directors

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

Dato' Nasarudin Bin Hashim
Dato' Wan Hashimi Albakri Bin Wan Ahmad Amin Jaffri
Tuan Haji Ab Rahman Bin Mohammed
Dato' Abd Karim Bin Ahmad Tarmizi
Dato' Dr Vasan A/L Sinnadurai
Datuk Dr Wan Norashikin Binti Wan Noordin
Dato' Aminuddin Bin Md Desa

Directors of the Company's subsidiaries

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

Directors of PCB Development Sdn. Bhd.
Dato' Nasarudin Bin Hashim
Dato' Aminuddin Bin Md Desa
Sharifah Nor Hashimah Binti Syed Kamaruddin
Rustam Apandi Bin Jamaludin (appointed on 9 March 2017)
Jamal Bin Mohd Aris (resigned on 3 March 2017)

Directors of PCB Equity Sdn. Bhd.
Dato' Aminuddin Bin Md Desa
Abdul Rahim Bin Bohari @ Bahari
Rustam Apandi Bin Jamaludin (appointed on 3 March 2017 and resigned on 8 May 2017)
Jamal Bin Mohd Aris (resigned on 3 March 2017)

Directors of PCB Leisure Sdn. Bhd.
Dato' Abd Karim Bin Ahmad Tarmizi
Dato' Dr Vasan A/L Sinnadurai
Dato' Aminuddin Bin Md Desa
Ahmad Al-Hadi Bin Abdul Khalid
Rustam Apandi Bin Jamaludin (appointed on 9 March 2017, resigned on 17 April 2017 and re-appointed on 22 December 2017)
Mohammad Fariz Victor (resigned on 17 April 2017)
Jamal Bin Mohd Aris (resigned on 3 March 2017)

Directors (contd.)

Directors of the Company's subsidiaries (contd.)

Directors of PCB Taipan Sdn. Bhd.
Dato' Wan Hashimi Albakri Bin Wan Ahmad Amin Jaffri
Datuk Dr Wan Norashikin Binti Wan Noordin
Dato' Aminuddin Bin Md Desa
Ahmad Al-Hadi Bin Abdul Khalid (appointed on 8 May 2017)
Rustam Apandi Bin Jamaludin (appointed on 3 March 2017 and resigned on 8 May 2017)
Jamal Bin Mohd Aris (resigned on 3 March 2017)

Director of Rungkup Port Sdn. Bhd.
Dato' Aminuddin Bin Md Desa
Salween Azila Binti Ahmad Tauffik

Directors of Animation Theme Park Sdn. Bhd.
Dato' Aminuddin Bin Md Desa
Ramelle Ashram Bin Ramli
Stephen Allan Sanderson
Yun Kam Fei
Rozahan Bin Osman
Rustam Apandi Bin Jamaludin
Mohammad Fariz Victor (resigned on 17 April 2017)
Jamal Bin Mohd Aris (resigned on 3 March 2017)

Directors of Casuarina Pangkor Sdn. Bhd.
Dato' Aminuddin Bin Md Desa
Ahmad Al-Hadi Bin Abdul Khalid
Rustam Apandi Bin Jamaludin
Mohammad Fariz Victor (resigned on 17 April 2017)
Jamal Bin Mohd Aris (resigned on 3 March 2017)

Directors of Casuarina Tanjong Malim Sdn. Bhd., Casuarina Teluk Intan Sdn. Bhd. and Casuarina Boathouse Sdn. Bhd.
Dato' Aminuddin Bin Md Desa
Rustam Apandi Bin Jamaludin
Ahmad Al-Hadi Bin Abdul Khalid
Mohammad Fariz Victor (resigned on 17 April 2017)
Jamal Bin Mohd Aris (resigned on 3 March 2017)

Directors (contd.)

Directors of the Company's subsidiaries (contd.)

Directors of Casuarina Taiping Sdn. Bhd.
Dato' Aminuddin Bin Md Desa
Rustam Apandi Bin Jamaludin
Ahmad Al-Hadi Bin Abdul Khalid (appointed on 17 April 2017)
Mohammad Fariz Victor (resigned on 17 April 2017)
Jamal Bin Mohd Aris (resigned on 3 March 2017)

Directors of Lanai Casuarina Sdn. Bhd.
Dato' Aminuddin Bin Md Desa
Rustam Apandi Bin Jamaludin
Ahmad Al-Hadi Bin Abdul Khalid
Mohammad Fariz Victor (resigned on 17 April 2017)
Jamal Bin Mohd Aris (resigned on 3 March 2017)

Directors of Meru Raya Park Sdn. Bhd.
Rustam Apandi Bin Jamaludin
Ahmad Al-Hadi Bin Abdul Khalid
Dato' Aminuddin Bin Md Desa (resigned on 17 April 2017)
Mohammad Fariz Victor (resigned on 17 April 2017)
Jamal Bin Mohd Aris (resigned on 3 March 2017)

Directors of BIOD Leisure & Recreation Sdn. Bhd.
Rozahan Bin Osman
Salween Azila Binti Ahmad Tauffik
Mohammad Fariz Victor (resigned on 17 April 2017)

Directors of Meru Raya Water Park Sdn. Bhd. and Labu Sayong Cafe Sdn. Bhd.
Dato' Aminuddin Bin Md Desa
Rustam Apandi Bin Jamaludin (appointed on 3 March 2017)
Ahmad Al-Hadi Bin Abdul Khalid (appointed on 17 April 2017)
Mohammad Fariz Victor (resigned on 17 April 2017)
Jamal Bin Mohd Aris (resigned on 3 March 2017)

Directors (contd.)

Directors of the Company's subsidiaries (contd.)

Directors of Rimba Land Sdn. Bhd. (formerly known as Pangkor Village Resort Sdn. Bhd.)
Rozahan Bin Osman
Ahmad Al-Hadi Bin Abdul Khalid
Rustam Apandi Bin Jamaludin (appointed on 22 December 2017)
Mohammad Fariz Victor (resigned on 17 April 2017)

Directors of Lumut Maritime Terminal Sdn. Bhd.
Dato' Azian Bin Osman
Dato' Aminuddin Bin Md Desa
Rozahan Bin Osman
Datuk Zainudin Bin Ibrahim
Mohammad Zahir Bin Ismail
Mohd Shaiful Bahri Bin Hussain
Dato' Seri Mohammed Noordin Bin Ali (appointed on 25 April 2018)
Salween Azila Binti Ahmad Tauffik (resigned on 25 April 2018)
Jamal Bin Mohd Aris (resigned on 3 March 2017)

Directors of Casuarina Meru Sdn. Bhd.
Dato' Aminuddin Bin Md Desa
Dato' Azian Bin Osman
Dato' Khansiyah @ Khamsiyah Binti Yeop
Rustam Apandi Bin Jamaludin (appointed on 1 October 2017)
Dato' Mohd Azmi Bin Hj Othman (appointed on 19 February 2018)
Mohammad Fariz Victor (resigned on 29 May 2017)
Jamal Bin Mohd Aris (resigned on 3 March 2017)

Directors of LMT Capital Sdn. Bhd.
Mohd Shaiful Bahri Bin Hussain
Rustam Apandi Bin Jamaludin (appointed on 21 March 2017)
Jamal Bin Mohd Aris (resigned on 21 March 2017)

Directors of Silveritage Corporation Sdn. Bhd. and Cash Complex Sdn. Bhd.
Nik Azman Bin Nik Abdul Aziz
Jamal Bin Mohd Aris (resigned on 3 March 2017)

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company or of related corporations as shown in Note 11 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Directors' interests

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

	Number of ordinary shares			
	1 January 2017	**Bought**	**Sold**	**31 December 2017**
The Company				
Tuan Haji Ab Rahman Bin Mohammed				
- indirect*	6,000	-	-	6,000

**deemed interest through his spouse and child*

Other than as disclosed above, the other directors who held office at the end of the financial year did not have any interest in the shares of the Company or its related corporations during the financial year.

Indemnity and insurance costs

During the financial year, directors and officers of the Company are covered under the Directors' and Officers' Liability Insurance Policy in respect of liabilities arising from acts committed in their respective capacity as, inter alia, directors and officers of the Company subject to the terms of the Policy. The total amount of Directors' and Officers' Liability Insurance effected for the directors and officers of the Company was RM10 million.

Other statutory information

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

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

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

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

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

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

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

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

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

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

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

Other statutory information (contd.)

(f) In the opinion of the directors:

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

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

Significant events

The significant events during the financial year are as disclosed in Note 37 to the financial statements.

Subsequent events

Details of subsequent events are disclosed in Note 38 to the financial statements.

Auditors

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

Auditors' remuneration are disclosed in Note 9 to the financial statements.

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 April 2018.

Dato' Nasarudin Bin Hashim

Tuan Haji Ab Rahman Bin Mohammed

Ipoh, Perak Darul Ridzuan, Malaysia

Statement by directors
Pursuant to Section 251(2) of the Companies Act 2016

We, Dato' Nasarudin Bin Hashim and Tuan Haji Ab Rahman Bin Mohammed, being two of the directors of Perak Corporation Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 19 to 149 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 April 2018.

Dato' Nasarudin Bin Hashim

Tuan Haji Ab Rahman Bin Mohammed

Ipoh, Perak Darul Ridzuan, Malaysia

Statutory declaration
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Ahmad Al-Hadi Bin Abdul Khalid (NRIC No.: 641127-08-5049), being the officer primarily responsible for the financial management of Perak Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 19 to 149 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Ahmad Al-Hadi Bin Abdul Khalid
at Ipoh in the State of Perak Darul Ridzuan
on 30 April 2018.

Ahmad Al-Hadi Bin Abdul Khalid
(MIA 11619)

Before me,

Mohd Firdaus Bin Abdullah (No. A223)
Commissioner for Oaths
Ipoh, Perak Darul Ridzuan

Independent auditors' report to the members of
Perak Corporation Berhad
(Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Perak Corporation 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 19 to 149.

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

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to Note 2.1 to the financial statements, which describes that the Group incurred a net loss of RM340.6 million during the year ended 31 December 2017 and, as of that date, the Group's current liabilities exceeded its current assets by RM158.5 million. As stated in Note 2.1, these events or conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Independence and other ethical responsibilities

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

Independent auditors' report to the members of Perak Corporation Berhad (contd.) (Incorporated in Malaysia)

Key audit matters

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

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

In addition to the matter described in the *Material uncertainty related to going concern* section above, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment of property, plant and equipment

Refer to Note 3.2 (Key sources of estimation uncertainty) and Note 14 (Property, plant and equipment).

As at 31 December 2017, the Group's net assets are higher than its market capitalisation and together with the continued delay in the commencement of the full operation of the theme park operated by a subsidiary, indicates that the carrying amount of the related property, plant and equipment of the subsidiary may be impaired.

The carrying amount of the Group's property, plant and equipment in respect of theme park operations as at 31 December 2017 amounted to RM232.7 million, representing 64% of the Group's total property, plant and equipment.

The Group is required to perform impairment test of Cash Generating Unit ("CGU") whenever there is an indication that the CGU may be impaired by comparing the carrying amount with its recoverable amount. Accordingly, the Group estimated the recoverable amount of the related property, plant and equipment using Value-In-Use ("VIU"). Estimating the VIU involves estimating the future cash inflows and outflows that will be derived from the CGU, and discounting them at an appropriate rate. The aforementioned impairment review gave rise to an impairment loss amounted to RM167.2 million for the year ended 31 December 2017.

Independent auditors' report to the members of Perak Corporation Berhad (contd.) (Incorporated in Malaysia)

Key audit matters (contd.)

Impairment of property, plant and equipment (contd.)

Due to the significance of the amount and subjectivity involved in the impairment test, we considered this impairment test to be an area of audit focus. Specifically, we focus on evaluation of the assumptions used by the Group to estimate the recoverable amounts of the CGUs which include the number of visitors and the related income to be collected, staff costs and other operating costs, weighted-average cost of capital discount rate and terminal value growth rate.

How our audit addressed the matter

As part of our audit procedures, we performed, amongst others, the following procedures:

(a) Obtained an understanding of the relevant internal control over estimating the recoverable amount of the CGU;

(b) Evaluated and assessed the appropriateness of the methodology and approach applied to estimate the recoverable amount of the CGU;

(c) Evaluated the key assumptions applied in the determination of:

  (i) the revenue to be earned to assess whether the number of visitors and the related income to be collected; and

  (ii) the staff costs and other operating costs.

  are supportable when compared to the past trends and future market outlook;

(d) Involved an internal specialist to assist us in assessing the terminal value growth rate and the weighted-average cost of capital discount rate used to determine the present value of the cash flows of the CGU and whether the rate used reflects the current market assessments of the time value money; and

(e) Evaluated the adequacy of the disclosures of each key assumptions to which the outcome of the impairment test is most sensitive. The disclosures on key assumptions and sensitivities are included in Note 14 to the financial statements.

Independent auditors' report to the members of Perak Corporation Berhad (contd.) (Incorporated in Malaysia)

Key audit matters (contd.)

Revenue recognition

Refer to Note 2.24 (Significant accounting policies: "Revenue and other income recognition"), Note 3.2 (Key sources of estimation uncertainty) and Note 4 (Revenue).

The Group's revenue for the year ended 31 December 2017 was mainly contributed by two of its significant components. These revenue are mainly derived from its port services as well as from sales of land. Revenue from port services and sales of land amounted to RM105.3 million and RM47.7 million representing 57% and 26% of the revenue of the Group, respectively. We considered revenue recognition as a key audit matter due to the risk of material misstatement and the significance of the revenue from the port services and from sales of land.

How our audit addressed the matter

As part of our audit procedures, we performed, amongst others, the following procedures:

Port services

(a) Obtained an understanding of the Group's internal controls over timing and amount of revenue recognised for revenue from port operations;

(b) Assessed the appropriateness of revenue recognised on the operations and maintenance of the port and compared to the criteria stated in the operations and maintenance agreements; and

(c) Inspected the sales invoices raised for the port operations to the service vouchers which have been acknowledged by the customers.

Sales of land

(a) Obtained an understanding of the Group's internal controls over timing and amount of revenue recognised for revenue from land sales;

(b) Read the development agreements with developers and sale and purchase agreements entered into with the customers to obtain an understanding of the specific terms and conditions; and

(c) Recomputed management's working on the revenue recognised by inspecting documentary evidence such as architect certificates and sales and purchase agreements.

Independent auditors' report to the members of Perak Corporation Berhad (contd.) (Incorporated in Malaysia)

Key audit matters (contd.)

Impairment of investments in subsidiaries

Refer to Note 3.2 (Key sources of estimation uncertainty) and Note 17 (Investments in subsidiaries).

As at 31 December 2017, the investments in subsidiaries in the separate financial statements of the Company amounted to RM155.1 million, representing 32% of the Company's total assets.

The deficit in the shareholders' funds and negative operating cash flows reported by certain subsidiaries indicated that the carrying amount of the investments in subsidiaries may be impaired.

Accordingly, the Company performed an impairment test on the investments in subsidiaries by estimating the recoverable amount of these investments using the fair values of the assets in these subsidiaries. The estimation of the recoverable amount by using the fair value method is based on assumptions that are highly judgmental. Accordingly, we have identified this area to be an area of audit focus.

How our audit addressed the matter

As part of our audit procedures, we performed, amongst others, the following procedures:

(a) Obtained an understanding of the relevant internal control over estimating the recoverable amount of the investment in subsidiaries;

(b) Considered the objectivity, independence and expertise of the firms of independent valuers; and

(c) Evaluated the methodology and assumptions applied in the determination of the fair values as an estimate for the recoverable amount and assessed whether such methodology and assumptions are consistent and within the range of those used in the industry.

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.

Independent auditors' report to the members of Perak Corporation Berhad (contd.) (Incorporated in Malaysia)

Information other than the financial statements and auditors' report thereon (contd.)

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

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

Auditors' responsibilities for the audit of the financial statements

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

Independent auditors' report to the members of Perak Corporation Berhad (contd.) (Incorporated in Malaysia)

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

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:

(a) 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.

(b) 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.

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

(d) 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.

(e) 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.

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

Independent auditors' report to the members of
Perak Corporation Berhad (contd.)
(Incorporated in Malaysia)

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

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

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

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

Other matters

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

The financial statements of the Group and of the Company for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion of those financial statements on 30 May 2017.

Ernst & Young
AF: 0039
Chartered Accountants

Muhammad Syarizal Bin Abdul Rahim
No. 03157/01/2019 J
Chartered Accountant

Kuala Lumpur, Malaysia
Date: 30 April 2018

Statements of comprehensive income
For the financial year ended 31 December 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Revenue	4	185,787,810	146,704,228	4,288,000	-
Cost of sales	5	(66,241,710)	(59,337,087)	(924,305)	-
Gross profit		119,546,100	87,367,141	3,363,695	-
Other items of income					
Interest income	6	4,048,448	4,959,000	7,918,870	3,797,193
Other income	7	4,173,940	6,939,961	68,574	110,607
Other items of expense					
Administrative expenses		(104,863,120)	(59,844,794)	(15,883,676)	(15,091,377)
Finance costs	8	(37,137,727)	(6,959,258)	(9,893,264)	(4,971,421)
Other expenses		(306,453,159)	(30,800,941)	(13,983,295)	(5,243,750)
Share of profit of associates		576,859	69,611	-	-
(Loss)/profit before tax	9	(320,108,659)	1,730,720	(28,409,096)	(21,398,748)
Income tax expense	12	(20,464,012)	(17,745,878)	138,608	(71,381)
Net loss for the year, representing total comprehensive loss for the year		(340,572,671)	(16,015,158)	(28,270,488)	(21,470,129)
Attributable to:					
Owners of the Company		(174,957,156)	(15,579,986)	(28,270,488)	(21,470,129)
Non-controlling interests		(165,615,515)	(435,172)	-	-
		(340,572,671)	(16,015,158)	(28,270,488)	(21,470,129)
Loss per share attributable to owners of the Company (sen per share):					
Basic/Diluted, for loss for the year	13	(174.96)	(15.58)		

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

Statements of financial position
As at 31 December 2017

		Group		Company	
		2017	**2016**	**2017**	**2016**
	Note	**RM**	**RM**	**RM**	**RM**
Assets					
Non-current assets					
Property, plant and equipment	14	364,816,611	471,450,951	1,023,260	769,996
Port facilities	15	171,451,309	94,736,321	-	-
Investment properties	16	4,750,635	4,829,725	-	-
Investments in subsidiaries	17	-	-	155,098,590	155,098,589
Investments in associates	18	3,576,859	1,100,000	-	-
Other investments	19	455,000	25,000	-	-
Intangible assets	20	42,772,047	23,911,564	-	-
Finance lease receivable	21	429,156	-	-	-
Inventories	22	22,711,387	24,311,387	-	-
		610,963,004	620,364,948	156,121,850	155,868,585
Current assets					
Other investments	19	418,536	1,182,571	350,473	338,671
Finance lease receivable	21	109,967	-	-	-
Inventories	22	198,316,545	173,609,509	87,651,188	83,611,235
Trade and other receivables	23	217,110,015	262,736,608	238,109,350	202,110,169
Other current assets	24	16,268,153	25,934,842	7,462	4,062
Tax recoverable		4,868,913	7,739,125	2,031,250	1,646,758
Cash and bank balances	25	32,569,083	93,564,341	103,766	6,086,544
		469,661,212	564,766,996	328,253,489	293,797,439
Total assets		1,080,624,216	1,185,131,944	484,375,339	449,666,024

Statements of financial position
As at 31 December 2017 (contd.)

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Equity and liabilities					
Current liabilities					
Loans and borrowings	26	414,762,067	149,485,567	110,011,677	100,039,424
Trade and other payables	28	185,071,822	69,984,740	14,872,033	12,117,594
Deferred income	29	23,519,659	9,645,911	-	-
Tax payable		4,779,316	4,154,347	-	-
		628,132,864	233,270,565	124,883,710	112,157,018
Net current (liabilities)/assets		(158,471,652)	331,496,431	203,369,779	181,640,421
Non-current liabilities					
Loans and borrowings	26	121,794,537	296,650,614	50,002,017	13,221
Trade and other payables	28	17,898,796	115,518	32,039,644	31,775,329
Deferred tax liabilities	30	12,812,474	12,032,072	194,060	194,060
		152,505,807	308,798,204	82,235,721	31,982,610
Total liabilities		780,638,671	542,068,769	207,119,431	144,139,628
Net assets		299,985,545	643,063,175	277,255,908	305,526,396
Equity attributable to owners to the Company					
Share capital	31	272,770,440	100,000,000	272,770,440	100,000,000
Share premium		-	172,770,440	-	172,770,440
Retained earnings	32	113,484,189	288,441,345	4,485,468	32,755,956
		386,254,629	561,211,785	277,255,908	305,526,396
Non-controlling interests		(86,269,084)	81,851,390	-	-
Total equity		299,985,545	643,063,175	277,255,908	305,526,396
Total equity and liabilities		1,080,624,216	1,185,131,944	484,375,339	449,666,024

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

Statements of changes in equity
For the financial year ended 31 December 2017

	Attributable to owners of the Company					
			Non-distributable		Distributable	
	Equity total RM	Equity attributable to owners of the Company total RM	Share capital RM	Share premium RM	Retained earnings RM	Non-controlling interests RM
Group						
At 1 January 2016	661,842,069	575,862,448	100,000,000	172,770,440	303,092,008	85,979,621
Total comprehensive loss	(16,015,158)	(15,579,986)	-	-	(15,579,986)	(435,172)
Transactions with owners:						
Acquisition of subsidiaries	12,236,263	-	-	-	-	12,236,263
Changes in ownership interest in a subsidiary	-	929,323	-	-	929,323	(929,323)
Dividend paid by a subsidiary to a non-controlling interest	(14,999,999)	-	-	-	-	(14,999,999)
	(2,763,736)	929,323	-	-	929,323	(3,693,059)
At 31 December 2016	643,063,175	561,211,785	100,000,000	172,770,440	288,441,345	81,851,390

Statements of changes in equity
For the financial year ended 31 December 2017 (contd.)

	Note	Attributable to owners of the Company					
				Non-distributable		Distributable	
		Equity total RM	Equity attributable to owners of the Company total RM	Share capital RM	Share premium RM	Retained earnings RM	Non-controlling interests RM
Group							
At 1 January 2017		643,063,175	561,211,785	100,000,000	172,770,440	288,441,345	81,851,390
Total comprehensive loss		(340,572,671)	(174,957,156)	-	-	(174,957,156)	(165,615,515)
Transactions with owners:							
Acquisition of subsidiaries	17	(4,960)	-	-	-	-	(4,960)
Dividend paid by a subsidiary to a non-controlling interest		(2,499,999)	-	-	-	-	(2,499,999)
		(2,504,959)	-	-	-	-	(2,504,959)
Transfer arising from implementation of Companies Act 2016		-	-	172,770,440	(172,770,440)	-	-
At 31 December 2017		299,985,545	386,254,629	272,770,440	-	113,484,189	(86,269,084)

Statements of changes in equity
For the financial year ended 31 December 2017 (contd.)

		I------ Non-distributable ------I		Distributable
	Equity total RM	Share capital RM	Share premium RM	Retained earnings RM
Company				
At 1 January 2016	326,996,525	100,000,000	172,770,440	54,226,085
Total comprehensive loss	(21,470,129)	-	-	(21,470,129)
At 31 December 2016	305,526,396	100,000,000	172,770,440	32,755,956
Total comprehensive loss	(28,270,488)	-	-	(28,270,488)
Transfer arising from implementation of Companies Act 2016	-	172,770,440	(172,770,440)	-
At 31 December 2017	277,255,908	272,770,440	-	4,485,468

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

Statements of cash flows
For the financial year ended 31 December 2017

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Operating activities				
(Loss)/profit before tax	(320,108,659)	1,730,720	(28,409,096)	(21,398,748)
Adjustments for:				
Amortisation of intellectual property rights	583,230	-	-	-
Bad debts written off	23,014	19	-	-
Depreciation				
- property, plant and equipment	15,784,137	7,287,936	473,464	332,208
- port facilities	3,355,176	3,129,425	-	-
- investment properties	79,090	79,090	-	-
Dividend income	(9,510)	-	-	-
Finance costs	37,137,727	6,959,258	9,893,264	4,971,421
Gain on revaluation of an associate upon obtaining control	-	(1,543,883)	-	-
Interest income	(4,048,448)	(4,959,000)	(7,918,870)	(3,797,193)
Impairment loss				
- amount due from an associate	-	1,054,040	-	-
- intangible assets	19,392,746	-	-	-
- investment in a subsidiary	-	-	-	500,000
- investment in an associate	-	3,830,942	-	-
- property, plant and equipment	167,239,506	-	-	-
- trade and other receivables				
- third parties	90,413,310	2,325,562	-	-
Inventories written down to net realisable value	854,107	514,350	-	-
Inventories written off	15,443	-	-	-
Port facilities written off	1,497	-	-	-
Property, plant and equipment written off	359,700	879,735	-	-
Reversal of allowance for impairment loss on trade receivables	(860,064)	-	-	-
Share of profit of associates	(576,859)	(69,611)	-	-
Unrealised gain on forex exchange	(4,155)	-	-	-
Total adjustments	329,739,647	19,487,863	2,447,858	2,006,436
Operating cash flows before changes in working capital bought forward	9,630,988	21,218,583	(25,961,238)	(19,392,312)

Statements of cash flows
For the financial year ended 31 December 2017 (contd.)

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Operating cash flows before changes in working capital carried forward	9,630,988	21,218,583	(25,961,238)	(19,392,312)
Changes in working capital:				
Inventories	(23,752,305)	(3,602,631)	(4,039,953)	(3,011,174)
Trade and other receivables	(44,059,634)	(98,769,896)	(35,999,181)	(92,189,818)
Other current assets	9,666,689	(14,091,637)	(3,400)	(4,062)
Trade and other payables	146,743,298	11,567,188	3,018,754	9,248,058
Total changes in working capital	88,598,048	(104,896,976)	(37,023,780)	(85,956,996)
Cash flows generated from/(used in) operations	98,229,036	(83,678,393)	(62,985,018)	(105,349,308)
Interest received	4,048,448	4,959,000	7,918,870	3,797,193
Interest paid	(43,631,558)	(21,770,719)	(9,893,264)	(4,971,421)
Taxes paid	(16,188,429)	(15,109,991)	(245,884)	(1,612,415)
Net cash flows generated from/(used in) operating activities	42,457,497	(115,600,103)	(65,205,296)	(108,135,951)
Investing activities				
Additions to intangible assets	(20,208)	-	-	-
Dividend received	9,510	-	-	-
Receipt of government grant	30,670,000	-	-	-
Proceeds from disposals of property, plant and equipment	2,906	25,094	-	-
Proceeds from disposals of other investments	334,035	-	-	-
Proceeds from redemption of other investments	-	12,824,933	-	12,872
Investment in an associate	(1,900,000)	(1,100,000)	-	-
Net cash inflow/(outflow) on acquisition of subsidiaries (Note 17)	5	26,847,102	(1)	-
Purchase of				
- other investments	-	-	(11,802)	-
- port facilities	(80,071,661)	(8,180,218)	-	-
- property, plant and equipment	(136,341,631)	(80,152,521)	(726,728)	(156,851)
Finance lease receivable	(429,156)	-	-	-
Net cash flows used in investing activities	(187,746,200)	(49,735,610)	(738,531)	(143,979)

Statements of cash flows
For the financial year ended 31 December 2017 (contd.)

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Financing activities				
Dividend paid to a non-controlling interest	(2,499,999)	(14,999,999)	-	-
(Placement)/uplift of deposits pledged	(14,021,283)	21,657	-	-
Placement of deposits with licensed banks	(369,453)	-	-	-
(Placement)/uplift of bank balances pledged	(19,417)	7,330,314	-	-
Proceeds from				
- revolving credits	61,279,529	196,678,520	10,000,000	100,000,000
- term financing-i	37,040,000	-	50,000,000	-
Repayments of				
- hire purchase and finance lease liabilities	(323,960)	(1,657,779)	(38,951)	(42,111)
- BaIDs	-	(15,000,000)	-	-
- term loans	(14,126,017)	-	-	-
Net cash flows generated from financing activities	66,959,400	172,372,713	59,961,049	99,957,889
Net (decrease)/increase in cash and cash equivalents	(78,329,303)	7,037,000	(5,982,778)	(8,322,041)
Cash and cash equivalents at 1 January	85,857,413	78,820,413	6,086,544	14,408,585
Cash and cash equivalents at 31 December	7,528,110	85,857,413	103,766	6,086,544
Cash and cash equivalents comprise:				
Cash and bank balances (Note 25)	8,083,930	42,380,329	53,658	5,514,060
Deposits with licensed banks (Note 25)	24,485,153	51,184,012	50,108	572,484
	32,569,083	93,564,341	103,766	6,086,544
Bank balance pledged for a banking facility (Note 25)	(19,417)	-	-	-
Deposits pledged for guarantees and other banking facilities granted to certain subsidiaries (Note 25)	(19,529,103)	(5,507,820)	-	-
Deposits with licensed banks maturing more than 3 months	(369,453)	-	-	-
Overdraft (Note 26)	(5,123,000)	(2,199,108)	-	-
	7,528,110	85,857,413	103,766	6,086,544

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

Notes to the financial statements
For the financial year ended 31 December 2017

1. Corporate information

Perak Corporation Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at D-3-7, Greentown Square, Jalan Dato' Seri Ahmad Said, 30450 Ipoh, Perak Darul Ridzuan. The principal place of business of the Company is located at No. 1-A, Blok A, Menara PKNP, Jalan Meru Casuarina, Bandar Meru Raya, 30020 Ipoh, Perak Darul Ridzuan.

The immediate and ultimate holding corporation of the Company is Perbadanan Kemajuan Negeri Perak, a body corporate established under Perak Enactment No. 3 of 1967.

The principal activities of the Company consist of property and investment holding, real property development and provision of management services. The principal activities of the subsidiaries, associates and joint operations are disclosed in Notes 17, 18 and 36 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

At the beginning of the current financial year, the Group and the Company adopted new and amended MFRS which are mandatory for financial periods beginning on or after the dates as described fully in Note 2.2.

The financial statements of the Group and of the Company have been prepared on the historical cost basis, unless otherwise indicated in the summary of significant accounting policies below. The financial statements are presented in Ringgit Malaysia ("RM") unless otherwise indicated.

The Group incurred a net loss of RM340.6 million during the financial year ended 31 December 2017 and as of that date, the Group's current liabilities exceeded its current assets by RM158.5 million following the reclassification of a syndicated term loan of a subsidiary of RM238.7 million to current liability due to covenant breaches as disclosed in Note 26.

As of the date of financial statements, the facility agent has not called for a default event and has not requested for the immediate repayment of the syndicated term loan. Management is in the process of renegotiating the terms with the lenders to provide a two year payment holiday up to 2019 on principal repayments amounting to RM50 million. The payment holiday will ensure that the Group has sufficient funds to meet their payment obligations for the next 12 months.

2. Summary of significant accounting policies (contd.)

2.1 Basis of preparation (contd.)

The Group has also identified certain lands that can be disposed for cash to meet any payment obligations should the need arise.

In addition, Perbadanan Kemajuan Negeri Perak ("PKNP"), being the immediate parent company, has agreed to provide financial assistance to the Group to enable it to meet its liabilities as and when they fall due. PKNP will also not demand repayment of the amount owing to them by the Group in the next 12 months except in so far as the funds of the Group permit repayment and such repayment will not adversely affect the ability of the Group to meet their liabilities as and when they fall due.

Due to the above considerations, the financial statements of the Group and of the Company have been prepared on a going concern basis.

2.2 Changes in accounting policies

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

On 1 January 2017, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2017:

Description	Effective for annual periods beginning on or after
MFRS 107 Disclosure Initiative (Amendments to MFRS 107)	1 January 2017
MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
Annual Improvements to MFRS Standards 2014 – 2016 Cycle Amendments to MFRS 12 Disclosure of Interests in Other Entities	1 January 2017

MFRS 107 Disclosure Initiative (Amendments to MFRS 107)

The amendments to MFRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of these amendments, entities are not required to provide comparative information for preceding periods. Apart from the additional disclosures included in Note 26(f), the application of these amendments has had no impact on the Group and on the Company.

2. **Summary of significant accounting policies (contd.)**

2.2 Changes in accounting policies (contd.)

MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The application of these amendments has had no impact on the Group and on the Company as the Group and the Company already assess the sufficiency of future taxable profits in a way that is consistent with these amendments.

Annual Improvements to MFRS Standards 2014 – 2016 Cycle

Amendments to MFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in MFRS 12

The amendments also clarify that deductible temporary differences should be compared with the entity's future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences when an entity evaluates whether it has sufficient future taxable profits. In addition, when an entity assesses whether taxable profits will be available, it should consider tax law restrictions with regards to the utilisation of the deduction.

The amendments do not have any impact on the Group's and the Company's financial statements.

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16 Leases	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015 – 2017 Cycle	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

MFRS 9 Financial Instruments

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Based on the analysis of the Group's financial assets and liabilities as at 31 December 2017 on the basis of facts and circumstances that exist at that date, the directors of the Company have assessed the impact of MFRS 9 to the Group's financial statements as follows:

(i) Classification and measurement

The Group expects the main impact is to measure equity instruments at fair value, including those unquoted shares that were previously carried at cost.

(ii) Impairment

The Group will apply the simplified approach and record lifetime expected losses on all trade and other receivables. The Group expects that, due to the unsecured nature of its loans and receivables, the loss allowance will increase.

MFRS 15 Revenue from Contracts with Customers

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

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

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. The Group and the Company are currently finalising the quantitative effects of applying the standard on the financial statements of the Group and of the Company.

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)

The amendments clarify that when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of change in use.

Entities can apply these amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Earlier application of the amendments is permitted and must be disclosed. The Group will apply these amendments when they become effective. However, since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements.

Annual Improvements to MFRS Standards 2014 – 2016 Cycle

The Annual Improvements to MFRS Standards 2014 – 2016 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group's and the Company's financial statements.

Standards	Descriptions
MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters	This amendment is not applicable to the Group as the Group is not a first-time adopter of MFRS.

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

Annual Improvements to MFRS Standards 2014 – 2016 Cycle (contd.)

Standards	Descriptions
MFRS 128 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice	The amendments clarify that: - an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition, on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. - if an entity, that is not itself an investment entity, has an interest in associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at a later date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. Earlier application of these amendments are permitted and must be disclosed. These amendments are not applicable to the Group as the Group is not a venture capital organisation and the Group does not have any associate or joint venture that is an investment entity.

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, in determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability, the date of transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration.

Entities may apply the amendments either retrospectively or prospectively. Specific transition provisions apply to prospective application. Early application is permitted and must be disclosed. The application of these amendments will not have an impact on the Group and on the Company as the Group and the Company are already accounting for transactions involving the payment or receipt of advance consideration in foreign currency in a way that is consistent with the amendments.

MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)

Under MFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to MFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments must be applied retrospectively. Earlier application is permitted. These amendments are not expected to have a significant impact on the Group's and the Company's financial statements.

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-statement of financial position model similar to the accounting for finance leases under MFRS 117.

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

MFRS 16 Leases (contd.)

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group and the Company plan to assess the potential effect of MFRS 16 on their financial statements in year 2018.

MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)

The amendments clarify that an entity applies MFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). In applying MFRS 9, an entity does not account for any losses of the associate, or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying MFRS 128 Investments in Associates and Joint Ventures.

Entities must apply the amendments retrospectively, with certain exceptions. Early application of the amendments is permitted and must be disclosed. As the amendments eliminate ambiguity in the wording of the standard, the directors of the Company do not expect the amendments to have any impact on the Group's and the Company's financial statements.

2. **Summary of significant accounting policies (contd.)**

2.3 Standards issued but not yet effective (contd.)

Annual Improvements to MFRS Standards 2015 – 2017 Cycle

The Annual Improvements to MFRS Standards 2015 – 2017 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group's and the Company's financial statements.

Standards	Descriptions
MFRS 3 Business Combinations – Previously held interests in a joint operation	The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation. An entity applies these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.
MFRS 11 Joint Arrangements – Previously held interests in a joint operation	A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in MFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. An entity applies these amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019.
MFRS 112 Income Taxes – Income tax consequences of payments on financial instruments classified as equity	The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. An entity applies these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies these amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

Annual Improvements to MFRS Standards 2015 – 2017 Cycle (contd.)

Standards	Descriptions
MFRS 123 Borrowing Costs – Borrowing costs eligible for capitalisation	The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies these amendments to borrowing costs incurred on or after the beginning of the annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)

The amendments require entities to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement, which occurs during the reporting period. The amendments also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements.

The amendments should be applied prospectively to plan amendments, curtailments or settlements that occur on or after 1 January 2019, with earlier application permitted. These amendments will not have a significant impact on the Group's and the Company's financial statements.

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

IC Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of MFRS 112 and does not apply to taxes or levies outside the scope of MFRS 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the estimation of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Group and the Company will apply the interpretation from its effective date.

Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and gains and losses resulting from transactions involving the sale or contribution of assets to an associate or a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by the Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Group.

2. Summary of significant accounting policies (contd.)

2.4 Basis of consolidation

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

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

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

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

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

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

(i) Rights arising from other contractual arrangements; and

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

(iii) Rights arising from other contractual arrangements; and

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

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

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

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

2. Summary of significant accounting policies (contd.)

2.4 Basis of consolidation (contd.)

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

Business combinations

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

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

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss as a gain on bargain purchase. The accounting policy for goodwill is set out in Note 2.9(a).

2. Summary of significant accounting policies (contd.)

2.5 Subsidiaries

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

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

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

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

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

2.6 Transactions with non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held directly or indirectly by the Group. Non-controlling interests are presented separately in the statements of comprehensive income of the Group and within equity in the statements of financial position of the Group, separately from parent shareholder's equity.

All total comprehensive income is proportionately allocated to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

2.7 Associates

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

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

An associate is equity accounted for from the date on which the investee becomes an associate.

2. Summary of significant accounting policies (contd.)

2.7 Associates (contd.)

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

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

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

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

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

2. Summary of significant accounting policies (contd.)

2.8 Investment in joint operations

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

The Group as joint operator recognise in relation to their interests in joint operations:

(i) their assets, including their shares of any assets held jointly;

(ii) their liabilities, including their shares of any liabilities incurred jointly;

(iii) their revenue from the sale of their shares of the output arising from the joint operations;

(iv) their shares of the revenue from the sale of the output by the joint operations; and

(v) their expenses, including their shares of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in joint operations in accordance with the MFRSs applicable to the particular assets, liabilities, revenues and expenses.

Profits and losses resulting from transactions between the Group and its joint operations are recognised in the Group's consolidated financial statements only to the extent of unrelated investors' interests in the joint operation.

2. **Summary of significant accounting policies (contd.)**

2.9 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(b) Intellectual property ("IP") rights

Acquired IP rights include acquired licenses, are stated at cost less accumulated amortisation and accumulated impairment losses. The IP rights are amortised from the point at which the asset is available for use, on a straight-line basis over its useful lives of 3 to 3.5 years.

2. Summary of significant accounting policies (contd.)

2.10 Property, plant and equipment and depreciation

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

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life, at the following annual rates:

Buildings and improvements	2% - 10%
Attractions	10%
Other assets	
Equipment, furniture and fittings	5% - 33.33%
Computers	20%
Motor vehicles	10% - 25%
Refurbishment and renovations	2%

Assets under capital work in progress are not depreciated as these assets are not yet available for use.

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

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

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

2. Summary of significant accounting policies (contd.)

2.11 Port facilities

Port facilities are stated at cost less accumulated depreciation and any accumulated impairment losses.

All expenditure incurred, associated with development of port facilities inclusive of interest cost capitalised in accordance with Note 2.20 are amortised on a straight-line basis to write off the cost of the assets over their estimated useful lives.

The principal annual rates of depreciation are:

Leasehold port land	over 99 years
Port structure	over 50 years
Port equipments	over 10 – 20 years

Assets under capital work in progress are not depreciated as these assets are not yet available for use.

2.12 Investment properties

Investment property is a property which is held either to earn rental income or for capital appreciation or for both. Such property is initially measured at cost, including transaction costs. Subsequent to initial recognition , investment property is stated at cost less accumulated depreciation and any accumulated impairment losses.

Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

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.

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property 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, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.10 up to the date of change in use.

Freehold land has an unlimited useful life and therefore is not depreciated. Buildings are depreciated on straight-line basis to write down the cost of each buildings to its residual value over its estimated useful life. The principal annual depreciation rate is 2%.

2. Summary of significant accounting policies (contd.)

2.13 Inventories

(i) Land held for property development

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

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

(ii) Property development costs

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

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

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

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

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

The excess of revenue recognised in profit or loss over billings to purchasers is classified as accrued billings within other current assets and the excess of billings to purchasers over revenue recognised in profit or loss is classified as progress billings within other current liabilities.

2. Summary of significant accounting policies (contd.)

2.13 Inventories (contd.)

(iii) Completed properties

Completed properties held for sale are measured at the lower of cost and net realisable value. The cost of completed properties includes expenditures incurred in the acquisition of land, direct cost and appropriate proportions of common cost attributable to developing the properties to completion and borrowing costs.

(iv) Other inventories

Other inventories are measured at the lower of cost and net realisable value. The cost of other inventories is calculated using the weighted average method and includes expenditure incurred in acquiring the other inventories and bringing them to their existing location and condition.

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.

2.14 Impairment of non-financial assets

The carrying amounts of non-financial assets, other than investment properties, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2. Summary of significant accounting policies (contd.)

2.14 Impairment of non-financial assets (contd.)

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

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

2.15 Financial assets

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

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

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

2. Summary of significant accounting policies (contd.)

2.15 Financial assets (contd.)

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

2. Summary of significant accounting policies (contd.)

2.15 Financial assets (contd.)

(iv) Available-for-sale financial assets

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

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

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

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

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

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

2. Summary of significant accounting policies (contd.)

2.16 Impairment of financial assets

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

(i) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, and increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

(ii) Unquoted equity securities carried at cost

If there is objective evidence that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2. Summary of significant accounting policies (contd.)

2.17 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged bank balances and deposits.

2.18 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.

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

2.19 Financial liabilities

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

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

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

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

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

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

2. Summary of significant accounting policies (contd.)

2.19 Financial liabilities (contd.)

(ii) Other financial liabilities

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

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

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

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

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

2.20 Borrowing costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. Summary of significant accounting policies (contd.)

2.21 Bai Bithaman Ajil Islamic Debt Securities ("BaIDS")

The BaIDS are bonds issued in accordance with the Islamic finance concept of Bai Bithaman Ajil.

BaIDS are initially recognised at cost, being fair value of the consideration received. After initial recognition, the profit element attributable to the BaIDS in each period are recognised in profit or loss as finance cost, at a constant profit rate of each series respectively.

2.22 Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plans

As required by law, the Group and the Company make contributions to the statutory pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss as incurred.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Company recognise termination benefits as a liability and an expense when the Group and the Company have a detailed formal plan for the termination and without realistic possibility of withdrawal.

2. Summary of significant accounting policies (contd.)

2.23 Leases

(i) As lessee

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

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

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

(ii) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct cost incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.24(v).

2.24 Revenue and other income recognition

Revenue and other income are recognised to the extent that they are probable that the economic benefits associated with the transaction will flow to the Group and the revenue and other income can be reliably measured. Revenue and other income are measured at the fair value of consideration received or receivable.

(i) Dividend income

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

2. Summary of significant accounting policies (contd.)

2.24 Revenue and other income recognition (contd.)

(ii) Hotel operations

Revenue from hotel operations comprising rental of hotel rooms, sale of food and beverages and other related income are recognised when the services are provided.

(iii) Port services

Revenue from port services is recognised in profit or loss as and when services are rendered. Revenue from Lekir Bulk Terminal Operations and Maintenance Agreement ("LBT O&M"), where fixed in nature, is recognised in profit or loss as it accrues and, where not fixed in nature, as and when services are rendered.

(iv) Theme park related operations

Revenue from sale of goods (merchandises, photo, food and beverages) are recognised based on invoiced value of goods sold when risks and rewards have been transferred. Revenue from sale of services is recognised net of discounts as and when services are performed.

Entrance fees collected for rights of enjoyment of facilities are recognised when tickets are redeemed.

Revenue from the sale of annual passes is deferred and recognised over the period that the pass is valid.

(v) Rental income

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

(vi) Sale of completed properties

Sale of completed properties is recognised when the risk and rewards of ownership have been transferred to buyer.

(vii) Sale of land

Revenue from the sale of land is recognised when the risks and rewards of ownership have been transferred to buyers upon all conditions precedent stated in the sale and purchase agreements are met and it is probable that the sale consideration will flow to the Group.

2. Summary of significant accounting policies (contd.)

2.24 Revenue and other income recognition (contd.)

(viii) Interest income

Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

(ix) Revenue from restaurant operations

Revenue from restaurant operations comprising sale of food and beverages are recognised when the services are provided.

(x) Sale of properties under development

Where property is under development and agreement has been reached to sell such property when construction is complete, the directors consider whether the contract comprises a contract to construct a property or a contract for the sale of a completed property and whether the financial outcome of the development activity can be reliably estimated.

Where a contract is judged to be for the construction of a property, revenue is recognised using the percentage of completion method as described in Note 2.13(ii).

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

(i) The buyer controls the work in progress, typically when the land on which the development takes place is owned by the final customer; and

(ii) All significant risks and rewards of ownership of the work in progress in its present state are transferred to the buyer as construction progresses, typically, when buyer cannot put the incomplete property back to the Group.

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

(xi) Management fees

Management fees in respect of the management services provided by the Group are recognised when the services are provided.

2. Summary of significant accounting policies (contd.)

2.25 Income taxes

(i) Current tax

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

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

(ii) Deferred tax

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

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

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

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

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

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

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

2. Summary of significant accounting policies (contd.)

2.25 Income taxes (contd.)

(ii) Deferred tax (contd.)

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

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

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

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

2.26 Goods and Services Tax ("GST")

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

2. Summary of significant accounting policies (contd.)

2.27 Contingencies

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

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

2.28 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 42, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.29 Share capital and share issuance expenses

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

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

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

2. Summary of significant accounting policies (contd.)

2.30 Fair value measurement

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

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2. Summary of significant accounting policies (contd.)

2.30 Fair value measurement (contd.)

The Group determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted available-for-sale financial assets, and for non-recurring measurement, such as assets held for distribution in the discontinued operation.

External valuers are involved for valuation of significant assets, such as properties. Involvement of external valuers is decided upon annually. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

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

2.31 Foreign currencies

(i) 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 the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(ii) Foreign currency transactions

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2. Summary of significant accounting policies (contd.)

2.32 Financial guarantee contracts

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

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

2.33 Redeemable Convertible Preference Shares ("RCPS")

The RCPS are regarded as compound instruments, consisting of a liability component and an equity component. The component of RCPS that exhibits characteristics of a liability is recognised as a financial liability in the statements of financial position, net of transaction costs. The dividends on those shares are recognised as interest expense in profit or loss using the effective interest rate method. On issuance of the RCPS, the fair value of the liability component is determined using a market rate for an equivalent non-convertible debt and this amount is carried as a financial liability in accordance with the accounting policy for other payables set out in Note 2.19.

The residual amount, after deducting the fair value of the liability component, is recognised and included in shareholders' equity, net of transaction costs and deferred tax liability.

Transaction costs are apportioned between the liability and equity components of the RCPS based on the allocation of proceeds to the liability and equity components when the instruments were first recognised.

2.34 Government grant

Government grants are recognised at the fair value where there is reasonable assurance that the grant will be received and all conditions attached will be met. Where the grant related to an asset, the fair value is presented in the statements of financial position by deducting the grants in arriving at the carrying amount of the asset.

3. Significant accounting judgements and estimates

3.1 Judgements made in applying accounting policies

In the process of applying the Group's and the Company's accounting policies, management has made the following judgement, which has the most significant effect on the amounts recognised in the financial statements:

Impairment of property, plant and equipment

The Group reviews its property, plant and equipment at each reporting date to assess whether they are impaired. The Group also records impairment loss when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

3.2 Key sources of estimation uncertainty

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

(i) Revenue from sales of land

The Group recognises revenue from sales of land based on the assessment as to whether significant risks and rewards of ownership of the real estates have been transferred to the buyer and whether it is probable that the sale consideration will flow to the Group.

Significant judgement is required in assessing the transfer of risks and rewards of ownership as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

(ii) Revenue from port services

The Group recognises revenue from port services when services are rendered and based on the contractual arrangements.

Significant judgement is required in determining whether services are rendered in accordance with the contractual arrangements.

3. Significant accounting judgements and estimates (contd.)

3.2 Key sources of estimation uncertainty (contd.)

(iii) Impairment assessment on property, plant and equipment, investment properties and IP rights

The Group reviews the carrying amounts of the property, plant and equipment, investment properties and IP rights at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount which is the higher of its fair value less costs to sell or its value in use is estimated.

For the purpose of impairment testing of land and buildings, the recoverable amount is determined based on prevailing market value determined by professional valuers or last transacted sale of surrounding property.

In addition, the Group carried out the impairment test based on a variety of estimation including the value-in-use of the CGU to which the property, plant and equipment and IP rights are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of property, plant and equipment of the Group and of the Company as at the reporting date will be disclosed in the notes to the financial statements.

Based on the Group's impairment review, impairment loss on property, plant and equipment and IP rights of RM167,239,506 (2016 : RM Nil) and RM19,292,185 (2016 : RM Nil) respectively were provided for in the current financial year. Further details are disclosed in Notes 14 and 20.

4. Revenue

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Sales of completed properties	160,000	1,487,000	-	-
Sales of land	47,668,338	33,009,498	4,288,000	-
Hotel revenue				
- Room	5,796,231	4,989,701	-	-
- Food and beverages	9,443,466	8,883,716	-	-
- Hall and offices	909,168	343,834	-	-
Restaurant	181,152	-	-	-
Theme park	14,316,281	-	-	-
Port services	105,314,216	97,988,604	-	-
Management fees	1,800,000	-	-	-
Rental income	198,958	1,875	-	-
	185,787,810	146,704,228	4,288,000	-

5. Cost of sales

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Cost of completed properties sold	261,678	1,458,839	-	-
Cost of land sold	12,286,021	13,484,113	924,305	-
Cost of services rendered				
- hotel operations	9,708,939	9,558,072	-	-
- restaurant	84,125	-	-	-
- theme park operations	2,185,482	-	-	-
- port services	40,542,741	34,836,063	-	-
- management services	1,172,724	-	-	-
	66,241,710	59,337,087	924,305	-

6. Interest income

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Interest income from:				
Other receivables	2,980,378	2,777,314	7,888,545	3,655,457
Fixed deposits	1,015,875	2,006,620	18,523	129,609
Financial assets at fair value through profit or loss	52,195	175,066	11,802	12,127
	4,048,448	4,959,000	7,918,870	3,797,193

7. Other income

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Dividend income	9,510	-	-	-
Gain on revaluation of an associate upon obtaining control	-	1,543,883	-	-
Project management income	-	91,840	-	-
Rental income from leasing of buildings	2,138,942	1,786,945	54,617	30,983
Reversal of allowance for impairment loss on trade receivables	860,064	-	-	-
Sundry income	1,161,269	3,517,293	13,957	79,624
Unrealised gain on forex exchange	4,155	-	-	-
	4,173,940	6,939,961	68,574	110,607

8. Finance costs

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Interest expenses				
- advances from related parties	3,645,446	81,575	1,823,426	2,014,690
- Bai Bithaman Ajil Islamic Debt Securities ("BaIDS")	-	932,510	-	-
- finance lease liabilities	39,377	24,380	2,149	4,677
- revolving credits	9,922,857	3,194,842	8,067,689	2,952,054
- term loans	26,071,878	15,133,095	-	-
- redeemable convertible preference shares	5,778,859	2,404,317	-	-
	45,458,417	21,770,719	9,893,264	4,971,421
Recognised in profit or loss	37,137,727	6,959,258	9,893,264	4,971,421
Capitalised in qualifying assets				
- inventories	224,281	296,642	-	-
- property, plant and equipment	8,096,409	14,514,819	-	-
	45,458,417	21,770,719	9,893,264	4,971,421

9. (Loss)/profit before tax

The following items have been included in arriving at (loss)/profit before tax:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Amortisation of intellectual property rights	583,230	-	-	-
Auditors' remuneration				
Statutory audits				
- current year	492,000	341,000	120,000	70,000
- under provision in prior year	-	15,000	-	-
Non-audit fees				
- assurance related				
- current year	21,000	149,000	15,000	149,000
- under provision in prior year	15,000	-	-	-
- tax and other non-audit services	72,500	-	5,000	-
Bad debts written off	23,014	19	-	-
Depreciation				
- property, plant and equipment (Note 14)	15,784,137	7,287,936	473,464	332,208
- port facilities (Note 15)	3,355,176	3,129,425	-	-
- investment properties (Note 16)	79,090	79,090	-	-
Directors' fees and remuneration (Note 11)	1,537,552	1,465,812	491,600	446,682
Employee benefits expense (Note 10)	62,910,772	38,785,355	15,378,078	14,231,449
Impairment loss				
- trade and other receivables				
- third parties (Note 23)	90,413,310	2,325,562	-	-
- investment in a subsidiary (Note 17)	-	-	-	500,000
- investment in an associate (Note 18)	-	3,830,942	-	-
- amount due from an associate (Note 23)	-	1,054,040	-	-
- property, plant and equipment (Note 14)	167,239,506	-	-	-
- intangible assets (Note 20)	19,392,746	-	-	-

9. (Loss)/profit before tax (contd.)

The following items have been included in arriving at (loss)/profit before tax (contd.):

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Inventories written down to net realisable value	854,107	514,350	-	-
Inventories written off	15,443	-	-	-
Port facilities written off	1,497	-	-	-
Property, plant and equipment written off	359,700	879,735	-	-
Realised foreign exchange loss	21,935	41,864	-	-
Rental expense in respect of				
- motor vehicles	443,156	-	-	-
- premises	500,007	690,575	761,836	398,796
- plant and office equipment	77,818	26,630	3,245	3,540
- port equipments	11,470,724	9,394,916	-	-
- miscellaneous	236,497	-	-	-
Royalty fees	474,788	206,050	-	-

10. Employee benefits expense

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Salaries and wages	48,431,753	28,370,670	11,943,303	11,543,975
Employees Provident Fund contributions	6,186,453	4,003,136	2,103,244	1,767,379
SOCSO	528,782	285,094	107,865	81,037
Other staff related expenses	7,763,784	6,126,455	1,223,666	839,058
	62,910,772	38,785,355	15,378,078	14,231,449

11. Directors' fees and remuneration

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

Group	Salaries and other emoluments* RM	Fees RM	Defined contribution plan RM	Total RM
2017				
Executive directors:				
Dato' Aminuddin Bin Md Desa	51,469	119,374	4,864	175,707
Jamal Bin Mohd Aris	10,508	10,323	1,074	21,905
Rozahan Bin Osman	52,500	60,000	6,240	118,740
Rustam Apandi Bin Jamaludin	4,000	-	-	4,000
Salween Azila Binti Ahmad Tauffik	3,750	60,000	-	63,750
	122,227	249,697	12,178	384,102
Non-executive directors:				
Dato' Abd Karim Bin Ahmad Tarmizi	6,000	72,600	-	78,600
Dato' Azian Bin Osman	22,750	150,000	-	172,750
Dato' Dr Vasan A/L Sinnadurai	8,400	72,600	-	81,000
Dato' Khansiyah @ Khamsiyah Binti Yeop	4,000	24,000	-	28,000
Dato' Nasarudin Bin Hashim	154,800	-	-	154,800
Dato' Wan Hashimi Albakri Bin Wan Ahmad Amin Jaffri	4,800	72,600	-	77,400
Datuk Dr Wan Norashikin Binti Wan Noordin	7,800	72,600	-	80,400
Datuk Zainuddin Bin Ibrahim	3,000	60,000	-	63,000
Mohammad Zahir Bin Ismail	51,000	60,000	-	111,000
Mohd Shaiful Bahri Bin Hussain	52,500	60,000	-	112,500
Ramelle Ashram Bin Ramli	-	105,000	-	105,000
Tuan Haji Ab Rahman Bin Mohammed	10,350	78,650	-	89,000
	325,400	828,050	-	1,153,450
Total directors' remuneration	447,627	1,077,747	12,178	1,537,552

11. Directors' fees and remuneration (contd.)

Group (contd.)	Salaries and other emoluments* RM	Fees RM	Defined contribution plan RM	Total RM
2016				
Executive directors:				
Dato' Aminuddin Bin Md Desa	34,222	104,595	3,942	142,759
Jamal Bin Mohd Aris	51,750	60,000	6,240	117,990
Rozahan Bin Osman	21,428	60,000	2,298	83,726
Salween Azila Binti Ahmad Tauffik	750	22,097	-	22,847
	108,150	246,692	12,480	367,322
Non-executive directors:				
Dato' Abd Karim Bin Ahmad Tarmizi	4,350	67,860	-	72,210
Dato' Azian Bin Osman	11,400	150,000	-	161,400
Dato' Dr Vasan A/L Sinnadurai	6,000	67,860	-	73,860
Dato' Khansiyah @ Khamsiyah Binti Yeop	-	24,000	-	24,000
Dato' Nasarudin Bin Hashim	154,650	-	-	154,650
Dato' Wan Hashimi Albakri Bin Wan Ahmad Amin Jaffri	2,550	66,000	-	68,550
Datuk Dr Wan Norashikin Binti Wan Noordin	6,750	67,860	-	74,610
Datuk Zainuddin Bin Ibrahim	2,250	60,000	-	62,250
Mohammad Zahir Bin Ismail	50,250	60,000	-	110,250
Mohd Shaiful Bahri Bin Hussain	49,500	60,000	-	109,500
Ramelle Ashram Bin Ramli	-	105,000	-	105,000
Tuan Haji Ab Rahman Bin Mohammed	8,850	73,360	-	82,210
	296,550	801,940	-	1,098,490
Total directors' remuneration	404,700	1,048,632	12,480	1,465,812

11. Directors' fees and remuneration (contd.)

Company	Salaries and other emoluments* RM	Fees RM	Defined contribution plan RM	Total RM
2017				
Executive director:				
Dato' Aminuddin Bin Md Desa	7,800	72,600	-	80,400
Non-executive directors:				
Dato' Abd Karim Bin Ahmad Tarmizi	6,000	72,600	-	78,600
Dato' Dr Vasan A/L Sinnadurai	8,400	72,600	-	81,000
Dato' Nasarudin Bin Hashim	4,800	-	-	4,800
Dato' Wan Hashimi Albakri Bin Wan Ahmad Amin Jaffri	4,800	72,600	-	77,400
Datuk Dr Wan Norashikin Binti Wan Noordin	7,800	72,600	-	80,400
Tuan Haji Ab Rahman Bin Mohammed	10,350	78,650	-	89,000
	42,150	369,050	-	411,200
Total directors' remuneration	49,950	441,650	-	491,600
2016				
Executive director:				
Dato' Aminuddin Bin Md Desa	3,900	66,692	-	70,592
Non-executive directors:				
Dato' Abd Karim Bin Ahmad Tarmizi	4,350	67,860	-	72,210
Dato' Dr Vasan A/L Sinnadurai	6,000	67,860	-	73,860
Dato' Nasarudin Bin Hashim	4,650	-	-	4,650
Dato' Wan Hashimi Albakri Bin Wan Ahmad Amin Jaffri	2,550	66,000	-	68,550
Datuk Dr Wan Norashikin Binti Wan Noordin	6,750	67,860	-	74,610
Tuan Haji Ab Rahman Bin Mohammed	8,850	73,360	-	82,210
	33,150	342,940	-	376,090
Total directors' remuneration	37,050	409,632	-	446,682

11. Directors' fees and remuneration (contd.)

* Includes bonus, meeting allowances and executive committee members allowances.

The number of directors of the Group and of the Company whose total remuneration during the year fell within the following bands are analysed as follows:

	Number of directors Group		Number of directors Company	
	2017	**2016**	**2017**	**2016**
Executive directors:				
Below RM50,000	2	1	-	-
RM50,001 - RM100,000	1	1	1	1
RM100,001 - RM150,000	1	2	-	-
RM150,001 - RM200,000	1	-	-	-
Non-executive directors:				
Below RM50,000	1	1	1	1
RM50,001 - RM100,000	6	6	5	5
RM100,001 - RM150,000	3	3	-	-
RM150,001 - RM200,000	2	2	-	-

12. Income tax expense

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Current tax:				
Malaysian income tax	20,119,271	18,113,269	-	-
Real property gains tax	-	112,416	-	112,416
Over provision of Malaysian income tax in prior year	(297,053)	(97,903)	-	(41,035)
Over provision of real property gains tax in prior year	(138,608)	-	(138,608)	-
	19,683,610	18,127,782	(138,608)	71,381
Deferred tax (Note 30):				
Relating to origination and reversal of temporary differences	(116,553)	(381,904)	-	-
Under provision in prior year	896,955	-	-	-
	780,402	(381,904)	-	-
Income tax expense/(credit) recognised in profit or loss	20,464,012	17,745,878	(138,608)	71,381

Domestic income tax is calculated at the Malaysian statutory tax rates which range from 20% to 24% (2016 : 24%) of the estimated assessable profit for the Year of Assessment 2017 and Year of Assessment 2018. The reduction in the income tax rate is based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment.

12. Income tax expense (contd.)

A reconciliation of income tax expense applicable to (loss)/profit before tax at the statutory income tax rates to income tax expense at the effective income tax rates of the Group and of the Company is as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
(Loss)/profit before tax	(320,108,659)	1,730,720	(28,409,096)	(21,398,748)
Taxation at applicable statutory tax rate of 24% (2016 : 24%)	(76,826,078)	415,373	(6,818,183)	(5,135,700)
Adjustments:				
Non-deductible expenses	97,361,969	19,291,735	6,818,183	5,142,934
Income not subject to tax	(1,303,199)	(1,127,617)	-	-
Deferred tax assets not recognised on unutilised tax losses and unabsorbed capital allowances	770,158	-	-	-
Utilisation of previously unrecognised deferred tax assets	-	(848,126)	-	(7,234)
Real property gains tax	-	112,416	-	112,416
Over provision of Malaysian income tax in prior year	(297,185)	(97,903)	-	(41,035)
Under provision of deferred tax in prior year	896,955	-	-	-
Over provision of real property gains tax in prior year	(138,608)	-	(138,608)	-
Income tax expense/(credit) recognised in profit or loss	20,464,012	17,745,878	(138,608)	71,381

13. Loss per ordinary share

(a) Basic per ordinary share

The basic loss per ordinary share is calculated by dividing the loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group 2017 RM	Group 2016 RM
Loss attributable to ordinary equity holders of the Company (RM)	(174,957,156)	(15,579,986)
Weighted average number of ordinary shares in issue	100,000,000	100,000,000
Basic loss per ordinary share (sen) for:		
Loss for the year	(174.96)	(15.58)

(b) Diluted

There is no dilutive effect on loss per share as the Company has no potential issue of ordinary shares.

14. Property, plant and equipment

Group	Freehold land RM	Buildings and improvements RM	Attractions RM	Equipment, furniture and fittings and computers RM	Motor vehicles RM	Refurbishment and renovations RM	Capital work-in-progress RM	Total RM
Cost								
At 1 January 2016	16,258,439	67,757,586	-	21,219,355	2,563,634	11,275,975	840,347	119,915,336
Acquisition through business combination	54,014,400	-	-	950,413	7,300	-	225,894,718	280,866,831
Additions	-	796,164	-	3,390,205	979,917	59,704	89,441,350	94,667,340
Disposals	-	-	-	(30,789)	-	-	-	(30,789)
Written off	-	-	-	(8,703)	-	-	(873,673)	(882,376)
Reclassifications	-	-	-	433,637	609,930	-	(1,043,567)	-
Transfer to inventories	(3,523,640)	-	-	-	-	-	(57,048)	(3,580,688)
At 31 December 2016	66,749,199	68,553,750	-	25,954,118	4,160,781	11,335,679	314,202,127	490,955,654
Additions	-	4,131,528	-	7,116,518	1,153,986	420,319	133,415,809	146,238,160
Disposals	-	-	-	(4,843)	-	-	-	(4,843)
Written off	-	-	-	(6,550)	-	-	(359,697)	(366,247)
Government grant received	-	-	-	-	-	-	(30,670,000)	(30,670,000)
Reclassifications	-	-	-	6,890,457	-	(6,890,457)	-	-
Transfer from capital work-in-progress	-	170,861,098	35,196,372	43,147,373	72,000	-	(249,276,843)	-
Transfer to intangible assets (Note 20)	-	-	-	-	-	-	(38,816,251)	(38,816,251)
At 31 December 2017	66,749,199	243,546,376	35,196,372	83,097,073	5,386,767	4,865,541	128,495,145	567,336,473

14. Property, plant and equipment (contd.)

Group (contd.)	Freehold land RM	Buildings and improvements RM	Attractions RM	Equipment, furniture and fittings and computers RM	Motor vehicles RM	Refurbishment and renovations RM	Capital work-in-progress RM	Total RM
Accumulated depreciation and impairment losses								
At 1 January 2016	-	2,736,428	-	6,500,531	1,520,756	1,313,011	-	12,070,726
Acquisition through business combination	-	-	-	153,590	787	-	-	154,377
Depreciation for the year	-	1,381,731	-	3,931,217	650,862	1,324,126	-	7,287,936
Disposals	-	-	-	(5,695)	-	-	-	(5,695)
Written off	-	-	-	(2,641)	-	-	-	(2,641)
At 31 December 2016	-	4,118,159	-	10,577,002	2,172,405	2,637,137	-	19,504,703
Impairment loss for the year (Note 9)	-	84,515,628	16,847,243	22,904,961	520,573	-	42,451,101	167,239,506
Depreciation for the year	-	4,918,667	1,808,708	8,103,686	802,774	150,302	-	15,784,137
Disposals	-	-	-	(1,937)	-	-	-	(1,937)
Written off	-	-	-	(6,547)	-	-	-	(6,547)
Reclassifications	-	-	-	2,421,294	-	(2,421,294)	-	-
At 31 December 2017	-	93,552,454	18,655,951	43,998,459	3,495,752	366,145	42,451,101	202,519,862
Net carrying amount								
At 31 December 2016	66,749,199	64,435,591	-	15,377,116	1,988,376	8,698,542	314,202,127	471,450,951
At 31 December 2017	66,749,199	149,993,922	16,540,421	39,098,614	1,891,015	4,499,396	86,044,044	364,816,611

14. Property, plant and equipment (contd.)

	Equipment, furniture and fittings RM	Motor vehicles RM	Total RM
Company			
Cost			
At 1 January 2016	794,049	789,345	1,583,394
Additions	156,851	-	156,851
At 31 December 2016	950,900	789,345	1,740,245
Additions	142,014	584,714	726,728
At 31 December 2017	1,092,914	1,374,059	2,466,973
Accumulated depreciation			
At 1 January 2016	242,812	395,229	638,041
Depreciation for the year	174,340	157,868	332,208
At 31 December 2016	417,152	553,097	970,249
Depreciation for the year	203,485	269,979	473,464
At 31 December 2017	620,637	823,076	1,443,713
Net carrying amount			
At 31 December 2016	533,748	236,248	769,996
At 31 December 2017	472,277	550,983	1,023,260

14. Property, plant and equipment (contd.)

(a) Net carrying amount of property, plant and equipment held under hire purchase and finance lease arrangements are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Buildings and improvements	7,459,181	5,745,569	-	-
Motor vehicles	14,104	62,921	14,103	62,921

(b) During the year, the property, plant and equipment of the Group and of the Company were acquired by means of:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Cash payments	144,438,040	94,667,340	726,728	156,851
Finance lease liabilities	1,800,120	-	-	-
	146,238,160	94,667,340	726,728	156,851

During the financial year, included in cash payments of the Group are borrowing costs capitalised amounting to RM8,096,409 (2016 : RM14,514,819). The net cash payments, excluding borrowing costs capitalised amounting to RM136,341,631 (2016 : RM80,152,521).

(c) At 31 December 2017, certain freehold land of the Group with a carrying amount of RM27,979,963 (2016 : RM54,014,400) is charged to secure bank loans granted to the Group (see Note 26).

Included in property, plant and equipment is a property known as Casuarina Hotel Meru with a carrying amount of RM66,533,589 (2016 : RM66,672,076) charged to secure bank facilities granted to the Company.

(d) Included in motor vehicles is a motor vehicle with a carrying amount of RM467,772 (2016 : RM Nil) which is held in trust by a director of the Group and of the Company.

(e) A subsidiary of the Group has been awarded a government grant, amounted to RM30,670,000 in October 2014 to facilitate the planning, financing, developing, constructing, equipping, installing, completing, testing and commissioning of an international standard theme park, Movie Animation Park Studios ("MAPS"), in a specified region. The grant was received during the year upon the completion of the project. The cost of the property, plant and equipment is reduced by the amount of the grant received to arrive at the carrying amount of the asset. The grant is recognised in profit or loss over the useful life of the depreciable asset by way of a reduced depreciation charge.

14. Property, plant and equipment (contd.)

(f) Impairment

Animation Theme Park Sdn. Bhd.

During the financial year, a subsidiary of the Group, Animation Theme Park Sdn. Bhd. carried out a review of the recoverable amount of its property, plant and equipment. An impairment loss of RM167,239,506 (2016 : RM Nil) was recognised in profit or loss resulting in a net carrying amount of RM232,683,074 (2016 : RM350,488,311) for the financial year ended 31 December 2017. The recoverable amount for the above was based on its value in use ("VIU") and was determined by discounting the future cash flows expected to be generated from the continuing use of the division and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and a 5 years projection.
- Terminal growth rate is projected at 3%.
- A pre-tax discount rate for 10% was applied in determining the recoverable amount of the division. The discount rate was estimated based on the industry average weighted average cost of capital.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources (historical data).

The sensitivity of its VIU to changes in the key assumptions are as set out below:

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	Decrease in VIU by 15%	Increase in VIU by 20%
Terminal growth rate	1%	Increase in VIU by 16%	Decrease in VIU by 12%

15. Port facilities

Group	Leasehold port land RM	Port structure RM	Port equipment RM	Capital work in progress RM	Total RM
Cost					
At 1 January 2016	19,226,760	88,049,426	19,005,365	-	126,281,551
Additions	-	1,067,000	870,026	6,243,192	8,180,218
At 31 December 2016	19,226,760	89,116,426	19,875,391	6,243,192	134,461,769
Additions	12,646,285	-	1,553,286	65,872,090	80,071,661
Written off	-	-	(111,823)	-	(111,823)
At 31 December 2017	31,873,045	89,116,426	21,316,854	72,115,282	214,421,607
Accumulated depreciation					
At 1 January 2016	3,005,915	22,647,481	10,942,627	-	36,596,023
Depreciation for the year (Note 9)	193,951	1,970,736	964,738	-	3,129,425
At 31 December 2016	3,199,866	24,618,217	11,907,365	-	39,725,448
Depreciation for the year (Note 9)	344,833	1,983,996	1,026,347	-	3,355,176
Written off	-	-	(110,326)	-	(110,326)
At 31 December 2017	3,544,699	26,602,213	12,823,386	-	42,970,298
Net carrying amount					
At 31 December 2016	16,026,894	64,498,209	7,968,026	6,243,192	94,736,321
At 31 December 2017	28,328,346	62,514,213	8,493,468	72,115,282	171,451,309

During the year, additions to port facilities of the Group and of the Company were acquired by means of:

	Group and Company 2017 RM	2016 RM
Cash payments	80,071,661	8,180,218

16. Investment properties

	Group 2017 RM	Group 2016 RM
Cost		
At 1 January and 31 December	5,390,949	5,390,949
Accumulated depreciation		
At 1 January	561,224	482,134
Depreciation for the year (Note 9)	79,090	79,090
At 31 December	640,314	561,224
Net carrying amount		
At 31 December	4,750,635	4,829,725
Included in the above are:		
Freehold land	1,679,998	1,679,998
Buildings	3,070,637	3,149,727
	4,750,635	4,829,725
Fair value		
At 31 December	11,550,000	10,000,000

The fair value of investment properties have been determined based on valuation performed by accredited independent valuers with recent experience in the location and category of properties being valued. The valuations are based on the comparison method that makes reference to recent transaction value.

17. Investments in subsidiaries

	Company 2017 RM	Company 2016 RM
Unquoted shares, at cost	1,602,001	1,602,000
Equity loans to subsidiaries	153,996,589	153,996,589
	155,598,590	155,598,589
Less: Accumulated impairment losses	(500,000)	(500,000)
	155,098,590	155,098,589

Details of subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Equity interest held (%) 2017	Equity interest held (%) 2016	Principal activities
PCB Development Sdn. Bhd.	Malaysia	100	100	Investment holding and real property development
PCB Equity Sdn. Bhd.	Malaysia	100	100	Property development and project management
PCB Leisure Sdn. Bhd.	Malaysia	100	100	Property investment and investment holding
PCB Taipan Sdn. Bhd.	Malaysia	100	100	Investment holding
Rungkup Port Sdn. Bhd. (Note 17 (a))	Malaysia	70	-	Operation of port facility
Held by PCB Development Sdn. Bhd.				
Animation Theme Park Sdn. Bhd.	Malaysia	51	51	Develop and operate an animation theme park

17. Investments in subsidiaries (contd.)

Name of subsidiaries	Country of incorporation	Equity interest held (%) 2017	2016	Principal activities
Held by PCB Leisure Sdn. Bhd.				
Casuarina Pangkor Sdn. Bhd.	Malaysia	100	100	Operation and management of hotel
Casuarina Tanjong Malim Sdn. Bhd.	Malaysia	100	100	Operation and management of hotel
Casuarina Teluk Intan Sdn. Bhd.	Malaysia	100	100	Operation and management of hotel
Casuarina Boathouse Sdn. Bhd.	Malaysia	100	100	Provision of accommodation facilities
Casuarina Taiping Sdn. Bhd.	Malaysia	100	100	Operation and management of rest house
Lanai Casuarina Sdn. Bhd.	Malaysia	100	100	Operation and management of hotel
Meru Raya Park Sdn. Bhd.	Malaysia	100	100	Property development and facilities management
BioD Leisure and Recreation Sdn. Bhd.	Malaysia	100	100	Provision of transportation and travel services
Meru Raya Water Park Sdn. Bhd.	Malaysia	100	100	Management of water parks, theme parks, water sport and recreational related activities
Labu Sayong Cafe Sdn. Bhd.	Malaysia	100	100	Operation and management of restaurant and cafe
Rimba Land Sdn. Bhd. (formerly known as Pangkor Village Resort Sdn. Bhd.) (Note 17 (b))	Malaysia	100	-	Jungle adventure park

17. Investments in subsidiaries (contd.)

Name of subsidiaries	Country of incorporation	Equity interest held (%) 2017	2016	Principal activities
Held by PCB Taipan Sdn. Bhd.				
Lumut Maritime Terminal Sdn. Bhd.	Malaysia	50 plus 1 share	50 plus 1 share	Development of an integrated privatised project encompassing ownership and operations of multi-purpose port facilities, operation and maintenance of a bulk terminal, sales and rental of port related land and other ancillary activities
Casuarina Meru Sdn. Bhd.	Malaysia	89.54	89.54	Hotelier, restaurateur and property developer
Held by Lumut Maritime Terminal Sdn. Bhd.				
LMT Capital Sdn. Bhd. *	Malaysia	50 plus 1 share	50 plus 1 share	Dormant
Held by Casuarina Meru Sdn. Bhd.				
Silveritage Corporation Sdn. Bhd.	Malaysia	89.54	89.54	Development of tourism projects
Held by Silveritage Corporation Sdn. Bhd.				
Cash Complex Sdn. Bhd.	Malaysia	66.18	66.18	Investment holding

* Although the Group has 50% effective ownership interest, the directors have determined that the Group controls LMT Capital Sdn. Bhd. as Lumut Maritime Terminal Sdn. Bhd. has 100% voting interest in LMT Capital Sdn. Bhd.

17. Investments in subsidiaries (contd.)

Acquisition of subsidiaries

(a) Acquisition of shares in Rungkup Port Sdn. Bhd.

On 5 June 2017, the Group and the Company acquired 70% equity interest in Rungkup Port Sdn. Bhd. ("RPSB") comprising 70 ordinary shares, for a cash consideration of RM1 ("Acquisition"). Upon completion of the Acquisition, RPSB became a 70%-owned subsidiary of the Group and of the Company.

(b) Acquisition of shares in Rimba Land Sdn. Bhd. (formerly known as Pangkor Village Resort Sdn. Bhd.)

On 26 January 2017, the Group acquired the entire equity interest in Rimba Land Sdn. Bhd. (formerly known as Pangkor Village Resort Sdn. Bhd.) ("RLSB") comprising 2 ordinary shares, for a cash consideration of RM1 ("Acquisition"). Upon completion of the Acquisition, RLSB became a wholly-owned subsidiary of the Group.

The fair values of the identifiable assets and liabilities of the subsidiaries as at the date of acquisition were:

	RM
Cash and bank balances	7
Other payables	(25,173)
Total identifiable net liabilities acquired	(25,166)
Non-controlling interests share of net liabilities	(4,960)
Parent's share of net liabilities	(20,206)
Less: Consideration paid	(2)
Goodwill	(20,208)

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

	RM
Considerations settled in cash	(2)
Less: Cash and bank balances	7
Net cash inflow on acquisition	5

17. Investments in subsidiaries (contd.)

(i) Summarised statements of financial position

	Lumut Maritime Terminal Sdn. Bhd.		Casuarina Meru Sdn. Bhd.		Animation Theme Park Sdn. Bhd.		Total	
	2017 RM	2016 RM	2017 RM	2016 RM	2017 RM	2016 RM	2017 RM	2016 RM
Non-current assets	175,414,428	96,819,685	75,777,294	81,870,647	251,623,607	350,488,311	502,815,329	529,178,643
Current assets	61,758,969	77,621,823	11,576,361	3,712,814	27,643,698	126,816,908	100,979,028	208,151,545
Total assets	237,173,397	174,441,508	87,353,655	85,583,461	279,267,305	477,305,219	603,794,357	737,330,188
Non-current liabilities	38,686,201	6,155,776	-	644,110	305,781,586	435,455,688	344,467,787	442,255,574
Current liabilities	17,304,529	13,867,112	11,048,015	6,656,907	353,632,188	52,014,837	381,984,732	72,538,856
Total liabilities	55,990,730	20,022,888	11,048,015	7,301,017	659,413,774	487,470,525	726,452,519	514,794,430
Net assets/(liabilities)	181,182,667	154,418,620	76,305,639	78,282,444	(380,146,469)	(10,165,306)	(122,658,163)	222,535,758
Equity attributable to:								
Owners of the Company	90,713,323	77,331,305	68,324,069	70,094,100	(195,431,431)	(6,741,037)	(36,394,039)	140,684,368
Non-controlling interests	90,469,344	77,087,315	7,981,570	8,188,344	(184,715,038)	(3,424,269)	(86,264,124)	81,851,390
	181,182,667	154,418,620	76,305,639	78,282,444	(380,146,469)	(10,165,306)	(122,658,163)	222,535,758

17. Investments in subsidiaries (contd.)

(ii) Summarised statements of comprehensive income

	Lumut Maritime Terminal Sdn. Bhd.		Casuarina Meru Sdn. Bhd.		Animation Theme Park Sdn. Bhd.		Total	
	2017 RM	2016 RM	2017 RM	2016 RM	2017 RM	2016 RM	2017 RM	2016 RM
Revenue	105,314,215	97,988,604	15,235,068	14,296,873	14,561,642	-	135,110,925	112,285,477
Profit/(loss) for the year	31,764,056	32,200,260	(1,976,807)	(4,281,790)	(369,981,162)	(20,255,669)	(340,193,913)	7,662,801
Total comprehensive income/(loss)	31,764,056	32,200,260	(1,976,807)	(4,281,790)	(369,981,162)	(20,147,089)	(340,193,913)	7,771,381
Profit/(loss) attributable to:								
Owners of the Company	15,882,028	16,100,130	(1,770,033)	(3,407,020)	(188,690,393)	(4,595,137)	(174,578,398)	8,097,973
Non-controlling interests	15,882,028	16,100,130	(206,774)	(874,770)	(181,290,769)	(15,660,532)	(165,615,515)	(435,172)
	31,764,056	32,200,260	(1,976,807)	(4,281,790)	(369,981,162)	(20,255,669)	(340,193,913)	7,662,801
Total comprehensive income/(loss) attributable to:								
Owners of the Company	15,882,028	16,100,130	(1,770,033)	(3,407,020)	(188,690,393)	(4,486,557)	(174,578,398)	8,206,553
Non-controlling interests	15,882,028	16,100,130	(206,774)	(874,770)	(181,290,769)	(15,660,532)	(165,615,515)	(435,172)
	31,764,056	32,200,260	(1,976,807)	(4,281,790)	(369,981,162)	(20,147,089)	(340,193,913)	7,771,381
Dividend paid to non-controlling interests	2,499,999	14,999,999	-	-	-	-	2,499,999	14,999,999

17. Investments in subsidiaries (contd.)

(iii) Summarised statements of cash flows

	Lumut Maritime Terminal Sdn. Bhd.		Casuarina Meru Sdn. Bhd.		Animation Theme Park Sdn. Bhd.		Total	
	2017 RM	2016 RM	2017 RM	2016 RM	2017 RM	2016 RM	2017 RM	2016 RM
Net cash flows generated from/(used in):								
Operating activities	26,427,207	33,971,562	(1,486,066)	(41,601,890)	(50,268,640)	37,329,642	(25,327,499)	29,699,314
Investing activities	(82,151,149)	(8,419,088)	(857,023)	(671,938)	(99,179,949)	(71,557,779)	(182,188,121)	(80,648,805)
Financing activities	32,001,635	(35,233,768)	38,519	40,732,227	124,391,429	51,435,640	156,431,583	56,934,099
Net (decrease)/increase in cash and cash equivalents	(23,722,307)	(9,681,294)	(2,304,570)	(1,541,601)	(25,057,160)	17,207,503	(51,084,037)	5,984,608
Cash and cash equivalents at:								
Beginning of the year	31,179,949	40,861,243	(1,772,899)	(231,298)	26,670,908	9,463,405	56,077,958	50,093,350
End of the year	7,457,642	31,179,949	(4,077,469)	(1,772,899)	1,613,748	26,670,908	4,993,921	56,077,958

The financial information of Rungkup Port Sdn. Bhd. is not disclosed as it is not material to the Group.

18. Investments in associates

	Group 2017 RM	Group 2016 RM
Unquoted shares, at cost		
- Ordinary shares	6,100,000	6,100,000
- Cumulative Redeemable Non-Convertible Preference Shares ("CRNCPS")	1,900,000	-
Share of post-acquisition loss	(592,199)	(1,169,058)
	7,407,801	4,930,942
Less: Accumulated impairment loss	(3,830,942)	(3,830,942)
	3,576,859	1,100,000

Details of the associates are as follows:

Name of associates	Country of incorporation	Principal activity	Percentage of equity held through subsidiary (%) 2017	2016
Held by PCB Equity Sdn. Bhd.				
Visi Cenderawasih Sdn. Bhd. ©	Malaysia	Network facilities provider	49	49
Unified Million (M) Sdn. Bhd. ©	Malaysia	Resort operator for Pangkor Village Resort	30	30

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Financial information of material associates

As at 31 December 2017, the Group did not have any associate that is individually material to the Group.

19. Other investments

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Non-current				
Held-to-maturity investments				
3.5% Redeemable Convertible Preference Shares ("RCPS")	430,000	-	-	-
Available-for-sale financial assets				
Unquoted shares in Malaysia at cost	25,000	25,000	-	-
	455,000	25,000	-	-
Current				
Financial assets at fair value through profit or loss				
Unit Trust Fund (quoted in Malaysia)	418,536	1,182,571	350,473	338,671
Market value of quoted investments	418,536	1,182,571	350,473	338,671

20. Intangible assets

Group	Goodwill RM	Intellectual property rights RM	Intellectual property rights work-in-progress RM	Total RM
Cost				
At 1 January 2016	23,829,682	-	-	23,829,682
Acquisition through business combination	100,561	-	-	100,561
At 31 December 2016 and 1 January 2017	23,930,243	-	-	23,930,243
Acquisition through business combination	20,208	-	-	20,208
Transfer from property, plant and equipment (Note 14)	-	3,568,998	35,247,253	38,816,251
At 31 December	23,950,451	3,568,998	35,247,253	62,766,702
Accumulated amortisation and impairment				
At 1 January 2016, 31 December 2016 and 1 January 2017	18,679	-	-	18,679
Amortisation	-	583,230	-	583,230
Impairment loss	100,561	1,506,603	17,785,582	19,392,746
At 31 December	119,240	2,089,833	17,785,582	19,994,655
Net carrying amount				
At 31 December 2016	23,911,564	-	-	23,911,564
At 31 December 2017	23,831,211	1,479,165	17,461,671	42,772,047

Goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

20. Intangible assets (contd.)

Goodwill (contd.)

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	2017 RM	2016 RM
Lumut Maritime Terminal Sdn. Bhd.	23,811,003	23,811,003
Animation Theme Park Sdn. Bhd.	-	100,561
Rungkup Port Sdn. Bhd.	11,573	-
Rimba Land Sdn. Bhd. (formerly known as Pangkor Village Resort Sdn. Bhd.)	8,635	-
	23,831,211	23,911,564

Lumut Maritime Terminal Sdn. Bhd.

The recoverable amount for the above was based on its VIU and was determined by discounting the future cash flows expected to be generated from the continuing use of the division and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and a 5 years (2016 : 5 years) projection.

- Revenue was projected at anticipated annual growth of 2% (2016 : 2%) per annum.

- A pre-tax discount rate for 10% (2016 : 10%) was applied in determining the recoverable amount of the division. The discount rate was estimated based on the industry average weighted average cost of capital.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources (historical data).

The sensitivity of its value in use to changes in the key assumptions are as set out below:

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	Decrease in VIU by 21%	Increase in VIU by 29%
Terminal growth rate	1%	Increase in VIU by 23%	Decrease in VIU by 17%

Animation Theme Park Sdn. Bhd. ("ATP")

As the goodwill allocated to ATP is not significant, hence the key assumptions used in determining the VIU have not been disclosed.

20. Intangible assets (contd.)

Intellectual property rights

Intellectual property rights relate to license rights acquired for the use in a theme park operated by a subsidiary.

The amortisation is calculated on a straight-line basis over the estimated useful lives of 3 to 3.5 years and is included in the "Other expenses" line item of the statements of comprehensive income.

21. Finance lease receivable

A subsidiary of the Group is a lessor in connection with the finance lease. Essentially, this relates to the leasing of air-conditioning equipment. The Group recognises a receivable for the amount of the net investment in the lease. The lease payments made by the lessee are split into an interest component and a principal component using the effective interest method. The lease receivable is reduced by the principal received. The interest component of the payments is recognised as interest income in profit or loss. The following table shows how the amount of the net investment in a finance lease is determined:

	Group	
	2017	2016
	RM	RM
Non-current	429,156	-
Current	109,967	-
	539,123	-

The following table presents the gross investment amounts and the present value of payable minimum lease payments:

	Group	
	2017	2016
	RM	RM
Maturity		
Within 1 year	109,967	-
In 1 to 3 years	372,394	-
In 3 to 5 years	56,762	-
	539,123	-

The finance lease of the Group bears interest at 3% (2016 : Nil) per annum.

22. Inventories

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Non-current				
Properties held for development				
- Freehold land	22,711,387	24,311,387	-	-
Current				
Properties under development				
- Freehold land	61,362,101	59,643,763	23,404,056	23,285,747
- Leasehold land with unexpired lease period of more than 50 years	50,085,101	46,682,320	47,739,712	44,336,932
- Development costs	59,777,851	50,632,872	16,507,420	15,988,556
	171,225,053	156,958,955	87,651,188	83,611,235
Completed properties	13,463,519	8,580,613	-	-
Food and beverages	819,204	109,402	-	-
Merchandise goods	6,141,927	2,097,800	-	-
Other supplies	399,412	65,249	-	-
Tools and spares	6,267,430	5,797,490	-	-
	198,316,545	173,609,509	87,651,188	83,611,235
	221,027,932	197,920,896	87,651,188	83,611,235
Recognised in profit or loss:				
Inventories recognised as cost of sales	66,241,710	59,337,087	924,305	-
Write-down to net realisable value	854,107	514,350	-	-

(a) In prior year, the holding corporation, Perbadanan Kemajuan Negeri Perak had issued master block titles for certain parcels of land to the Group through Pejabat Tanah dan Galian ("PTG"). Upon receiving the master block titles, the Group had throughout the past years disposed off certain pieces of development and vacant land to third parties.

As at 31 December 2017, certain land titles belonging to the Group totalling RM13,103,774 (2016 : RM27,331,797) have been surrendered to PTG and will be re-issued to the Group in due course.

(b) Freehold land under development with carrying amounts totalling RM12,500,000 (2016 : RM12,500,000) of the Group have been pledged to a financial institution as security for banking facilities as disclosed in Note 26(c)(i).

(c) Included in development costs during the year are borrowing costs capitalised of RM224,281 (2016 : RM296,642).

23. Trade and other receivables

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Trade receivables				
Third parties	39,263,806	27,839,406	-	-
Less:				
Allowance for impairment loss	(1,468,281)	(2,328,345)	-	-
Trade receivables, net	37,795,525	25,511,061	-	-
Other receivables				
Amounts due from related parties:				
Ultimate holding corporation	69,119,209	74,044,085	-	16,792,546
Subsidiaries	-	-	163,867,117	103,802,372
Associate	1,054,040	1,054,040	-	-
Subsidiaries of ultimate holding corporation	90,904,430	86,239,893	80,893,994	80,004,555
	161,077,679	161,338,018	244,761,111	200,599,473
Amounts due from third parties	105,527,202	74,504,018	672,986	1,342,083
Deposits	2,279,466	2,123,784	-	-
Goods and Services Tax receivable	1,897,493	313,767	69,336	216,641
	270,781,840	238,279,587	245,503,433	202,158,197
Less:				
Allowance for impairment loss				
Amounts due from subsidiaries	-	-	(7,394,083)	(48,028)
Amount due from an associate	(1,054,040)	(1,054,040)	-	-
Amounts due from third parties	(90,413,310)	-	-	-
	(91,467,350)	(1,054,040)	(7,394,083)	(48,028)
Other receivables, net	179,314,490	237,225,547	238,109,350	202,110,169
Total trade and other receivables	217,110,015	262,736,608	238,109,350	202,110,169
Less: Goods and Services Tax receivable	(1,897,493)	(313,767)	(69,336)	(216,641)
	215,212,522	262,422,841	238,040,014	201,893,528
Add: Cash and bank balances (Note 25)	32,569,083	93,564,341	103,766	6,086,544
Total loans and receivables	247,781,605	355,987,182	238,143,780	207,980,072

23. Trade and other receivables (contd.)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 60 days (2016 : 30 to 60 days) terms. Other credit terms are assessed and approved on a case-by-case basis. They are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2017	2016
	RM	RM
Neither past due nor impaired	22,384,082	13,581,954
1 to 30 days past due not impaired	6,203,228	5,525,550
31 to 60 days past due not impaired	4,999,892	1,145,872
61 to 90 days past due not impaired	862,435	1,676,616
More than 91 days past due not impaired	3,345,888	3,581,069
	15,411,443	11,929,107
Impaired	1,468,281	2,328,345
	39,263,806	27,839,406

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM15,411,443 (2016 : RM11,929,107) that are past due at the reporting date but not impaired. The directors are of the opinion that these debts should be realised in full without material losses in the ordinary course of business. These trade receivables that are past due but not impaired are unsecured in nature.

23. Trade and other receivables (contd.)

(a) Trade receivables (contd.)

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2017 RM	2016 RM
Trade receivables - nominal amounts	1,468,281	2,328,345
Less: Allowance for impairment	(1,468,281)	(2,328,345)
	-	-

Movement in allowance accounts:

	2017 RM	2016 RM
At 1 January	2,328,345	2,783
Charge for the year	-	2,325,562
Reversal of impairment losses	(860,064)	-
At 31 December	1,468,281	2,328,345

The allowance amount in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

(b) Related parties

Amount due from ultimate holding corporation

The amount due from holding corporation is unsecured and subject to interest of 6.0% (2016 : 7.5%) per annum.

The directors are of the opinion that the amount due from holding corporation is fully recoverable and no allowance for impairment loss is necessary.

23. Trade and other receivables (contd.)

(b) Related parties (contd.)

Amounts due from subsidiaries, an associate and subsidiaries of ultimate holding corporation

The amounts due from subsidiaries, an associate and subsidiaries of ultimate holding corporation are unsecured and subject to interest of 6.0% (2016 : 7.5%) per annum.

The holding corporation has given its undertaking to settle these amounts owing to the Company in the event that these related parties are unable to meet their obligations in the future.

Included in amounts due from related parties is RM75,659,794 (2016 : RM75,237,219) owing from Perak Equity Sdn. Bhd. ("PESB") which is expected to be settled pursuant to a conditional settlement agreement between PESB and the Company. The Company had entered into a conditional settlement agreement with PESB on 28 February 2012 to settle the debt owing as at 31 December 2011 by PESB to the Company by way of set-off against two properties ("Settlement Land") to be acquired by the Company from PESB ("Proposed Settlement").

In tandem with the execution of the Settlement Agreement on 28 February 2012, the Company had entered into two separate conditional Sale and Purchase Agreements ("S&P Agreements") to acquire the Settlement Land from PESB ("Proposed Acquisitions").

The S&P Agreements and Proposed Acquisitions were still subjected to conditions precedent. On 4 April 2018, the Company has agreed to grant PESB a further extension of 6 months to meet the conditions precedent that will be due on 30 September 2018. The said extension was granted on the basis that the settlement process is now at the final stage. The Company has secured all the necessary approvals from the relevant authorities for the transfer of Teluk Dalam Land and Perak Hi-Tech Park Land and the transfer of both parcels of land is now subject to execution of Form 14A for the transfer of ownership and submission of the said form to Pejabat Tanah dan Galian to effect the transfer.

The directors are of the opinion that the amount owing from PESB is fully recoverable and no allowance for impairment loss is necessary.

(c) Other receivables

Included in other receivables is an amount due from a contractor, Daya Sejahtera Sdn. Bhd. (formerly known as Sanderson Design Group (M) Sdn. Bhd.), amounting to RM90,413,310 (2016 : RM60,795,423). The Group has provided an allowance for impairment on the full amount during the year.

24. Other current assets

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Prepayments	16,268,153	25,934,842	7,462	4,062

Included in prepayments are advances made for enhancement project amounting to RM Nil (2016 : RM21,072,756) and prepayments made for merchandise goods amounting to RM1,971,676 (2016 : RM2,252,607). Both amounts are in respect of a theme park operated by a subsidiary.

Included in prepayments are amounts totalling RM7,589,923 (2016 : RM7,589,923) representing fees incurred by a subsidiary for preliminary design works in the design, construction and operation of a port at Bagan Datoh.

25. Cash and bank balances

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Cash and bank balances	8,083,930	42,380,329	53,658	5,514,060
Deposits with licensed banks	24,485,153	51,184,012	50,108	572,484
	32,569,083	93,564,341	103,766	6,086,544

Included in the deposits with licensed banks of the Group are RM19,529,103 (2016 : RM5,507,820) pledged as securities for bank facilities granted as disclosed in Note 26.

Included in cash and bank balances of the Group and of the Company are RM19,417 (2016 : RM Nil) pledged as securities for bank facilities as disclosed in Note 26.

The average interest rates of the deposits with licensed banks during the year range between 2.66% to 4.05% (2016 : 1.95% to 4.41%) per annum and the maturities of the deposits as at 31 December 2017 are between 1 to 12 months (2016 : 1 to 3 months).

26. Loans and borrowings

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Current					
Secured:					
Hire purchase and finance lease liabilities	27, (a)	859,997	510,459	11,677	39,424
Term financing-i	(b)	5,720,000	-	-	-
Term loans	(c)	262,371,541	16,776,000	-	-
Revolving credits	(d)	140,687,529	130,000,000	110,000,000	100,000,000
Overdraft		5,123,000	2,199,108	-	-
		414,762,067	149,485,567	110,011,677	100,039,424
Non-current					
Secured:					
Hire purchase and finance lease liabilities	27, (a)	6,312,599	5,185,977	2,017	13,221
Term financing-i	(b)	31,320,000	-	-	-
Term loans	(c)	-	259,721,558	50,000,000	-
Revolving credits	(d)	50,592,000	-	-	-
RCPS		33,569,938	31,743,079	-	-
		121,794,537	296,650,614	50,002,017	13,221
Total borrowings					
Hire purchase and finance lease liabilities	27, (a)	7,172,596	5,696,436	13,694	52,645
Term financing-i	(b)	37,040,000	-	-	-
Term loans	(c)	262,371,541	276,497,558	50,000,000	-
Revolving credits	(d)	191,279,529	130,000,000	110,000,000	100,000,000
RCPS		33,569,938	31,743,079	-	-
Overdraft		5,123,000	2,199,108	-	-
		536,556,604	446,136,181	160,013,694	100,052,645
Maturity of borrowings (excluding hire purchase and finance lease liabilities and RCPS):					
On demand or within one year		413,902,070	148,975,108	110,000,000	100,000,000
More than 1 year and less than 2 years		56,312,000	259,721,558	50,000,000	-
More than 2 years and less than 5 years		25,600,000	-	-	-
		495,814,070	408,696,666	160,000,000	100,000,000

26. Loans and borrowings (contd.)

(a) Hire purchase and finance lease liabilities

The finance leases of the Group and of the Company bear interest at rates which range between 2.35% to 4.19% (2016 : 2.34% to 4.19%) per annum.

(b) Term financing-i at bank's Cost of Fund ("COF") plus 1.25%

The term financing-i is secured by the following:

- registered First Party Fixed Legal Charge in favour of Bank over 4 lots of leasehold land;
- debenture by way of registered First Fixed and/or Floating Charge over all the present and future assets; and
- First Party Assignment and Charge over Financing Payment Reserve Account ("FPRA").

(c) Term loans

(i) Term Loan at 7.40% to 7.65%

The term loan bears interest rate at 7.40% to 7.65% (2016 : 7.40% to 7.65%) per annum and is repayable in 60 monthly instalments.

The term loan is secured by a charge over certain freehold land held under development amounting to RM12,500,000 (2016 : RM12,500,000) of a subsidiary as disclosed in Note 22(b).

(ii) Musharakah Mutanaqisah Term Financing-i at iCOF + 1.5%

The facility is secured by a charge over property known as Casuarina Hotel Meru held under property, plant and equipment amounting to RM66,533,589 (2016 : RM66,672,076) of a subsidiary.

(iii) Business Financing- i and Business Cash Line- i

The facilities are secured by:

(a) Third Party First and Second Legal Charges over 3.782 Acres of Commercia Land at Bandar Baru Teluk Intan; and

(b) Third Party First and Second Legal Charges over 2 Acres of Commercial Land at Bandar Kuala Kangsar.

The term loan bears interest rate at 6.6% to 6.85% (2016 : Nil) per annum and is repayable in 180 monthly instalments.

26. Loans and borrowings (contd.)

(c) Term loans (contd.)

(iv) Syndicated term loan

Term loan of a subsidiary bears interest at 5.30% to 8.15% (2016 : 5.30% to 8.20%) per annum. The loan principal is repayable in 8 equal instalment with the first repayment due on 26 September 2017 (the third year from the first drawndown date).

The term loan is secured by:

- Legal charges on the subsidiary's freehold land with a carrying amount of RM48,269,323 (2016 : RM48,269,323);
- Jointly and severally guaranteed by two directors and a former director;
- Corporate guarantee from a corporate shareholder and the holding company;
- Deed of guarantee and indemnity by two directors and a former director;
- Pledged fixed deposits amounting to RM8,018,814 (2016 : RM10,377,730) of the subsidiary;
- Assignment and charge over Designated Accounts of the subsidiary;
- Assignment of proceeds by way of first legal assignment on the subsidiary's revenue proceeds;
- Assignment on insurance procured in connection with a project of the subsidiary and all the benefits thereof including proceeds from claims and any return of premium;
- Assignment of Performance Guarantee issued for or in connection with a project of the subsidiary during the construction period by way of first legal assignment;
- Fixed and Floating debenture on all present and future assets of the subsidiary; and
- Letter of undertaking by a corporate shareholder and the holding company.

The Syndicated term loan is subjected to covenant clauses, whereby the subsidiary is required to meet certain financial covenants. The subsidiary did not fulfil the debt equity ratio and debt service coverage ratio as required in the agreement of which the subsidiary currently has an outstanding amount of RM265,000,000.

Due to this breach of the covenant clause, the outstanding amount may become immediately due and payable and is presented as a current liability as at 31 December 2017.

26. Loans and borrowings (contd.)

(d) Revolving credits

(i) Revolving credits (secured)

The revolving credits for share financing bear interest at a rate 5.29% to 5.35% (2016 : 5.29% to 5.41%) per annum and are secured by way of:

(a) Third party first fixed legal charge over two pieces of freehold land of the Company held under HSD 228153, HSD 228154 ("Secured Property 1") or HSD 229479 ("Secured Property 2");

(b) First party legal charge over the Current Account maintained with Affin Islamic Bank Berhad; and

(c) Corporate guarantee of the Company.

(ii) Tawarruq Revolving Credit-i at iCOF + 1.5%

The facility is secured by a charge over property known as Casuarina Hotel Meru held under property, plant and equipment amounting to RM66,533,589 (2016 : RM66,672,076) of a subsidiary.

(iii) Revolving credit for share financing

The securities for the revolving credit are as follows:

(a) First fixed legal charge over a piece of leasehold land held under HS(D) 15622, PT 17275, Mukim Hulu Bernam Timur, Perak;

(b) Fixed deposit to a minimum of RM750,000; and

(c) Corporate Guarantee of the Company.

Borrowings on-lent to holding corporation and subsidiaries

At the reporting date, the revolving credits obtained by the Company are on-lent to subsidiaries as follows:

	Group	
	2017	2016
	RM	RM
Holding corporation	16,367,089	16,400,000
Subsidiaries	92,000,000	73,600,000
	108,367,089	90,000,000

26. Loans and borrowings (contd.)

(e) Redeemable convertible preference shares ("RCPS")

	Number of shares		Amount	
	2017	2016	2017 RM	2016 RM
Issued and fully paid shares classified as debt instruments:				
At 1 January	31,743,079	-	31,743,079	-
Acquisition through business combination	-	31,743,079	-	31,743,079
Accretion during the year	-	-	1,826,859	-
At 31 December	31,743,079	31,743,079	33,569,938	31,743,079

The RCPS comprise 31,743,079 shares issued by Animation Theme Park Sdn. Bhd. ("ATP"), a subsidiary of the Group.

The salient features of the RCPS are as follows:

- From the date of issuance up to and including first anniversary date of the issue, the RCPS is redeemable for cash at RM1.00 at the option of the issuer;

- Thereafter, the RCPS is redeemable for cash at RM1.00 from the first anniversary date of the issue up and including the Maturity Date (20 years) at the option of the RCPS holders subject to the banking facilities to part-finance the proposed theme park have been fully repaid by the issuer and availability of funds; or after the fifteenth anniversary of the date of issue of RCPS, whichever is later;

- The RCPS holders are entitled to annual cumulative preferential dividend rate of four percent (4.0%) per annum calculated based on the issue price of RM1.00 per RCPS;

- Any outstanding RCPS which have not been redeemed or cancelled at Maturity Date (20 years) shall be convertible into fully paid new ordinary shares at RM1.00 each;

- Any accrued RCPS dividends payable for any outstanding RCPS which have not been redeemed or cancelled at Maturity Date (20 years) shall be convertible into fully paid new ordinary shares at RM1.00 each, at equivalent to its accrued sum;

- The RCPS shall carry no right to vote at any general meeting of ATP except with regards to any proposal to reduce the capital of ATP, to dispose the whole of ATP's property, business and undertaking, to wind-up ATP, during the winding up of ATP and on any proposal that affects the rights attached to RCPS. In any such case, the holders of RCPS shall be entitled to vote together with the holders of ordinary shares and to one (1) vote for each RCPS held; and

- The RCPS shall entitle a holder to one (1) vote for each RCPS held at any class meeting in relation to any proposal by ATP to vary or abrogate the rights of RCPS as stated in the Articles of Association of ATP. In all class meetings, each RCPS shall entitle the holder to one (1) vote.

26. Loans and borrowings (contd.)

(e) Redeemable convertible preference shares ("RCPS") (contd.)

The RCPS are compound financial instruments and are allocated and classified as debt instruments and equity component attributable to non-controlling interests holder of ATP as follows:

	Group 2017 RM	Group 2016 RM
Total consideration received from issuance of RCPS to non-controlling interests holder of ATP	48,412,000	48,412,000
Amount classified as equity component attributed to non-controlling interests holder of ATP	(13,128,050)	(13,128,050)
Deferred tax liabilities	(4,000,541)	(4,000,541)
	31,283,409	31,283,409
Accretion of interest	2,286,529	459,670
Amount classified as debt instruments	33,569,938	31,743,079

26. Loans and borrowings (contd.)

(f) Changes in liability arising from financing activities:

	1 January 2017 RM	Proceeds RM	Repayments RM	New leases RM	Non-cash changes RM	Overdraft RM	31 December 2017 RM
Group							
Loans and borrowings	446,136,181	98,319,529	(14,449,977)	1,800,120	1,826,859	2,923,892	536,556,604
Company							
Loans and borrowings	100,052,645	59,961,049	-	-	-	-	160,013,694

27. Hire purchase and finance lease liabilities

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Minimum lease payments:				
Not later than 1 year	905,677	539,424	11,677	41,032
Later than 1 year and not later than 5 years	1,612,238	1,260,983	2,238	13,852
More than 5 years	28,802,000	22,750,000	-	-
	31,319,915	24,550,407	13,915	54,884
Less: Finance charges	(24,147,319)	(18,853,971)	(221)	(2,239)
	7,172,596	5,696,436	13,694	52,645
Present value of payments:				
Amount due within 12 months (Note 26)	859,997	510,459	11,677	39,424
Amount due after 12 months (Note 26)	6,312,599	5,185,977	2,017	13,221
	7,172,596	5,696,436	13,694	52,645

The finance leases of the Group and of the Company bear interest at rates which range between 2.35% to 4.19% (2016 : 2.34% to 4.19%) per annum.

28. Trade and other payables

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Non-current				
Other payables				
Third parties	17,751,410	-	-	-
Amounts due to related parties:				
Subsidiaries	-	-	32,010,571	31,722,168
Subsidiaries of ultimate holding corporation	147,386	115,518	29,073	53,161
	17,898,796	115,518	32,039,644	31,775,329
Current				
Trade payables				
Third parties	9,192,932	5,658,539	308,100	308,100
Amounts due to related parties:				
Subsidiaries of ultimate holding corporation	5,576,038	-	-	-
	14,768,970	5,658,539	308,100	308,100
Other payables				
Amounts due to related parties:				
Ultimate holding corporation	67,478,801	10,925,259	10,214,451	9,074,881
Subsidiaries of ultimate holding corporation	252,747	-	-	-
Associate	60,674	-	-	-
Shareholder	6,250,000	6,250,000	-	-
Directors	247,765	20,000	247,765	20,000
	74,289,987	17,195,259	10,462,216	9,094,881
Deposits received	1,800,124	-	300	-
Accruals	61,665,005	10,051,453	1,354,230	1,137,063
Goods and Services Tax payable	-	114,528	-	-
Other payables	32,547,736	36,964,961	2,747,187	1,577,550
	170,302,852	64,326,201	14,563,933	11,809,494
Total trade and other payables (current)	185,071,822	69,984,740	14,872,033	12,117,594
Total trade and other payables (non-current and current)	202,970,618	70,100,258	46,911,677	43,892,923
Less: Goods and Services Tax payable	-	(114,528)	-	-
	202,970,618	69,985,730	46,911,677	43,892,923
Add: Loans and borrowings (Note 26)	5,123,000	2,199,108	-	-
Total financial liabilities carried at amortised cost	208,093,618	72,184,838	46,911,677	43,892,923

28. Trade and other payables (contd.)

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled within 7 to 90 days (2016 : 7 to 90 days).

(b) Other payables

Included in other payables in previous financial year was RM19.1 million being construction work-in-progress payable to a contractor.

(c) Related parties balances

The amounts due to related parties (excluding amounts due to directors and a shareholder) are non-trade in nature, unsecured and subject to interest of 6% (2016 : 7.5%) per annum. During the year, the holding corporation issued a letter to confirm that there will not be any demand for repayments within the next 12 months on the outstanding amounts as at 31 December 2017.

The amounts due to directors and a shareholder are unsecured, non-interest bearing and repayable on demand.

29. Deferred income

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Progress billings	21,881,305	6,281,304	-	-
Unearned revenue	1,638,354	3,364,607	-	-
	23,519,659	9,645,911	-	-

Progress billings mainly relates to proceed received in advance before completion of sales of land.

Unearned revenue consists mainly of tickets sold in advance before the opening of the theme park of a subsidiary.

30. Deferred tax

Recognised deferred tax assets/(liabilities)

	Assets		Liabilities	
	2017	2016	2017	2016
	RM	RM	RM	RM
Group				
Property, plant and equipment and port facilities	-	-	(9,955,844)	(9,040,353)
Redeemable convertible preference shares	-	-	(3,562,093)	(4,000,541)
Other provisions	705,463	1,008,822	-	-
Net tax assets/(liabilities)	705,463	1,008,822	(13,517,937)	(13,040,894)
Set off of tax	(705,463)	(1,008,822)	705,463	1,008,822
	-	-	(12,812,474)	(12,032,072)
Company				
Property, plant and equipment	-	-	(194,060)	(194,060)

Unrecognised deferred tax assets

Deferred tax assets have also not been recognised by the Group and the Company in respect of the following items (stated at gross):

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Unutilised tax losses	4,616,952	7,335,248	-	-
Unabsorbed capital allowances	6,711,103	774,252	-	-
Other deductible temporary differences	13,481	23,045	-	-
	11,341,537	8,132,545	-	-
Deferred tax benefit at 24% (2016 : 24%)	2,721,969	1,951,811	-	-

The unutilised tax losses, unabsorbed capital allowances and other deductible temporary differences do not expire under current tax legislation. Deferred tax assets in respect of these items have not been recognised because it is not probable that there are available future taxable profit against which the Group can utilise the benefits therefrom.

30. Deferred tax (contd.)

	At 1 January 2016 RM	Recognised in profit or loss RM	Acquisition through business combination RM	At 31 December 2016 RM	Recognised in profit or loss RM	As at 31 December 2017 RM
Group						
Property, plant and equipment and port facilities	(7,045,639)	(615,896)	(1,378,818)	(9,040,353)	(915,491)	(9,955,844)
Redeemable convertible preference shares	-	-	(4,000,541)	(4,000,541)	438,448	(3,562,093)
Other provisions	11,022	997,800	-	1,008,822	(303,359)	705,463
	(7,034,617)	381,904	(5,379,359)	(12,032,072)	(780,402)	(12,812,474)
Company						
Property, plant and equipment	(194,060)	-	-	(194,060)	-	(194,060)

31. Share capital

	Number of ordinary shares 2017	Number of ordinary shares 2016	Amount 2017 RM	Amount 2016 RM
Issued and fully paid:				
Ordinary shares	100,000,000	100,000,000	100,000,000	100,000,000
Effect of implementation of Companies Act 2016	-	-	172,770,440	-
	100,000,000	100,000,000	272,770,440	100,000,000

The new Companies Act 2016 which came into operation on 31 January 2017 abolished the concept of authorised share capital and par value of share capital.

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

In accordance with Section 74 of the Companies Act 2016 in Malaysia, the Company's share no longer have a par or nominal value with effect from 31 January 2017.

Pursuant to Section 618 of the Companies Act 2016 in Malaysia, the amount standing to the credit of the Company's share premium account became part of the Company's share capital. There is no impact on the number of shares in issue or the relative entitlement of any members of the Company as a result of this transition.

32. Retained earnings

The Company is able to distribute dividends out of its entire retained earning under the single tier system.

33. Related party disclosures

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. Remuneration of key management personnel includes all the directors of the Group are disclosed in Note 11.

The Group has related party relationship with its holding corporation, subsidiaries and related parties.

The Group is related to the Government of Malaysia in view that it is controlled by an agency of the government.

33. Related party disclosures (contd.)

Significant related party transactions

Related party transactions have been entered into in the normal course of business. The significant related party transactions of the Group and of the Company are shown below.

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Holding corporation				
Advances paid	(10,001,020)	(52,942,267)	-	(30,061,036)
Advances received	51,978,283	24,302,593	927,601	21,187,976
Rental income	1,981,911	1,136,378	-	-
Rental expense	-	(265,000)	-	-
Interest expenses	(2,256,391)	(81,575)	-	-
Repayment of advances	-	(279,675)	-	-
Interest income	2,871,155	2,588,025	924,741	23,942
Subsidiaries				
Advances paid	-	-	-	(44,626,189)
Advances received	-	-	954,000	4,009,947
Interest expenses	-	-	(4,387,374)	(1,939,664)
Rental received	-	-	-	(422,706)
Related companies				
Interest income	566,485	724,941	170,177	423,733
Interest expenses	(2,165)	-	-	-
Rental income	598,586	1,297,099	-	175,233
Rental expenses	294,097	-	-	-
Advances received	76,460	235,537	-	225,121
Advances paid	(1,434,286)	(285,389)	-	(237,839)
Government related entities				
Operation and maintenance in respect of Lekir Bulk Terminal Sdn. Bhd.	58,560,419	61,134,947	-	-

34. Commitments

(a) Capital commitments

Capital expenditure as at the reporting date are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
(i) Authorised and contracted for:				
Property, plant and equipment	860,099	-	-	-
Port facilities	46,230,700	-	-	-
	47,090,799	-	-	-
(ii) Authorised but not contracted for:				
Property, plant and equipment	7,761,689	-	-	-
Port facilities	199,029,200	113,159,880	-	-
	206,790,889	113,159,880	-	-
(iii) Contracted but not provided for:				
Port facilities	-	2,557,293	-	-

34. **Commitments (contd.)**

(b) Operating lease commitments

Leases as lessee

Non-cancellable operating lease rentals are payables as follows:

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Less than 1 year	96,000	-	-	-
Between 1 and 5 years	56,000	-	-	-
	152,000	-	-	-

The Group leases a premise under an operating lease from a related company. The lease typically runs for a period of 2 years, with an option to renew the lease after that date. There are no restrictions placed upon the Group by entering into this lease.

The renewal option included in the above lease agreement is for a further period of 8 years which the Group intends to exercise.

(c) Contingent liabilities

(i) On 27 March 2017, ZJ Advisory Sdn. Bhd. ("ZJ") served a winding up notice on a subsidiary of the Company, allegedly claiming RM2,756,000 being the balance of final success fee under a consultancy contract between both parties. On 19 April 2017, the subsidiary filed an injunction to stop ZJ from filing a winding notice, and had successfully obtained an injunction order from the Ipoh High Court. ZJ has filed an appeal to the Court of Appeal which is fixed for hearing on 16 April 2018. During the hearing, ZJ has withdrawn its appeal. As a result, the injunction order stays.

The directors are of the view that the claim from ZJ will not be successful and as such, no provision is required to be made in the financial statements.

(ii) During the year, the Company has undertaken to pay certain outstanding progressive Contract Price for the certified completed Works ("Outstanding Sum") and all other sums payable to certain subcontractors during the completion of a theme park operated by a subsidiary. The subsidiary has quantified the amounts payable and these have been recorded in the financial statements. The directors do not foresee any additional amounts required to be made in the financial statements.

35. Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Group and the Company provide unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries, associates and joint operations. The Group and the Company monitor on an ongoing basis the results of the subsidiaries, associates and joint operations and repayments made by these companies.

The Group and the Company have undertaken to provide financial support to certain subsidiaries to enable them to continue to operate as going concerns.

Exposure to credit risk, credit quality and collateral

The Group and the Company have provided the following guarantees as at the reporting date:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Corporate guarantees given to banks for bank facilities granted to subsidiaries	327,765,900	327,765,900	327,765,900	327,765,900
Corporate guarantees given to banks for bank facilities granted to associates	45,141,000	45,141,000	45,141,000	45,141,000
Corporate guarantees given to banks for bank facilities granted to joint operations	28,500,000	28,500,000	28,500,000	28,500,000

At the end of the reporting period, there was no indication that the subsidiaries, associates and joint operations would default on repayment other than as discosed in Note 26.

36. Interest in joint operations

(a) Cempaka Majujaya Sdn. Bhd. ("Cempaka Majujaya")

The Group has a 30% ownership interest in a joint operation, Cempaka Majujaya with Sunny Reap Development Sdn. Bhd.. Cempaka Majujaya's principal place of business is in Malaysia. Cempaka Majujaya develops a piece of land in Bandar Meru Raya, Perak into a housing development comprising of affordable housing scheme and is strategic for the Group's desire to achieve its social agenda and fulfil the aspiration of the Perak State Government.

(b) D Aman Residences Sdn. Bhd. ("D Aman Residences")

The Group has a 20% ownership interest in a joint operation, D Aman Residences with Euro-Master Sdn. Bhd.. D Aman Residences' principal place of business is in Malaysia. D Aman Residences develops a piece of land in Bandar Meru Raya, Perak into a housing and commercial development comprising of residential and commercial buildings and is strategic for the Group's growth.

(c) Gelombang Prestasi Sdn. Bhd. ("Gelombang Prestasi")

The Group has a 20% ownership interest in a joint operation, Gelombang Prestasi with Teguh Revenue Sdn. Bhd.. Gelombang Prestasi's principal place of business is in Malaysia. Gelombang Prestasi Sdn. Bhd. develops a piece of land in Bandar Meru Raya, Perak into a commercial development area comprising of residential and commercial buildings and is strategic for the Group's growth.

(d) OPG Meru Land Sdn. Bhd. ("OPG Meru Land")

The Company has a 20% ownership interest in a joint operation, OPG Meru Land with OP Global Sdn. Bhd.. OPG Meru Land’s principal place of business is in Malaysia. OPG Meru Land develops a piece of land in Bandar Meru Raya, Perak into a housing development comprising of affordable apartments and is strategic for the Group’s desire to achieve its social agenda and fulfil the aspiration of the Perak State Government.

37. Significant events

(a) On 28 February 2012, the Company had entered into a conditional Settlement Agreement (“Settlement Agreement”) with Perak Equity Sdn. Bhd. ("PESB"), a subsidiary of its ultimate holding corporation to partially settle the total debt of RM104.62 million owing as at 31 December 2011 by PESB to the Company by way of set-off against the total purchase consideration of RM70.27 million for two properties to be acquired by the Company from PESB (“Proposed Settlement”).

In tandem with the execution of the Settlement Agreement on 28 February 2012, the Company had entered into two separate conditional Sale and Purchase Agreements (“S&P Agreements”) to acquire the Settlement Lands from PESB (“Proposed Acquisitions”).

The Settlement Lands with a total attributed value of RM70.27 million consist of the following:

(1) 1,002.939 acres of land to be provided with main infrastructure for the purpose of development of Bio-Tech Industrial Park, Forest Arboretum Technology Park and Herbal Park located at a proposed Perak Hi-Tech Park (“PHTP”), Off Jalan Kanthan/Sg Siput, Kanthan, Perak valued at RM38.13 million comprising:

(i) 96.118 acres of industrial land together with main infrastructure with an attributed value of RM17.80 million; and

(ii) 906.821 acres of agricultural land together with main infrastructure with an attributed value of RM20.33 million.

(collectively known as the "PHTP Lands")

(2) Lands and buildings at Teluk Dalam Resort located at Pantai Teluk Dalam, Pulau Pangkor, Perak, valued at RM32.14 million comprising:

(i) land measuring approximately 10.33 acres together with one block of main building, office, cafeteria, hall, 32 units of chalets (Tanjung-Seaview) and 69 units of chalets (Melati) erected on the land with an attributed value of RM23.63 million; and

(ii) land measuring approximately 4.17 acres together with 34 units of bungalow chalets erected on the land with an attributed value of RM8.51 million.

all in 35 titles of land all in the Mukim of Lumut, District of Manjung in the state of Perak Darul Ridzuan, with one title, namely, H.S.(D) 29371, P.T. No. 13222 in Mukim of Lumut, District of Manjung, State of Perak Darul Ridzuan, designated as Malay Reserved Land (“Reserved Land”).

(collectively known as the "Teluk Dalam Lands")

37. Significant events (contd.)

(a) (contd.)

The Proposed Settlement and Proposed Acquisitions were subject to fulfillment of conditions precedent of the Agreements and the approvals of the following:

(i) the Shareholders of the Company at an Extraordinary General Meeting to be convened; and

(ii) the relevant authorities for the transfer and issue of the document of titles of the Settlement lands.

On 26 July 2012, the Proposed Settlement and Proposed Acquisitions had been duly approved by the Shareholders at an Extraordinary General Meeting.

On 27 February 2013, the Company had agreed to grant PESB an extension of time to the Extended Conditional Period, which was first due on 28 November 2012 and extended automatically to 28 February 2013, for an additional period of 6 months to 28 August 2013.

On 28 August 2013, an additional period of 6 months to 28 February 2014 ("Further Extended Conditional Period") was granted.

On 26 February 2014, the Company had agreed to grant PESB an additional period of one year to the Further Extended Conditional Period to be due on 28 February 2015.

On 12 February 2015, the Company had entered into a Supplementary Settlement Agreement and a Supplementary Sale and Purchase Agreement (collectively be referred to as the "Revised Agreements") with PESB to vary the terms of the Settlement Agreement and one of the two Sale and Purchase Agreements respectively, both dated 28 February 2012, with regard to the PHTP Lands ("Proposed Variation to PHTP Lands").

The Proposed Variation to PHTP Lands arises following the issuance of the new layout plan for Perak Hi-Tech Park which has been recently approved by the State Authority. Accordingly, certain pieces of the PHTP Lands stated in the Sale and Purchase Agreement are to be substituted, as set out below, which revised the acreage to an area of 959.87 acres ("Revised PHTP Lands") priced at a consideration of RM38.22 million instead of the earlier indicative area of 1,002.939 acres priced at a consideration of RM38.13 million. Consequently, the original total purchase consideration of RM70.27 million for the PHTP Lands and Teluk Dalam Lands is now revised to RM70.36 million.

A valuation has been carried out on the Revised PHTP Lands by Messrs Suleiman & Co Property Consultants Sdn Bhd adopting the residual method and comparison method in assessing the market values of the Revised PHTP Lands similar to that used in the valuation of the Settlement Lands. The valuation report thereon dated 12 November 2014 has indicated a market value of RM44.05 million for the Revised PHTP Lands adopting the residual method.

37. Significant events (contd.)

(a) (contd.)

The Proposed Variation to PHTP Lands is in the best interest of PCB Group in moving towards the completion of the Proposed Settlement.

On 25 February 2015, the Company had agreed to grant PESB an additional period of one year to the Further Extended Conditional Period to be due on 28 February 2016.

The Company has agreed to grant PESB the said extension on the basis that the following are still pending:

(i) issuance of new land title after the revocation of the status of "Pengisytiharan Rezab Melayu" on the Reserved Land in respect of the Teluk Dalam Lands before the land title could be transferred; and

(ii) the approval by the State Authority for the transfer of the PHTP Lands and Teluk Dalam Lands to the Company or its appointed nominee.

On 29 February 2016, 30 June 2016, 3 January 2017 and 23 August 2017, the Company had agreed to grant PESB a further extension to the Further Extended Conditional Period to be due on 30 June 2016, 31 December 2016, 30 June 2017 and 31 March 2018 respectively.

(b) On 26 January 2017, PCB Leisure Sdn. Bhd. ("PCBL"), a wholly-owned subsidiary of the Company acquired the entire equity interest in Rimba Land Sdn. Bhd. (formerly known as Pangkor Village Resort Sdn. Bhd.) ("RLSB") comprising 2 ordinary shares, for a cash consideration of RM1 ("Acquisition"). Upon completion of the Acquisition, RLSB became a wholly-owned subsidiary of PCBL and an indirectly wholly-owned subsidiary of the Company.

(c) On 5 June 2017, the Company acquired 70% equity interest in Rungkup Port Sdn. Bhd. ("RPSB") comprising 70 ordinary shares, for a cash consideration of RM1 ("Acquisition"). Upon completion of the Acquisition, RPSB became a 70%-owned subsidiary of the Company.

38. Subsequent events

(a) Animation Theme Park Sdn. Bhd. (“ATP”), a 51%-owned subsidiary of PCB Development Sdn. Bhd. which in turn is a wholly-owned subsidiary of the Company, has on 24 January 2018 entered into a Heads of Agreement (“HOA”) with Only World Group Holdings Berhad (“OWG”) to negotiate for a potential collaboration to manage and operate the theme park, Movie Animation Park Studios (“MAPS”).

38. Subsequent events (contd.)

(a) (contd.)

The HOA enables the contracting parties, ATP and OWG, to explore and negotiate in good faith with a view to execute a definitive management services agreement ("Definitive MSA") for OWG to manage and operate the MAPS. The HOA sets out both parties' understanding with respect to certain general principles upon which MAPS will be operated and the course of the dealings will be documented in the Definitive MSA to be finalised and executed thereafter. The terms and conditions of the HOA are not exhaustive and expressively subject to contract until the definitive MSA has been entered into.

ATP and OWG shall endeavour to finalise the Definitive MSA within three (3) months from the date of the HOA. As at the date of this report, both parties are still negotiating the terms of the agreement.

(b) Further to as disclosed in Note 37(a), on 4 April 2018, the Company had agreed to grant PESB a further extension to the Further Extended Conditional Period to be due on 30 September 2018.

The Company has agreed to grant the said extension on the basis that the Company has yet to complete the transfer of ownership for the Teluk Dalam Lands and PHTP Lands and issuance of land titles.

(c) Lumut Maritime Terminal Sdn. Bhd. ("LMT"), a 50% plus 1 share subsidiary of PCB Taipan Sdn. Bhd. which in turn is a wholly-owned subsidiary of the Company, has on 5 April 2018 entered into:

(i) Addendum to existing Operation & Maintenance Agreement ("OMA1");

(ii) New Operation & Maintenance Agreement No. 2 ("OMA2"); and

(iii) New Operation & Maintenance Agreement No. 3 ("OMA3").

(collectively referred to as the "OM Agreements")

with Lekir Bulk Terminal Sdn Bhd ("LBT"), a subsidiary of Integrax Berhad.

The principal activities of LBT are that of the development of an integrated privatised project encompassing ownership of a bulk terminal, LBT Terminal. Indirectly LBT is being owned and controlled by Tenaga Nasional Berhad ("TNB") via it's holding of Integrax Berhad.

Pursuant to the OM Agreements, LMT will continue to operate and maintain LBT Terminal which is owned by LBT.

LMT had been operating under OMA1 for LBT for the last 15 years since May 2002. The execution of the OM Agreements will also give a secured potential revenue of approximately RM800 mill in the span of 26 years.

39. Fair value of financial instruments

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

Group	2017 Carrying amount RM	2017 Fair value RM	2016 Carrying amount RM	2016 Fair value RM
Financial assets:				
Available-for-sale financial assets				
- Unquoted shares in Malaysia at cost (Note 19)	25,000	*	25,000	*
Held-to-maturity investments				
- 3.5% Redeemable Convertible Preference Shares (Note 19)	430,000	**	-	-

<u>* Available-for-sale financial assets</u>

Fair value information has not been disclosed for the Group's investment in equity instrument that is carried at cost because fair value cannot be measured reliably. This equity instrument is not quoted on any market and do not have any comparable industry peer that is listed. The Group does not intend to dispose of this investment in the foreseeable future.

<u>** Held-to-maturity investments</u>

Fair value information has not been disclosed for the Group's held-to-maturity investments that are carried at cost because fair values cannot be measured reliably. These held-to-maturity investments are not quoted on any market and does not have any comparable industry peer that is listed. The Group has the positive intention and ability to hold the investment to maturity.

(b) Determination of fair value

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

	Note
Finance lease receivable (non-current and current)	21
Trade and other receivables (current)	23
Loans and borrowings (non-current and current)	26
Trade and other payables (non-current)	28

39. Fair value of financial instruments (contd.)

(b) Determination of fair value (contd.)

The carrying amounts of these financial assets and liabilities are reasonable approximations of 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.

The following methods and assumptions were used to estimate the fair value:

Finance lease receivable and loans and borrowings

The carrying amounts of the current portion of finance lease receivable and loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting. The fair values are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending or borrowing arrangements at the reporting date.

The carrying amounts of the non-current portion of finance lease receivable and loans and borrowings are also approximate fair values upon discounting the expected future cash flows at at market incremental lending rate for similar types of lending or borrowing arrangements at the reporting date.

Trade and other payables

The fair value of the non-current trade and other payables (amounts due to related parties) are estimated by discounting expected future cash flows at weighted average borrowing interest rates of the Group.

Financial guarantees

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

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

The fair value of the financial guarantees is negligible as the probability of the financial guarantees being called is remote as these subsidiaries, associates and joint operators will be able to meet their short term loans and borrowings obligations as and when they are due other than as disclosed in Note 26.

Quoted equity instruments

The fair value of quoted shares is determined directly by reference to their published market bid price at the reporting date.

39. Fair value of financial instruments (contd.)

(c) Fair value of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Quoted prices in active markets for identical instruments Level 1 RM	Significant other observable inputs Level 2 RM	Significant unobservable inputs Level 3 RM	Total RM
Group				
At 31 December 2017				
Financial assets:				
Financial assets at fair value through profit or loss - Unit Trust Fund (quoted in Malaysia)	418,536	-	-	418,536
As 31 December 2016				
Financial assets:				
Financial assets at fair value through profit or loss - Unit Trust Fund (quoted in Malaysia)	1,182,571	-	-	1,182,571
Company				
At 31 December 2017				
Financial assets:				
Financial assets at fair value through profit or loss - Unit Trust Fund (quoted in Malaysia)	350,473	-	-	350,473

39. Fair value of financial instruments (contd.)

(c) Fair value of financial instruments that are carried at fair value (contd.)

	Quoted prices in active markets for identical instruments Level 1 RM	Significant other observable inputs Level 2 RM	Significant unobservable inputs Level 3 RM	Total RM
Company (contd.)				
As 31 December 2016				
Financial assets:				
Financial assets at fair value through profit or loss				
- Unit Trust Fund (quoted in Malaysia)	338,671	-	-	338,671

Fair value hierarchy

The Group and the Company classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements as disclosed in Note 2.30. The fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets;

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

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

There have been no transfers between Level 1 and Level 2 fair value measurements during the financial years ended 31 December 2017 and 31 December 2016.

40. Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its credit risk, liquidity risk and market price risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its trade and other receivables.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was domestic.

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period is as disclosed in Note 23.

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

(i) Credit risk (contd.)

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with approved financial institutions.

Exposure to credit risk, credit quality and collateral

The Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties for investments and other financial assets.

The investments and other financial assets are unsecured.

Impairment losses

As at the end of the reporting period, there was no indication that the investments are not recoverable.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Group and the Company provide unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries, associates and joint operations. The Group and the Company monitor on an ongoing basis the results of the subsidiaries, associates and joint operations and repayments made by these companies.

The Group and the Company have undertaken to provide financial support to certain subsidiaries to enable them to continue to operate as going concerns.

At the end of the reporting period, there was no indication that subsidiaries, associates and joint operations would default on repayment other than as disclosed in Note 26.

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

(i) Credit risk (contd.)

Loans and advances to related parties

Risk management objectives, policies and processes for managing the risk

The Group has balances arising from trade and non-trade transactions with its related parties. The Group monitors the results of its related parties regularly.

Exposure to credit risk, credit quality and collateral

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

Impairment losses

As at the end of the reporting period, there was no indication that these balances are not recoverable.

The Group does not specifically monitor the ageing of advances to these companies. The Group has considered and is satisfied with the ability and willingness of the holding corporation to settle advances to these companies as disclosed in Note 23. The holding corporation has also issued a letter of undertaking to indicate its willingness to provide continuing financial support to enable these entities to meet their obligations as and when they fall due.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various trade and other payables and loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due. The holding corporation has also issued a letter to confirm that it will not demand for repayments within the next twelve months on the outstanding amounts as at 31 December 2017.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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

(ii) Liquidity risk (contd.)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM	Contractual interest rate per annum %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2017							
Non-derivative financial liabilities							
Trade and other payables (current)	185,071,822	-	185,071,822	185,071,822	-	-	-
Trade and other payables (non-current)	17,898,796	6.00	18,972,724	-	18,972,724	-	-
Loans and borrowings	536,556,604	2.35 - 6.35	585,333,291	496,968,545	62,764,746	17,160,000	8,440,000
Financial guarantees	-	-	401,406,900	401,406,900	-	-	-
	739,527,222		1,190,784,737	1,083,447,267	81,737,470	17,160,000	8,440,000

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

(ii) Liquidity risk (contd.)

Maturity analysis (contd.)

Group (contd.)	Carrying amount RM	Contractual interest rate per annum %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2016							
Non-derivative financial liabilities							
Trade and other payables (current)	69,984,740	-	69,984,740	69,984,740	-	-	-
Trade and other payables (non-current)	115,518	7.50	124,182	-	124,182	-	-
Loans and borrowings	446,136,181	2.34 - 10.65	517,914,641	149,485,567	25,705,019	319,974,055	22,750,000
Financial guarantees	-	-	401,406,900	401,406,900	-	-	-
	516,236,439		989,430,463	620,877,207	25,829,201	319,974,055	22,750,000

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

(ii) Liquidity risk (contd.)

Maturity analysis (contd.)

Company	Carrying amount RM	Contractual interest rate per annum %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2017							
Non-derivative financial liabilities							
Trade and other payables (current)	14,872,033	-	14,872,033	14,872,033	-	-	-
Trade and other payables (non-current)	32,039,644	6.00	33,962,023	-	33,962,023	-	-
Loans and borrowings	160,013,694	5.35 - 6.00	168,151,493	115,324,476	52,827,017	-	-
Financial guarantees	-	-	401,406,900	401,406,900	-	-	-
	206,925,371		618,392,449	531,603,409	86,789,040	-	-

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

(ii) Liquidity risk (contd.)

Maturity analysis (contd.)

Company (contd.)	Carrying amount RM	Contractual interest rate per annum %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2016							
Non-derivative financial liabilities							
Trade and other payables (current)	12,117,594	-	12,117,594	12,117,594	-	-	-
Trade and other payables (non-current)	31,775,329	7.50	34,158,479	-	34,158,479	-	-
Loans and borrowings	100,052,645	2.34 - 5.65	100,055,061	100,040,347	14,714	-	-
Financial guarantees	-	-	401,406,900	401,406,900	-	-	-
	143,945,568		547,738,034	513,564,841	34,173,193	-	-

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

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's financial position or cash flows. The Group's exposure to foreign exchange risk is minimal.

Interest rate risk

The Group's variable rate loans and borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

Interest rate exposure arises mainly from the Group's loans and borrowings. The Group closely monitors the interest rate trends and decisions in respect of floating rate debt structure, and tenor of borrowings are made based on the expected interest rate trends and after consultations with the bankers.

The Group places cash balances with reputable licensed banks to generate interest income for the Group. The Group manages its interest rate risk by placing such balances on varying maturities and interest rate terms.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest- bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Fixed rate instruments				
Financial assets	160,981,298	161,466,549	81,783,590	97,135,772
Financial liabilities	(121,688,506)	(55,333,859)	(10,257,218)	(9,180,687)
	39,292,792	106,132,690	71,526,372	87,955,085
Floating rate instruments				
Financial assets	32,569,083	93,564,341	103,766	6,086,554
Financial liabilities	(493,059,070)	(402,353,558)	(160,000,000)	(100,000,000)
	(460,489,987)	(308,789,217)	(159,896,234)	(93,913,446)

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

(iii) Market risk (contd.)

Interest rate risk (contd.)

Fair value sensitivity analysis for fixed rate instruments

The Group does not have any material fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not have any significant impact in profit or loss.

Cash flows sensitivity analysis for variable rate instruments

A change of 25 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	2017		2016	
	25 bp increase RM	25 bp decrease RM	25 bp increase RM	25 bp decrease RM
Group				
Floating rate instruments	(874,931)	874,931	(586,700)	586,700
Company				
Floating rate instruments	(303,803)	303,803	(178,436)	178,436

41. Capital management

The Group's objectives when managing capital is to maintain an optimal capital structure in order to support their business and maximise shareholders' value.

The capital structure of the Group and the Company consists of net debt and equity of the Group and of the Company. The Group and the Company are not subject to any externally imposed capital requirements apart from a subsidiary which is required to maintain the debt-to-equity ratio of not more than four times throughout the tenure of the syndicated term loan in accordance to the Facility Agreement dated 10 July 2014.

As at 31 December 2017, the debt-to-equity ratio is more than four times. As such, the syndicated term loan of a subsidiary of RM238.7 million has been reclassified to current liability due to a covenant breach as disclosed in Note 26.

As of the date of financial statements, the facility agent has not called for a default event and has not requested for the immediate repayment of the syndicated term loan. Management is in the process of renegotiating the terms with the lenders to provide a two year payment holiday up to 2019 on principal repayments amounting to RM50 million. The payment holiday will ensure that the Group has sufficient funds to meet their payment obligations for the next 12 months.

The Group has also identified certain lands that can be disposed for cash to meet any payment obligations should the need arise.

There were no changes in the Group's approach to capital management during the financial year.

	Group	
	2017	**2016**
	RM	**RM**
Loans and borrowings	536,556,604	446,136,181
Trade and other payables	202,970,618	70,100,258
Less: Cash and bank balances	(32,569,083)	(93,564,341)
Net debt	706,958,139	422,672,098
Equity attributable to the owners of the Company	386,254,629	561,211,785
Capital and net debt	1,093,212,768	983,883,883
Gearing ratio	65%	43%

42. Segmental information

Segment information is presented in respect of the Group's business segments. No geographical segment analysis is prepared as the Group's business activities are predominantly located in Malaysia.

The Group is organised into four (2016 : four) major business segments:

(i) Infrastructure

Maritime services in respect of the development of an integrated privatised project and encompassing operations of multipurpose port facilities, operation and maintenance of a bulk terminal, sales and rental of port related land and other ancillary activities.

(ii) Township development

Township development of real property and ancillary services.

(iii) Hotel and tourism

Hotelier, restaurateur and theme park.

(iv) Management services and others

Provision of management services and other business segments which include property investment and distribution, none of which are of a sufficient size to be reported separately.

Management monitors the operating results of the Group's business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. The segment performance is included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Within the Group's business segments, the financing resources (including finance costs) and income taxes are not apportioned to the individual strategic operating units. These are managed and allocated as a whole against the total operating profit or loss of the business segments.

The directors are of the opinion that all inter-segment transactions have been established on negotiated terms.

42. Segmental information (contd.)

2017	Infrastructure RM	Township development RM	Hotel and tourism RM	Management services and others RM	Total RM	Adjustments and eliminations RM	Notes	Per consolidated financial statements RM
Revenue:								
External revenue	105,314,216	43,540,338	32,645,256	4,288,000	185,787,810	-		185,787,810
Inter-segment revenue	-	-	365,361	2,500,001	2,865,362	(2,865,362)	A	-
Total revenue	105,314,216	43,540,338	33,010,617	6,788,001	188,653,172	(2,865,362)		185,787,810
Results:								
Operating results	(64,225,105)	(284,875,800)	(369,766,497)	(33,364,937)	(752,232,339)	278,848,290		(473,384,049)
Interest income	317,116	13,226,547	836,959	14,996,497	29,377,119	(25,328,671)		4,048,448
Finance costs	(41,483)	(11,373,376)	(38,942,013)	(12,109,526)	(62,466,398)	25,328,671		(37,137,727)
Share of results of associates	-	-	-	-	-	576,859		576,859
Profit/(loss) before tax	41,364,744	(239,482,291)	(374,860,934)	(23,689,965)	(596,668,446)	279,425,149	B	(320,108,659)
Income tax expense								(20,464,012)
Loss for the year							C	(340,572,671)

42. Segmental information (contd.)

2017 (contd.)	Infrastructure RM	Township development RM	Hotel and tourism RM	Management services and others RM	Total RM	Adjustments and eliminations RM	Notes	Per consolidated financial statements RM
Other information								
Depreciation of property, plant and equipment	516,847	30,457	13,047,028	2,189,805	15,784,137	-		15,784,137
Depreciation of port facilities	3,355,176	-	-	-	3,355,176	-		3,355,176
Depreciation of investment properties	-	79,090	-	-	79,090	-		79,090
Amortisation of intangible assets	-	-	583,230	-	583,230	-		583,230
Other non-cash items:								
Impairment loss on receivables	7,346,055	220,163,864	90,413,310	-	317,923,229	(227,509,919)		90,413,310
Impairment loss on investment in a subsidiary	-	51,073,571	-	-	51,073,571	(51,073,571)		-
Bad debts written off	4,256	-	18,758	-	23,014	-		23,014
Property, plant and equipment written off	3	-	-	359,697	359,700	-		359,700
Inventories written down to net realisable value	372,754	481,353	-	-	854,107	-		854,107

42. Segmental information (contd.)

	Infrastructure RM	Township development RM	Hotel and tourism RM	Management services and others RM	Total RM	Adjustments and eliminations RM	Notes	Per consolidated financial statements RM
2017 (contd.)								
Assets and liabilities								
Additions to non-current assets								
- Property, plant and equipment	2,396,603	3,375	109,156,444	4,858,991	116,415,413	(847,253)		115,568,160
- Port facilities	80,071,661	-	-	-	80,071,661	-		80,071,661
Reporting segment assets	237,173,400	172,581,048	406,229,482	788,104,815	1,604,088,745	(523,464,529)	D	1,080,624,216
Reporting segment liabilities	(56,013,564)	(264,544,610)	(712,593,076)	(253,122,943)	(1,286,274,193)	505,635,522	E	(780,638,671)

42. Segmental information (contd.)

2016	Infrastructure RM	Township development RM	Hotel and tourism RM	Management services and others RM	Total RM	Adjustments and eliminations RM	Notes	Per consolidated financial statements RM
Revenue:								
External revenue	97,988,604	31,576,199	14,217,251	2,922,174	146,704,228	-		146,704,228
Inter-segment revenue	-	-	1,056,615	15,000,001	16,056,616	(1,656,616)		-
Total revenue	97,988,604	31,576,199	15,273,866	17,922,175	162,760,844	(1,656,616)	A	146,704,228
Results:								
Operating results	42,646,107	(8,665,329)	(4,183,358)	(12,805,110)	16,992,310	(13,330,943)		3,661,367
Interest income	1,122,253	815,735	235,394	11,862,070	14,035,452	(9,076,452)		4,959,000
Finance costs	(932,510)	(8,600,228)	(2,672,790)	(5,821,182)	(18,026,710)	11,067,452		(6,959,258)
Share of results of associates	-	-	-	-	-	69,611		69,611
Profit/(loss) before tax	42,835,850	(16,449,822)	(6,620,754)	(6,764,222)	13,001,052	(11,270,332)	B	1,730,720
Income tax expense								(17,745,878)
Loss for the year							C	(16,015,158)

42. Segmental information (contd.)

2016 (contd.)	Infrastructure RM	Township development RM	Hotel and tourism RM	Management services and others RM	Total RM	Adjustments and eliminations RM	Notes	Per consolidated financial statements RM
Other information								
Depreciation of property, plant and equipment	479,051	460,999	4,151,211	2,196,675	7,287,936	-		7,287,936
Depreciation of port facilities	3,129,425	-	-	-	3,129,425	-		3,129,425
Depreciation of investment properties	-	79,090	-	-	79,090	-		79,090
Other non-cash items:								
Impairment loss in trade receivables	-	2,141,575	183,987	-	2,325,562	-		2,325,562
Gain on revaluation of an associate upon obtaining control	-	(1,543,883)	-	-	(1,543,883)	-		(1,543,883)
Impairment loss:								
- investment in an associate	-	-	-	5,000,000	5,000,000	(1,169,058)		3,830,942
- amount due from an associate	-	-	-	1,054,040	1,054,040	-		1,054,040
Bad debts written off	-	-	19	-	19	-		19
Property, plant and equipment written off	-	879,735	-	-	879,735	-		879,735
Inventories written down to net realisable value	-	514,350	-	-	514,350	-		514,350

42. Segmental information (contd.)

	Infrastructure RM	Township development RM	Hotel and tourism RM	Management services and others RM	Total RM	Adjustments and eliminations RM	Notes	Per consolidated financial statements RM
2016 (contd.)								
Assets and liabilities								
Additions to non-current assets								
- Property, plant and equipment	1,361,128	76,907,012	13,767,901	640,299	92,676,340	1,991,000		94,667,340
- Port facilities	8,180,218	-	-	-	8,180,218	-		8,180,218
Reporting segment assets	174,441,510	619,934,241	111,964,525	746,682,697	1,653,022,973	(467,891,029)	D	1,185,131,944
Reporting segment liabilities	(20,022,890)	(482,422,049)	(33,055,837)	(186,945,786)	(722,446,562)	180,377,793	E	(542,068,769)

42. Segmental information (contd.)

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

Note

A Inter-segment revenue are eliminated on consolidation.

B The following items are deducted from segment profit to arrive at "Profit/(loss) before tax" presented in the consolidated statement of comprehensive income.

	2017 RM	2016 RM
Inter-segment dividends elimination	2,500,001	15,000,001
Inter-segment sales elimination	365,361	1,056,615
	2,865,362	16,056,616

C The following item is deducted from segment profit to arrive at "Loss for the year" presented in the consolidated statement of comprehensive income.

	2017 RM	2016 RM
Inter-segment dividends elimination	2,500,001	15,000,001

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

	2017 RM	2016 RM
Inter-segment assets elimination		
- subsidiaries	(547,295,740)	(491,802,593)
Goodwill on consolidation	23,831,211	23,911,564
	(523,464,529)	(467,891,029)

42. Segmental information (contd.)

Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements (contd.)

Note

E The following item is added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2017 RM	2016 RM
Inter-segment liabilities elimination - subsidiaries	505,635,522	180,377,793

43. Comparative figures

Certain comparatives for 31 December 2016 have been reclassified to conform with the current year presentation.

44. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 30 April 2018.

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PERAK CORPORATION BERHAD

INCORPORATED IN MALAYSIA (Company No.: 210915-U)

FORM OF PROXY

Before completing the form please refer to the notes below.

Number of ordinary shares held

I/We ____________________________ NRIC/Passport/Company No. ____________
(FULL NAME IN BLOCK CAPITALS)

of ____ Tel. No. ____________
(FULL ADDRESS)

being a member of PERAK CORPORATION BERHAD, hereby appoint:

PROXY 1 (FULL NAME IN BLOCK CAPITALS)	NRIC/Passport No.	No. of shares	% of shareholdings
Address:			

PROXY 2 (FULL NAME IN BLOCK CAPITALS)	NRIC/Passport No.	No. of shares	% of shareholdings
Address:			

or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us and on my/our behalf, at the **TWENTY-SEVENTH ANNUAL GENERAL MEETING** of the Company to be held at Amanjaya Convention Centre, Casuarina @ Meru Hotel, No. 1-C, Jalan Meru Casuarina, Bandar Meru Raya, 30020 Ipoh, Perak Darul Ridzuan on **Wednesday, 27 June 2018** at **10:00 a.m.** or at any adjournment thereof in the manner indicated below:

No.	Resolutions	For	Against
1.	To approve the increase in Directors' fees for 2017 and the payment thereon.		
2.	To approve the payment of Directors' benefits for 2017 and for the period until the next AGM of the Company.		
3.	To re-elect Dato' Dr Vasan a/l Sinnadurai as Director of the Company.		
4.	To re-elect Datuk Dr Wan Norashikin binti Wan Noordin as Director of the Company.		
5.	To re-appoint Messrs Ernst & Young as Auditors of the Company.		
6.	Ordinary Resolution: To authorise Tuan Haji Ab Rahman bin Mohammed to continue in office as Independent Non-executive Director.		
7.	Ordinary Resolution: Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
8.	Special Resolution: Proposed Adoption of a New Constitution of the Company.		

(Please indicate with an "X" in the appropriate box above how you wish to cast your vote. If this form is returned without any indication as to how the proxy shall vote, the proxy shall vote or abstain as he/she thinks fit.)

Dated this _____ day of ________________ in the year ______.

____
Signature/Seal

Notes:

1. A member of the Company entitled to attend and vote at the meeting may appoint any person to be his/her proxy to attend and vote in his/her stead. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy. A proxy shall have the same rights as the member to speak at the meeting.
2. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
3. When a member appoints more than one proxy the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding to be represented by each proxy.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at D-3-7, Greentown Square, Jalan Dato' Seri Ahmad Said, 30450 Ipoh, Perak Darul Ridzuan at least forty-eight (48) hours before the time appointed for holding the Annual General Meeting or at any adjournment thereof.
6. Only members whose names appear in the Record of Depositors as at 21 June 2018 will be entitled to attend and vote at the above Meeting.
7. The registration for the above Meeting will commence on Wednesday, 27 June 2018 at 9:00 a.m.

First Fold

stamp

THE SECRETARY
PERAK CORPORATION BERHAD Co. No. 210915-U
D-3-7, Greentown Square,
Jalan Dato' Seri Ahmad Said,
30450 Ipoh,
Perak Darul Ridzuan, Malaysia.

Second Fold