MAGNA PRIMA BERHAD
(369519-P)

Structured Thinking, Analysing & Implementation for a Greater Future

Annual Report **2015**

The Istana
Melbourne

21st ANNUAL GENERAL MEETING

Venue:
Ideal Convention Centre,
IDCC Shah Alam,
Level 7, Jalan Pahat L 15/L,
Seksyen 15, 40200 Shah Alam,
Selangor Darul Ehsan.

Date:
18 May 2016,
Wednesday

Time:
10.00 a.m.

CONTENTS

Group Structure

MAGNA PRIMA BERHAD
(369519-P)

PROPERTY DEVELOPMENT

- **100%** **Magna Prima Development Sdn Bhd** (296427-M)
  - **91%** Magna Park Sdn Bhd (227337-X)
    - **100%** Amanabina Sdn Bhd (496831-K)
    - **100%** Embassy Court Sdn Bhd (644306-P)
  - **70%** Magna Ecocity Sdn Bhd (496141-A)
- **100%** **Winicon (M) Sdn Bhd** (817534-M)
  - **100%** Ibsul Development (Sel) Sdn Bhd (700479-V)
- **100%** **Magna Shah Alam Sdn Bhd** (381065-U)
- **100%** **Magna City Shah Alam Sdn Bhd** (785936-U)
- **100%** **Twinicon (M) Sdn Bhd** (816605-V)
- **100%** **33 Sentral Park Sdn Bhd** (646429-H)
- **100%** **Monetary Icon (M) Sdn Bhd** (828804-V)
- **100%** **Permata Juang (M) Sdn Bhd** (828780-T)
- **100%** **Everhall (M) Sdn Bhd** (786053-V)
- **100%** **Magna City Development Sdn Bhd** (412099-K)
- **100%** **Crossborder Team (M) Sdn Bhd** (821484-P)
- **100%** **Magna Prima Australia Pty Ltd** (ACN No.151747910)
- **70%** **Pavilion Uptrend Sdn Bhd** (1075159-M)

CONSTRUCTION & ENGINEERING

- **100%** **Magna Prima Construction Sdn Bhd** (184897-V)
  - **100%** MPrima (Shah Alam) Sdn Bhd (397974-W)
- **100%** **Dunia Epik Sdn Bhd** (95974-K)
  - **100%** Magna Park (Mentakab) Sdn Bhd (346648-T)
- **100%** **Pembinaan Contamaju-Infocast Sdn Bhd** (627933-X)
- **100%** **Kontrakmal 1 (M) Sdn Bhd** (700562-U)

PROPERTY MANAGEMENT

- **100%** **Prima Awan (M) Sdn Bhd** (786061-H)

TRADING

- **100%** **Magna Mix Sdn Bhd** (800279-H)

Corporate Information

BOARD OF DIRECTORS

TAN SRI DATUK ADZMI BIN ABDUL WAHAB
Independent Non-Executive Director, Chairman

DATUK WIRA RAHADIAN MAHMUD BIN MOHAMMAD KHALIL
Group Managing Director

CHEAH LEN KHOON
Executive Director, Chief Executive Officer

CHEONG CHOI YOON
Independent Non-Executive Director

SAZALI BIN SAAD
Independent Non-Executive Director

CHANG CHEE KOK
Non-Independent Non-Executive Director

Magna Ecocity, Shah Alam

AUDIT COMMITTEE

Cheong Choi Yoon
Chairman

Tan Sri Datuk Adzmi bin Abdul Wahab

Sazali bin Saad

NOMINATION COMMITTEE

Cheong Choi Yoon
Chairman

Tan Sri Datuk Adzmi bin Abdul Wahab

Sazali bin Saad

REMUNERATION COMMITTEE

Tan Sri Datuk Adzmi bin Abdul Wahab
Chairman

Cheong Choi Yoon

Sazali bin Saad

COMPANY SECRETARY

Yuen Yoke Ping
(MAICSA 7014044)

REGISTERED OFFICE

Lot 4.01, Level 4,
IDCC Corporate Tower,
Jalan Pahat L 15/L,
Seksyen 15,
40200 Shah Alam,
Selangor Darul Ehsan.
Tel : 03-5022 5555
Fax : 03-5022 5556
Website: www.magnaprima.com.my

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
(378993-D)
Level 6, Symphony House,
Block D13, Pusat Dagangan Dana 1,
Jalan PJU 1A/46,
47301 Petaling Jaya, Selangor.
Tel : 603-7841 8000
Fax : 603-7841 8151 / 8152

AUDITORS

Messrs Morison Anuarul Azizan Chew
(AF 001977)
Chartered Accountants

SOLICITORS

Zul Rafique & Partners
Lee Choon Wan & Co.
Ringo Low & Associates
Manjit Singh Sachdev, Mohammad Radzi & Partners
Teh & Lee
Mohd Mokhtar & Co.
Satha & Co.
Zulpadli & Edham

PRINCIPAL BANKERS

Export-Import Bank of Malaysia Berhad
Malaysia Building Society Berhad
Affin Hwang Investment Bank Berhad
OCBC Bank (M) Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
Australia and New Zealand Banking Group
Affin Bank Berhad
Alliance Bank Malaysia Berhad

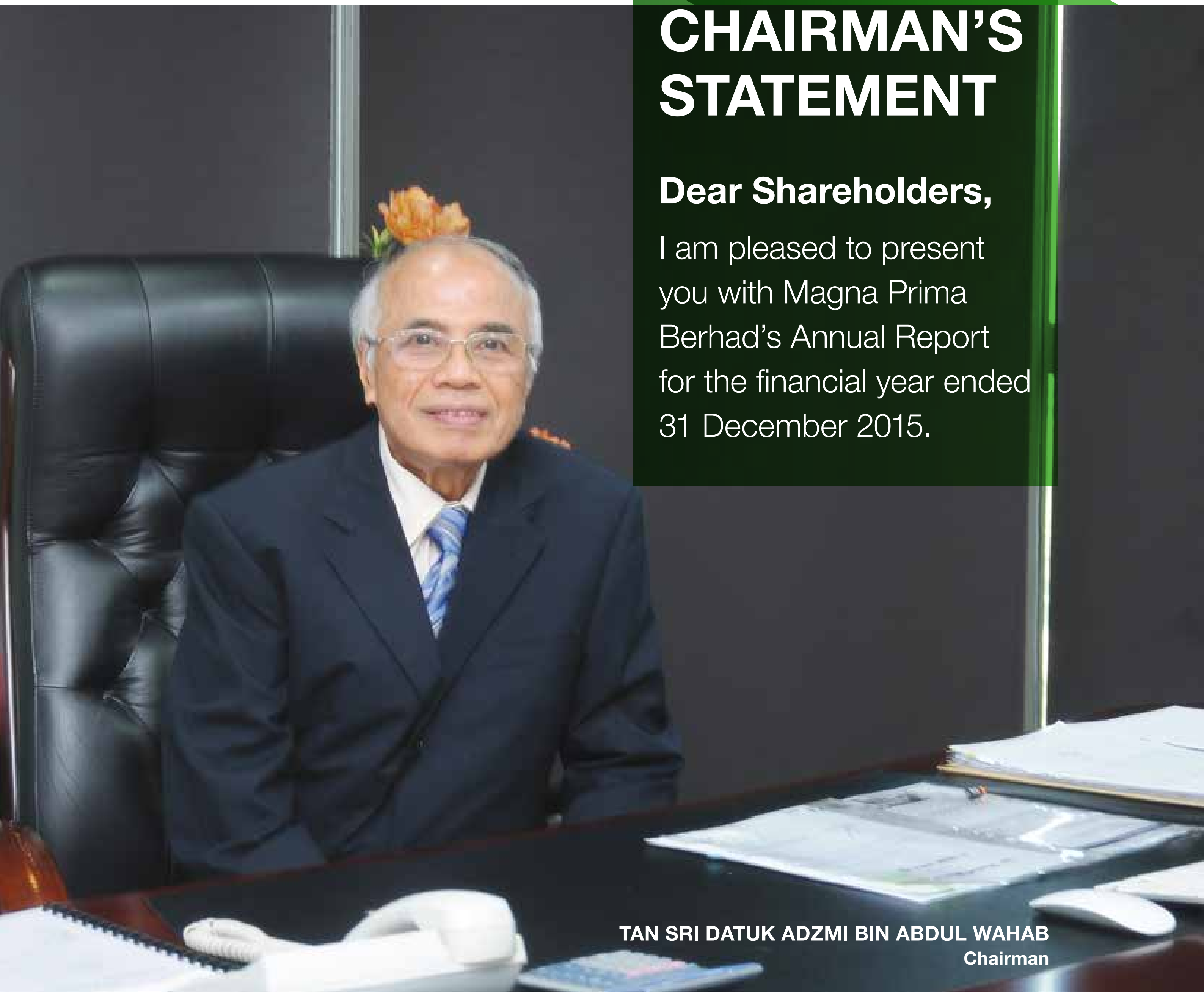
STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Board
Listed since 16 January 1997
Bursa's Code: 7617

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present you with Magna Prima Berhad's Annual Report for the financial year ended 31 December 2015.



TAN SRI DATUK ADZMI BIN ABDUL WAHAB
Chairman

ECONOMIC OVERVIEW

Though the gross domestic product grew by 5% and the labour market generally remained positive, increased net portfolio investment outflows, falling crude oil prices, significant depreciation of the ringgit exchange rate and the introduction of the Goods and Services Tax in April 2015 were among the many factors which contributed to a moderation in the economy.

This in turn prolonged the consolidation phase of the property market and this cyclical bane continues to influence the appetite of buyers. This was evident as data collected showed that many developers recorded flat sales and lesser launches in 2015 as tighter credit controls previously introduced persist in affecting conversion rates of buyers across the spectrum as well.

Year-on-year growth was lower in both the residential and retail property markets as developers, both big and small, felt the bite despite strategies being implemented to sustain themselves.

Chairman's Statement

FINANCIAL HIGHLIGHTS

For the financial year ended 31 December 2015 (FY15), the Group achieved an overall revenue of RM795.5 million, a substantial 458% increase compared to the RM142.6 million in the previous corresponding period (FY14), and the highest ever on record in a ten year period.

This stellar upward trend is further reflected in our profit after tax for FY15 which stands at RM208.7 million against last year's loss after tax of RM15.0 million.

The Group's property development division contributed RM793.1 million in revenue and achieved a profit after tax of RM194.8 million compared to a revenue of RM132.9 million and profit after tax of RM0.5 million in FY14. Performance was driven primarily by the completion and sale of shop office units in Phase 1 of the Boulevard Business Park @ Jalan Kuching project and the successful completion and handing over of The Istana, Melbourne.

The construction and engineering division were exclusively involved with internal projects during FY15. The division posted a profit after tax of RM18.1 million for FY15 which was partly contributed by an overprovision of losses upon settlement of legal disputes.

Our trading arm recorded a higher profit after tax of RM4.0 million and marginally lower revenue of RM1.7 million for FY15.

PROPOSED AND PAID DIVIDENDS

Our benchmark for dividends payments has traditionally been a balance between expansion for earnings growth and rewarding loyal investors.

As such, in line with our stellar performance, I am pleased to announce that the Board has paid an interim dividend of 5 sen per share on 13 July 2015 and further declared an interim dividend of 3 sen per share on 24 February 2016 for the financial year ended 31 December 2015.

Chairman's Statement

CORPORATE DEVELOPMENTS

On 8 September 2015, the Group announced the repurchase of 85,200 of its own shares from the market for a total cash consideration of RM76,254. As of 25 March 2016, the number of shares held in treasury totals 2,087,200.

On 3 March 2016, Mr Chang Chee Kok was appointed as Non-Independent and Non-Executive Director and Mr Cheah Len Khoon was appointed as Executive Director, Chief Excutive Officer.

Executive Director, Ir. Tan Wei Dar resigned on 3 March 2016 to pursue other business interest.

On 3 February 2016:

i. Mr Ong Ah Leng resigned as Chairman of the Nomination Committee, Chairman of the Audit Committee and as Independent and Non-Executive Director. He also resigned as member of Remuneration Committee. He had served the Board for more than 9 years as Independent Director and in line with the best practice recommendation of the Malaysian Code on Corporate Governance 2012, he relinquished his position from the Board to make way for a new Independent Director to be appointed;

ii. Ms Cheong Choi Yoon was appointed as Independent and Non-Executive Director and Chairman of the Audit Committee. She was also appointed as Chairman of Nomination, ESOS and Tender Committees. She is also appointed as member of Remuneration Committee.

On 17 August 2015, a bonus issue of 166,444,970 warrants in a ratio of one warrant for every two existing in Magna Prima Berhad ordinary shares of RM0.25 each held as at 2 September 2015 was announced.

On 26 March 2015, Mr Eng Hup Tat was appointed as Chief Financial Officer.

Chairman's Statement

REVIEW OF OPERATIONS

Boulevard Business Park @ Jalan Kuching, Kuala Lumpur

We were pleased to hand over 94 units of shop offices under Phase 1 to purchasers on 30 November 2015. The supermarket and shopping mall components are currently undergoing final touches and will be completed during the second quarter of 2016.

Construction works on 345 units of service apartments and 8 units of adjoining shop offices will be completed by 1st Quarter 2017.

Desa Mentari, Petaling Jaya, Selangor

Construction of the 36 units of 3-storey shop offices has reached the 30% mark as planned and is expected to progress towards completion by 2017. Purchasers may look forward to receiving notices of vacant possession by September 2017.

The Istana, Melbourne, Australia

I am pleased to update that the settlement of account with purchasers of the apartments, both local and foreign, has been fully and successfully completed during FY15.

Magna Ecocity, Shah Alam, Selangor

The Management is currently reviewing several viable development options as plans are subjected to more in-depth consultation by various parties to ensure maximum return on investment as well as meeting the market's requirements of new developments.

Boulevard Business Park

1

2

1. Stunning new shop offices at the Boulevard Business Park.

2. Get ready for an array of exciting shopping, leisure, dining and entertainment options at the Boulevard Business Park's shopping complex.

3. Making good progress on the external structure at Desa Mentari.

Desa Mentari

3

Chairman's Statement

Boulevard Business Park

Chairman's Statement

CORPORATE SOCIAL RESPONSIBILITY

The Group contributed financial assistance towards the expansion of an external structure for a mosque in Melaka. The aim of this project is to provide additional space for the community to gather at.

LOOKING FORWARD

Though the market may continue to remain subdued in 2016 investors may well continue to lean away from riskier investments and therefore marginally lean in favour of properties for their steady long term profile.

As for Magna Prima, we remain confident of the company's outlook for the next few years on the back of our pipeline projects and the expected gradual economic recovery. We will continue to focus on good locations, competitive pricing, attractive designs and quality workmanship. This is based on the findings that demand for affordable housing has remained resilient and will continue to do so in 2016 and beyond for the simple reason that people need roofs over their heads. This is particularly evident in the quest of first time home buyers.

On the housekeeping front, we are continuously fine tuning operational efficiencies and cost control measures which will help supplement our earnings turnaround going forward.

We are also looking forward to property values rising by 2019 and recording a high by 2020 based on the cyclical nature of the property industry. This attractive prospect is expected to have a positive psychological impact on potential buyers in the immediate term.

APPRECIATION

We have been able to weather many a season and emerge stronger due to the stellar stewardship of our senior management team and an exceptional Board of Directors. I would like to record a special mention to our Managing Director, Datuk Wira Rahadian Mahmud, without whom our success would not have been possible.

I would also like to note that Mr Ong Ah Leng recently stepped down as Chairman of the Nomination and Audit committees, as well as Independent and Non-Executive Director of the Group. Throughout his nine years with us, his expertise, leadership and commitment has been exemplary and characterised by strategic management and financial improvements being implemented. It is with great honour that I thank him for his dedication and long service to the Group. On behalf of the Board, I wish him the very best in his future endeavours and I look forward to working with him again.

To our employees, your service to the Group is greatly appreciated. I would also like to extend our appreciation to our loyal shareholders, purchasers, business associates and the various Government authorities for your continued trust and confidence in Magna Prima Berhad.

TAN SRI DATUK ADZMI BIN ABDUL WAHAB
Chairman

Management Discussion and Analysis

The purpose of this Management Discussion and Analysis (MD&A) is to provide stakeholders with an overview of Magna Prima Berhad's operating environment and the strategies Management employs in administering the day to day operations of the company. This MD&A should be read in conjunction with the FY15 audited financial statements since it focuses on FY15 activities, resulting changes and currently known facts.

OPERATING ENVIRONMENT: OPPORTUNITIES & RISK

Despite experiencing headwinds, decades of strong growth has resulted in the Malaysian economy remaining steady albeit growth being charted at a more moderate rate.

The Malaysia of today has a diversified economy and is a key player in the export of electrical and manufacturing components as well as trade related services. Some of the recent fiscal changes implemented such as the removal of fuel subsidies in 2014, to partially negate the impact of falling oil prices, and the introduction of the Goods and Services Tax in 2015, have broadened the nation's revenue streams to ensure the long term sustainability of the local economy.

Therefore, despite a subdued environment, the nation's Gross Domestic Product achieved 5% growth in 2015 and is projected to record growth of between 4% - 4.5% in 2016.

As for the property market in particular, Malaysia is experiencing an undersupply of affordable houses particularly in the major urban areas. Industry research has indicated that demand for affordable housing has exceeded supply in the last five years and an average of 200,000 new houses will be needed annually between 2016 and 2020.

The opposite scenario plagues the commercial market. Several major cities and towns are experiencing an oversupply of office and retail space. According to reports, an estimated 4 million sq ft of net lettable space will be available annually in the KL fringe vicinity for the next three years.

MAGNA PRIMA BERHAD: OPPORTUNITIES AND RISKS

For the financial year ended 31 December 2015 (FY15), the Group's revenue of RM795.5 million was a massive 458% higher compared to the previous corresponding period's RM142.6 million. Net profit after tax soared to RM208.7 million against a previous loss after tax of RM15.0 million a year ago.

These results demonstrate that the core businesses within the Group performed highly satisfactorily in FY15 and are also a testament to the ability of our Management team to navigate through difficult times. As we move into the second quarter of 2016, we expect to remain on our long term growth track as we monitor our performance indicators closely.

Operationally, the timely completion of the shop office units at the Boulevard Business Park @ Jalan Kuching and the stellar workmanship on the apartments at The Istana, Melbourne has enhanced our reputation as a trustworthy and distinguished boutique developer. The completion of these two projects has also placed the Group on a more robust financial footing as we look forward to the completion of two more ventures – the serviced apartments at the Boulevard Business Park in Kuala Lumpur as well as shophouses at Desa Mentari in Selangor - in the immediate future.

The Group's strategy in FY15 to focus on profit improvement and overall cost minimization enabled us to reduce our gearing which has resulted in improved liquidity and a stronger balance sheet in FY16. This allows us to replenish our land bank and embark on more development projects with fast turnaround times moving forward.

Management Discussion and Analysis

Magna Ecocity will offer a new social experience to the suburb.

The Board believes that the Group will continue to obtain the support of current banks and that it will have sufficient funding for growth and operational requirements.

On this note, after a period of extensive feasibility study and consultation, the Management and Board has deemed that the independent development of our Jalan Ampang parcel of land is currently exceedingly risky in light of present economic and political uncertainty. Therefore, we are considering suitable alternative strategies such as deferring development plans or forming an alliance with a reputable partner. The Group is also deliberating a capital recycling strategy to realise ROI through the outright divestment of this asset. Proceeds would then be redeployed to seize other development opportunities.

The potential risk of pending legacy lawsuits has also been resolved. In FY15, Management successfully negotiated and amicably settled outstanding legal issues and enabled the Group to recognise savings after cost due to over provision.

FUTURE OUTLOOK

We expect an air of caution to prevail over 2016, dampening both demand and prices for properties. Notwithstanding the softer market conditions, Magna Prima will continue to focus on our core activities and capitalise on the rising demand for affordable properties in key urban growth corridors and hotspot areas.

As we embark on a new phase of growth, the Group will continue to step up efforts to expand our business and strengthen our capabilities to more effectively succeed against our competitors. We will be streamlining our business and allocating resources to develop niche medium sized residential and commercial developments which cater to the demands of Gen Y, corporate and foreign purchasers and investors alike. Remaining relevant in a dynamic industry will be inherent in decisions that we make.

With Greater Kuala Lumpur experiencing an ever growing population, it is fitting that we source for additional landbanks within this market. And apart from constructing our own properties, the Group also plans to engage in more external building projects to capitalise on the continued double digit growth experience by this sub sector since 2012.

BOARD OF DIRECTORS

1. **Tan Sri Datuk Adzmi bin Abdul Wahab**
   Independent Non-Executive Director, Chairman

2. **Datuk Wira Rahadian Mahmud bin Mohammad Khalil**
   Group Managing Director

3. **Cheah Len Khoon**
   Executive Director, Chief Executive Officer

4. **Cheong Choi Yoon**
   Independent Non-Executive Director

5. **Sazali bin Saad**
   Independent Non-Executive Director

6. **Chang Chee Kok**
   Non-Independent and Non-Executive Director

Profile of Directors

TAN SRI DATUK ADZMI BIN ABDUL WAHAB

Independent Non-Executive Director, Chairman

Tan Sri Datuk Adzmi bin Abdul Wahab, a Malaysian, aged 73 was appointed to the Board on 2 May 2006 as Independent Non-Executive Director, Chairman.

Tan Sri Datuk Adzmi, is the Chairman and Director of a number of companies involved in IT, broadband, property development, construction and manufacturing. He is also Advisor to Yasmin Holding Sdn Bhd and Malaysian Franchise Association.

Tan Sri Datuk Adzmi was appointed as the longest serving Managing Director of Edaran Otomobil Nasional Berhad (EON) in November 1992 until May 2005. During his tenure, EON successfully diversified into a conglomerate with interests in automotive, banking, financial services, insurance, investments, properties and general trading. In 2003, he was conferred the Malaysian CEO of the Year by AMEX and Business Times.

Tan Sri Datuk Adzmi holds a Bachelor of Arts (Honours) degree in Economics and a Post Graduate Diploma in Public Administration from the University of Malaya and Master of Business Administration from University of Southern California, USA.

Tan Sri Datuk Adzmi served the Malaysian Administrative and Diplomatic Service in various capacities from 1967 to 1982 in the areas of Central Procurement and Contract Management in the Ministry of Finance; Investment Promotion in the Pahang Tenggara Development Authority, Public Enterprise Management in the Implementation Coordination Unit (Prime Minister's Department) and Regional Planning in the Klang Valley Planning Secretariat (Prime Minister's Department).

He was Manager, Corporate Planning Division from 1982 to 1985 at HICOM Berhad which is involved in the development of heavy industry projects.

He served PROTON from 1985 to 1992 with his last position as Director/ Corporate General Manager, Administration and Finance Division.

Tan Sri Datuk Adzmi also sits on the Boards of Lebtech Berhad, LKL International Berhad, Dataprep Berhad and Grand Flo Berhad.

Tan Sri Datuk Adzmi is a member of Audit Committee and Nomination Committee. He also chairs the Remuneration Committee.

Tan Sri Datuk Adzmi has no family relationship with any of the directors and / or major shareholders of the Company nor has any shareholding in the Company.

Tan Sri Datuk Adzmi does not have any conflict of interest with the Company and has had no conviction for any offences within the past 10 years.

Profile of Directors

DATUK WIRA RAHADIAN MAHMUD BIN MOHAMMAD KHALIL

Group Managing Director

Datuk Wira Rahadian Mahmud bin Mohammad Khalil, Malaysian, aged 42, was appointed to the Board on 16 July 2007 as Independent Non-Executive Director. On 12 May 2011, he was made Executive Director and promoted to Group Managing Director on 14 April 2014.

He was involved in the reforestation business as well as the construction and manufacturing sectors and is the Chairman of Permaju Industries Berhad.

He also sits on the Boards of Sanbumi Holdings Berhad and KYM Holdings Berhad.

Datuk Wira Rahadian Mahmud is a member of the ESOS and Tender Committees. He is the Chairman of the Executive Committee (EXCO).

He has no family relationship with any of the directors and / or major shareholders of the Company.

Datuk Wira Rahadian Mahmud does not have any conflict of interest with the Company and has had no conviction for any offences within the past 10 years.

CHEAH LEN KHOON

Executive Director, Chief Executive Officer

Cheah Len Khoon, a Malaysian, aged 61, was appointed to the Board of Directors on 3 March 2016 as Chief Executive Officer and Executive Director of Magna Prima Berhad. He is a member of the ESOS Committee and Tender Committee.

He has 30 years of working experience in construction and property development industry which he spent 2 years in JKR, Selangor as an engineer.

Subsequently, he worked in various public listed companies with core business in property development and held various positions in the industry.

Prior to this, he has helped to set-up the property division of Mah Sing Group Berhad and Mulpha International Berhad.

Cheah Len Khoon has no family relationship with any of the directors and / or major shareholders of the Company nor has any shareholding in the Company.

Cheah Len Khoon does not have any conflict of interest with the Company and has had no conviction for any offences within the past 10 years.

Profile of Directors

CHEONG CHOI YOON

Independent Non-Executive Director

Cheong Choi Yoon, a Malaysian, aged 35, was appointed to the Board on 3 February 2016 as an Independent Non-Executive Director.

She holds a degree in Accounting and Finance, is an Associate Member of the Institute of Internal Auditors and a Capital Markets Services Representatives Licence holder.

Cheong Choi Yoon is the Chairman of the Audit, Nomination, ESOS and Tender Committees. She is a member of the Remuneration Committee.

She possess more than a decade of extensive experience in the financial industry and has held various positions in Public Bank Berhad, OSK Investment Bank Berhad, Goldis Berhad, Malayan Banking Berhad and currently in Maybank Investment Bank Berhad.

Cheong Choi Yoon has no family relationship with any of the directors and / or major shareholders of the Company nor has any shareholding in the Company.

Cheong Choi Yoon does not have any conflict of interest with the Company and has had no conviction for any offences within the past 10 years.

SAZALI BIN SAAD

Independent Non-Executive Director

Sazali bin Saad, a Malaysian, aged 43, joined the Board on 2 May 2006 as Independent Non-Executive Director.

He is a lecturer in the College of Business, Universiti Utara Malaysia (UUM) and has been with UUM since 2003.

Sazali holds a Bachelor of Accountancy (Hons) degree from UUM and a Masters in Electronic Commerce from Deakin University, Melbourne. He has also been a member of the Malaysian Institute of Accountant (MIA) since September 2000.

During his years in Australia, he honed his talents and expertise in both the accounting and commercial aspects of managing businesses – a world to which he is not a total stranger because from 1996 –1999, he held the position of Finance Executive, before being promoted to Finance Manager where he was in charge of three companies, i.e., Sistem Era Edar Sdn Bhd, Perkhidmatan Perubatan Homeopati dan Biokimia Sdn Bhd and Homeofarma Sdn Bhd, Jitra, Kedah.

Sazali's exposure to both the academic and the commercial world is an advantage, which he generously shares wherever he serves.

Sazali is a member of the Audit, Remuneration and Nomination Committees.

He has no family relationship with any of the directors and / or major shareholders of the Company nor has any shareholding in the Company.

Sazali does not have any conflict of interest with the Company and has had no conviction for any offences within the past 10 years.

Profile of Directors

CHANG CHEE KOK

Non-Independent and Non-Executive Director

Chang Chee Kok, a Malaysian, aged 50, was appointed to the Board on 3 March 2016 as a Non-Independent and Non-Executive Director.

He is a Civil Engineer by profession and graduated from University Malaya in 1990. He holds directorships in two private companies involved in building and civil construction works. Prior to these venture, he was employed by Mudajaya Corporation Bhd as a Project Manager.

Chang Chee Kok has no family relationship with any of the directors and /or major shareholders of the Company nor has any shareholding in the Company.

Chang Chee Kok does not have any conflict of interest with the Company and has had no conviction for any offences within the past 10 years.

Statement on Corporate Governance

The Board of Directors ("Board") of Magna Prima Berhad ("Magna Prima" or "the Company") recognises that the practice of good corporate governance is a fundamental element in the Group's continued growth and success. The Board remains fully committed to ensuring that the highest standards of corporate governance, based on the Principles and Best Practices set out in the Malaysian Code on Corporate Governance 2012 ("Code") are applied and maintained throughout the Group with the ultimate objective of safeguarding and enhancing shareholder value as well as the financial performance of the Group.

The Board delegates certain responsibilities to the Board Committees, all of which operate within defined terms of reference to assist the Board in the execution of its duties and responsibilities.

The Board Committees include the Executive Committee, Audit Committee, Employees' Share Option Scheme Committee, Nomination Committee, Remuneration Committee and Tender Committee. The respective Committees report to the Board on matters considered and their recommendation thereon.

The ultimate responsibility for the final decision on all matters, however, lies with the Board.

In discharging its duties, the Board is constantly mindful of the need to safeguard the interests of the Group's shareholders, customers, and all other stakeholders.

The Board confirms that the Group has complied with the best practices in the Code throughout the financial year ended 31 December 2015.

BOARD OF DIRECTORS

The Board

The Group is led and controlled by an experienced Board, comprising members from diverse professional background, having expertise and experience, skills and knowledge in fields such as technical, financial, corporate and management skills.

The Board is primarily responsible for the Group's overall strategic plans for business performance, appraisal of major business proposals, overseeing the proper conduct of business, succession planning, risk management, investor relations programmes, internal control and management information systems. The Board approves key matters such as approval of annual and quarterly results, acquisitions and disposals, capital expenditures, budgets, material contracts and business engagements.

The Board ensures that the Group is managed with integrity, transparency and accountability; while the Management is accountable for the execution of the expressed policies and attainment of the Group corporate objectives.

The Independent Non-Executive Directors bring independent judgment and provide constructive views on issues of strategy, business performance, resources and standards of conduct.

The composition of the Board and Board Committees are as follows:

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Tan Sri Datuk Adzmi bin Abdul Wahab	√ (chairman)	√	√	√ (chairman)
Datuk Wira Rahadian Mahmud bin Mohammad Khalil	√			
* Ong Ah Leng	√	√ (chairman)	√ (chairman)	√
Sazali bin Saad	√	√	√	√
^ Ir. Tan Wei Dar	√			
# Cheong Choi Yoon	√	√ (chairman)	√ (chairman)	√
^^ Cheah Len Khoon	√			
## Chang Chee Kok	√			

* Resigned from the Board, Chairman of Audit Committee, Chairman of Nomination Committee and member of Remuneration Committee on 3 February 2016.
^ Resigned from Board on 3 March 2016.
# Appointed as Independent Non-Executive Director, Chairman of Audit Committee, Chairman of Nomination Committee and member of Remuneration Committee on 3 February 2016.
^^ Appointed as Executive Director, Chief Executive Officer on 3 March 2016.
Appointed as Non-Independent and Non-Executive Director on 3 March 2016.

Statement on Corporate Governance

BOARD OF DIRECTORS (CONT'D)

The Board (Cont'd)

The composition of the Board reflects that more than one-third (1/3) of its members are independent.

The roles of the Independent Non-Executive Directors, Non-Independent Non-Executive Directors, the Chairman and the Group Managing Director ("GMD") are distinct and separate to ensure there is a balance of power and authority.

The Independent Non-Executive Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board.

The GMD together with the Executive Director, Chief Executive Officer (CEO) are responsible for day-to-day operation and management of the business and implementation of the Board's policies and decisions. The GMD will ensure the strategic goals are duly executed and operated effectively within the Group. The GMD will explain, clarify and inform the Board on key matters pertaining to the Group. All Directors are jointly responsible for determining the Group's strategic business direction.

Out of four (4) Non-Executive Directors, three (3) of them fulfill the criteria of independence as defined in the Bursa Malaysia Securities Berhad's ("Bursa Securities") Main Market Listing Requirements ("MMLR"). The high proportion of Non-Executive Directors provide for effective checks and balances in the functioning of the Board and reflects the Company's commitment to uphold excellent corporate governance.

Tan Sri Datuk Adzmi bin Abdul Wahab and En. Sazali Bin Saad would have served the Board as Independent Non-Executive Director of the Company for more than nine (9) years by end of 2016.

The Board has recommended the two (2) Non-Executive Directors to continue to act as Independent Non-Executive Director based on the following justifications:-

a) They have fulfilled the criteria under the definition of Independent Director as stated in the MMLR, and thus, they are able to provide a check and balance and bring an element of objectivity to the Board;

b) They have vast experience in a diverse range of businesses and therefore would be able to provide a constructive opinion, they exercise independent judgement and have the ability to act in the best interest of the Company;

c) They have devoted sufficient time and attention to his professional obligations for informed and balanced decision making;

d) They have continued to exercise his independence and due care during his tenure as an Independent Non-Executive Director of the Company and carried out their professional duties in the best interest of the Company and shareholders; and

e) They have shown great integrity of independence and had not entered into any related party transaction with the Company.

In view of the above, the Board will seek shareholders' approval in the coming Annual General Meeting for the two (2) Non-Executive Directors to continue to act as Independent Non-Executive Director in Magna Prima Berhad.

The composition and size of the Board are being reviewed from time to time to ensure its appropriateness.

According to Recommendation 3.5 of the Code, the Board must comprise a majority of independent directors where the chairman of the board is not an independent director. In this regard, the Board wishes to highlight that the present Chairman of the Board is an Independent Director and the Board complies with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Securities which requires at least two Directors or one-third of the Board of the Company, whichever is the higher, are Independent Directors.

BOARD OF DIRECTORS (CONT'D)

Board Charter

In discharging its duties, the Board of Magna Prima is constantly mindful of the need to safeguard the interests of the Group's shareholders, customers and all other stakeholders. In order to facilitate the effective discharge of its duties, Magna Prima Group has to ensure that it manages the business and affairs of the Company in conformity with the laws and regulations of the jurisdictions in which it operates.

Based on the Corporate Governance Guide issued by Bursa Securities, the corporate governance framework of the Company was designed to achieve the following objectives:-

- To enable the Board to provide strategic guidance and effective oversight of Management; and

- To clarify the roles and responsibilities of members of the Board and Management to facilitate Board's and Management's accountability to the Company and its shareholders.

The three (3) main components of the Board Charter are:-

- The Corporate Statement;
- The Directors' Duties; and
- The Board Committees.

(i) The Corporate Statement

Corporate Statement defines the objectives of the Company and the services offered to our customers. The Corporate Statement is a pledge of quality solutions to suit our customers' expectations.

(ii) The Directors' Duties

The fiduciary duties imposed on the Directors as stipulated in Section 132(1) of the Companies Act 1965 are to protect the interests of the Company and at the same time to advance the interests of its stakeholders.

(iii) The Board Committees

The Board of the Company has established six (6) Committees of the Board which operate within its own specific terms of reference. The Board Committees undertakes in-depth deliberation of the issues at hand before tabling its recommendations thereon to the Board.

The six (6) Board Committees are as follows:-

- Audit Committee;
- Nomination Committee;
- Remuneration Committee;
- Employee Share Option Scheme (ESOS) Committee;
- Tender Committee; and
- Executive Committee (EXCO).

Code of conduct

The Board has a formalised code of conduct which provides an ethical framework to guide actions and behaviors of all Directors and its employees while at work.

Statement on Corporate Governance

BOARD OF DIRECTORS (CONT'D)

Board Meetings

The Board meets at least once every quarter and additional meetings are convened as and when necessary. Meetings are scheduled at the start of each financial year to enable Board members to plan their schedules accordingly. Senior Management is invited to attend the Board meetings as and when necessary to brief the Board on proposals submitted for the Board's consideration. All proceedings of the Board Meetings are duly minuted and signed by the Chairman of the Meeting. Any director who has a direct or indirect interest in the subject matter to be discussed during Board meetings will declare his or her interest and abstain from the decision making process. The Board met a total of ten (10) times during the year ended 31 December 2015.

The details of each Director's attendance are given below:

	Total meetings attended	%
Tan Sri Datuk Adzmi bin Abdul Wahab	10/10	100.00
Datuk Wira Rahadian Mahmud bin Mohammad Khalil	10/10	100.00
Ir. Tan Wei Dar	09/10	90.00
Ong Ah Leng	10/10	100.00
Sazali bin Saad	07/10	70.00
Cheong Choi Yoon	Not Applicable	Not Applicable
Cheah Len Khoon	Not Applicable	Not Applicable
Chang Chee Kok	Not Applicable	Not Applicable

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

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at the Board meetings.

The Directors must advise the Board and the Company Secretary of his appointment as director in other public listed company outside the Group. The Company Secretary will monitor the number of directorships and the changes, if any, of each Director.

In compliance with Paragraph 15.06 of the MMLR, the Directors of the Company hold not more than 5 directorships in public listed companies. This enables them to discharge their duties effectively by ensuring that their commitment, resources and time are more focused.

The Non-Executive Directors are participative and work between meetings in order to get to know the business, understand the issues and build relationships with Management and shareholders.

Supply of Information

The Directors have full and unrestricted access to all information pertaining to the Group's business and affairs including inter alia, financial results, annual budgets, business reviews against business plans and progress reports on the Group's developments and business strategies, to enable them to discharge their duties effectively. The agenda and board papers are circulated to the Board members prior to the Board meetings to allow sufficient time for the Directors to review, consider and deliberate knowledgeably on the issues and, where necessary, to obtain further information and explanations to facilitate informed decision making.

In addition there is a schedule of matters reserved specifically for the Board's decision which includes the approval of budgets, material acquisitions and disposals of assets, major capital projects, financial results, dividend recommendations and Board appointments.

The Board Report contains relevant information on the business of the meeting, which may include among others: -

- Performance of the Group
- Operational matters
- Business development issues and market responses
- Capital expenditure proposals
- Acquisitions and disposals proposals
- Appointment of senior executives
- Dividend recommendations

Statement on Corporate Governance

BOARD OF DIRECTORS (CONT'D)

Supply of Information (Cont'd)

Senior Management Officers and external advisers may be invited to attend Board Meetings when necessary, to furnish the Board with explanations and comments on the relevant agenda items tabled at the Board Meetings or to provide clarification on issue(s) that may be raised by any Director.

The Chairman of the Audit Committee would brief the Board on matters deliberated by the Audit Committee which require the attention of the Board.

The Directors have full and timely access to all information within the Company, whether as a full Board or in their individual capacity, in the furtherance of their duties.

In addition, the Board has ready and unrestricted access to all information within the Company and Group as well as the advice and services of Senior Management and Company Secretary in carrying out their duties. The Company Secretary is responsible for ensuring that Board Meeting procedures are followed and that applicable rules and regulations are complied with. The Company Secretary will always support the Board by ensuring adherence to Board policies and procedures. The Directors may also seek independent professional advice, at the Company's expense, if required.

Directors' Training

All Directors except for the newly appointed directors namely, Cheong Choi Yoon, Cheah Len Khoon and Chang Chee Kok have attended the Directors' Mandatory Accreditation Programme organised by the Bursa Securities. All Directors are encouraged to attend talks, training programmes and seminars to update themselves on new developments in the business environment during the year ended 31 December 2015. A half-day in-house Directors' training was held on 11 September 2015 on the topic "Transaction by Directors – Practical Issues and Solutions".

The training programmes, seminars and workshops attended by the Directors and Senior Management during the financial year were, inter alia, on areas relating to corporate governance, and to further broaden their perspective, skills, knowledge and to keep abreast of the relevant changes in law, regulations and the business environment.

During the financial year 2015, the Directors attended various training programmes covering areas relevant to their duties and responsibilities, which included the following:-

Name of Directors	Course Title	Organiser	Date
Tan Sri Datuk Adzmi bin Abdul Wahab	• Focus Group Session for Board of Directors on Strengthening Corporate Governance Disclosure Amongst the Listed Issuers;	Bursa Malaysia Berhad	09 April 2015
	• Lead the Change: Getting Woman on Boards	PEMANDU & Bursa Malaysia	08 May 2015
	• Transactions by Directors & Practical Issues and Solutions	In-house directors training	11 September 2015
Datuk Wira Rahadian Mahmud bin Mohammad Khalil	• Focus Group to Solicit Feedback on Sustainability Reporting	Bursa Malaysia Berhad	15 April 2015
	• Sustainability Symposium	Bursa Malaysia Berhad	08 October 2015
	• Transactions by Directors & Practical Issues and Solutions	In-house directors training	11 September 2015

Statement on Corporate Governance

BOARD OF DIRECTORS (CONT'D)

Directors' Training (Cont'd)

Name of Directors	Course Title	Organiser	Date
Ir. Tan Wei Dar	• Mandatory Accreditation Programme for directors of Public Listed Companies (MAP)	Bursatra Sdn Bhd	06-07 May 2015
	• Sustainability Symposium	Bursa Malaysia Berhad	08 October 2015
	• Transactions by Directors & Practical Issues and Solutions	In-house directors training	11 September 2015
Ong Ah Leng	• Focus Group Session for Board of Directors on Strengthening Corporate Governance Disclosure Amongst the Listed Issuers;	Bursa Malaysia Berhad	09 April 2015
	• Sustainability Symposium	Bursa Malaysia Berhad	08 October 2015
	• Transactions by Directors & Practical Issues and Solutions	In-house directors training	11 September 2015
	• Evening Talk on "Current and Upcoming Accounting Issues for Directors"	The Malaysian Institute of Certified Public Accountants (MICPA)	10 December 2015
Sazali bin Saad	• Workshop of Autocount and GST	Universiti Utara Malaysia - Pusat Pengajian Perakaunan	09 February 2015
	• Seminar Kebangsaan Transformasi Sosio-Ekonomi NCER	Universiti Utara Malaysia	25 February 2015
	• Workshop Series on Data Analysis: Introduction to Partial Least Squares	Universiti Utara Malaysia - Pusat Pengajian Perakaunan	04 August 2015

Updates on companies and securities legislations, and other relevant rules and regulations, such as amendments to the Companies Act, 1965, Listing Requirements of the Bursa Securities, Malaysian Code on Corporate Governance, Capital Markets & Services Act, 2007, was provided to the Board, together with the Board papers, in order to acquaint them with the latest developments in these areas.

The Directors will continue to undertake other relevant programmes to further enhance their skills and knowledge.

Appointment and Re-election to the Board

The Nomination and Remuneration Committees are responsible for making recommendations for the appointment of Directors to the Board, including those of subsidiaries companies. In making these recommendations, the Nomination and Remuneration Committee considered the required mix of skills and experience, which the Directors brought to the Board.

In accordance with the Company's Articles of Association, at least one-third of the Directors are required to retire by rotation at each Annual General Meeting but are eligible to offer themselves for re-election at the Annual General Meeting. The Directors shall also retire from office at least once in three years but shall be eligible for re-election.

THE AUDIT COMMITTEE

The Board is also assisted by the Audit Committee whose members, key function and activities for the year under review are stated in pages 28 to 30 of the Annual Report.

Statement on Corporate Governance

THE NOMINATION COMMITTEE

The Board has established a Nomination Committee, which has the primary responsibility to assess the suitability of candidates for nomination to the Board and to recommend such appointments and evaluation of the performance of Directors. The objective is to ensure independent assessment of appointments to the Board. The Committee is also responsible for annual assessment of the skills mix and experience possessed by Board members to ensure effectiveness of the Board, the other committees of the Board and the contribution of individual Directors.

Composition of Members:-

a) Ms Cheong Choi Yoon - Chairman
b) Tan Sri Datuk Adzmi bin Abdul Wahab
c) En Sazali bin Saad

The Terms of Reference of the Nomination Committee are as follows:-

1. Consider suitable persons and recommend for appointment as Board Members of Magna Prima and persons other than Magna Prima Board Members to be recommended as Directors of subsidiaries and associates companies.

2. Review the performance of Board Members of Magna Prima and its subsidiary and associate companies.

3. Consider and recommend a policy regarding the period of service of Executive and Non-Executive Directors of Magna Prima and its subsidiary and associates companies.

4. Consider and recommend measures to upgrade the effectiveness of the Magna Prima Board and boards of subsidiary and associates companies.

5. Consider and recommend solutions on issued of conflict of interest affecting directors of Magna Prima and subsidiary and associates companies.

6. Recommend to the Board on selection of Directors and Senior Management (if so) to fill Board Committees.

7. Consider and recommend to the Board on succession planning at Executive Director level as senior management.

8. Carry out such other assignments as may be delegated by the Magna Prima Board.

The Nomination Committee is guided by a Nomination Framework to ensure that individuals appointed to relevant Senior Management positions and the Boards within the Group have the appropriate fitness and propriety to properly discharge their prudential responsibilities on appointment and during the course of their appointment.

Nomination Framework

For the appointment of new Directors, a thorough and comprehensive assessment (including background, skills, knowledge and experience) of the nominee is undertaken by the Nomination Committee through a transparent nomination process before a recommendation is made to the Board for approval. These assessments are reviewed thereafter on an annual basis.

During the financial year ended 31 December 2015, the Nomination Committee reviewed the mix of skills, experience of the Board and to assess the effectiveness of the Board as a whole and the contribution of each individual Director.

Statement on Corporate Governance

THE NOMINATION COMMITTEE (CONT'D)

Nomination Framework (Cont'd)

In case of candidates proposed for appointment as Independent Non-Executive Directors, the nomination committee would also assess the candidate's independence in accordance with the Main Market Listing Requirements of Bursa Securities.

All recommendations of the Nomination Committee are subject to endorsement of the Board.

The Nomination Committee was generally satisfied with the performance and effectiveness of the Board and Board Committees.

The assessment of the Board was based on specific criteria, covering areas such as overall business performance, Board governance and Board composition.

The specific criteria for assessment of individual Directors cover expertise, judgment, commitment of time and effort in discharging duties and responsibilities.

The assessment of the effectiveness of the Board as a whole, the board committees and the contribution of each director were conducted with the objective to improve the Board and its committees effectiveness and to enhance the director's awareness on the key areas that need to be addressed. The evaluation results were tabled for the consideration of the Nomination Committee and its recommendation to the Board for improvement.

The independence of the Independent Directors were also assessed and affirmed by the Nomination Committee.

The Nomination Committee has three (3) members comprising three (3) Independent Non-Executive Directors. During the financial year ended 31 December 2015, three (3) meetings were held.

THE REMUNERATION COMMITTEE

The Remuneration Committee reviews and recommends to the Board the remuneration package of the Executive Directors and Senior Management of the Group with the main aim of providing the level of remuneration sufficient to attract and retain key personnel needed to run the Group successfully.

During the financial year ended 31 December 2015, the Remuneration Committee deliberated the remuneration package of executive director and recommended it to the Board for approval.

The Remuneration Committee has three (3) members comprising exclusively Independent Non- Executive Directors. During the financial year ended 31 December 2015, one (1) meeting was held.

The remuneration of the Executive Directors and the Senior Management of the Group are to be structured so as to link rewards to Group and individual performance with the main aim of providing the level of remuneration sufficient to attract and retain key personnel needed to run the Group successfully. For Non-Executive Directors, the level of fees shall reflect the experience, expertise and level of responsibilities undertaken.

All Non-Executive Directors are paid director's fees for serving as Directors on the Board. The Company also reimburses reasonable expenses incurred by these Directors in the course of their duties. They are paid a meeting allowance for attendance at each Board and its Committees' meetings. The Directors' fees are approved at the annual general meeting by shareholders.

Currently, the Executive Directors' remuneration comprising basic salary and bonus which are reflective of the experience, expertise, level of responsibilities and performance. Benefits in kind such as company car are made available as appropriate.

Statement on Corporate Governance

THE REMUNERATION COMMITTEE (CONT'D)

The details of the remuneration of the Directors of the Company and the Group for the financial year ended 31 December 2015 are as follows:-

The number of Directors whose total remuneration fall into the respective bands are as follows: -

	Executive Directors (RM)	Non-Executive Directors (RM)	Total (RM)
Salaries	782,558.07	-	782,558.07
Bonus	241,700.00	-	241,700.00
Fees	-	198,000.00	198,000.00
Meeting Allowance	-	42,500.00	42,500.00
Benefit-in-kind	-	12,000.00	12,000.00
Total	1,024,258.07	252,500.00	1,276,758.07

Range of Remuneration	Number of Directors Executive	Number of Directors Non-Executive
RM50,001 - RM100,000	-	2
RM100,001 – RM150,000	-	1
RM150,001 – RM200,000	-	-
RM200,001 – RM250,000	-	-
RM250,001 – RM300,000	1	-
RM700,001 – RM750,000	-	-
RM750,001 – RM800,000	1	-

ESOS COMMITTEE

The ESOS Committee was established with delegated authority by the Board to administer the ESOS of the Group in accordance with the Scheme's by-laws and the exercise of any discretion under the by-laws with regards to the eligibility of employees to participate in the ESOS, share offers and share allocations and to attend to such other matters as may be required.

The ESOS Committee has four (4) members comprising one (1) Independent Non-Executive Director and two (2) Executive Directors and Chief Financial Officer.

RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of communication and proper dissemination of information to its shareholders and investors. Major corporate developments and happenings in the Company have always been promptly announced to all shareholders, in line with Bursa Securities' objective of ensuring transparency and good corporate governance practice.

The financial performance of the Group, major corporate developments and other relevant information are promptly disseminated to shareholders and investors via announcements of its quarterly performance, annual report and corporate announcements to Bursa Securities. During General Meetings, shareholders are encouraged to participate to enquire and comment on the Company's performance and operations and voting on the resolutions was done by way of poll.

Statement on Corporate Governance

ACCOUNTABILITY AND AUDIT

Financial Reporting

In its financial reporting via quarterly announcements of results, annual financial statements and annual report presentations (including the Chairman's Statement and Review of Operations), the Board provides a comprehensive assessment of the Group's performance and prospects for the benefit of shareholders, investors and interested parties. The Audit Committee also assists the Board by scrutinizing the information to be disclosed, to ensure accuracy and adequacy.

Internal Control

The Board has the overall responsibility of maintaining a system of internal control that provides reasonable assurance of effective and efficient operations and compliance with laws and regulations as well as with internal procedures and guidelines. The effectiveness of the system of internal control of the Group was reviewed periodically by the Audit Committee. The review covers the financial, operational as well as compliance controls.

Directors' Responsibility in Financial Reporting

The Board is responsible for the preparation of the annual financial statements of the Group and to ensure that the financial statements give a true and fair view of the state of affairs of the Group and its result and cash flow for the financial year.

The Board of Directors has ensured that the financial statements have been prepared in accordance with applicable approved accounting standards in Malaysia, the requirements of the Companies Act 1965 and other regulatory provisions. In preparing the financial statements, the Board has ascertained that reasonable prudent judgment and estimates have been consistently applied and the accounting policies adopted have been complied with.

The Directors have a general responsibility of taking reasonable steps to safeguard the assets of the Group and to prevent and detect any irregularities.

Relationship with Auditors

The Board via the Audit Committee maintains a formal and transparent professional relationship with the Group's auditors, both internal and external. The Audit Committee also met the external auditors twice in financial year 2015 without the presence of the Management.

ADDITIONAL COMPLIANCE INFORMATION

Pursuant to Paragraph 9.25 of the Main Market Listing Requirements of Bursa Securities.

Share Buy-Back

During the financial year, the Company has repurchased 85,200 ordinary shares and these shares are currently held as treasury shares.

Details of the purchase of treasury shares were as follows -

Month	No. of treasury shares purchased	Purchase price per share (RM)	Total consideration paid (RM)
September 2015	85,200	0.895	76,254

As at 31 December 2015, the Company held a total of 85,200 treasury shares.

Other details of the share buy-back are set out in Note 22 to the Financial Statements.

The Company is seeking a renewal of shareholders' mandate for the Share Buy-Back at the forthcoming AGM

Statement on Corporate Governance

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

Options or Convertible Securities

On 3 December 2014, the shareholders of the Company had approved the proposed issuance of 40 million new Redeemable Convertible Preference Shares of RM0.01 each ("RCPS") to Lembaga Tabung Angkatan Tentera ("LTAT") at an issue price of RM1.00 per RCPS.

On 23 December 2014, 40 million RCPS were issued at an issue price of RM1.00 each to LTAT.

The Company redeemed RCPS on 23 June 2015.

On 8 July 2015, the Company's shareholders had approved the proposed bonus issue of 166,444,970 warrants in Magna Prima on the basis of one (1) warrant for every two (2) existing ordinary shares of RM0.25 each in Magna Prima on an entitlement date fixed on 2 September 2015.

The Company issued 166,444,970 Warrants 2015/2020 pursuant to a Bonus Issue of Warrants on 7 September 2015.

There were no warrants converted during the financial year under review.

Under the Company's existing Employees Share Option Scheme, no options were granted and exercised during the financial year under review.

Depository Receipt Programme

During the financial year, the Company did not sponsor any depository receipt programme.

Imposition of Sanctions/Penalties

There were no sanctions and/or penalties imposed on the Company and/or its subsidiaries, Directors or Management by the relevant regulatory bodies.

Non-Audit Fees

The amount of non-audit fees paid to the Group's External Auditors, M/s. Morison Anuarul Azizan Chew, Chartered Accountants, for the financial year ended 31 December 2015 was RM5,000.00.

Variation in Results

There was no material variances between the audited results for the financial year ended 31 December 2015 and the unaudited results previously announced.

Profit Guarantee

No profit guarantee was received by the Company during the financial year.

Material Contracts

There were no material contracts of the Company and its subsidiary companies which involve Directors' and major shareholders' interest, either still subsisting at the end of financial year ended 2015 or entered into since the end of the previous financial year.

The Audit Committee

The principal functions of this Committee are to assist the Board in the effective discharge of its fiduciary responsibilities in relation to corporate governance, ensure timely and accurate financial reporting as well as the development of internal controls.

MEMBERS

The Committee shall be appointed by the Board from amongst its Directors and shall comprise of at least 3 Non-Executive Directors, with majority of them being Independent Directors.

One (1) of the Audit Committee members, Mr Ong Ah Leng is an accountant by profession and a member of the Malaysian Institute of Accountants.

Members of the Audit Committee during the financial year ended 31 December 2015 are as follows:

Members	Status
Ong Ah Leng (Chairman)	Independent Non-Executive Director
Tan Sri Datuk Adzmi bin Abdul Wahab	Independent Non-Executive Director
Sazali bin Saad	Independent Non-Executive Director

TERM OF REFERENCE

1. Purpose

To provide oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations.

2. Authority

The Committee is authorized by the Board to:-

- Investigate on any activity within its term of reference;
- Have full and unrestricted access to any information as deemed required to perform its duties;
- Obtain legal or other independent professional advices and appoint independent parties with related knowledge and expertise to assist the Committee, if necessary;
- Convene meetings with internal auditors without the presence of other Directors and employee of Company, whenever deemed necessary;
- Meet with external auditors at least twice a year without the presence of other Directors and employee of Company.

3. Frequency Of Meeting

The Committee shall meet at least 4 times a year, with authority to convene additional meetings as deemed necessary.

The Audit Committee held a total of four (4) meetings during the financial year. The meetings were appropriately structured through the use of agenda and meeting papers, which were distributed to members with sufficient notification.

Members	Status	No. of meetings attended	%
Ong Ah Leng (Chairman)	Independent Non-Executive Director	4/4	100
Tan Sri Datuk Adzmi bin Abdul Wahab	Independent Non-Executive Director	4/4	100
Sazali bin Saad	Independent Non-Executive Director	3/4	75

The Audit Committee

TERM OF REFERENCE (CONT'D)

4. Duties And Responsibilities

The duties and responsibilities of the Committee are to:

- Review all financial information for publication, including quarterly and annual financial statements prior to submission to the Board of Directors. The review shall focus on:

  - Changes in accounting policies and practices
  - Major judgmental areas
  - Significant audit adjustments from the external auditors
  - Compliance with accounting standards
  - Compliance with Bursa Securities and other regulatory and legal requirements

- Discuss with the external auditors, the nature, scope and approach of the audit of the financial statements.

- Discuss with the external auditor on areas of concern arising from the audit of the financial statements.

- Assess the adequacy and effectiveness of the accounting procedures and the internal control systems of the Company by reviewing management letters from external auditors.

- Discuss problems and reservations arising from the interim and final audits and any matters the auditors may wish to discuss in the absence of Management, where necessary.

- Review the internal audit plan and processes, consider major findings of internal audit and recommend actions and steps to be taken by management in response to the findings.

- Review the relevance and adequacy of the scope, functions, competency and resources of internal audit and the necessary authority to carry out the function.

- Determine extent of cooperation and assistance given by the employees.

- Review related party transactions and conflict of interest situations that may arise within the Company.

- Consider the appointment of the external auditors, the terms of reference of their appointment and any questions on resignation and dismissal before recommendation to the Board.

- Undertake such other responsibilities as may be agreed to by the Committee and the Board.

- Report its activities, significant results and findings.

- Review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

The Audit Committee

INTERNAL AUDIT FUNCTION

The Group has an in-house Internal Audit Department that reports directly to the Audit Committee. IAD review the internal control processes in the key activities of the Group's businesses by adopting a risk based internal audit approach. The Committee is aware of the fact that an independent and adequately resourced internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness of the system of internal controls.

The activities of the Internal Audit during the financial year ended 31 December 2015 were as follows:

- Formulated the internal audit plan, strategy and scope of work.
- Evaluated and assessed the internal controls and efficiency of processes, and provided appropriate recommendations to management to address the issues highlighted in the internal audit reports.
- Ensuring compliance with the approved Standard Operating Procedures.
- Sought management explanations and action plans on issues highlighted in the internal audit reports and conducted subsequent follow-up reviews.
- Compiled, reviewed and updated the yearly Corporate Governance report and Statement of Internal Control of the Group.
- Conducted site visits to the project sites and provided appropriate recommendations.
- Reviewed the Audit Committee's Term of Reference to ensure consistency with the best practices as recommended in the Malaysia Code of Corporate Governance (MCGG) and Bursa Malaysia Listing Requirements.

SUMMARY OF THE ACTIVITIES OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The Audit Committee has carried out the following duties during the financial year under review in accordance with its terms of reference: -

- Reviewed and sought management explanations and recommended actions on the quarterly and annual financial results and performance of the Company and the Group prior to submission to the Board for consideration and approval.
- Reviewed and discussed with the external auditors the nature and scope of their audit before reporting the same to the Board.
- Reviewed and sought Management explanation on the major issues as per the management letters from the external auditors.
- Reported to the Board on its activities and significant findings and results.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board of Directors ("The Board") and management acknowledge the responsibility for maintaining a sound system of internal control and for reviewing its adequacy and integrity. As such, the Board and management are committed to develop and improve on the current systems of internal control taking into consideration operational efficiency.

The Group has established procedures of internal control that takes into account the guidelines to Directors as set out in the "Statement on Risk Management & Internal Control – Guidelines for Directors" for the year under review.

These procedures, which are subject to regular review by the Board, provide an on-going process for identifying, evaluating and managing significant risks faced by the Group that may affect the achievement of its business objectives.

BOARD'S RESPONSIBILITY

The Board complies with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") which requires at least two Directors or one-third of the Board of the Company, whichever is the higher, are Independent Directors.

All of the Board members serve as directors in not more than five boards of listed companies, to ensure they devote sufficient time to carry out their responsibilities. The profiles of the members of the Board are set out in the Annual Report under the section named Profile of Directors.

The Board recognizes the importance of sound internal control and risk management practices for good corporate governance. For the financial year under review, the Group had in place a system of internal control in accordance with Section 167A of the Companies Act, 1965 and had established an on-going process of reviewing, identifying, evaluating and managing significant risks faced by the Group.

The system of internal control and the process of risk management are reviewed regularly by the Board with the assistance of the Audit Committee, Internal Audit Department and all relevant personnel of the Group through a combination of key processes.

As there are limitations inherent in any systems of internal control, therefore, it shall be noted that the controls are designed to mitigate risks but not eliminating the present and future risks. Furthermore, it shall also be noted that systems of internal control can only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

CLEAR FUNCTIONS RESERVED FOR THE BOARD AND THOSE DELEGATED TO MANAGEMENT

The Board recognizes its key role in charting the strategic direction, development and control of the Group and has adopted the specific responsibilities that are listed in the Malaysian Code on Corporate Governance, which facilitates the discharge of the Board's stewardship responsibilities. In order to deliver both fiduciary and leadership functions, the Board, amongst others, assumes the following key responsibilities as per recommendations of the Malaysian Code on Corporate Governance –

- Setting the objectives, goals and strategic plan for the Company with a view to maximizing shareholder value and promoting sustainability;
- Adopting and monitoring progress of the Company's strategy, budgets, plans and policies;
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;
- To consider and approve reserved matters covering corporate policies, material investment and acquisition / disposal of assets;
- Identifying principal risks and ensure implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management;
- Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

Statement on Risk Management and Internal Control

CLEAR FUNCTIONS RESERVED FOR THE BOARD AND THOSE DELEGATED TO MANAGEMENT (CONT'D)

The Group Managing Director together with the Executive Director are responsible for day-to-day operation and management of business and making and implementing policies, operational and corporate decisions as well as developing, coordinating and implementing business and corporate strategies. The Non-Executive Directors play the key roles in contributing knowledge and experience towards the formulation of policies and in the decision-making process. They could provide the relevant checks and balances, focusing on shareholders' and other stakeholders' interests and ensuring that high standards of corporate governance are applied. Where a potential conflict of interest may arise, it is mandatory practice for the Director concerned to declare his interest and abstain from the decision-making process.

CONTROL ENVIRONMENT AND STRUCTURE

The Board recognizes that in order to achieve a sound system of internal control, a conducive control environment must be established. The Board is fully committed to the maintenance of such a control environment within the Group and in discharging their responsibilities, enhanced the following key system of internal control within the Group to govern the manner in which the Group and its employees conduct themselves. The key elements of internal controls comprise the following:

- The Board meets regularly to monitor and review the overall performance of the Group, to consider the findings and recommendations of committees and to consider the approved measures to be taken and changes in policies and procedures necessary to address risks and to enhance the system of internal control.

- Audit Committee comprises entirely of non-executive directors, and who hold regular meetings throughout the financial year. Audit Committee members are briefed and updated on the matters of corporate governance practice and legal and regulatory matters. The current composition of members, with at least one who is a member of an accounting association or body, brings with them a wide variety of experience from different fields and background. They have full and unimpeded access to both the internal as well as external auditors during the financial year. They also meet with the external auditors without the presence of the Management at least twice a year.

- Internal Auditors continue to independently assure the Board, through the Audit Committee, that the internal control system functions as intended. Their work practice as governed by their audit plan is derived on a risk based approach and internal audit findings are highlighted to the Audit Committee. Their annual audit plans are presented and approved by the Audit Committee annually before the commencement of the following financial year and updates are given as and when there are any changes.

- Financial and Operational Information continues to be prepared and presented to the Board. A detailed budget is prepared and presented to the Board before the commencement of a new financial year.

- The Limit of Authority determines the respective levels of authority which are delegated to staff of the respective levels to enable control of the Group's commitment of both capital and operational expenditure. The authority limits are subject to periodic review throughout the financial year as to their implementation and for the continuing suitability.

- Policies and Procedures for key business processes are formalized and documented for each significant operating unit.

- Tender Committee functions to ensure transparency in the award of contracts.

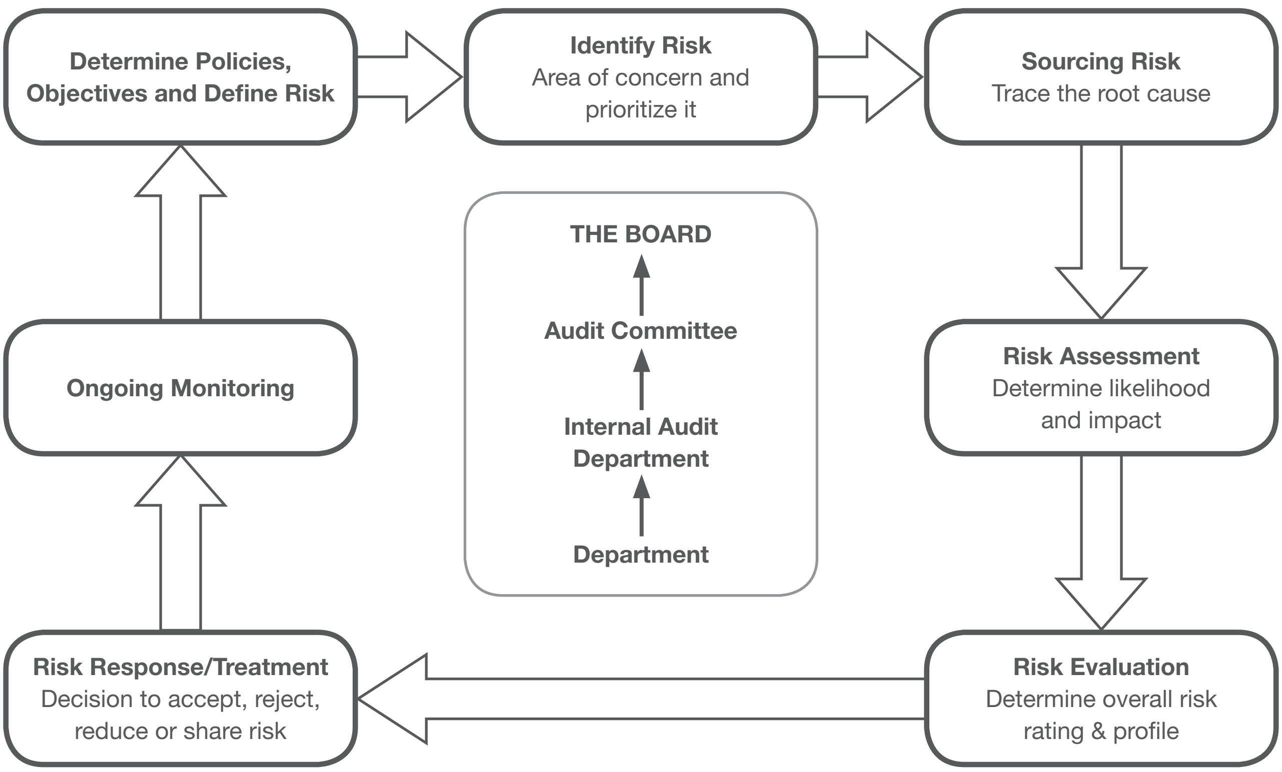
Statement on Risk Management and Internal Control

ENTERPRISE RISK MANAGEMENT (ERM)

The Audit Committee and the Management have established ERM Framework to ensure critical risk are proactively identified, evaluated, communicated, monitored and managed across the Company. The key aspects of the ERM Framework are:-

- Internal Audit Department and all Head of Departments are responsible to continuously ensure effective and efficient ERM throughout the Company;
- ERM assessment reviews are performed annually to identify any potential risk, from the perspective of laws and regulations, corporate governance, operations, financial, customers, product and services, suppliers, human capital as well as the environment;
- The determination of risk likelihood and risk impact are based on the risk tolerance for each department;
- Key risks identified during the risk assessment together with the controls to manage it are summarized in the ERM Report. Risk response are to be discussed between Internal Audit and respective Head of Departments;
- ERM review must be monitored continuously to ensure the identified key risk are managed effectively;
- ERM Report is to be presented in the Audit Committee meeting. Upon receiving the ERM Report, Audit Committee shall review and monitor the effectiveness of Company's internal controls before onwards submission to The Board for endorsement.

Figure 1: ERM Framework



Statement on Risk Management and Internal Control

INTERNAL AUDIT AND INTERNAL CONTROL

The Group Internal Audit Department ("GIAD") reviews the internal control processes in the key activities of the Group's business by adopting a risk based internal audit approach and reports directly to the Audit Committee. The internal audit findings together with recommendations for Management responses are presented to the Audit Committee where it then reports to the Board of Directors by the Audit Committee on a quarterly basis.

GIAD prepares an Annual Audit Plan and presented it to the Audit Committee for their approval. The scope of work encompasses review of strategic plan, operational and financial activities within the group. The GIAD has successfully completed the planned audits for the year and will closely monitor the implementation progress of its audit recommendation in order to ensure that all major risks and control concerns have been duly addressed by the Management. All internal audit reports together with the recommended action and their implementation status are presented to the Board and Audit Committee.

The Board acknowledges its responsibility for maintaining a sound internal controls system, which provides reasonable assurance in ensuring the effectiveness and efficiency of operations and the safeguard of assets and interest in compliance with laws and regulations as well as with internal financial administration procedures and guidelines.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The Audit Committee has assessed the suitability of the External Auditors and has obtained 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.

The external auditors have reviewed this Statement on Risk Management and Internal Control for the inclusion in the annual report for the financial period ended 31 December 2015.

The external auditors have reported to the Board that nothing had come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the processes the Board has adopted in the review of the adequacy and integrity of the risk management and internal control functions of the Group.

CONCLUSION

The system of internal control described in this Statement is considered by the Board to be adequate and risks are considered by the Board to be at an acceptable level within the context of the business environment throughout the Group's business. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and thus they can only provide reasonable assurance and not absolute assurance against material misstatement. Nevertheless, the systems of internal control that exist throughout the financial year under review provide a level of confidence on which the Board relies for assurance.

For the financial year under review, the Board is satisfied with the adequacy and integrity of the Group's system of internal control and that no material losses, contingencies or uncertainties have arisen from any inadequate or failure of the Group's system of internal control that would require separate disclosure in the Group's Annual Report.

At a meeting held on 24 February 2016, the Board obtained assurance from Group Managing Director ("GMD") and Chief Financial Officer ("CFO") that the Group's risk management and internal controls systems are operating adequately and effectively in all material respects.

This Statement is made in accordance with the resolution of the Board dated 29 March 2016.

FINANCIAL STATEMENTS

Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

Principal Activities

The principal activities of the Company are investment holding and provision of management services.

The principal activities of the subsidiary companies are stated in Note 4 to the financial statements.

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

Financial Results

	Group RM	Company RM
Profit for the financial year attributable to:		
- Owners of the Company	208,649,508	9,375,262
- Non-controlling interests	10,833	-
	208,660,341	9,375,262

Dividends

The Company paid an interim single tier tax exempt dividend of 5.0 sen per ordinary share of RM0.25 each amounting to RM16,644,497 in respect of the financial year ended 31 December 2015 on 13 July 2015.

On 24 February 2016, the Directors have declared a second interim single tier tax exempt dividend of 3.0 sen per ordinary share of RM0.25 each amounting to RM9,984,142 in respect of financial year 2015.

The financial statements for the current financial year do not reflect the second interim dividend. Such dividend, will be at accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2016.

Reserves and Provisions

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

Issue of Shares and Debentures

There were no issuances of shares and debentures during the financial year under review.

Treasury shares

During the financial year, the Company repurchased 85,200 of its ordinary shares from the open market on Bursa Malaysia for RM76,888. The average price of the shares repurchased was approximately RM0.902 per share.

Details of the treasury shares are set out in Note 22 to the financial statements.

Warrants 2015/2020

On 2 September 2015, the Company allotted 166,444,970 bonus Warrants 2015/2020 on the basis of 1 Warrant for every 2 existing ordinary shares of RM0.25 each held in the Company. The Warrant 2015/2020 were listed on the Main Market of Bursa Malaysia Securities Berhad with effect from 10 September 2015.

Each Warrant 2015/2020 entitles the registered holder to subscribe for 1 new ordinary share in the Company at any time on or after 7 September 2015 till 4 September 2020, at an exercise price of RM0.90. Any Warrant 2015/2020 not exercised at the date of maturity will lapse and cease to be valid for any purpose. As at 31 December 2015, 166,444,970 Warrant 2015/2020 remain unexercised.

Warrants 2015/2020 (continued)

The ordinary shares issued from the exercise of Warrants 2015/2020 shall rank pari passu in all respects with the existing issued ordinary shares of the Company except that they shall not be entitled to any dividends, distributions or rights, the entitlement date of which is prior to the date of the allotment of the new shares arising from the exercise of Warrants 2015/2020.

Directors

The Directors who served since the date of the last report and at the date of this report are as follows:

Tan Sri Datuk Adzmi bin Abdul Wahab	
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil	
Cheong Choi Yoon	(Appointed on 03 February 2016)
Ong Ah Leng	(Resigned on 03 February 2016)
Sazali bin Saad	
Cheah Len Khoon	(Appointed on 03 March 2016)
Chang Chee Kok	(Appointed on 03 March 2016)
Ir. Tan Wei Dar	(Resigned on 03 March 2016)

Directors' Interests

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares and options over shares in the Company are as follows:

	No. of ordinary shares of RM0.25 each			
	On 1.1.2015	Acquired	Disposed	On 31.12.2015
Interest in the Company, Magna Prima Berhad				
Datuk Wira Rahadian Mahmud bin Mohammad Khalil	8,400,000	13,000,000	-	21,400,000
Ir. Tan Wei Dar	1,506,200	-	-	1,506,200

	No. of ordinary shares of RM1.00 each			
	On 1.1.2015	Acquired	Disposed	On 31.12.2015
Interest in a subsidiary company, Pavilion Uptrend Sdn Bhd				
Datuk Wira Rahadian Mahmud bin Mohammad Khalil	60,000	-	-	60,000

	No. of Warrants 2015/2020			
	On allotment date	Acquired	Disposed	On 31.12.2015
Magna Prima Berhad				
Datuk Wira Rahadian Mahmud bin Mohammad Khalil	10,700,000	-	-	10,700,000
Ir. Tan Wei Dar	753,100	-	-	753,100

Other than as disclosed above, according to the register of Directors' shareholdings, the Directors in office at the end of the financial year did not hold any interest in shares and options over shares in the Company or shares, options over shares and debentures of its related corporations during the financial year.

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company or any of its subsidiary companies a party to any arrangement the object of which is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' Report

Other Statutory Information

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

(i) to ascertain that 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 values 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:

(i) that would render 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; or

(ii) that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

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

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

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

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

(i) any charge on the assets of the Group or 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 in respect of the Group or the Company which has arisen since the end of the financial year.

(e) In the opinion of the Directors:

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

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Auditors

The auditors, Messrs. Morison Anuarul Azizan Chew, have expressed their willingness to accept re-appointment.

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

DATUK WIRA RAHADIAN MAHMUD BIN MOHAMMAD KHALIL **CHEAH LEN KHOON**

KUALA LUMPUR
29 March 2016

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, DATUK WIRA RAHADIAN MAHMUD BIN MOHAMMAD KHALIL and CHEAH LEN KHOON, being two of the Directors of MAGNA PRIMA BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 42 to 91 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the financial year then ended.

The information set out in page 92 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

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

DATUK WIRA RAHADIAN MAHMUD BIN MOHAMMAD KHALIL **CHEAH LEN KHOON**

KUALA LUMPUR
29 March 2016

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, ENG HUP TAT, being the Officer primarily responsible for the financial management of MAGNA PRIMA BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 42 to 91 are to the best of my knowledge and belief, 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 ENG HUP TAT)
at)
on this date of 29 March 2016) **ENG HUP TAT**

Before me,

COMMISSIONER FOR OATHS

Independent Auditors' Report

To the Members of Magna Prima Berhad
(Company No. : 369519-P) (Incorporated in Malaysia)

Report on the Financial Statements

We have audited the accompanying financial statements of Magna Prima Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 42 to 91.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and 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, 1965 in Malaysia.

Independent Auditors' Report

To the Members of Magna Prima Berhad
(Company No. : 369519-P) (Incorporated in Malaysia)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report on the following:

(a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the requirements of the Companies Act, 1965 in Malaysia.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 4 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

Other Reporting Responsibilities

The supplementary information set out in page 92 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the Directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the Directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume any responsibility to any other person for the content of this report.

MORISON ANUARUL AZIZAN CHEW
Firm Number: AF 001977
Chartered Accountants

SATHIEA SEELEAN A/L MANICKAM
No.: 1729/05/16 (J/PH)
Chartered Accountant

KUALA LUMPUR
29 March 2016

Statements of Financial Position

As at 31 December 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Non-Current Assets					
Property, plant and equipment	3	961,494	1,330,533	168,529	261,909
Investment in subsidiary companies	4	-	-	157,810,309	157,810,309
Investment properties	5	253,063,577	55,122,534	-	-
Land held for property development	6	65,024,521	65,013,015	-	-
Deferred tax assets	7	10,311,386	11,625,213	-	-
Trade receivables	8	-	2,469,002	-	-
		329,360,978	135,560,297	157,978,838	158,072,218
Current Assets					
Inventories	9	329,644,983	712,834,931	-	-
Amount owing by customers on contracts	10	2,056,597	2,056,597	-	-
Trade receivables	8	31,649,041	23,880,316	-	-
Other receivables	11	17,175,920	64,215,485	594,880	595,080
Amount owing by subsidiary companies	12	-	-	349,884,594	296,130,931
Tax recoverable		1,875,090	986,449	-	-
Cash held under Housing Development Accounts	13	4,049,838	3,262,810	-	-
Fixed deposits placed with licensed banks	14	78,253,070	27,506,240	16,150,541	23,031,112
Cash and bank balances		21,568,592	16,959,976	1,173,220	4,284,056
		486,273,131	851,702,804	367,803,235	324,041,179
Asset classified as held for sale	15	-	171,181,624	-	-
Total current assets		486,273,131	1,022,884,428	367,803,235	324,041,179
Current Liabilities					
Trade payables	16	38,698,228	92,957,468	-	-
Other payables	17	55,078,010	84,576,044	235,458	798,199
Deferred revenue	18	27,167,355	267,659,967	-	-
Amount owing to subsidiary companies	12	-	-	280,889,116	208,545,901
Borrowings	19	77,295,858	411,624,249	17,000,000	-
Redeemable Cumulative Preference Shares (“RCPS”)	20	-	40,000,000	-	40,000,000
Current tax liabilities		72,019,798	15,945,849	474,938	1,229,409
		270,259,249	912,763,577	298,599,512	250,573,509
Net current assets		216,013,882	110,120,851	69,203,723	73,467,670
		545,374,860	245,681,148	227,182,561	231,539,888
Financed By:					
Share capital	21	83,222,485	83,222,485	83,222,485	83,222,485
Treasury shares	22	(76,888)	-	(76,888)	-
Reserves	23	264,717,487	58,908,694	141,013,767	148,283,002
Equity attributable to owners of the Company		347,863,084	142,131,179	224,159,364	231,505,487
Non-controlling interests		6,378,435	6,367,602	-	-
Total equity		354,241,519	148,498,781	224,159,364	231,505,487
Non-Current Liabilities					
Trade payables	16	-	5,444,113	-	-
Borrowings	19	191,040,871	91,703,853	3,000,000	-
Deferred tax liabilities	7	92,470	34,401	23,197	34,401
		191,133,341	97,182,367	3,023,197	34,401
		545,374,860	245,681,148	227,182,561	231,539,888

The accompanying notes form an integral part of the financial statements

Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2015

		Group		Company	
		2015	2014	2015	2014
	Note	RM	RM	RM	RM
Revenue	24	795,509,881	142,552,810	12,785,000	27,009,264
Cost of sales	25	(470,937,703)	(104,591,937)	-	-
Gross profit		324,572,178	37,960,873	12,785,000	27,009,264
Other operating income		25,213,009	2,341,630	4,187,978	26,157
Marketing and promotion expenses		(17,554,564)	(4,174,457)	-	-
Administration expenses		(12,477,255)	(10,930,406)	(3,186,414)	(2,623,271)
Other operating expenses		(22,848,791)	(22,556,938)	(20,215)	(312,885)
Profit from operations	26	296,904,577	2,640,702	13,766,349	24,099,265
Finance costs	27	(13,571,386)	(9,663,928)	(3,640,855)	-
Profit/(Loss) before taxation		283,333,191	(7,023,226)	10,125,494	24,099,265
Taxation	28	(74,672,850)	(7,991,641)	(750,232)	643,223
Profit/(Loss) for the financial year		208,660,341	(15,014,867)	9,375,262	24,742,488
Other comprehensive income/(expense):					
Item that may be reclassified subsequently to profit or loss					
Exchange differences arising from translation of foreign operations		13,803,782	(1,762,058)	-	-
Total comprehensive income/(expense) for the financial year		222,464,123	(16,776,925)	9,375,262	24,742,488
Profit /(Loss) for the financial year attributable to:					
Owners of the Company		208,649,508	(13,653,786)	9,375,262	24,742,488
Non-controlling interests		10,833	(1,361,081)	-	-
		208,660,341	(15,014,867)	9,375,262	24,742,488
Total comprehensive income/(expense) attributable to:					
Owners of the Company		222,453,290	(15,415,844)	9,375,262	24,742,488
Non-controlling interests		10,833	(1,361,081)	-	-
		222,464,123	(16,776,925)	9,375,262	24,742,488
Earnings /(Loss) per share attributable to owners of the Company:					
Basic (sen)	29	62.68	(4.10)		
Diluted (sen)	29	59.96	(4.10)		

The accompanying notes form an integral part of the financial statements

Consolidated Statement of Changes in Equity
For the financial year ended 31 December 2015

		Attributable to Owners of the Company									
		Non-distributable						Distributable			
	Note	Share Capital RM	Share Premium RM	Treasury Shares RM	Translation Reserve RM	Capital Reserve RM	Capital Redemption Reserve RM	Retained Profits RM	Sub-Total RM	Non-Controlling Interests RM	Total Equity RM
At 1 January 2015		83,222,485	35,565,970	-	(10,180,059)	19,706,095	-	13,816,688	142,131,179	6,367,602	148,498,781
Profit for the financial year		-	-	-	-	-	-	208,649,508	208,649,508	10,833	208,660,341
Other comprehensive income:											
Exchange differences arising from translation of foreign operations		-	-	-	13,803,782	-	-	-	13,803,782	-	13,803,782
Total comprehensive income		-	-	-	13,803,782	-	-	208,649,508	222,453,290	10,833	222,464,123
Transfer from retained profits to capital redemption reserve	20	-	-	-	-	-	400,000	(400,000)	-	-	-
Repurchase of treasury shares	22	-	-	(76,888)	-	-	-	-	(76,888)	-	(76,888)
Dividends	30	-	-	-	-	-	-	(16,644,497)	(16,644,497)	-	(16,644,497)
At 31 December 2015		83,222,485	35,565,970	(76,888)	3,623,723	19,706,095	400,000	205,421,699	347,863,084	6,378,435	354,241,519
At 1 January 2014		83,222,485	35,565,970	-	(8,418,001)	19,706,095	-	30,799,373	160,875,922	7,668,683	168,544,605
Loss for the financial year		-	-	-	-	-	-	(13,653,786)	(13,653,786)	(1,361,081)	(15,014,867)
Other comprehensive expense:											
Exchange differences arising from translation of foreign operations		-	-	-	(1,762,058)	-	-	-	(1,762,058)	-	(1,762,058)
Total comprehensive expense		-	-	-	(1,762,058)	-	-	(13,653,786)	(15,415,844)	(1,361,081)	(16,776,925)
Acquisition of a subsidiary company		-	-	-	-	-	-	-	-	60,000	60,000
Dividends	30	-	-	-	-	-	-	(3,328,899)	(3,328,899)	-	(3,328,899)
At 31 December 2014		83,222,485	35,565,970	-	(10,180,059)	19,706,095	-	13,816,688	142,131,179	6,367,602	148,498,781

The accompanying notes form an integral part of the financial statements

Company Statement of Changes in Equity

For the financial year ended 31 December 2015

		Non-distributable				Distributable	
	Note	Share Capital RM	Share Premium RM	Treasury Shares RM	Capital Redemption Reserve RM	Retained Profits RM	Total Equity RM
At 1 January 2015		83,222,485	35,565,970	-	-	112,717,032	231,505,487
Profit/Total comprehensive income for the financial year		-	-	-	-	9,375,262	9,375,262
Transfer from retained profits to capital redemption reserve	20	-	-	-	400,000	(400,000)	-
Repurchase of treasury shares	22	-	-	(76,888)	-	-	(76,888)
Dividends	30	-	-	-	-	(16,644,497)	(16,644,497)
At 31 December 2015		83,222,485	35,565,970	(76,888)	400,000	105,047,797	224,159,364
At 1 January 2014		83,222,485	35,565,970	-	-	91,303,443	210,091,898
Profit/Total comprehensive income for the financial year		-	-	-	-	24,742,488	24,742,488
Dividends	30	-	-	-	-	(3,328,899)	(3,328,899)
At 31 December 2014		83,222,485	35,565,970	-	-	112,717,032	231,505,487

Statement of Cash Flows

For the financial year ended 31 December 2015

		Group		Company	
		2015	2014	2015	2014
	Note	RM	RM	RM	RM
Cash flows from operating activities					
Profit/(Loss) before taxation		283,333,191	(7,023,226)	10,125,494	24,099,265
Adjustment for:					
Depreciation of property, plant and equipment	3	270,673	274,888	99,980	105,502
Depreciation of investment properties	5	80,633	80,634	-	-
Net impairment loss of trade receivables	8	360,839	7,088,310	-	-
Inventories written down	9	1,164,000	-	-	-
Provision for liquidated and ascertained damages	17	9,187,201	3,791,903	-	-
Overprovision for liquidated and ascertained damages	17	(603,494)	(422,001)	-	-
Impairment of goodwill on consolidation		-	3,269,146	-	-
Gain on disposal of property, plant and equipment		(71,925)	(83,000)	-	-
Unrealised foreign exchange loss		5,818,167	2,791,750	-	-
Finance cost	27	13,571,386	9,663,928	3,640,855	-
Finance income		(3,101,535)	(1,300,480)	(1,045,934)	(46,068)
Dividend income		-	-	(9,490,000)	(19,188,000)
Operating profit before working capital changes		310,009,136	18,131,852	3,330,395	4,970,699
(Increase)/Decrease in working capital:					
Inventories		399,578,774	(122,553,343)	-	-
Amount owing by/to customers on contracts		-	299,098	-	-
Trade receivables		(5,462,713)	(3,135,406)	-	-
Other receivables		47,039,566	(110,172,084)	200	86,600
Amount owing by/to subsidiary companies		-	-	28,079,552	2,866,492
Trade payables		(60,070,524)	(7,974,028)	-	-
Other payables		(43,899,908)	36,328,714	(562,741)	731,291
Deferred revenue		(240,492,612)	(1,950,059)	-	-
Cash generated from/(used in) operations		406,701,719	(191,025,256)	30,847,406	8,655,082
Taxation paid		(20,559,053)	(9,657,059)	(1,515,907)	(105,324)
Taxation refund		79,443	-	-	-
Interest received		2,903,686	603,543	1,045,934	46,068
Interest paid		(25,598,976)	(31,898,317)	(3,640,855)	-
Net cash generated from /(used in) operating activities		363,526,819	(231,977,089)	26,736,578	8,595,826
Cash flows from investing activities					
Additions of land held for property development		(11,506)	(23,634,225)	-	-
Purchase of property, plant and equipment		(479,709)	(164,463)	(6,600)	-
Purchase of investment properties		(24,284,246)	(5,556,198)	-	-
Subscription of additional shares in existing subsidiary companies		-	-	-	(140,000)
Acquisition of a subsidiary, net of cash acquired		-	60,000	-	-
Net proceeds from disposal of property, plant and equipment		650,000	83,000	-	-
Net cash used in investing activities		(24,125,461)	(29,211,886)	(6,600)	(140,000)

Statement of Cash Flows

For the financial year ended 31 December 2015

		Group		Company	
		2015	2014	2015	2014
	Note	RM	RM	RM	RM
Cash flows from financing activities					
Dividend paid	30	(16,644,497)	(3,328,899)	(16,644,497)	(3,328,899)
Repayment of finance lease liabilities		(36,393)	(34,471)	-	-
Repayment of borrowings		(342,408,890)	(39,643,632)	-	(18,486,556)
Fixed deposits (pledged to)/withdrawn from licensed banks		(1,553,395)	22,684,168	(116,667)	-
(Redemption)/Proceeds from issuance of Redeemable Cumulative Preference Share		(40,000,000)	40,000,000	(40,000,000)	40,000,000
Repurchase of treasury share		(76,888)	-	(76,888)	-
Drawdown from borrowings		108,188,600	254,659,297	20,000,000	-
Net cash (used in)/generated from financing activities		(292,531,463)	274,336,463	(36,838,052)	18,184,545
Net increase/(decrease) in cash and cash equivalents		46,869,895	13,147,488	(10,108,074)	26,640,371
Cash and cash equivalents at beginning of the financial year		43,260,021	21,730,907	27,315,168	674,797
Effect of exchange rate changes		7,278,659	8,381,626	-	-
Cash and cash equivalents at end of the financial year		97,408,575	43,260,021	17,207,094	27,315,168
Cash and cash equivalents at end of the financial year comprises:					
Cash and bank balances		21,568,592	16,959,976	1,173,220	4,284,056
Cash held under Housing Development Accounts	13	4,049,838	3,262,810	-	-
Fixed deposits with licensed banks	14	78,253,070	27,506,240	16,150,541	23,031,112
Bank overdrafts	19	(440,524)	-	-	-
		103,430,976	47,729,026	17,323,761	27,315,168
Less: Fixed deposits pledged with licensed banks	14	(6,022,401)	(4,469,005)	(116,667)	-
		97,408,575	43,260,021	17,207,094	27,315,168

Notes to the Financial Statements

1. Corporate Information

The principal activities of the Company are investment holding and provision of management services.

The principal activities of the subsidiary companies are set out in Note 4 to the financial statements.

The Company is a public limited liability company, incorporated under the Malaysian Companies Act, 1965 and is listed on the Main Board of Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company is located at Lot 4.01, Level 4, IDCC Corporate Tower, Jalan Pahat L 15/L, Seksyen 15, 40200 Shah Alam Selangor Darul Ehsan.

The financial statements of the Group and of the Company for the financial year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Board of Directors dated 29 March 2016.

2. Basis of Preparation and Significant Accounting Policies

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared under the historical cost convention except as disclosed in summary of significant accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group and the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(c).

Amendments to accounting standards that are effective for the Group and the Company's financial year beginning on or after 1 January 2015 are as follows:

- Amendments to MFRS 1, "First-time Adoption of Malaysian Financial Reporting Standards" (Annual Improvements 2011-2013 Cycle)
- Amendments to MFRS 2, "Share-based Payment" (Annual-Improvements 2010-2012 Cycle)
- Amendments to MFRS 3, "Business Combinations" (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
- Amendments to MFRS 8, "Operating Segments" (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 13, "Fair Value Measurement" (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
- Amendments to MFRS 116, "Property, Plant and Equipment" and MFRS 138, "Intangible Assets" (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 119, "Defined Benefit Plans Employee Contribution"
- Amendments to MFRS 124, "Related Party Disclosures" (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 140, "Investment Property" (Annual Improvements 2011-2013 Cycle)

The above amendments to accounting standards effective during the financial year do not have any significant impact to the financial results and position of the Group and the Company.

2. Basis of Preparation and Significant Accounting Policies (continued)

(a) Basis of Preparation (continued)

Accounting standards and amendments to accounting standards that are applicable for the Group and the Company in the following periods but are not yet effective:

Annual periods beginning on/after 1 January 2016

Amendments to MFRS 5 Non Current Assets Held for Sale and Discontinued Operations

The Amendments introduce specific guidance in MFRS 5 for when an entity reclassifies an asset (or disposal group) from held-for-sale to held-for-distribution to owners (or vice versa), or when held-for-distribution is discontinued.

Amendments to MFRS 7 Financial Instruments: Disclosures

The Amendments provide additional guidance to clarify whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements of MFRS 7. The Amendments also clarify the applicability of Amendments to MFRS 7, Disclosure–Offsetting Financial Assets and Financial Liabilities to condensed interim financial statements.

Amendments to MFRS 11 Joint Arrangements

These Amendments clarify that when an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in MFRS 3, it shall apply the relevant principles on business combinations accounting in MFRS 3, and other MFRSs, that do not conflict with MFRS 11. Some of the impact arising may be the recognition of goodwill, recognition of deferred tax assets/liabilities and recognition of acquisition-related costs as expenses.

Amendments to MFRS 101 Presentation of Financial Statements

The Amendments aim to improve the effectiveness of disclosures and are designed to encourage companies to apply professional judgement in determining the information (including where and in what order) to be disclosed in the financial statements.

Amendments to MFRS 116 Property, plant and equipment

These Amendments to MFRS 116 prohibit revenue-based depreciation because revenue does not, as a matter of principle, reflect the way in which an item of property, plant and equipment is used or consumed.

Amendments to MFRS 119 Employee Benefits

The Amendment clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. The Amendment also clarifies that the depth of the market for high quality corporate bonds should be assessed at a currency level.

Amendments to MFRS 127 Separate Financial Statements

The Amendments allow a parent and investors to use the equity method in its separate financial statement to account for investments in subsidiaries, joint ventures and associates, in addition to the existing options.

Amendments to MFRS 134 Interim Financial Reporting

The Amendment clarifies the meaning of disclosure of information ‘elsewhere in the interim financial report’ as used in MFRS 134. The Amendment requires such disclosures to be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

Notes to the Financial Statements

2. Basis of Preparation and Significant Accounting Policies (continued)

(a) Basis of Preparation (continued)

Annual periods beginning on/after 1 January 2016 (continued)

Amendments to MFRS 138 Intangible assets

These Amendments to MFRS 138 introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate. This presumption can be overcome only in the limited circumstances:

- in which the intangible asset is expressed as a measure of revenue, i.e. in the circumstance in which the predominant limiting factor that is inherent in an intangible asset is the achievement of a revenue threshold; or
- when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Annual periods beginning on/after 1 January 2018

MFRS 9 Financial Instruments

This Standard addresses the classification, measurement and recognition of financial assets and financial liabilities.

Classification determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. The Standard introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, thereby removing a source of complexity associated with previous accounting requirements. If a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the balance sheet, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the balance sheet.

The Standard introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, it requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model is forward-looking and it eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

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

MFRS 15 Revenue from Contracts with Customers

The Standard provides clarity on revenue recognition especially on areas where existing requirements unintentionally created diversity in practice. Under MFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Extensive disclosures are required to provide greater insight into both revenue that has been recognised, and revenue that is expected to be recognised in the future from existing contracts.

Notes to the Financial Statements

2. Basis of Preparation and Significant Accounting Policies (continued)

(a) Basis of Preparation (continued)

Effective date yet to be determined by the Malaysian Accounting Standard Board

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

The Amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the Amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not), as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Group is in the process of assessing the impact of MFRS 9 and MFRS 15 in the year of initial application. Aside from the above mentioned, the adoption of the accounting standards and amendments to accounting standards are not expected to have any significant impact to the financial statements of the Group and the Company.

Accounting standards and amendments to accounting standards that are not relevant and not yet effective for the Group and the Company are as follows:

- Amendments to MFRS 10, MFRS 12 and MFRS 128, “Investment Entities: Applying the Consolidation Exception”
- MFRS 14, “Regulatory Deferral Accounts”
- Amendments to MFRS 116 and MFRS 141, “Agriculture: Bearer Plants”

(b) Functional and presentation currency

Items included in the financial statements of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in Ringgit Malaysia (“RM”), which is the Company’s functional and presentation currency.

(c) Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group’s accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation or 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 recognition of construction contracts

The Group recognises revenue from construction activities and the related expenses in the profit or loss by using the percentage of completion method. The percentage of completion is determined by the proportion that contract costs incurred for work performed to-date compared to the estimated total contract costs.

Significant judgement is required in determining the percentage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs as well as the recoverability of the construction contracts. Total contract revenue also includes an estimation of variation works those are recoverable from customers. In making the judgement, the Group evaluates by relying on past experience, industry practices and the work of specialists.

(ii) Depreciation of property, plant and equipment

The costs of property, plant and equipment are depreciated on a straight-line basis over the useful lives of the property, plant and equipment. Management estimates the useful lives of the property, plant and equipment as stated in Note 2(f). These are common life expectancies applied in the industries. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Notes to the Financial Statements

2. Basis of Preparation and Significant Accounting Policies (continued)

(c) Significant accounting estimates and judgements (continued)

(iii) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iv) Deferred tax asset

Deferred tax asset is recognised for unutilised tax losses to the extent that it is probable that taxable profit will be available in future against which tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits.

(v) Contingent liabilities

Determination of the treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and internal and external experts to the Group for matters in the ordinary course of the business.

(vi) Provisions for liquidated and ascertained damages

As at the end of the reporting period, there were provisions for liquidated and ascertained damages ("LAD") recognised in respect of projects undertaken by certain subsidiaries based on expected LAD claims based on the terms of the applicable sales and purchase agreements. Significant judgement is required in determining the amount of provision for LAD to be made. The Group evaluates the amount of provision required based on past experience, industry norm and the results from continuous dialogues held with the affected purchasers who are seeking indulgence and extension of time to complete the affected projects and waive their LAD claim.

(vii) Impairment of non-financial assets

The Group assesses whether its non-financial assets, which include property, plant and equipment, land held for property development and investment properties have any indicators for impairment at the end of the reporting date. When such indicators exist, the non-financial assets are impaired by evaluating the extent to which the recoverable amount of these assets are less than their cost. Methods used to determine the recoverable amount includes evaluation of valuation reports and discounted cash flows. Significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's test for impairment of assets.

(viii) Borrowing costs

The Group has a policy to capitalise 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, as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The Directors are satisfied that the capitalisation of borrowing costs on property development projects relate mainly to projects whose activities are currently in progress to prepare the project for its intended sale. All other borrowing costs are recognised as an expense in the profit or loss in the period in which they are incurred.

Notes to the Financial Statements

2. Basis of Preparation and Significant Accounting Policies (continued)

(c) Significant accounting estimates and judgements (continued)

(ix) Inventories

The Group prepares estimates of budgeted costs and selling price for its property development projects based on the following key assumptions:

- the property development costs have been projected based on prevailing cost of construction and such costs are reviewed on an on-going basis; and

- the selling price of properties under development has been projected based on prevailing market values of the location and type of properties under development.

Any revision to estimates above that could affect the net realisable value of the properties under development are recognised in the year in which the estimate is revised and in any future years affected.

(x) Impairment of financial assets

The impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. This is determined based on the ageing profile, expected collection patterns of individual receivable balances, credit quality and credit losses incurred. Management carefully monitors the credit quality of receivable balances and makes estimates about the amount of credit losses that have been incurred at each financial statements reporting date. Any changes to the ageing profile, collection patterns, credit quality and credit losses can have an impact on the impairment recorded.

(d) Basis of consolidation for subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Group. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group considers it has de-facto power over an investee when, despite not having the majority of voting rights, it has the current ability in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Business combinations are accounted for using the acquisition method on the acquisition date. The consideration transferred includes the fair value of assets transferred, equity interest issued by the Group and liabilities assumed. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. Any difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Notes to the Financial Statements

2. Basis of Preparation and Significant Accounting Policies (continued)

(d) Basis of consolidation for subsidiaries (continued)

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities, any non-controlling interests and other components of equity related to the disposed subsidiary. Any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset depending on the level of influence retained.

(e) Investments in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

(f) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposals are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in net in the profit or loss.

(ii) Depreciation

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of property, plant and equipment.

Leasehold land is amortised on a straight line method over the period of the lease. All other property, plant and equipment are depreciated on a straight-line method at rates calculated to write off the cost of the assets to their residual values over their estimated useful lives as follows:

Leasehold land	99 years
Buildings	50 years
Plant and machinery	5 - 10 years
Furniture, fittings and equipment	5 - 13 years
Motor vehicles	5 years
Container store and cabin	5 - 10 years
Office renovation	10 years

Depreciation methods, useful lives and residual values are reviewed at end of each reporting period, and adjusted as appropriate.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount in accordance with accounting policy Note 2(i).

2. Basis of Preparation and Significant Accounting Policies (continued)

(g) Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both rather than for use in the production or supply of goods and services or for administrative purposes, or sale in the ordinary course of business. Investment properties include properties that are being constructed or developed for future use.

Investment property is measured initially at cost, including related transaction costs and borrowing costs if the investment property meets the definition of a qualifying asset (see accounting policy Note 2(p) on capitalisation of borrowing costs).

After initial recognition, investment property is stated at cost less accumulated depreciation and impairment losses. Freehold land and investment properties under construction are not depreciated. Other investment property includes a leasehold land which is depreciated on a straight-line basis to allocate the cost to their residual values over their estimated useful life of 77 years.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Gains and losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are included in profit or loss.

(h) Leases as lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(i) Impairment of non-financial assets

Assets that have an indefinite useful life, such as goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss unless it reverses a previous revaluation in which it is charged to the revaluation surplus. Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

Notes to the Financial Statements

2. Basis of Preparation and Significant Accounting Policies (continued)

(j) Cash and cash equivalents

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

(k) Construction contracts

Construction contracts are stated at cost plus the attributable profits less applicable progress billings and provision for foreseeable losses, if any. When the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activities at the reporting date. The stage of completion is determined by the proportion that contract cost incurred for the work performed to date as a percent of the estimated contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amount owing by customers on contracts. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount owing to customers on contracts.

(l) Land held for property development

Land held for property development consists of land held for future development activities where no significant development has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current assets and is stated at cost less any accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 2(i).

Land held for property development is reclassified as inventories – properties under development when the development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

(m) Inventories

Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises cost of land use rights, construction costs, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, sold properties are recognised in profit or loss and unsold properties are transferred to developed properties held for sale.

Developed properties held for sale

Developed properties which represent completed units held for sale are stated at the lower of cost and net realisable value. Cost consist of costs associated with the acquisition of land, direct costs, appropriate proportions of common costs attributable to developing the properties to completion and borrowing costs.

Notes to the Financial Statements

2. Basis of Preparation and Significant Accounting Policies (continued)

(m) Inventories (continued)

Finished goods

Inventories are valued at the lower of cost and net realisable value after adequate allowances has been made for all deteriorated, damaged, obsolete or slow-moving inventories.

Cost is determined using the weighted average cost method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity.

(n) Contingent assets and contingent liabilities

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

(o) Deferred revenue

Deferred revenue refers to progress billings net of discount attributable to the sale of properties under development for which the said properties under development have yet to be delivered.

(p) 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 capitalised as part of the cost of those assets.

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

(q) Provisions for liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(r) Foreign currencies

(i) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items denominated in foreign currencies measured at fair value are translated using the spot exchange rates at the date when the fair value was determined. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss, except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income.

Notes to the Financial Statements

2. Basis of Preparation and Significant Accounting Policies (continued)

(r) Foreign currencies (continued)

(ii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency of the consolidated financial statements are translated into the presentation currency as follows:

- assets and liabilities of foreign operations are translated at the closing rate prevailing at the reporting date;
- income and expenses for each statement of profit and loss and other comprehensive income presented are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- all resulting exchange differences are taken directly to other comprehensive income through the translation reserve.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

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

(s) Equity instruments

Share Capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

Treasury Shares

Where the Company purchases its own equity share capital, the consideration paid, including any directly attributable incremental external costs, net of tax, is included in equity attributable to owners of the Company as treasury shares until they are cancelled, reissued or disposed of.

Where such shares are subsequently sold or reissued, the difference between the sales consideration and the carrying amount of the treasury shares are shown as a movement in equity. Where the consideration received is more than the carrying amount, the credit difference arising is taken to the share premium account. Where the consideration received is less than the carrying amount, the debit difference is offset against reserves.

Where such shares are cancelled, the issued share capital is reduced by the nominal value of the cancelled shares. The amount by which the Company's issued share capital is diminished on cancellation of shares is transferred to a capital redemption reserve amount.

Notes to the Financial Statements

2. Basis of Preparation and Significant Accounting Policies (continued)

(t) Redeemable cumulative preference shares

Preferred shares, which are redeemable on a specific date or at the option of the holder which carry non-discretionary dividend obligations are classified as liabilities. The dividends on the preferred shares are recognised in profit or loss using the effective interest rate method as finance costs.

(u) Revenue recognition

Property development

Revenue from property development is measured at the fair value of the consideration receivable and is recognised, in the profit or loss when significant risks and rewards of ownership have been transferred to the buyers based on the following key considerations:

- the risks and rewards of the properties under development passes to the buyers on delivery in its entirety at a single time on vacant possession and not continuously as construction progresses;
- the Group entities maintain control over the properties under development during the construction period, i.e. the Group entities retain the obligation to construct the property in accordance with terms of the Sale and Purchase Agreement and correspondingly, construction risks is retained with the Group entities;
- the Sale and Purchase Agreement does not give the right to the buyers to take over the work in progress during construction;
- the buyers have limited ability to influence the design of the property; and
- title passes to buyers on vacant possession.

Construction contracts

Revenue from work done on construction contracts is recognised based on the percentage of completion method. The stage of completion is determined based on the total costs incurred to date over the estimated total project costs.

Allowance for foreseeable losses is made in the financial statements when such losses can be determined.

Goods sold and services rendered

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised when the significant risks and rewards of ownership have been transferred to the buyers.

Revenue from services rendered is recognised in profit or loss upon performance of services and is measured at the fair value of the consideration receivable.

Rental and interest income

Rental income and interest income are recognised on an accrual basis.

Dividend income

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

Notes to the Financial Statements

2. Basis of Preparation and Significant Accounting Policies (continued)

(v) Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

Deferred tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(w) Financial assets

(i) Classification

The Group classifies its financial assets based on the purpose for which the financial assets were acquired at initial recognition in the following categories:

<u>Financial assets at fair value through profit or loss</u>

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

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

<u>Held-to-maturity financial assets</u>

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

<u>Available-for-sale financial assets</u>

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2. **Basis of Preparation and Significant Accounting Policies (continued)**

(w) Financial assets (continued)

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

(iii) Subsequent measurement

Gains and losses

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income. Impairment losses and exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in profit or loss. Dividend income on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. For an equity instrument, a significant or prolonged declined in fair value below its cost is also considered objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortization) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

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

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

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

Notes to the Financial Statements

2. Basis of Preparation and Significant Accounting Policies (continued)

(w) Financial assets (continued)

(iv) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

(x) Financial liabilities

Financial liabilities are initially recognised at fair value net of transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

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

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

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(y) Offsetting financial instruments

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

(z) Employee benefits

Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss in the period to which they relate.

(aa) Operating segments

Operating segments are reported in a manner consistent with the internal reporting and are regularly reviewed by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

Notes to the Financial Statements

3. Property, plant and equipment

Group	Leasehold land RM	Buildings RM	Plant and machinery RM	Furniture, fittings and equipment RM	Motor vehicles RM	Container store and cabin RM	Office renovation RM	Total RM
2015								
Cost								
At 1.1.2015	29,799	668,331	942,872	1,646,462	912,573	32,650	614,222	4,846,909
Additions	-	-	368,667	111,042	-	-	-	479,709
Disposals	-	(558,220)	(132,119)	(42,783)	-	-	-	(733,122)
At 31.12.2015	29,799	110,111	1,179,420	1,714,721	912,573	32,650	614,222	4,593,496
Accumulated depreciation								
At 1.1.2015	6,191	86,824	872,919	1,263,055	807,394	13,732	466,261	3,516,376
Charge for the financial year	319	6,824	35,097	124,185	39,601	3,225	61,422	270,673
Disposals	-	(49,308)	(72,062)	(33,677)	-	-	-	(155,047)
At 31.12.2015	6,510	44,340	835,954	1,353,563	846,995	16,957	527,683	3,632,002
Carrying amount								
At 31.12.2015	23,289	65,771	343,466	361,158	65,578	15,693	86,539	961,494
2014								
Cost								
At 1.1.2014	29,799	668,331	938,272	1,493,199	1,445,474	26,050	614,222	5,215,347
Additions	-	-	4,600	153,263	-	6,600	-	164,463
Disposals	-	-	-	-	(532,901)	-	-	(532,901)
At 31.12.2014	29,799	668,331	942,872	1,646,462	912,573	32,650	614,222	4,846,909
Accumulated depreciation								
At 1.1.2014	5,872	73,492	851,349	1,112,105	1,315,843	10,492	405,236	3,774,389
Charge for the financial year	319	13,332	21,570	150,950	24,452	3,240	61,025	274,888
Disposals	-	-	-	-	(532,901)	-	-	(532,901)
At 31.12.2014	6,191	86,824	872,919	1,263,055	807,394	13,732	466,261	3,516,376
Carrying amount								
At 31.12.2014	23,608	581,507	69,953	383,407	105,179	18,918	147,961	1,330,533

Included in the property, plant and equipment of the Group are motor vehicles acquired under finance leases with carrying amount of RM65,564 (2014: RM105,179).

Notes to the Financial Statements

3. Property, plant and equipment (continued)

Company	Furniture, fittings and equipment RM	Computers RM	Office renovation RM	Total RM
2015				
Cost				
At 1.1.2015	377,618	322,298	614,222	1,314,138
Additional	-	6,600	-	6,600
At 31.12.2015	377,618	328,898	614,222	1,320,738
Accumulated depreciation				
At 1.1.2015	280,586	305,384	466,259	1,052,229
Charge for the financial year	28,179	10,379	61,422	99,980
At 31.12.2015	308,765	315,763	527,681	1,152,209
Carrying amount				
At 31.12.2015	68,853	13,135	86,541	168,529
2014				
Cost				
At 1.1.2014/ 31.12.2014	377,618	322,298	614,222	1,314,138
Accumulated depreciation				
At 1.1.2014	245,841	296,049	404,837	946,727
Charge for the financial year	34,745	9,335	61,422	105,502
At 31.12.2014	280,586	305,384	466,259	1,052,229
Carrying amount				
At 31.12.2014	97,032	16,914	147,963	261,909

4. Investment in Subsidiary Companies

	In Malaysia RM	Outside Malaysia RM	Total RM
Company			
2015			
Unquoted shares, at cost			
At 1 January / 31 December	58,349,909	99,460,400	157,810,309
2014			
Unquoted shares, at cost			
At 1 January	58,209,909	99,460,400	157,670,309
Additions during the financial year	140,000	-	140,000
At 31 December	58,349,909	99,460,400	157,810,309

Notes to the Financial Statements

4. Investment in Subsidiary Companies (continued)

	Company 2015 RM	2014 RM
Represented by:		
Ordinary shares	157,809,309	157,809,309
Redeemable preference shares	1,000	1,000
	157,810,309	157,810,309

(a) The subsidiary companies and shareholdings therein are as follows:

Name of companies	Country of incorporation/ Principal place of business	Effective ownership and voting interest (%) 2015	2014	Principal activities
Direct holding:				
Dunia Epik Sdn. Bhd.	Malaysia	100	100	Civil engineering and building construction
Magna Prima Construction Sdn. Bhd.	Malaysia	100	100	Civil engineering and building construction
Magna Prima Development Sdn. Bhd.	Malaysia	100	100	Property development and provision of management services
Magna Shah Alam Sdn. Bhd.	Malaysia	100	100	Property development
Kontrakmal 1 (M) Sdn. Bhd.	Malaysia	100	100	Dormant
Crossborder Team (M) Sdn. Bhd.	Malaysia	100	100	Property development
Everhall (M) Sdn. Bhd.	Malaysia	100	100	Property investment
33 Sentral Park Sdn. Bhd.	Malaysia	100	100	Property development
Twinicon (M) Sdn. Bhd.	Malaysia	100	100	Property development
Winicon (M) Sdn. Bhd.	Malaysia	100	100	Property development and provision of management services
Magna Mix Sdn. Bhd.	Malaysia	100	100	Manufacturing and trading in ready mixed concrete
Prima Awan (M) Sdn. Bhd.	Malaysia	100	100	Property management
Pembinaan Contamaju-Infocast Sdn. Bhd.	Malaysia	100	100	Civil engineering and building construction
Magna City Shah Alam Sdn. Bhd.	Malaysia	100	100	Dormant
Magna City Development Sdn. Bhd.	Malaysia	100	100	Property development
Permata Juang (M) Sdn. Bhd.	Malaysia	100	100	Property development
Monetary Icon (M) Sdn. Bhd.	Malaysia	100	100	Property development
Magna Prima Australia Pty. Ltd.*	Australia	100	100	Property development
Pavilion Uptrend Sdn. Bhd.	Malaysia	70	70	Property development

Notes to the Financial Statements

4. Investment in Subsidiary Companies (continued)

(a) The subsidiary companies and shareholdings therein are as follows (continued):

Name of companies	Country of incorporation/ Principal place of business	Effective ownership and voting interest (%) 2015	2014	Principal activities
Subsidiary of Dunia Epik Sdn. Bhd.				
Magna Park (Mentakab) Sdn. Bhd.	Malaysia	100	100	Civil engineering and building construction
Subsidiaries of Magna Prima Development Sdn. Bhd.				
Magna Park Sdn. Bhd.	Malaysia	91	91	Investment holding and property development
Magna Ecocity Sdn. Bhd.	Malaysia	70	70	Property development
Subsidiary of Magna Prima Construction Sdn. Bhd.				
MPrima (Shah Alam) Sdn. Bhd.	Malaysia	100	100	Construction and project management
Subsidiaries of Magna Park Sdn. Bhd				
Embassy Court Sdn. Bhd.	Malaysia	91	91	Property development
Amanabina Sdn. Bhd.	Malaysia	91	91	Property development and project management services
Subsidiaries of Winicon (M) Sdn. Bhd				
Ibsul Development (Sel) Sdn. Bhd.	Malaysia	100	100	Property development and property investment

* Audited by another member firm of Morison International which is a separate and independent legal entity from Morison Anuarul Azizan Chew.

(b) Non-controlling interests ("NCI") in subsidiaries

	Magna Park Sdn. Bhd and its subsidiaries 2015 RM	2014 RM	Magna Ecocity Sdn. Bhd 2015 RM	2014 RM
Non-current assets	2,580	6,207	-	-
Current assets	34,978,681	42,099,504	126,377,976	119,290,192
Non-current liabilities	(1,000)	(1,000)	(69,985,479)	(40,768,649)
Current liabilities	(61,660,407)	(72,408,222)	(27,045,183)	(48,090,338)
Net assets	(26,680,146)	(30,303,511)	29,347,314	30,431,205
Carrying amount of NCI as at 31 December	(2,483,922)	(2,821,257)	8,804,194	9,129,362

Notes to the Financial Statements

4. Investment in Subsidiary Companies (continued)

(c) Non-controlling interests ("NCI") in subsidiaries

	Magna Park Sdn. Bhd and its subsidiaries		Magna Ecocity Sdn. Bhd	
	2015 RM	2014 RM	2015 RM	2014 RM
Revenue	1,083,000	-	-	-
Profit/(Loss)/Total comprehensive expense during the financial year	3,623,365	(10,838,540)	(1,083,891)	(1,171,701)
Profit/(Loss)/Total comprehensive expense allocated to NCI during the financial year	337,335	(1,009,068)	(325,167)	(351,510)
Cash flows from operating activities	385,197	(226,405)	820,583	21,484
Cash flows from financing activities	-	-	(835,725)	-
Net increase/(decrease) in cash and cash equivalents	385,197	(226,405)	(15,142)	21,484
Ownership interest and voting rights percentage held by NCI	9%	9%	30%	30%

5. Investment Properties

	Group			
	Investment properties under construction RM	Freehold land RM	Leasehold land RM	Total RM
2015				
Cost				
At 1 January	49,075,002	-	6,208,800	55,283,802
Additions	26,270,172	-	-	26,270,172
Transfer from asset classified as held for sale (Note 15)	-	171,751,504	-	171,751,504
At 31 December	75,345,174	171,751,504	6,208,800	253,305,478
Accumulated depreciation				
At 1 January	-	-	161,268	161,268
Charge for the financial year	-	-	80,633	80,633
At 31 December	-	-	241,901	241,901
Carrying amount	75,345,174	171,751,504	5,966,899	253,063,577
Fair value	*	382,000,000	7,400,000	
2014				
Cost				
At 1 January	41,915,334	-	6,208,800	48,124,134
Additions	7,159,668	-	-	7,159,668
At 31 December	49,075,002	-	6,208,800	55,283,802
Accumulated depreciation				
At 1 January	-	-	80,634	80,634
Charge for the financial year	-	-	80,634	80,634
At 31 December	-	-	161,268	161,268
Carrying amount	49,075,002	-	6,047,532	55,122,534
Fair value	*	-	7,400,000	

Notes to the Financial Statements

5. Investment Properties (continued)

* Investment properties under construction includes the construction of a shopping mall and a supermarket located in Jalan Kuching, targeted for completion by quarter 2, 2016. The fair value of these properties cannot be measured reliably due to the lack of comparable property transactions or information on the comparable properties' occupancy rate and rental yields within the vicinity. Therefore, the fair value for investment properties under construction is not presented.

Investment properties under construction and freehold land with a carrying amount of RM247,096,678 (2014: RM49,075,002) have been pledged to secure banking facilities granted to the Group.

As at 31 December 2015, included in investment properties under construction of the Group is capitalised borrowing costs of RM4,634,603 (2014: RM2,075,003) incurred during the financial year.

6. Land Held for Property Development

	Group			
	Freehold land RM	Leasehold land RM	Development expenditure RM	Total RM
2015				
At 1 January	48,479,360	-	16,533,655	65,013,015
Additions	-	-	11,506	11,506
At 31 December	48,479,360	-	16,545,161	65,024,521
2014				
At 1 January	48,479,360	123,027,100	8,295,714	179,802,174
Additions	-	-	28,827,634	28,827,634
Transfers to inventories	-	(123,027,100)	(20,589,693)	(143,616,793)
At 31 December	48,479,360	-	16,533,655	65,013,015

Land held for property development with a carrying amount of RM65,024,521 (2014: RM65,013,015) have been pledged to secure banking facilities granted to the Group.

7. Deferred taxation

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Deferred tax assets	10,311,386	11,625,213	-	-
Deferred tax liabilities	(92,470)	(34,401)	(23,197)	(34,401)
	10,218,916	11,590,812	(23,197)	(34,401)
At 1 January	11,590,812	14,444,520	(34,401)	(44,588)
Recognised in profit or loss:				
- property, plant and equipment	(33,328)	31,985	11,204	10,187
- deferred revenue	(2,246,288)	(2,450,472)	-	-
- unutilised tax losses	(1,674,520)	3,076	-	-
- provisions and others	2,369,334	(349,959)	-	-
	(1,584,802)	(2,765,370)	11,204	10,187
Exchange differences	212,906	(88,338)	-	-
At 31 December	10,218,916	11,590,812	(23,197)	(34,401)

Notes to the Financial Statements

7. Deferred taxation (continued)

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Deferred tax assets:				
- deferred revenue	5,993,809	8,240,097	-	-
- unutilised tax losses	-	1,637,670	-	-
- provisions and others	4,318,286	1,772,896	-	-
	10,312,095	11,650,663	-	-
Offsetting	(709)	(25,450)	-	-
Net deferred tax assets	10,311,386	11,625,213	-	-
Deferred tax liabilities:				
- property, plant and equipment	93,179	59,851	23,197	34,401
Offsetting	(709)	(25,450)	-	-
Net deferred tax liabilities	92,470	34,401	23,197	34,401

Deferred tax assets have not been recognised for the following items:

	2015 RM	2014 RM
Deductible temporary differences	14,474,000	29,315,228
Unutilised tax losses	34,947,148	43,943,694
	49,421,148	73,258,922
Deferred tax assets not recognised at 24% (2014: 25%)	11,861,076	18,314,731

8. Trade Receivables

	Group	
	2015 RM	2014 RM
Trade receivables	36,293,041	31,404,864
Accrued billings from completed projects	-	58,840
Stakeholders sum	4,449,236	4,130,985
	40,742,277	35,594,689
Less: Impairment loss	(9,093,236)	(9,245,371)
	31,649,041	26,349,318
Analysed as:		
Non-current assets	-	2,469,002
Current assets	31,649,041	23,880,316
	31,649,041	26,349,318

Notes to the Financial Statements

8. Trade Receivables (continued)

The ageing analysis of trade receivables are as follows:

	Group 2015 RM	Group 2014 RM
Neither past due or impaired	3,856,070	6,453,125
1 - 90 days past due but not impaired	11,024,781	3,367,874
91 - 180 days past due but not impaired	15,052,546	12,397,334
181 - 365 days past due but not impaired	343	-
More than 365 days past due but not impaired	545,895	4,130,985
	26,623,565	19,896,193
Individually impaired	5,813,406	9,245,371
Collectively impaired	4,449,236	-
	40,742,277	35,594,689

The Group's normal trade credit terms range from 30 to 120 days (2014: 30 to 120 days). Other credit terms are assessed and approved on a case-by-case basis.

The Group's trade receivables of RM5,813,406 (2014: RM9,245,371) were individually impaired. The individually impaired receivables mainly relate to customers from trading activities which are facing difficulties in cash flows. As at 31 December 2015, the impairment loss for these receivables is RM5,813,406 (2014: RM9,245,371).

The Group's trade receivables of RM4,449,236 (2014: Nil) were collectively impaired. The collectively impaired receivables relate to a pending material litigation against the stakeholders sum held in trust by the solicitors as disclosed in Note 38 to the financial statements. As at 31 December 2015, the impairment loss for these receivables is RM3,279,830 (2014: Nil).

The Group's trade receivables of RM26,623,565 (2014: RM19,896,193) that are past due at the reporting date but not impaired. These balances consist of amount owing by the end buyers who have obtained end financing to fund their purchases of the Group's properties or represent refundable stakeholders sum arising from the sales of properties which are held in trust by the end buyers' solicitors. These balance also include other independent customers for whom there is no recent history of default.

Movements on the provision for impairment of trade receivables are as follows:

	Group 2015 RM	Group 2014 RM
At 1 January	9,245,371	2,575,753
Provision made during the financial year	4,699,055	7,088,310
Reversal during the year	(4,338,216)	-
Written off	(512,974)	(418,692)
At 31 December	9,093,236	9,245,371

9. Inventories

	Group 2015 RM	Group 2014 RM
Developed properties held for sale	81,835,611	3,497,174
Properties under development	247,809,372	709,226,660
	329,644,983	712,723,834
Finished goods	-	111,097
	329,644,983	712,834,931

Notes to the Financial Statements

9. Inventories (continued)

The movements of developed properties held for sale are as follows:

	Group	
	2015	**2014**
	RM	**RM**
At 1 January	3,497,174	3,497,174
Transfer from completed development	76,225,138	-
Inventories written down	(1,164,000)	-
Sale of properties	(578,757)	-
Exchange differences	3,856,056	-
At 31 December	81,835,611	3,497,174

The movements of properties under development are as follows:

	Group	
	2015	**2014**
	RM	**RM**
Freehold land, at cost	161,921,783	183,212,960
Leasehold land, at cost	124,387,882	1,360,782
Planning, survey and strata titles fees	109,143	114,503
Development and construction cost	422,807,852	249,881,922
At 1 January	709,226,660	434,570,167
Transfers from land held for property development (Note 6):		
- Leasehold land at cost	-	123,027,100
- Development expenditure	-	20,589,693
	-	143,616,793
Cost incurred during the financial year:		
- Land related cost	1,450,177	-
- Authority contributions	380,149	5,989,609
- Professional fees	902,388	2,154,613
- Building and construction	79,662,393	183,512,372
- Sales and marketing	-	350,000
- Finance costs	8,663,736	18,458,655
- Project management fee	316,948	5,269,931
	91,375,791	215,735,180
Cost recognised as an expense during the financial year	(485,457,030)	(74,640,132)
Transfers to developed properties held for sale	(76,225,138)	-
Translation differences	8,889,089	(10,055,348)
At 31 December	247,809,372	709,226,660

Cost incurred during the financial year is derived after charging:

	Group	
	2015	**2014**
	RM	**RM**
Rental of equipment	1,800	11,104
Rental of vehicle, plant & machinery	2,462,389	2,053,468
Rental of land	16,000	-

Properties under development included above with a carrying amount of RM155,717,838 (2014: RM540,803,119) have been pledged to secure banking facilities granted to the Group.

Notes to the Financial Statements

10. Amount Owing by Customers on Contracts

	Group	
	2015 RM	2014 RM
Contract costs	229,037,342	229,037,342
Attributable profits	55,480,236	55,480,236
	284,517,578	284,517,578
Progress billings including retention sum	(282,460,981)	(282,460,981)
	2,056,597	2,056,597
Represented by:		
Amount owing by customer on contracts	2,056,597	2,056,597

11. Other Receivables

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Other receivables	4,192,814	4,161,637	2,150,767	2,150,767
Deposits	2,788,290	49,593,651	125,380	125,580
Prepayments	11,936,083	12,201,464	60,000	60,000
	18,917,187	65,956,752	2,336,147	2,336,347
Less: Impairment loss	(1,741,267)	(1,741,267)	(1,741,267)	(1,741,267)
	17,175,920	64,215,485	594,880	595,080

Movements on the provision for impairment of other receivables are as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
At 1 January/ 31 December	1,741,267	1,741,267	1,741,267	1,741,267

Included in prepayments are part-payments and other costs incurred in relation to the acquisition of land amounting to RM11,496,704 (2014: RM11,853,202).

12. Amount Owing by/(to) Subsidiary Companies

Amount owing by/(to) subsidiary companies are non-trade in nature, interest-free and repayable on demand.

13. Cash Held Under Housing Development Accounts

Cash held under the Housing Development Accounts represents monies received from purchasers of properties less payments or withdrawals in accordance with the Housing Development (Control and Licensing) Act 1966. The effective interest rate on the above ranges from 1.90% to 2.15% (2014: 1.90% to 2.15%).

Notes to the Financial Statements

14. Fixed Deposits Placed with Licensed Banks

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Fixed deposits pledged with licensed banks	6,022,401	4,469,005	116,667	-
Other short term deposits	72,230,669	23,037,235	16,033,874	23,031,112
	78,253,070	27,506,240	16,150,541	23,031,112

Fixed deposits pledged to licensed banks are secured for bank guarantee and bank overdrafts facilities granted to the Group as disclosed in Note 19 to the financial statements.

The effective interest rates and maturities of deposits range from 1.8% to 3% (2014: 1.8% to 3%) per annum and 1 to 365 days (2014: 1 to 365 days) respectively.

15. Asset Classified as Held for Sale

	Group	
	2015	2014
	RM	RM
Freehold land:		
At 1 January	171,181,624	-
Additions	569,880	171,181,624
Transfer to investment properties	(171,751,504)	-
At 31 December	-	171,181,624

The Directors have the intention to sell the freehold land. However, as there were no firm offers from potential purchasers that is considered highly probable to secure a sale under MFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations,* it has been reclassified as an investment property during the financial year.

16. Trade Payables

	Group	
	2015	2014
	RM	RM
Trade payables	28,441,249	87,738,140
Retention sum payables	10,256,979	10,663,441
	38,698,228	98,401,581
Analysed as:		
Current liabilities	38,698,228	92,957,468
Non-current liabilities	-	5,444,113
	38,698,228	98,401,581

The Group's normal trade credit terms range from 30 to 120 days (2014: 30 to 120 days).

Included in trade payables is an amount of RM10,666,667 (2014: RM46,489,138) recognised in relation to the Group's pending material litigation as disclosed in Note 38 to the financial statements.

Notes to the Financial Statements

17. Other Payables

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Other payables	9,018,397	52,470,233	145,440	3,993
Provision for liquidated and ascertained damages	11,095,400	3,586,913	-	-
Refundable deposits	2,148,209	2,109,994	-	-
Accruals	32,816,004	26,408,904	90,018	794,206
	55,078,010	84,576,044	235,458	798,199

Included in accruals is an amount of RM100,000 (2014: RM11,013,942) recognised in relation to the Group's pending material litigation as disclosed in Note 38 to the financial statements.

The movement in the Group's provisions for liquidated and ascertained damages are as follows:

	Group	
	2015	**2014**
	RM	**RM**
At 1 January	3,586,913	1,502,903
Provisions for liquidated and ascertained damages	9,187,201	3,791,903
Payments made	(1,075,220)	(1,285,892)
Overprovision of liquidated and ascertained damages	(603,494)	(422,001)
At 31 December	11,095,400	3,586,913

Provision for liquidated and ascertained damages is recognised in respect of late delivery of projects undertaken by certain subsidiaries. The provision has been recognised for the expected liquidated and ascertained damages claims based on the applicable terms and conditions stated in the sale and purchase agreements.

18. Deferred Revenue

	Group	
	2015	**2014**
	RM	**RM**
Progress billing to-date	27,167,355	267,659,967

Deferred revenue relates to progress billing net of discounts for which the final goods have yet to be delivered.

19. Borrowings

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Current				
Secured:				
Bridging loan	57,695,048	119,151,662	17,000,000	-
Term loans	19,123,862	292,436,180	-	-
Bank overdrafts	440,524	-	-	-
Banker acceptances	-	14	-	-
Finance lease liabilities	36,424	36,393	-	-
	77,295,858	411,624,249	17,000,000	-
Non-current				
Secured:				
Bridging loan	71,521,107	-	3,000,000	-
Term loans	119,491,282	91,638,947	-	-
Finance lease liabilities	28,482	64,906	-	-
	191,040,871	91,703,853	3,000,000	-
	268,336,729	503,328,102	20,000,000	-
Secured:				
Bridging loan	129,216,155	119,151,662	20,000,000	-
Term loans	138,615,144	384,075,127	-	-
Bank overdrafts	440,524	-	-	-
Banker acceptances	-	14	-	-
Finance lease liabilities	64,906	101,299	-	-
	268,336,729	503,328,102	20,000,000	-

The above credit facilities obtained are secured on the following:

(a) Assignment of surplus fund in the Housing Development Account of certain subsidiary companies;
(b) Assignment of Project Account for development of certain subsidiary companies;
(c) Trade financing general agreement;
(d) Letter of negative pledge;
(e) Blanket counter indemnity;
(f) Fixed charge and Private Caveat on investment and certain parcels of the projects' development freehold and leasehold land as stated in Note 5, Note 6 and Note 9 to the financial statements;
(g) A registered Debenture covering a first fixed and floating charge for RM331,511,104 (2014: RM222,990,000) on all current and future assets of certain subsidiary companies;
(h) Fixed deposits pledge of certain subsidiary companies of the Group; and
(i) Corporate guarantee for the subsidiary companies' borrowings by the Company.

The Group's term loans are repayable by monthly, quarterly or semi-annual instalments over 1 to 17 years (2014: 1 to 17 years).

Notes to the Financial Statements

20. Redeemable Cumulative Preference Shares ("RCPS")

	Group/Company			
	2015		2014	
	Number of shares	Amount RM	Number of shares	Amount RM
Authorised				
RCPS of RM0.01 each:				
At 1 January	40,000,000	400,000	-	-
Created during the financial year	-	-	40,000,000	400,000
At 31 December	40,000,000	400,000	40,000,000	400,000
Issued and fully paid				
RCPS of RM0.01 each:				
At 1 January	40,000,000	400,000	-	-
Issued during the final year	-	-	40,000,000	400,000
Redemption of RCPS	(40,000,000)	(400,000)	-	-
At 31 December	-	-	40,000,000	400,000

The redeemable cumulative preference shares are represented by:

	Group/Company	
	2015 RM	2014 RM
Nominal value	-	400,000
Share premium	-	39,600,000
	-	40,000,000

Details of the Redeemable Cumulative Preference Shares ("RCPS") are as follows:

(i) At an Extraordinary General Meeting ("EGM") held on 3 December 2014, the shareholders of the Company approved a resolution for the issuance of 40,000,000 new RCPS of RM0.01 each to Lembaga Tabung Angkatan Tentera ("LTAT") at an issue price RM1.00 per RCPS.

(ii) The maturity date of the RCPS shall be the date occurring on the day immediately preceding the expiry of the 1 year of the date of issuance of the RCPS or if such date is not a day on which the stock market of the Exchange is open for trading in securities ("Market Day"), the next Market Day following such date ("Maturity Date").

(iii) The RCPS holder will not be entitled to participate in profits other than a right to receive a fixed preferential dividend at the rate of 16% per annum, calculated based on the total subscription price paid on each RCPS by the RCPS holder, to be paid in cash upon redemption of the RCPS.

(iv) On the Maturity Date, the RCPS holder will have the right to require the Company to redeem the outstanding RCPS based on its issue price and at the option of the RCPS holder, be paid:
   (a) In cash;
   (b) In-kind settlement of unsold units of a subsidiary company's properties in Australia; and/or
   (c) Through issuance of new ordinary shares in the Company.

(v) The RCPS shall rank pari passu among themselves but in priority to all other classes of preference shares and/or ordinary shares in the Company in the event of any liquidation, dissolution or winding up of the Company, or upon a reduction of capital or other return of capital (other than a conversion, purchase or redemption of any RCPS or any share of any other class of redeemable shares).

On 23 June 2015, the Company had fully redeemed the 40,000,000 RCPS at a redemption price of RM1.00 each amounting to RM40,000,000 financed by internally generated funds. Accordingly, the per value of the RCPS amounting to RM400,000 was transferred to the capital redemption reserve.

Notes to the Financial Statements

21. Share Capital

	Group/Company			
	2015		2014	
	Number of shares	Amount RM	Number of shares	Amount RM
Authorised				
Ordinary shares of RM0.25 each:				
At 1 January	500,000,000	125,000,000	400,000,000	100,000,000
Created during the financial year	300,000,000	75,000,000	100,000,000	25,000,000
At 31 December	800,000,000	200,000,000	500,000,000	125,000,000
Issued and fully paid				
Ordinary shares of RM0.25 each:				
At 1 January/31 December	332,889,940	83,222,485	332,889,940	83,222,485

Warrants 2015/2020

On 2 September 2015, the Company allotted 166,444,970 bonus Warrants 2015/2020 on the basis of 1 Warrant for every 2 existing ordinary shares of RM0.25 each held in the Company. The Warrant 2015/2020 were listed on the Main Market of Bursa Malaysia Securities Berhad with effect from 10 September 2015.

Each Warrant 2015/2020 entitles the registered holder to subscribe for 1 new ordinary share in the Company at any time on or after 7 September 2015 till 4 September 2020, at an exercise price of RM0.90. Any Warrant 2015/2020 not exercised at the date of maturity will lapse and cease to be valid for any purpose. As at 31 December 2015, 166,444,970 Warrant 2015/2020 remain unexercised.

The ordinary shares issued from the exercise of Warrants 2015/2020 shall rank pari passu in all respects with the existing issued ordinary shares of the Company except that they shall not be entitled to any dividends, distributions or rights, the entitlement date of which is prior to the date of the allotment of the new shares arising from the exercise of Warrants 2015/2020.

22. Treasury Shares

	Group/Company			
	2015		2014	
	Number of shares	Amount RM	Number of shares	Amount RM
At 1 January	-	-	-	-
Shares purchased during the financial year	85,200	76,888	-	-
At 31 December	85,200	76,888	-	-

The shareholders of the Company had approved an ordinary resolution at the Annual General Meeting held on 20 May 2015 for the Company to repurchase its own shares up to 10% of the issued and paid-up capital of the Company. The Directors of the Company were committed to enhancing the value of the Company and believed that the repurchase plan was being applied in the best interest of the Company and its shareholders.

During the financial year, the Company repurchased 85,200 (2014: Nil) of its issued share capital from the open market on Bursa Malaysia for RM76,888 (2014: Nil). The average price paid for the shares repurchased was approximately RM0.902 (2014: Nil) per share. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares as allowed for under Section 67A of the Companies Act, 1965. The Company has the right to reissue these shares at a later date. As treasury shares, the rights attached as to voting, dividends and participation in other distribution are suspended.

Notes to the Financial Statements

23. Reserves

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Non-distributable:				
Share premium	35,565,970	35,565,970	35,565,970	35,565,970
Foreign currency translation reserve	3,623,723	(10,180,059)	-	-
Capital reserve	19,706,095	19,706,095	-	-
Capital redemption reserve	400,000	-	400,000	-
Distributable:				
Retained profits	205,421,699	13,816,688	105,047,797	112,717,032
	264,717,487	58,908,694	141,013,767	148,283,002

(i) Share Premium

The share premium is not distributable by way of cash dividends but may be utilised in the manner as set out in Section 60(3) of the Companies Act, 1965 in Malaysia.

(ii) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(iii) Capital Reserve

Capital reserve consist of a transfer from retained profits arising from bonus issue of shares in a subsidiary company and effect arising from deemed disposal of partial stakeholding in a subsidiary company.

(iv) Capital Redemption Reserve

The capital redemption reserve arises from the capitalisation of retained profits following the redemption of the Redeemable Cumulative Preference Shares.

24. Revenue

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Sale of development properties	793,126,963	132,942,871	-	-
Construction contracts:				
- under recognised in prior year	-	4,834,826	-	-
Property management fee	669,442	666,396	-	-
Management fees	-	-	3,295,000	7,821,264
Dividend income	-	-	9,490,000	19,188,000
Trading and other income	1,713,476	4,108,717	-	-
	795,509,881	142,552,810	12,785,000	27,009,264

Notes to the Financial Statements

25. Cost of Sales

	Group 2015 RM	Group 2014 RM
Property development costs:		
- current year	486,035,787	74,640,132
- over recognised in prior year	-	(5,092,085)
Cost of inventories sold	1,133,772	3,650,851
Others	(16,231,856)	31,393,039
	470,937,703	104,591,937

Included in others are net claim amounts recognised in relation to the Group's pending material litigation amounting to a reversal of RM20,930,828 (2014: provision of RM31,393,039) as disclosed in Note 38 to the financial statements.

26. Profit from operations

Profit from operations is derived after charging/(crediting):

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Auditors' remuneration:				
- current year	213,669	240,782	42,000	30,000
- (over)/under provision in prior year	(9,900)	20,423	10,000	2,000
Net impairment loss of trade receivables	360,839	7,088,310	-	-
Depreciation on:				
- property, plant and equipment	270,673	274,888	99,980	105,502
- investment properties	80,633	80,634	-	-
Gain on disposal of property, plant and equipment	(71,925)	(83,000)	-	-
Impairment of goodwill on consolidation	-	3,269,146	-	-
Inventories written down	1,164,000	-	-	-
Rental of:				
- equipment	73,111	53,317	9,004	8,326
- vehicle, plant & machinery	48,963	1,286,383	-	-
- premises	464,219	506,525	42,669	54,835
- land	36,000	99,000	-	-
Provision for liquidated and ascertained damages:				
- current year	9,187,201	3,791,903	-	-
- overprovision in prior year	(603,494)	(422,001)	-	-
Unrealised foreign exchange loss	5,818,167	2,791,750	-	-
Realised foreign exchange gain	(3,142,044)	-	(3,142,044)	-
Finance income:				
- Interest income	(2,903,686)	(603,543)	(1,045,934)	(46,068)
- Unwinding of discount on trade receivables	(197,849)	(696,937)	-	-
Rental income	(295,100)	(262,350)	-	-

Notes to the Financial Statements

27. Finance Costs

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Interest expense on:				
Bridging loan and term loans	9,248,634	8,726,210	-	-
Redeemable Cumulative Preference Shares	3,640,855	-	3,640,855	-
Unwinding of discount on trade payables	367,171	887,613	-	-
Finance lease liabilities	4,080	3,991	-	-
Bank overdrafts	-	2,607	-	-
Banker acceptances	-	41,892	-	-
Others	310,646	1,615	-	-
	13,571,386	9,663,928	3,640,855	-

28. Taxation

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Current taxation:				
- Current year	70,480,762	1,211,649	597,421	-
- Under/(Over) provision in prior year	2,607,286	4,014,622	164,015	(633,036)
	73,088,048	5,226,271	761,436	(633,036)
Deferred taxation (Note 7):				
- Origination and reversal of temporary differences	5,528,206	2,708,478	(11,528)	(10,830)
- (Over)/Under provision in prior year	(3,943,404)	56,892	324	643
	1,584,802	2,765,370	(11,204)	(10,187)
	74,672,850	7,991,641	750,232	(643,223)

Income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit/(loss) for the financial year. Taxation for other jurisdictions is calculated at the prevailing tax rates in the respective jurisdictions. The Malaysian statutory tax rate will be reduced to 24% from the current rate at 25% effective from year of assessment 2016.

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Profit/(loss) before taxation	283,333,192	(7,023,226)	10,125,494	24,099,265
Taxation at statutory tax rate of 25% (2014: 25%)	70,833,298	(1,755,807)	2,531,374	6,024,816
Effect of different tax rates in other countries	6,493,462	(304,732)	32,954	-
Effect of changes in tax rate	850,616	-	(967)	-
Income not subject to tax	-	-	(2,372,500)	(4,797,000)
Non-deductible expenses	3,325,386	3,161,848	1,027,084	204,199
Change in unrecognised deferred tax assets	(5,493,794)	2,818,818	-	-
Group relief	-	-	(632,052)	(1,442,845)
Under/(Over) provision of current taxation in prior year	2,607,286	4,014,622	164,015	(633,036)
(Over)/Under provision of deferred taxation in prior year	(3,943,404)	56,892	324	643
Taxation for the financial year	74,672,850	7,991,641	750,232	(643,223)

Notes to the Financial Statements

29. Earnings Per Share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the consolidated profit/(loss) after taxation attributable to Owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group 2015 RM	Group 2014 RM
Profit/(Loss) for the financial year attributable to Owners of the Company	208,649,508	(13,653,786)
Weighted average number of ordinary shares issued	332,861,540	332,889,940
Basic earnings per share (sen)	62.68	(4.10)

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, the net profit for the year and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, i.e. warrants.

	Group 2015 RM	Group 2014 RM
Profit/(Loss) for the financial year attributable to Owners of the Company	208,649,508	(13,653,786)
Weighted average number of ordinary shares in issue	332,861,540	332,889,940
Adjusted for assumed conversion of warrants	15,131,361	-
Adjusted weighted average number of ordinary shares in issue	347,992,901	332,889,940
Diluted earnings per share (sen)	59.96	(4.10)

30. Dividends Paid

	Group/Company 2015 RM	Group/Company 2014 RM
Interim dividend paid in respect of financial year ended 31 December 2015:		
5.0 sen per share single tier exempt dividend	16,644,497	-
Final dividend paid in respect of financial year ended 31 December 2013:		
1.0 sen per share single tier exempt dividend	-	3,328,899
	16,644,497	3,328,899

31. Key Management Personnel Compensation

The key management personnel compensation is as follows:

	Group/Company 2015 RM	Group/Company 2014 RM
Company's Directors:		
Salaries and other emoluments	782,558	651,569
EPF	133,188	92,608
Socso	1,085	981
Bonus	241,700	49,000
Fees and meeting allowances	240,500	215,000
Estimated money value of benefits-in-kind	98,882	83,116
	1,497,913	1,092,274

Notes to the Financial Statements

32. Staff Information

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Staff costs (excluding Directors) comprise:				
charged to profit or loss	4,613,801	4,719,298	771,361	700,375
capitalised under Inventories –				
properties under development	3,241,486	2,662,256	-	-
	7,855,287	7,381,554	771,361	700,375

Included in staff costs are contributions made to the Employees Provident Fund under a defined contribution plan for the Group and the Company of RM738,023 and RM81,342 (2014: RM745,978 and RM74,209) respectively.

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 the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The significant related party transactions of the Company, other than key management personnel compensation, are as follows:

	Company	
	2015 RM	2014 RM
Management fee received/receivable from subsidiary companies:		
Magna Park Sdn. Bhd.	350,000	350,000
Dunia Epik Sdn. Bhd.	150,000	150,000
Embassy Court Sdn. Bhd.	500	500
Magna Prima Construction Sdn. Bhd.	350,000	350,000
MPrima (Shah Alam) Sdn. Bhd.	150,000	4,676,264
Monetary Icon (M) Sdn. Bhd.	150,000	150,000
Magna Shah Alam Sdn. Bhd.	150,000	150,000
Magna Mix Sdn. Bhd.	150,000	150,000
Pembinaan Contamaju-Infocast Sdn. Bhd.	40,000	40,000
Crossborder Team (M) Sdn. Bhd.	150,000	150,000
Ibsul Development (Sel) Sdn. Bhd.	150,000	150,000
Permata Juang (M) Sdn. Bhd.	150,000	150,000
Magna City Development Sdn. Bhd.	150,000	150,000
Magna Prima Development Sdn. Bhd.	350,000	350,000
Amanabina Sdn. Bhd.	500	500
Magna Ecocity Sdn. Bhd.	350,000	350,000
Magna City Shah Alam Sdn. Bhd.	500	500
Winicon (M) Sdn. Bhd.	500	500
Twinicon (M) Sdn. Bhd.	500	500
33 Sentral Park Sdn. Bhd.	150,000	150,000
Everhall (M) Sdn. Bhd.	500	500
Magna Park (Mentakab) Sdn. Bhd.	500	500
Kontrakmal 1 (M) Sdn. Bhd.	500	500
Prima Awan (M) Sdn. Bhd.	500	500
Magna Prima Australia Pty. Ltd.	350,000	350,000
Pavilion Uptrend Sdn. Bhd.	500	500
	3,295,000	7,821,264

Notes to the Financial Statements

33. Related Party Disclosures (continued)

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group. Significant related party transactions with key management personnel is disclosed in Note 31.

34. Financial guarantees

	Company	
	2015	**2014**
	RM	**RM**
Guarantees given to financial institutions for facilities granted to subsidiary companies:		
- Secured on assets of subsidiary companies	306,371,905	532,200,304
Guarantees given to trade payables for credit facilities of subsidiary companies		
- Unsecured	16,700,000	24,015,000
Limit of guarantees	323,071,905	556,215,304
Amount utilised by subsidiary companies	268,526,721	505,494,285

35. Segmental Reporting

Segment information is primarily presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure.

The reportable business segments of the Group comprise the following:

Properties	:	Property development
Construction and Engineering	:	Civil engineering and building construction
Manufacturing and Trading	:	Manufacturing and trading in ready-mixed concrete
Others	:	Investment holding and Property Management Services

Other non-reportable segments comprise operations to subsidiary companies which are dormant.

Segment revenue, results, assets and liabilities include items directly attributable to a segment and those where a reasonable basis of allocation exists. Inter-segment revenues are eliminated on consolidation.

Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Notes to the Financial Statements

35. Segmental Reporting (continued)

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Board of Directors. Segment total assets are used to measure the return of assets of each segment.

The total of segment liabilities is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the Board of Directors.

2015	Properties RM	Construction and Engineering RM	Manufacturing and Trading RM	Others RM	Non -reportable segments RM	Inter -segment eliminations RM	Total RM
Revenue							
External revenue	793,126,963	-	1,713,476	669,442	-	-	795,509,881
Inter-segment revenue	-	69,604,717	4,778,406	13,050,890	-	(87,434,013)	-
Total revenue	793,126,963	69,604,717	6,491,882	13,720,332	-	(87,434,013)	795,509,881
Results							
Finance income	1,993,637	38,719	21,124	1,048,055	-	-	3,101,535
Finance cost	(9,559,280)	(367,171)	(921)	(3,644,014)	-	-	(13,571,386)
Depreciation	(7,268)	(36,207)	(32,177)	(195,021)	(80,633)	-	(351,306)
Impairment of trade receivables	(3,279,830)	-	2,918,991	-	-	-	(360,839)
Impairment of inventories	(1,164,000)	-	-	-	-	-	(1,164,000)
Taxation	(71,584,846)	(2,327,677)	(10,095)	(750,232)	-	-	(74,672,850)
Segment profit/(loss)	194,827,287	18,116,345	3,955,217	8,435,413	(169,142)	(16,504,779)	208,660,341
Assets							
Segment assets	1,039,556,832	124,922,901	9,014,269	537,770,973	89,080,890	(984,711,756)	815,634,109
Liabilities							
Segment liabilities	724,613,746	137,642,468	12,277,503	306,495,167	82,977,401	(802,613,698)	461,392,587
2014							
Revenue							
External revenue	132,942,871	4,834,826	4,108,717	666,396	-	-	142,552,810
Inter-segment revenue	-	44,921,321	4,157,488	27,273,526	-	(76,352,335)	-
Total revenue	132,942,871	49,756,147	8,266,205	27,939,922	-	(76,352,335)	142,552,810
Results							
Finance income	1,233,627	18,696	-	48,157	-	-	1,300,480
Finance cost	(8,725,799)	(887,612)	(46,114)	(4,403)	-	-	(9,663,928)
Depreciation	(18,527)	(23,375)	(50,940)	(182,046)	(80,634)	-	(355,522)
Impairment of trade receivables	-	-	(7,088,310)	-	-	-	(7,088,310)
Taxation	(7,683,763)	(907,101)	-	599,223	-	-	(7,991,641)
Segment profit/(loss)	501,450	(43,803,288)	(7,336,063)	22,831,751	(143,965)	12,935,248	(15,014,867)
Assets							
Segment assets	1,283,660,939	77,394,946	4,243,252	515,099,860	73,964,587	(795,918,859)	1,158,444,725
Liabilities							
Segment liabilities	1,167,858,925	108,230,858	11,461,703	275,538,082	67,691,956	(620,835,580)	1,009,945,944

35. Segmental Reporting (continued)

Geographical segments

In determining the geographical segments of the Group, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of assets. The amount of non-current assets does not include financial instruments and deferred tax assets.

	Malaysia RM	Australia RM	Total RM
2015			
Revenue	290,876,769	504,633,112	795,509,881
Profit before tax	154,324,951	129,008,240	283,333,191
Non-current assets	327,247,622	2,113,356	329,360,978
2014			
Revenue	142,552,810	-	142,552,810
Loss before tax	(928,566)	(6,094,660)	(7,023,226)
Non-current assets	422,625,734	3,380,856	426,006,590

36. Financial Instruments

The table below provides an analysis of financial instruments and their categories:

	2015		2014	
	Loans and receivables/ other financial liabilities RM	Total RM	Loans and receivables/ other financial liabilities RM	Total RM
Group				
Financial assets				
Trade receivables	31,649,041	31,649,041	26,349,318	26,349,318
Other receivables	5,239,837	5,239,837	52,014,021	52,014,021
Amount owing by customers on contracts	2,056,597	2,056,597	2,056,597	2,056,597
Cash and cash equivalents (excluding bank overdrafts)	103,871,500	103,871,500	47,729,026	47,729,026
	142,816,975	142,816,975	128,148,962	128,148,962
Financial liabilities				
Trade payables	38,698,228	38,698,228	98,401,581	98,401,581
Other payables	11,166,606	11,166,606	54,580,227	54,580,227
Redeemable Cumulative Preference Shares	-	-	40,000,000	40,000,000
Borrowings	268,336,729	268,336,729	503,328,102	503,328,102
	318,201,563	318,201,563	696,309,910	696,309,910
Company				
Financial assets				
Other receivables	534,880	534,880	535,080	535,080
Amount owing by subsidiary company	349,884,594	349,884,594	296,130,931	296,130,931
Cash and cash equivalents	17,323,761	17,323,761	27,315,168	27,315,168
	367,743,235	367,743,235	323,981,179	323,981,179
Financial liabilities				
Other payables	145,440	145,440	3,993	3,993
Amount owing to subsidiary companies	280,889,116	280,889,116	208,545,901	208,545,901
Redeemable Cumulative Preference Shares	-	-	40,000,000	40,000,000
Borrowings	20,000,000	20,000,000	-	-
	301,034,556	301,034,556	248,549,894	248,549,894

Notes to the Financial Statements

36. Financial Instruments (continued)

Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its financial risks, including credit risk, liquidity and market risk. 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.

Credit risk

Credit risk is the risk of a financial loss to the Group if a counterparty of a financial asset fails to meet its contractual obligations. The Group's exposure to credit risk arises mainly from trade and other receivables and intercompany receivables.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis through the review of trade receivables ageing. At reporting date, there were no significant concentrations of credit risk. The Group monitors the results of the related parties regularly to safeguard credit risk on balances from intercompany receivables.

The maximum exposure to credit risk for the Group is the carrying amount of the financial assets shown in the statement of financial position.

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 trade and other payables and borrowings.

Cash flow forecasting is performed by monitoring the Group's liquidity requirements to ensure that it has sufficient liquidity to meet operational, financing repayments and other liabilities as they fall due.

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Below 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
2015							
Group							
Trade payables	38,698,228	-	38,698,228	38,698,228	-	-	-
Other payables	11,166,606	-	11,166,606	11,166,606	-	-	-
Bridging loan	129,216,155	5.75 to 6.30	140,166,360	64,217,339	46,685,104	29,263,917	-
Term loans	138,615,144	7.35 to 8.35	182,965,292	31,136,691	32,325,378	73,257,485	46,245,738
Banker overdraft	440,524	7.85	440,524	440,524	-	-	-
Finance lease liabilities	64,906	2.43 to 4.00	67,755	38,600	29,155	-	-
	318,201,563		373,504,765	145,697,988	79,039,637	102,521,402	46,245,738
Company							
Other payables	145,440	-	145,440	145,440	-	-	-
Amount owing to subsidiary companies	280,889,116	-	280,889,116	280,889,116	-	-	-
Bridging loan	20,000,000	6.05	20,902,030	17,886,118	3,015,912	-	-
	301,034,556		301,936,586	298,920,674	3,015,912	-	-

Notes to the Financial Statements

36. Financial Instruments (continued)

Liquidity risk (continued)

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Below 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
2014							
Group							
Trade payables	98,401,581	-	99,078,881	92,957,468	6,121,413	-	-
Other payables	54,580,227	-	54,580,227	54,580,227	-	-	-
Redeemable cumulative preference shares	40,000,000	16.00	46,400,000	46,400,000	-	-	-
Bridging loan	119,151,663	5.75 - 6.05	122,045,797	122,045,797	-	-	-
Term loans	384,075,126	6.96 - 7.35	418,616,515	302,238,764	50,810,263	29,490,430	36,077,058
Banker acceptances	14	-	14	14	-	-	-
Finance lease liabilities	101,299	2.43 - 4.00	107,061	39,566	38,340	29,155	-
	696,309,910		740,828,495	618,261,836	56,970,016	29,519,585	36,077,058
Company							
Other payables	3,993	-	3,993	3,993	-	-	-
Amount owing to subsidiary companies	208,545,901	-	208,545,901	208,545,901	-	-	-
Redeemable cumulative preference shares	40,000,000	16.00	46,400,000	46,400,000	-	-	-
	248,549,894		254,949,894	254,949,894	-	-	-

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and cash flow and fair value interest rate risk that may affect the Group's financial position and cash flows. The Group is not significantly affected by foreign exchange rate and price risks.

(a) Foreign exchange risk

The Group is exposed to foreign currency risk on advances that are denominated in a currency other than the respective functional currencies of the Group's entities. The Group's exposure primarily arises from Ringgit Malaysia and is not material as the Group's functional currency is denominated in Ringgit Malaysia. Hence, sensitivity analysis is not presented.

(b) Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from borrowings and deposits. The Group does not hedge the interest rate risk.

Exposure to interest rate risk

The interest rate profile of the Group and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Fixed rate instruments				
Financial assets	82,302,908	30,769,050	16,150,541	-
Financial liabilities	(64,906)	(40,101,299)	-	(40,000,000)
	82,238,002	(9,332,249)	16,150,541	(40,000,000)
Floating rate instruments				
Financial liabilities	(267,831,299)	(503,226,803)	(20,000,000)	-

Notes to the Financial Statements

36. Financial Instruments (continued)

Market risk (continued)

(b) Interest rate risk (continued)

Since the Group and the Company's fixed rate financial assets and liabilities are measured at amortised cost, possible changes in interest rates are not expected to have a significant impact on the Group and the Company's profit or loss.

As at 31 December 2015, if interest rates of floating rate instruments had been lower by 25 basis points ("bp") with all other variables held constant, this will result in post-tax increases of the Group and the Company of RM503,010 and RM50,000 (2014: RM913,811 and Nil) in profit or loss.

Fair value information

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

The carrying amount of long-term borrowings carried on the statement of financial position reasonably approximates fair value as it is a floating rate instrument that is re-priced to market interest rates on or near the reporting date.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 : Quoted prices in active markets for identical assets or liabilities.
- Level 2 : Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 : Inputs for the asset or liability that is not based on observable market data.

The following table analyses the fair values of financial instrument not carried at fair value, together with their carrying amounts in the statement of financial position:

2015	Level 2 RM	Total fair value RM	Carrying amount RM
Financial assets			
Trade receivables	-	-	-
Financial liabilities			
Trade payables	-	-	-
2014			
Financial assets			
Trade receivables	2,476,636	2,476,636	2,469,002
Financial liabilities			
Trade payables	5,448,599	5,448,599	5,444,113

The fair value of the non-current trade receivables and trade payables is calculated based on the present value of future principal and interest cash flows, discounted at the market's base lending rate of Nil (2014: 6.85%) at the end of the reporting period.

Notes to the Financial Statements

37. Capital Management

The objective of the Group on capital management is to ensure that it maintains a strong credit rating and safeguard the Group's ability to continue as a going concern, so as to support its business, maintain the market confidence and maximise shareholder value.

The Group monitors the capital using gearing ratio, which is net borrowings divided by equity attributable to owners of the Company. The Group's policy is to keep the gearing ratio within reasonable levels.

	2015 RM	2014 RM
Total interest bearing borrowings, including Redeemable Cumulative Preference Shares	268,336,729	543,328,102
Less: Cash and cash equivalents	(103,871,500)	(47,729,026)
Net borrowings	164,465,229	495,599,076
Equity attributable to owners of the Company	347,863,084	142,131,179
Gearing ratio	0.47	3.49

There were no changes to the Group's approach to capital management during the financial year.

38. Material Litigation

(i) Bauer (M) vs Embassy Court Sdn. Bhd. & Magna Prima Berhad

On 4 March 2011, Bauer (M) Sdn. Bhd. ("Bauer") filed an action against Embassy Court Sdn. Bhd. ("Embassy"), a subsidiary of the Group, and Magna Prima Berhad ("MPB") at the High Court of Kuala Lumpur ("High Court"). The two main claims by Bauer were for:

a) Specific performance against Embassy to produce the Corporate Guarantee issued by MPB; and

b) MPB to indemnify and/or to pay Bauer RM18,718,966 together with the interest of 4% per annum from the decision date of 27 February 2014, in the event Embassy fails to pay the sum awarded by the Arbitrator.

The full trial was concluded on 22 February 2013 and decision was delivered on 27 February 2014 in favour of Bauer to require Embassy to obtain a corporate guarantee from MPB. MPB and Embassy had on 10 March 2014 and 26 March 2014 respectively filed an appeal against the High Court's decision dated 27 February 2014.

On 20 August 2015, Bauer, Embassy and MPB have requested to the special panel of Court of Appeal not to proceed further on the hearing of Appeal as Bauer and Embassy are in the midst of settling the case amicably by recording a consent judgement that Bauer is agreeable to accept a lower sum amounting RM16,000,000 by way of 12 equal instalments commencing September 2015 as final settlement. Following this, Bauer shall have no further claims whatsoever in nature in respect of cost against MPB and Embassy while MPB and Embassy will agree to discontinue their Appeal proceedings against Bauer.

As at 31 December 2015, RM10,666,667 remains payable to Bauer as disclosed in Note 16 to the financial statements.

Notes to the Financial Statements

38. Material Litigation (continued)

(ii) Bina BMK Sdn. Bhd. vs Magna Prima Construction Sdn. Bhd.

On 11 June 2008, Bina BMK Sdn. Bhd. ("Bina BMK"), a subcontractor for the Plaza Prima Kepong project brought an arbitration matter for a claim amounting to RM34,520,882 for issues such as, among others, wrongful determination of contract sum, claim for the balance sum due for works done, claim for the materials left on site and damages against the Company's subsidiary, Magna Prima Construction Sdn. Bhd. ("MPC"). MPC denied the above and has brought about a counter claim against Bina BMK for RM7,104,058. On 5 May 2009, the documents were filed and exchanged by both Parties and the mutual exchange of revised witness statements was conducted.

On 8 May 2014, MPC received the Final Award save as to cost and the Arbitrator has awarded the sum of RM21,819,350 in favour of Bina BMK. Subsequently, Bina BMK's solicitor wrote to Arbitrator on 4 June 2014 over their dissatisfaction against the decision of the Arbitrator's Final Award and highlighted computation errors in the calculations and the Arbitrator's Assessment on Bina BMK's entitlement.

On 27 June 2014, the Arbitrator awarded the Amended Final Award sum in favour of Bina BMK sum amounting to RM33,972,772 with an interest of 8% per annum until the date of actual realisation of the full payment. Subsequently, MPC filed an Originating Summon vide Kuala Lumpur High Court ("High Court") on 5 August 2014 against Bina BMK in respect of the decision of the Learned Arbitrator.

On 13 January 2015, the High Court delivered the decision to set aside the Arbitrator's findings which has resulted in Bina BMK being wrongfully entitled to the sum of RM6,202,600 and allowed cost of RM15,000 in favour of MPC. Meanwhile the Court allowed Bina BMK's Application for recognition and enforcement of Award for the sum of RM27,770,172. On 12 February, MPC's solicitors have filed a Notice of Appeal against the High Court's decision dated 13 January 2015.

On 12 July 2015, MPC and Bina BMK has conceded to an out of Court Settlement that MPC shall pay lump sum payment of RM15,000,000 as final settlement. Following this, Bina BMK shall have no further claims whatsoever in nature in respect to costs against MPC while MPC will discontinue their Appeal proceedings against Bina BMK.

As at 31 December 2015, the settlement sum of RM15,000,000 has been fully paid.

(iii) N.V Bina Sdn. Bhd. vs Magna Park Sdn. Bhd.

N.V Bina Sdn. Bhd. ("NV Bina") has filed a claim against Magna Park Sdn. Bhd. ("Magna Park"), a subsidiary of the Group for the following:

i) Outstanding sum of RM6,041,935;
ii) Interest at the rate of 4% per annum calculated from 5 June 2008 until full settlement;
iii) Costs; and
iv) Other reliefs.

The above Writ and Statement of Claim were served by N.V Bina's solicitor on 14 March 2013 and Notice of Appearance has been filed on 26 March 2013.

On 5 December 2014, the High Court of Kuala Lumpur ("High Court") has delivered the Judgement allowing N.V Bina's claim against Magna Park that the sum of RM6,041,935 together with the Judgement interest at a rate of 4% per annum from 5 June 2008 to be paid by Magna Park. On 8 December 2014, Magna Park instructed its solicitor to appeal against the decision of the High Court dated 5 December 2014.

On 21 May 2015, MPK and N.V Bina has attained a settlement by recording a Consent Judgement in the Court of Appeal that MPC is agreeable to pay a lower settlement sum for discontinuing their Appeal against N.V Bina. N.V Bina has agreed to accept a lump sum payment amounting to RM4,000,000 and a balance sum of RM800,000 by way of 8 equal instalments as final settlement.

As at 31 December 2015, RM100,000 remains payable to N.V Bina as disclosed in Note 17 to the financial statements.

38. Material Litigation (continued)

(iv) Dr. Victor Adam & 23 Others vs Magna Prima Berhad, Embassy Court Sdn Bhd and stakeholders' solicitors

On 27 February 2015, Dr. Victor Adam & 23 Others ("the Plaintiffs") filed an action against Magna Prima Berhad ("MPB") and Embassy Court Sdn. Bhd. ("ECSB") (collectively known as "the Defendants") at the High Court of Kuala Lumpur. The arguments made by the Plaintiffs were for:

i) The Defendants has failed to hand over the following Approved and As Built Building Plans and Drawings to JMB Avare @ KLCC;
ii) The Defendants has failed to rectify all defects to the parcel and common property of the Avare condominium; and
iii) The Defendants shall be held responsible and liable for all lost, damage, cost, expenses and rectification incurred by the Plaintiffs arising from the defects to the parcel and common property of the Avare condominium.

In furtherance to the above, the Plaintiffs claim damages on the following:

i) RM25,000,000.00 from the Defendants; and
ii) RM1,558,475.90 to be reimbursed to the JMB Avare @ KLCC for the rectification done by them.

On 15 May 2015 and 8 June 2015, the Defendants have filed their Notice of Application to strike out the Plaintiff's case and their defence respectively. On 29 July 2015, the Court has dismissed MPB's striking out application.

On 17 November 2015, the plaintiffs and defendants have agreed to record a consent Judgement for a global settlement of RM3,279,830 with a condition that the Plaintiff should obtain prior approval from the Joint Management Body ("JMB") in an Emergency General Meeting ("EGM") so that there shall be no further claims whatsoever in nature in respect to the Avare project in future by all purchasers and the JMB.

To date, the Company is still awaiting for the JMB to hold an EGM to obtain approval from all the purchasers for a global settlement.

(v) Ibsul Development (SEL) Sdn. Bhd. vs Perbadanan Kemajuan Negeri Selangor

On 19 May 2015, Ibsul Development (SEL) Sdn. Bhd. ("Ibsul") filed an action against Perbadanan Kemajuan Negeri Selangor ("PKNS") at the High Court of Shah Alam via Writ Summon of Claim. The three main claims by Ibsul were for:

i) Declaration on unlawfully termination of the SPA dated 5 August 2009;
ii) Order for specific performance to complete the SPA; and
iii) To obtain an injunction to restrain PKNS from dealing with land of Plot B.

PKNS had replied with their Defence on 1 June 2015.

On 9 July 2015, Ibsul has filed for Discovery Application at High Court against PKNS and Land Office by compelling PKNS to produce minutes and other related documentation on the re-consideration on the purchase price of Plot B land.

On 17 August 2015, the learned Judge had allowed the Discovery application in so far as the documents, emails and correspondences are concerned. However, the Judge did not allow the disclosure of the minutes.

On 9 November 2015, mediation has been adjourned by the request of PKNS to further obtain an instruction from the State Government of Selangor to enter into a joint Venture Agreement with Ibsul the discussion of the proposal on an out of court settlement by way of JV Agreement was held on 18 November 2015. However, Ibsul is not agreeable on the proposed terms of the said JV agreement and instructed its solicitors to proceed with a trial.

The High Court Judge has fixed full trial from 26 January 2016 to 28 January 2016 and further trial is to be continued on 7 April 2016, 8 April 2016 and 18 April 2016.

Notes to the Financial Statements

REALISED AND UNREALISED PROFITS/LOSSES (SUPPLEMENTARY INFORMATION)

The breakdown of the retained earnings of the Group and of the Company as at the end of the reporting period into realised and unrealised amounts is as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Total retained earnings:				
- Realised	206,387,463	20,593,419	105,070,994	112,751,433
- Unrealised	15,676,611	2,840,032	(23,197)	(34,401)
	222,064,074	23,433,451	105,047,797	112,717,032
Less: Consolidation adjustments	(16,642,375)	(9,616,763)	-	-
	205,421,699	13,816,688	105,047,797	112,717,032

The determination of realised and unrealised profits or losses is based on the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The above disclosure of realised and unrealised profits or losses is made solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and is not made for any other purposes.

Properties held by the Group
as at 31 December 2015

Registered Owner	Location	Description and Existing Use	Tenure	Land/ Built-up Area (Sq.ft.)	Age of Property/ Building	Net book Value RM
Dunia Epik Sdn Bhd	H.S. (D) 6614 PT 4211 Mukim Mentakab, Daerah Temerloh Pahang Darul Makmur.	Semi - Detached House	Leasehold (Expiring on 2088)	3,249	24 years	89,061.04
Magna Ecocity Sdn Bhd	H.S.(D) 16667, Lot PT12, Seksyen 15, Bandar Shah Alam, District of Petaling, Selangor Darul Ehsan.	Development Land	Leasehold (Expiring on 27.09.2083)	871,200	-	125,091,345.07
33 Sentral Park Sdn Bhd	H.S (D) 16678 PT320, Mukim Kuala Lumpur, Daerah Petaling Negeri, Selangor Darul Ehsan. H.S (D) 16679 PT321, Mukim Kuala Lumpur, Daerah Petaling Negeri, Selangor Darul Ehsan.	Development Land	Freehold	302,996	-	65,024,520.49
Twinicon (M) Sdn Bhd	Lot 124 - 128 GRN Nos. 4628 - 4632 Section 44 Town and District of KL, Negeri Wilayah Persekutuan.	Development Land	Freehold	113,963	-	171,751,503.95
Magna Park (Mentakab) Sdn Bhd	H.S.(D) 10059-10060, 10065-10066, 10094-10099, 10112-10113, 10115-10147, 10149-10154, Mukim Mentakab, Daerah Temerloh, Pahang Darul Makmur.	Investment property	Leasehold (Expiring on 13.06.2090)	481,620.40	-	5,966,897.96

Analysis of Shareholdings
as at 7 April 2016

Authorised Share Capital	:	RM125,400,000 divided into 500,000,000 Ordinary Shares of RM0.25 each
Paid-up Share Capital	:	RM83,222,485 comprising 332,889,940 Ordinary Shares of RM0.25 each
Voting Rights	:	One (1) for each ordinary shares held

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shareholdings
1 to 99	6	0.41	71	0.00
100 to 1,000	83	5.72	55,441	0.02
1,001 to 10,000	791	54.47	4,288,884	1.30
10,001 to 100,000	438	30.17	14,506,676	4.38
100,001 to 16,644,496 *	132	9.09	224,636,544	67.93
16,644,497 And Above **	2	0.14	87,187,824	26.37
TOTAL	**1,452**	**100.00**	**330,675,440#**	**100.00**

* Less than 5% of issued holdings.
** 5% and above of issued holdings.
\# Is equivalent to 332,889,940 less 2,214,500 shares bought back and retained as treasury shares.

THIRTY (30) LARGEST SHAREHOLDERS AS AT 7 APRIL 2016

No.	Names	Shareholdings	%
1	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FANTASTIC REALTY SDN BHD	68,561,824	20.73
2	CHUN YEE YING	18,626,000	5.63
3	ABB NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TOP FRESH FOODS (M) SDN BHD	15,070,000	4.56
4	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE SHU SHUN (MARGIN)	13,681,400	4.14
5	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RAHADIAN MAHMUD BIN MOHAMMAD KHALIL	13,000,000	3.93
6	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHUN MEI NGOR (M10)	10,762,400	3.25
7	LEE EQUITY HOLDINGS SDN.BHD.	9,511,600	2.88
8	LEE KONG MENG	8,452,000	2.56
9	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RAHADIAN MAHMUD BIN MOHAMMAD KHALIL	8,400,000	2.54
10	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP FATT THAI (E-KPG)	8,115,000	2.45
11	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOK SEW HONG (E-KPG)	6,317,200	1.91
12	CHUA SEONG HEN	6,074,000	1.84
13	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE EQUITY HOLDINGS SDN BHD	5,950,000	1.80

Analysis of Shareholdings
as at 7 April 2016

THIRTY (30) LARGEST SHAREHOLDERS AS AT 7 APRIL 2016 (CONT'D)

No.	Names	Shareholdings	%
14	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH PEE LEONG	5,876,500	1.78
15	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR JOAN YONG MUN CHING (SMART)	5,550,000	1.68
16	KOK SIEW HWA	5,236,100	1.58
17	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HENRY WAN	5,114,900	1.55
18	CHUN MEI NGOR	5,000,000	1.51
19	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN PEI GEN DARLENE	5,000,000	1.51
20	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SOON NYUK LING	5,000,000	1.51
21	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JOAN YONG MUN CHING (473650)	4,720,000	1.43
22	LEE KUNG MENG	3,907,000	1.18
23	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR CHUN MEI NGOR (SMART)	3,818,400	1.15
24	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUN MEI NGOR	3,752,500	1.13
25	LEE KUNG WAH	3,581,300	1.08
26	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOW KIM LENG	3,310,000	1.00
27	LEOW YA SENG	3,188,000	0.96
28	HSBC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH)	3,045,900	0.92
29	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JOAN YONG MUN CHING	3,036,600	0.92
30	LEE KUNG WAH	3,000,000	0.91
	TOTAL	**264,658,624**	**80.04**

Analysis of Shareholdings

as at 7 April 2016

DIRECTORS' SHAREHOLDINGS AS AT 7 APRIL 2016

Names	Direct	%	Indirect	%
Tan Sri Datuk Adzmi bin Abdul Wahab	-	-	-	-
Datuk Wira Rahadian Mahmud bin Mohammad Khalil	*21,400,000	6.47	-	-
Cheah Len Khoon	-	-	-	-
Sazali bin Saad	-	-	-	-
Cheong Choi Yoon	-	-	-	-
Chang Chee Kok	-	-	-	-

* Includes shares held through nominee companies.

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS AT 7 APRIL 2016

		No. of shares held			
No	Name of Substantial Shareholder	Direct	%	Indirect	%
1.	Fantastic Realty Sdn Bhd	68,561,824	20.73	-	-
2.	Datuk Wira Rahadian Mahmud bin Mohammad Khalil	21,400,000	6.47	-	-
3.	Chun Mei Ngor	23,333,300	7.06	-	-
4.	Chun Yee Ying	18,626,000	5.63	-	-
5.	Lee Hing Lee	-	-	83,631,824#	25.29
6.	Lee Siong Hai	176,900	0.05	68,561,824^	20.73

Deemed interested by virtue of his substantial shareholding in Fantastic Realty Sdn Bhd and Top Fresh Foods (M) Sdn Bhd pursuant to Section 6A(4) of the Act.

^ Deemed interested by virtue of his substantial shareholding in Fantastic Realty Sdn Bhd pursuant to Section 6A(4) of the Act.

Analysis of Warrant Holdings
as at 7 April 2016

No. of Warrants 2015/2020 issued	:	166,444,970
Exercise Price	:	RM0.90 for one ordinary share of RM0.25 each.
Exercise Rights	:	Each warrant entitles the holder to subscribe for one new ordinary share of RM0.25 each at the Exercise Price shall be satisfied fully in cash.
Exercise Period	:	7 September 2015 to 4 September 2020
No. of Warrants exercised	:	Nil
No. of Warrants unexercised	:	166,444,970

DISTRIBUTION OF WARRANT HOLDINGS (As per Record of Depositors)

Size of Warrant Holdings	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Warrants
1 to 99	26	1.97	1,193	0
100 to 1,000	101	7.66	63,958	0.04
1,001 to 10,000	828	62.83	3,342,390	2.01
10,001 to 100,000	270	20.49	9,232,093	5.55
100,001 to 8,322,248 *	91	6.90	110,211,422	66.21
8,322,249 And Above **	2	0.15	43,593,914	26.19
TOTAL	**1,318**	**100.00**	**166,444,970**	**100.00**

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

THIRTY LARGEST WARRANT HOLDERS AS AT 7 April 2016 (As per Record of Depositors)

No.	Names	No. of Warrants Held	% of Warrants
1	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FANTASTIC REALTY SDN BHD	34,280,914	20.60
2	CHUN YEE YING	9,313,000	5.60
3	ABB NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TOP FRESH FOODS (M) SDN BHD	7,535,000	4.53
4	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RAHADIAN MAHMUD BIN MOHAMMAD KHALIL	6,500,000	3.91
5	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE SHU SHUN (MARGIN)	6,468,100	3.89
6	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHUN MEI NGOR (M10)	5,381,200	3.23
7	LEE EQUITY HOLDINGS SDN.BHD.	4,755,800	2.86
8	LEE KONG MENG	4,226,000	2.54
9	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RAHADIAN MAHMUD BIN MOHAMMAD KHALIL	4,200,000	2.52
10	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP FATT THAI (E-KPG)	4,057,500	2.44

Analysis of Warrant Holdings
as at 7 April 2016

THIRTY LARGEST WARRANT HOLDERS AS AT 7 APRIL 2016 (As per Record of Depositors) (CONT'D)

No.	Names	No. of Warrants Held	% of Warrants
11	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH PEE LEONG	3,642,950	2.19
12	CHUA SEONG HEN	3,165,000	1.90
13	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JOAN YONG MUN CHING	3,134,800	1.88
14	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOK SEW HONG (E-KPG)	3,109,600	1.87
15	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE EQUITY HOLDINGS SDN BHD	2,975,000	1.79
16	KOK SIEW HWA	2,618,050	1.57
17	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR JOAN YONG MUN CHING (SMART)	2,600,000	1.56
18	CHUN MEI NGOR	2,500,000	1.50
19	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN PEI GEN DARLENE	2,500,000	1.50
20	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SOON NYUK LING	2,500,000	1.50
21	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JOAN YONG MUN CHING (473650)	2,360,000	1.42
22	LEE KUNG MENG	1,953,500	1.17
23	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR CHUN MEI NGOR (SMART)	1,909,200	1.15
24	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUN MEI NGOR	1,876,250	1.13
25	LEE KUNG WAH	1,786,100	1.07
26	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOW KIM LENG	1,655,000	0.99
27	LEOW YA SENG	1,594,000	0.96
28	HSBC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH)	1,522,950	0.91
29	LEE KUNG WAH	1,500,000	0.90
30	LEE CHOON HOOI	1,359,600	0.82
	TOTAL	**132,979,514**	**79.89**

Analysis of Warrant Holdings
as at 7 April 2016

DIRECTORS' INTEREST IN WARRANTS 2015/2020 AS AT 7 APRIL 2016 (As Per Register of Directors' Warrant Holdings)

Names	Direct Interest Warrant Holdings	%	Indirect Interest Warrant Holdings	%
Tan Sri Datuk Adzmi bin Abdul Wahab	-	-	-	-
Datuk Wira Rahadian Mahmud bin Mohammad Khalil	*10,700,000	6.43	-	-
Cheah Len Khoon	-	-	-	-
Sazali bin Saad	-	-	-	-
Cheong Choi Yoon	-	-	-	-
Chang Chee Kok	-	-	-	-

* Includes shares held through nominee companies.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty First Annual General Meeting ("AGM") of Magna Prima Berhad ("Magna Prima") will be held at Ideal Convention Centre - IDCC Shah Alam, Level 7, Jalan Pahat L 15/L, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan on Wednesday, 18 May 2016 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS:

1. To receive the audited financial statements for the financial year ended 31 December 2015 and the Reports of the Directors and Auditors thereon.

2. To re-elect YBhg Datuk Wira Rahadian Mahmud bin Mohammad Khalil who shall retire in accordance with Article 100 of the Company's Articles of Association. **Resolution 1**

3. To re-elect the following Directors who shall retire in accordance with Article 105 of the Company's Articles of Association:-

   (a) Ms Cheong Choi Yoon **Resolution 2**
   (b) Mr Cheah Len Khoon **Resolution 3**
   (c) Mr Chang Chee Kok **Resolution 4**

4. To approve the payment of Directors' fees in respect of the financial year ended 31 December 2015. **Resolution 5**

5. To re-appoint Messrs Morison Anuarul Azizan Chew (AF 001977) as Auditors of the Company for the financial year ending 31 December 2016 and to authorise the Board of Directors to fix their remuneration. **Resolution 6**

   AS SPECIAL BUSINESS:

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

6. Reappointment of YBhg Tan Sri Datuk Adzmi bin Abdul Wahab as Independent Non-Executive Director, Chairman of the Company pursuant to Section 129(6) of the Companies Act, 1965 **Resolution 7**

   "THAT YBhg Tan Sri Datuk Adzmi bin Abdul Wahab, aged 73 years be and is hereby reappointed as Independent Non-Executive Director, Chairman of the Company and to hold office until the conclusion of the next Annual General Meeting pursuant to Section 129(6) of the Companies Act, 1965."

7. Retention of Independent Non-Executive Directors

   "THAT approval be and is hereby given to the following Directors who have served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012":-

   (a) YBhg Tan Sri Datuk Adzmi bin Abdul Wahab **Resolution 8**
   (b) En Sazali bin Saad **Resolution 9**

8. Proposed renewal of the authority for Directors to issue shares **Resolution 10**

   "THAT pursuant to Section 132D of the Act, and subject always to the approval of the relevant government and/or regulatory authorities, the Directors be and are hereby authorised to issue shares in the Company, at any time, until the conclusion of the next AGM of the Company, to such person or persons whomsoever, upon such terms and conditions as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued does not exceed 10% of the issued share capital of the Company for the time being."

Notice of Annual General Meeting

9. Proposed renewal of authority to purchase own shares ("Proposed Renewal of Share Buy-Back") **Resolution 11**

   "THAT subject to the provisions under the Act, the Memorandum and Articles of Association of Magna Prima, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities, the Company be and is hereby authorised to purchase such number of ordinary shares of RM0.25 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors of the Company may deem fit and expedient in the interest of the Company provided that the aggregate number of ordinary shares purchased and/or held pursuant to this resolution shall not exceed 10% of the total issued and paid-up share capital of the Company at any time and an amount not exceeding the total retained profits and/or share premium account based on the audited financial statements for the financial year ended 31 December 2015 allocated by the Company for the Proposed Renewal of Share Buy-Back;

   THAT the ordinary shares of the Company to be purchased are proposed to be cancelled and/or retained as treasury shares and either subsequently to be cancelled, distributed as dividends or re-sold on Bursa Securities;

   THAT the authority conferred by the resolution will be effective immediately from the passing of this ordinary resolution until:-

   (i) the conclusion of the next AGM of Magna Prima in 2017 at which time the authority would lapse unless renewed by ordinary resolution, either unconditionally or subject to conditions; or
   (ii) the expiration of the period within which the next AGM after that date is required by law to be held; or
   (iii) revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting;

   whichever occurs first,

   AND THAT the Directors of the Company be and are hereby authorised to take all such steps in order to implement, finalise and give full effect to the Proposed Renewal of Share Buy-Back with full powers to assent to any conditions, modifications, changes, variations and/or amendments or as a consequence of any such requirement by the relevant authorities or as may be deemed necessary and/or expedient in the best interests of the Company."

By order of the Board

YUEN YOKE PING (MAICSA 7014044)
Company Secretary
Shah Alam
Date: 26 April 2016

Notes:
1. A member of the Company who is entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies to attend and vote on his behalf.
2. A proxy need not be a member of the Company.
3. Where the member of the Company appoints two or more proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.
4. If the proxy is executed by a corporation, the Form of Proxy must be under its common seal or the hand of an officer or attorney duly authorised.
5. The instrument appointing the proxy must be deposited at the Registered Office of the Company at Lot 4.01, Level 4, IDCC Corporate Tower, Jalan Pahat L 15/L, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time set for holding the Meeting or adjourned Meeting.
6. Depositors who appear in the Record of Depositors as at 11 May 2016 shall be regarded as member of the Company entitled to attend the Twenty First Annual General Meeting or appoint a proxy to attend and vote on his behalf.

Notice of Annual General Meeting

Explanatory Notes on Special Business:

(i) Resolution No. 7

This resolution is in accordance with Section 129(6) of the Companies Act, 1965 which requires that a separate resolution be passed to re-appoint YBhg Tan Sri Datuk Adzmi bin Abdul Wahab who is over 70 years of age as Director of the Company and to hold office until the conclusion of the next Annual General Meeting of the Company. This resolution must be passed by a majority of not less than three-fourth of such members of the Company as being entitled to vote in person or by proxy at the Annual General Meeting of the Company.

(ii) Resolution Nos. 8 and 9

YBhg Tan Sri Datuk Adzmi bin Abdul Wahab and En Sazali bin Saad have served the Board as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years. Both the Nomination Committee and the Board have recommended the two (2) Non – Executive Directors to continue to act as Independent Non-Executive Director based on the following justifications by passing the Ordinary Resolutions Nos. 8 and 9

(a) They have fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirement of Bursa Securities , and thus, they are able to provide check and balance and bring an element of objectivity to the Board;

(b) They have vast experience in a diverse range of businesses and therefore would be able to provide constructive opinion, exercise independent judgement and have the ability to act in the best interest of the Company;

(c) They have devoted sufficient time and attention to their professional obligations for informed and balanced decision making;

(d) They have continued to exercise independence and due care during their tenure as an Independent Non-Executive Director of the Company and carried out their professional duties in the best interest of the Company and shareholders; and

(e) They have shown great integrity of independence and had not entered into any related party transaction with the Company.

(iii) Resolution 10

The Ordinary Resolution 10, if passed, will give the Directors of the Company, from the date of the above General Meeting, authority to issue and allot ordinary shares from the issued capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in General Meeting expire at the conclusion of the next AGM or the expiration of the period within which the next AGM is required by law to be held, whichever is the earlier.

The general mandate sought for issue of securities is a renewal of the mandate that was approved by the shareholders on 20 May 2015. The Company has not issued any new share pursuant to Section 132D of the Act which was approved at the Twentieth AGM held on 20 May 2015 and which will lapse at the conclusion of the forthcoming Twenty First AGM. The renewal of the general mandate, if granted, is to provide flexibility to the Company to issue new securities without the need to convene a separate general meeting to obtain shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for the purpose of funding current and/or future investment projects, working capital and/or acquisitions.

(iv) Resolution 11

The Ordinary Resolution 11, if passed, will empower the Directors to purchase Magna Prima shares through Bursa Securities of up to 10% of the total issued and paid-up share capital of the Company. The details on Ordinary Resolution 11 on the Proposed Renewal of Share Buy-Back is contained in the Share Buy-Back Statement as set out in this Annual Report.

Statement Accompanying Notice of Annual General Meeting

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad

The statement relating to the general mandate for authority to Directors to allot and issue shares is set out in the Explanatory Notes to the Notice of the Twenty First Annual General Meeting of this Annual Report.

Share Buy-Back Statement

PROPOSED RENEWAL OF AUTHORITY FOR MAGNA PRIMA TO PURCHASE ITS OWN SHARES OF UP TO TEN PERCENT (10%) OF ITS ISSUED AND PAID-UP SHARE CAPITAL ("PROPOSED RENEWAL OF SHARE BUY-BACK")

1. INTRODUCTION

On 20 May 2015, the Company had obtained approval from the shareholders of the Company to purchase its own shares of up to ten percent (10%) of the issued and paid-up share capital of the Company. The said authority will lapse at the conclusion of this forthcoming Annual General Meeting ("AGM").

It is the intention of the Company to renew the authority to purchase its own shares by way of an ordinary resolution.

The purpose of this Statement is to provide you with the relevant information on the Proposed Renewal of Share Buy-Back and to accordingly seek your approval for the ordinary resolution pertaining to the same to give effect to the Proposed Renewal of Share Buy-Back to be tabled at the forthcoming AGM. The Notice of the AGM together with the Proxy Form is set out in this Annual Report.

2. DETAILS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK

The Board proposes to seek shareholders' approval for a renewal of the authority to purchase and/or hold in aggregate of up to 10% of the issued and paid-up share capital of the Company at any point of time through Bursa Securities.

Based on the issued and paid-up share capital of Magna Prima as at 7 April 2016 of RM83,222,485 comprising 332,889,940 Magna Prima shares of RM0.25 each, a total of 33,288,994 Magna Prima shares may be purchased by the Company pursuant to the Proposed Renewal of Share Buy-Back, assuming no options are granted and exercised under the Company's existing Employees Share Option Scheme ("ESOS") and the Warrants 2015/2020 are not exercised.

Such authority, if so approved, would be effective upon the passing of this ordinary resolution until:-

(i) the conclusion of the next AGM of Magna Prima in 2017 at which time such authority would lapse unless renewed by ordinary resolution passed at that meeting, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM after that date is required by law to be held; or

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

whichever occurs first.

The purchase of shares under the Proposed Renewal of Share Buy-Back will be carried out through Bursa Securities via stockbrokers to be appointed by the Board.

The Board proposes to allocate funds up to an amount of the retained profits and/or share premium account of the Company for the purchase of its own shares subject to the compliance with Section 67A of the Companies Act, 1965 ("Act") and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities at the time of the purchase. Based on the latest audited financial statements of Magna Prima as at 31 December 2015, the retained profits amounted to approximately RM105,047,797 and the share premium account amounted to approximately RM35,565,970.

The Proposed Renewal of Share Buy-Back will allow the Board to exercise the power of the Company to purchase its own shares at any time within the abovementioned period using the internal funds of the Group and/or external borrowings. The amount of internally generated funds and/or external borrowings to be utilised will only be determined later, depending on, amongst others, the availability of internally generated funds, the actual number of shares to be purchased and other relevant factors. The actual number of shares to be purchased and the timing of such purchases will depend on, amongst others, the market conditions and sentiments of the stock market as well as the retained profits, the share premium account and the financial resources available to the Group.

Share Buy-Back Statement

2. DETAILS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK (CONT'D)

If the Company purchases its own shares using external borrowings, the Board will ensure that the Group has sufficient funds to repay the external borrowings and that the repayment would not have any material effect on the cash flow of the Group.

Magna Prima may only purchase its own shares at a price which is not more than 15% above the weighted average market price of the Magna Prima shares for the 5 market days immediately prior to the date of the purchase.

The Company may only resell the purchased shares held as treasury shares at a price, which is:-

(a) not less than the weighted average market price of the shares for the 5 market days immediately prior to the date of the resale; or

(b) a discounted price of not more than 5% to the weighted average market price of the shares for the 5 market days immediately prior to the date of the resale, provided that the resale takes place no earlier than 30 days from the date of the purchase; and the resale price is not less than the cost of purchase of the shares being resold.

The Company shall, upon each purchase or re-sale of shares, make the necessary announcements to Bursa Securities.

The purchased Magna Prima shares held as treasury shares may be dealt with by the Board, in the following manner:-

(i) to cancel the purchased shares;

(ii) to retain the purchased shares as treasury shares for distribution as share dividends to the shareholders and/or resell the treasury shares on Bursa Securities in accordance with the relevant rules of Bursa Securities and/or be cancelled subsequently; or

(iii) a combination of (i) and (ii) above.

The decision whether to retain the purchased shares as treasury shares, to cancel the purchased shares, distribute the treasury shares as share dividends or to resell the treasury shares on Bursa Securities will be made by the Board at the appropriate time. The distribution of treasury shares as share dividends may be applied as a reduction of the retained profits or the share premium account of the Company.

While the purchased shares are held as treasury shares, the rights attached to them in relation to voting, dividends and participation in any distribution and otherwise are suspended. The treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares in the Company for any purposes including substantial shareholding, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.

The Company will make an immediate announcement to Bursa Securities of any purchase and resale of the shares and whether the purchased shares will be cancelled or retain as treasury shares or a combination of both.

The Proposed Renewal of Share Buy-Back will be carried out in accordance with the prevailing laws at the time of the purchase including compliance with the 25% public shareholding spread as required by the Main Market Listing Requirements of Bursa Securities.

As at 7 April 2016, the public shareholding spread of the Company based on the issued and paid-up share capital of 332,889,940 Magna Prima Shares less treasury shares held of 2,214,500 was 60.05%. The Board will endeavour to ensure that the Company complies with the public shareholding spread requirements and shall not buy back the Company's own shares if the purchase would result in the public shareholding spread requirements not being met.

During the financial year ended 31 December 2015, the Company bought-back a total of 85,200 Shares and there was no resale or cancellation of treasury shares. The details of the Shares bought-back during the said financial year are set out in the Additional Compliance Information section of the Company's Annual Report 2015.

As at 31 December 2015, the Company held a total of 85,200 treasury shares.

Share Buy-Back Statement

3. RATIONALE FOR THE PROPOSED RENEWAL OF SHARE BUY-BACK

In addition to the advantages as set out in Section 4 below, the Proposed Renewal of Share Buy-Back, if implemented, will provide the Group with an additional option to utilise its surplus financial resources more efficiently by purchasing Magna Prima shares from the open market to help stabilise the supply and demand for Magna Prima shares traded on the Main Market of Bursa Securities, and thereby support its fundamental value.

The purchased shares can be held as treasury shares and resold on Bursa Securities at a higher price with the intention of realising a potential gain without affecting the Company's total issued and paid-up share capital. Should any treasury shares be distributed as share dividends, this would serve to reward the shareholders of Magna Prima.

4. ADVANTAGES AND DISADVANTAGES

The potential advantages of the Proposed Renewal of Share Buy-Back, if implemented, are as follows:-

(i) allows the Company to take preventive measures against excessive speculation, in particular when the Company's shares are undervalued;

(ii) the earnings per share of the Magna Prima shares and the return on equity, assuming all other things being equal, would be enhanced resulting from the smaller issued and paid-up share capital of the Company. This is expected to have a positive impact on the market price of Magna Prima shares which will benefit the shareholders of Magna Prima;

(iii) to stabilise a downward trend of the market price of the Company's shares;

(iv) allows the Company the flexibility in achieving the desired capital structure, in terms of its debt and equity composition and the size of its equity;

(v) treasury shares can be treated as long-term investments. It makes business sense to invest in our own Company as the Board is confident of Magna Prima's future prospects and performance in the long term; and

(vi) If the treasury shares are distributed as dividends by the Company, it may then serve to reward the shareholders of the Company.

The potential disadvantages of the Proposed Renewal of Share Buy-Back, if implemented, are as follows:-

(i) it will reduce the financial resources of the Company which may otherwise be retained and used for the businesses of the Group. Nevertheless, the Board will be mindful of the interests of the Group and its shareholders in undertaking the Proposed Renewal of Share Buy-Back; and

(ii) as the Proposed Renewal of Share Buy-Back can only be made out of retained earnings and the share premium account, it may result in the reduction of financial resources available for distribution as dividends and bonus issues to the shareholders of the Company.

5. FINANCIAL EFFECTS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK

The effects of the Proposed Renewal of Share Buy-Back on the share capital, shareholding structure, net assets, earnings and working capital of the Company are set out below based on the following scenarios:-

Minimum scenario	:	Assuming that no options are granted under the Company's ESOS Assuming that no warrants are converted under the Warrants 2015/2020
Maximum scenario	:	Assuming that all the options are granted and exercised under the Company's ESOS Assuming that all the warrants are converted under the Warrants 2015/2020

Share Buy-Back Statement

5. FINANCIAL EFFECTS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK (CONT'D)

5.1 Share Capital

The proforma effects of the Proposed Renewal of Share Buy-Back on the issued and paid-up share capital of the Company are set out below:-

	Minimum scenario		Maximum scenario	
	No. of shares '000	**RM '000**	**No. of shares '000**	**RM '000**
Issued and paid-up share capital*	332,890	83,222	332,890	83,222
To be issued pursuant to:				
- Assuming full exercise under the Company's ESOS	-	-	49,601	12,400
- Assuming full conversion of warrants 2015/2020	-	-	166,445	41,611
Enlarged share capital	**332,890**	**83,222**	**548,936**	**137,234**
Maximum number of purchased shares to be cancelled pursuant to the Proposed Renewal of Share Buy-Back	(33,289)	(8,322)	(54,894)	(13,723)
Upon completion of the Proposed Renewal of Share Buy-Back	**299,601**	**74,900**	**494,042**	**123,511**

Notes:-

* As at 7 April 2016 (Treasury shares was 2,214,500).

5.2 Substantial Shareholders' and Directors' Shareholdings

The proforma effects of the Proposed Renewal of Share Buy-Back on the substantial shareholdings of the Company are set out below based on the Register of Substantial Shareholders as at 7 April 2016:-

(i) Minimum Scenario

	As at 7 April 2016				After the Proposed Renewal of Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
Substantial shareholders	**No. of shares '000**	**%**	**No. of shares '000**	**%**	**No. of shares '000**	**%**	**No. of shares '000**	**%**
Datuk Wira Rahadian Mahmud bin Mohammad Khalil	21,400	6.43	-	-	21,400	7.14	-	-
Fantastic Realty Sdn Bhd	68,562	20.60	-	-	68,562	22.88	-	-
Chun Mei Ngor	23,333	7.01	-	-	23,333	7.79	-	-
Chun Yee Ying	18,626	5.60	-	-	18,626	6.22	-	-
Lee Hing Lee	-	-	#83,632	25.12	-	-	#83,632	27.91
Lee Siong Hai	177	0.05	^^68,562	20.60	177	0.06	^^68,562	22.88

Deemed interested by virtue of his substantial shareholding in Fantastic Realty Sdn Bhd and Top Fresh Foods (M) Sdn Bhd pursuant to Section 6A (4) of the Companies Act, 1965.

^^ Deemed interested by virtue of his substantial shareholding in Fantastic Realty Sdn Bhd pursuant to Section 6A(4) of the Companies Act, 1965.

Share Buy-Back Statement

5. FINANCIAL EFFECTS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK (CONT'D)

5.2 Substantial Shareholders' and Directors' Shareholdings (cont'd)

(ii) Maximum Scenario

	As at 7 April 2016 and assuming full exercise of the ESOS options and conversion of Warrants 2015/2020 ## ^^^				After the Proposed Renewal of Share Buy-Back^			
	Direct		Indirect		Direct		Indirect	
Substantial shareholders	No. of shares '000	%	No. of shares '000	%	No. of shares '000	%	No. of shares '000	%
Datuk Wira Rahadian Mahmud bin Mohammad Khalil	21,400	3.90	-	-	21,400	4.33	-	-
Fantastic Realty Sdn Bhd	68,562	12.49	-	-	68,562	13.88	-	-
Chun Mei Ngor	23,333	4.25	-	-	23,333	4.72	-	-
Chun Yee Ying	18,626	3.39	-	-	18,626	3.77	-	-
Lee Hing Lee	-	-	#83,632	15.24	-	-	#83,632	16.93
Lee Siong Hai	177	0.03	^^68,562	12.49	177	0.04	^^68,562	13.88

Deemed interested by virtue of his substantial shareholding in Fantastic Realty Sdn Bhd and Top Fresh Foods (M) Sdn Bhd pursuant to Section 6A (4) of the Companies Act, 1965.

^^ Deemed interested by virtue of his substantial shareholding in Fantastic Realty Sdn Bhd pursuant to Section 6A(4) of the Companies Act, 1965.

Notes:-

Assuming 49.933 million options were granted and exercised under the Company's ESOS.

^^^ Assuming 166.4 million warrants were converted under Warrants 2015/2020.

^ Assuming that the Proposed Renewal of Share Buy-Back is implemented in full, i.e. up to ten percent (10%) of the issued and paid-up share capital, the purchased shares are acquired from public shareholders and the purchased shares are held as treasury shares or cancelled.

	As at 7 April 2016				Scenario 1				Scenario 2			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Directors*	No of shares '000	%	No of shares '000	%	No of shares '000	%	No of shares '000	%	No of shares '000	%	No of shares '000	%
Tan Sri Datuk Adzmi bin Abdul Wahab	-	-	-	-	-	-	-	-	-	-	-	-
Datuk Wira Rahadian Mahmud bin Mohammad Khalil	21,400	6.43	-	-	21,400	7.14	-	-	21,400	4.33	-	-
Cheah Len Khoon	-	-	-	-	-	-	-	-	-	-	-	-
Cheong Choi Yoon	-	-	-	-	-	-	-	-	-	-	-	-
Sazali bin Saad	-	-	-	-	-	-	-	-	-	-	-	-
Chang Chee Kok	-	-	-	-	-	-	-	-	-	-	-	-

Notes:-

* Based on the Register of Directors as at 07 April 2016.

Scenario 1 : Assuming that no options are granted under the Company's ESOS and no conversion of warrants for Warrants 2015/2020 and after the Proposed Renewal of Share Buy-Back

Scenario 2 : Assuming that all exercised under the Company's ESOS, conversion of warrants for Warrants 2015/2020 and after the Proposed Renewal of Share Buy-Back. The final allocation of ESOS options to the Directors of the Company has not been finalised and as such, for illustrative purposes, the effects under Scenario 2 excludes allocation of ESOS options to Directors

Share Buy-Back Statement

5. FINANCIAL EFFECTS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK (CONT'D)

5.3 Net Assets

The consolidated net assets of the Company may increase or decrease depending on the number of shares purchased under the Proposed Renewal of Share Buy-Back, the purchase prices of the shares, the effective cost of funding and the treatment of the shares so purchased.

The Proposed Renewal of Share Buy-Back will reduce the consolidated net assets per share when the purchase price exceeds the consolidated net assets per share of the Company at the time of purchase. On the contrary, the consolidated net assets per share will increase when the purchase price is less than the consolidated net assets per share of the Company at the time of purchase.

If the shares purchased under the Proposed Renewal of Share Buy-Back are held as treasury shares and subsequently resold on Bursa Securities, the consolidated net assets per share would increase if the Group realise a gain from the resale or vice versa. If the treasury shares are distributed as share dividends, it will decrease the consolidated net assets by the cost of the treasury shares redistributed.

5.4 Earnings

The effect of the Proposed Renewal of Share Buy-Back on the consolidated earnings per share of the Company will depend on the purchase prices paid for the shares, the effective funding cost to the Group to finance the purchase of the shares or any loss in interest income to the Group if internally generated funds are utilised to finance the purchase of the shares.

Assuming that any shares so purchased are retained as treasury shares as per Section 67A of the Act and resold on Bursa Securities, the effects on the consolidated earnings of the Company will depend on the actual selling price, the number of treasury shares resold and the effective gain or interest savings arising from the exercise.

5.5 Working Capital

The implementation of the Proposed Renewal of Share Buy-Back is likely to reduce the working capital of the Group, the quantum being dependent on the number of the purchased shares, the purchase price(s) and the amount of financial resources to be utilised for the purchase of the shares.

For the purchased shares retained as treasury shares as per Section 67A of the Act, upon its resale, the working capital of the Company will increase. Again, the quantum of the increase in the working capital will depend on the actual selling price of the treasury shares resold, the effective gain or interest saving arising and the gain or loss from the disposal.

6. APPROVAL REQUIRED

The Proposed Renewal of Share Buy-Back is subject to the approval being obtained from the shareholders of Magna Prima.

7. IMPLICATION OF THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS, 2010 ("CODE")

Pursuant to the Code, a person and/or any person acting in concert with him will be required to make a mandatory offer for the remaining shares not already owned by him/them if his and/or their holding of voting shares in a company is increased beyond 33% or, if his and/or their holding of voting shares is more than 33% but less than 50%, his and/or their holding of voting shares is increased by more than 2% in any 6 months period. However, an exemption from undertaking a mandatory offer when the company purchases its own voting shares may be granted by the Securities Commission under Practice Note 9 of the Code.

The Board takes cognisance of the requirements of the Code and will be mindful of the requirements when making any purchases of shares pursuant to the Proposed Renewal of Share Buy-Back.

Share Buy-Back Statement

8. DIRECTORS' RECOMMENDATION

The Board, after having considered all aspects of the Proposed Renewal of Share Buy-Back and after careful deliberation, is of the opinion that the Proposed Renewal of Share Buy-Back is in the best interest of the Company. Accordingly, the Board recommends that you vote in favour of the resolution in relation to the Proposed Renewal of Share Buy-Back to be tabled at the forthcoming AGM.

9. SHARE PRICES

The monthly highest and lowest prices per share of Magna Prima shares traded on Bursa Securities for the past twelve (12) months are as follows:-

	Highest (RM)	Lowest (RM)
2015		
April	1.17	0.88
May	1.17	1.00
June	1.24	1.01
July	1.20	1.08
August	1.13	0.88
September	0.95	0.83
October	0.95	0.86
November	1.15	0.86
December	1.06	1.00
2016		
January	1.04	0.97
February	1.07	0.95
March	1.08	1.02

(Source: Bursa Malaysia)

10. DISCLAIMER STATEMENT

Bursa Securities has not perused this Statement prior to its issuance as it is exempted pursuant to the provisions of Practice Note 18 of the Main Market Listing Requirements of Bursa Securities. Bursa Securities takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Statement.

This page is intentionally left blank.

MAGNA PRIMA BERHAD
(369519-P)
(Incorporated in Malaysia)

PROXY FORM

I/We, ____of

____

being a member / members of MAGNA PRIMA BERHAD hereby appoint ______________________________

____

of____

or failing him/her, CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Twenty First Annual General Meeting of Magna Prima Berhad will be held at Ideal Convention Centre - IDCC Shah Alam, Level 7, Jalan Pahat L 15/L, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan on Wednesday, 18 May 2016 at 10.00 a.m. and at any adjournment thereof.

Agenda	Resolution	For	Against
To re-elect YBhg Datuk Wira Rahadian Mahmud bin Mohammad Khalil who shall retire in accordance with Article 100 of the Company's Articles of Association.	1		
To re-elect the following Directors who shall retire in accordance with Article 105 of the Company's Articles of Association - (a) Ms Cheong Choi Yoon (b) Mr Cheah Len Khoon (c) Mr Chang Chee Kok	 2 3 4		
To approve the payment of Directors' fees in respect of the financial year ended 31 December 2015.	5		
To re-appoint Messrs Morison Anuarul Azizan Chew (AF 001977) as Auditors of the Company for the financial year ending 31 December 2016 and to authorise the Board of Directors to fix their remuneration.	6		
AS SPECIAL BUSINESS: To consider and, if thought fit, pass the following resolutions: - Reappointment of YBhg Tan Sri Datuk Adzmi bin Abdul Wahab as Independent Non-Executive Director, Chairman of the Company pursuant to Section 129(6) of the Companies Act, 1965. Retention of Independent Non-Executive Directors (a) YBhg Tan Sri Datuk Adzmi bin Abdul Wahab (b) En Sazali bin Saad	 7 8 9		
Proposed renewal of the authority for Directors to issue shares	10		
Proposed Renewal of Share Buy-Back	11		

Please indicate with an "X" in the space provided, how you wish your vote to be cast. If you do not do so, the proxy may vote or abstain at his/her discretion.

NO. OF SHARES HELD

_________________________ Signature/Common Seal

_________________________ Date

Notes:
1. A member of the Company who is entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies to attend and vote on his behalf.
2. A proxy need not be a member of the Company.
3. Where the member of the Company appoints two or more proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.
4. If the proxy is executed by a corporation, the Form of Proxy must be under its common seal or the hand of an officer or attorney duly authorised.
5. The instrument appointing the proxy must be deposited at the Registered Office of the Company at Lot 4.01, Level 4, IDCC Corporate Tower, Jalan Pahat L 15/L, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time set for holding the Meeting or adjourned Meeting.
6. Depositors who appear in the Record of Depositors as at 11 May 2016 shall be regarded as member of the Company entitled to attend the Twenty First Annual General Meeting or appoint a proxy to attend and vote on his behalf.

Fold here to seal

STAMP

THE COMPANY SECRETARY

MAGNA PRIMA BERHAD (369519-P)

Lot 4.01, Level 4, IDCC Corporate Tower,
Jalan Pahat L 15/L, Seksyen 15,
40200 Shah Alam, Selangor Darul Ehsan.

Tel **:** +603 5022 5555
Fax **:** +603 5022 5556
Email **:** enquiry@magnaprima.com.my

www.magnaprima.com.my

Fold here to seal

MAGNA PRIMA BERHAD
(369519-P)

Lot 4.01, Level 4, IDCC Corporate Tower, Jalan Pahat L 15/L,
Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan.
Tel : 03-5022 5555 Fax : 03-5022 5556

www.magnaprima.com.my