Muhibbah Engineering (M) Bhd.

(Company No. 12737-K)
(Incorporated in Malaysia)

and its subsidiaries

Financial statements for the financial year ended 31 December 2017

Muhibbah Engineering (M) Bhd.

(Company No. 12737-K)
(Incorporated in Malaysia)

and its subsidiaries

Directors' report for the financial year ended 31 December 2017

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

Principal activities

The Company is principally engaged in the provision of oil and gas, marine, infrastructure, civil and structural engineering contract works. The subsidiaries are involved in design, manufacture, commission, repair, maintenance and customisation of cranes, offshore supply vessels and anchor handling tugboats for oil and gas industry. The associates are mainly involved in international airport concessions in Cambodia and road maintenance concessions in Malaysia. The main business segments of the Group are stated in Note 26 to the financial statements. The principal activities of the subsidiaries are stated in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results

	Group RM'000	**Company RM'000**
Profit attributable to:		
Owners of the Company	131,608	211,131
Non-controlling interests	59,719	-
Profit for the year	191,327	211,131

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Company paid a first and final ordinary tax exempt dividend 5.50 sen per ordinary share totaling RM26,418,822 in respect of the financial year ended 31 December 2016.

The first and final ordinary tax exempt dividend recommended by the Directors in respect of the financial year ended 31 December 2017 is 7.00 sen per ordinary share totaling RM33,623,188 and is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Directors of the Company

Directors who served since the date of the last report are:

Tan Sri Zakaria bin Abdul Hamid
Mac Ngan Boon @ Mac Yin Boon
Ooi Sen Eng
Mac Chung Jin
Lee Poh Kwee
Abd Hamid bin Ibrahim
Sobri bin Abu
Dato' Mohamad Kamarudin bin Hassan
Mazlan bin Abdul Hamid
Dato Sri Khazali bin Haji (Appointed on 16 April 2018)

Directors' interests

The direct and indirect interests in the shares and employees' share options of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2017	**Bought**	**Sold**	**At 31.12.2017**
Muhibbah Engineering (M) Bhd:				
Mac Ngan Boon @ Mac Yin Boon				
- Direct	73,501,416	-	-	73,501,416
- Indirect	19,962,500	-	-	19,962,500
Ooi Sen Eng	14,224,066	-	(300,000)	13,924,066
Mac Chung Jin				
- Direct	7,060,000	-	(300,000)	6,760,000
- Indirect	50,000	-	-	50,000
Lee Poh Kwee				
- Direct	6,046,272	-	-	6,046,272
- Indirect	650,000	-	-	650,000
Mazlan bin Abdul Hamid	605,000	-	(105,000)	500,000
Favelle Favco Berhad (a subsidiary):				
Tan Sri Zakaria bin Abdul Hamid	220,000	-	-	220,000
Mac Ngan Boon @ Mac Yin Boon				
- Direct	9,142,913	-	-	9,142,913
- Indirect	3,403,800	-	-	3,403,800

Directors' interests (continued)

	Number of ordinary shares			
	At 1.1.2017	Bought	Sold	At 31.12.2017
Favelle Favco Berhad (a subsidiary): (continued)				
Ooi Sen Eng				
- Direct	1,156,000	-	-	1,156,000
- Indirect	900	-	-	900
Mac Chung Jin	677,000	-	-	677,000
Lee Poh Kwee	1,715,000	-	-	1,715,000
Abd Hamid bin Ibrahim	95,000	-	-	95,000
Mazlan bin Abdul Hamid	2,432,000	-	-	2,432,000

The options granted to eligible Directors over unissued ordinary shares of the Company and of its related corporation (other than wholly-owned subsidiaries) pursuant to the Employees' Share Option Scheme are set out below:

	Number of options over ordinary shares			
	At 1.1.2017	Granted	Exercised	At 31.12.2017
Muhibbah Engineering (M) Bhd:				
Mac Ngan Boon @ Mac Yin Boon:				
- Direct	-	3,500,000	-	3,500,000
- Indirect	-	1,250,000	-	1,250,000
Ooi Sen Eng	-	2,700,000	-	2,700,000
Mac Chung Jin	-	2,500,000	-	2,500,000
Lee Poh Kwee	-	2,500,000	-	2,500,000
Mazlan bin Abdul Hamid	-	500,000	-	500,000
Favelle Favco Berhad (a subsidiary):				
Mac Ngan Boon @ Mac Yin Boon:				
- Direct	-	1,700,000	-	1,700,000
- Indirect	-	1,500,000	-	1,500,000
Lee Poh Kwee	-	1,200,000	-	1,200,000
Mazlan bin Abdul Hamid	-	1,200,000	-	1,200,000

By virtue of his interests in shares of the Company, Mac Ngan Boon @ Mac Yin Boon's shareholdings of more than 15% is also deemed to have interest in the shares of all the subsidiaries during the financial year to the extent that Muhibbah Engineering (M) Bhd has an interest.

Other than the abovementioned Directors, none of the other Directors holding office at 31 December 2017 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than the benefits shown under the *Directors' Remuneration* section of our report) 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 except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 30 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the share options granted to certain directors pursuant to the Employees' Share Option Scheme of the Company.

The details of the directors' remuneration are disclosed in Note 21 to the financial statements.

Issue of shares and debentures

The movement of share capital is disclosed in Note 13 to the financial statements.

The Company has not issued any debentures during the financial year.

Treasury shares

The treasury shares are disclosed in Note 14 to the financial statements.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the Employees' Share Issuance Scheme ("SIS").

The Company operates an SIS that was established and approved by the shareholders of the Company at an Extraordinary General Meeting ("EGM") held on 22 June 2017. The main features of the SIS, details of share options offered and exercised during the financial year are disclosed in Note 24. The SIS is expiring on 9 July 2022.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts had been written off and adequate allowance had been made for impairment losses on receivables, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of allowance for impairment losses on receivables in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value 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.

The contingent liabilities are disclosed in Note 29 to the financial statements. At the date of this report, there does not exist:

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

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability 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 substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Subsidiaries

The details of the company's subsidiaries are disclosed in Note 5 to the financial statements.

Auditors' Remuneration

During the financial year, total amount paid to or receivable by the auditors for the Group and the Company as remuneration for their services rendered amounted to RM1,455,000 and RM214,000 respectively.

Significant event during the financial year

The significant during the financial year are disclosed in Note 32 to the financial statements.

Significant event occurring after the financial year

The significant event after the financial year is disclosed in Note 33 to the financial statements.

Auditors

The auditors, Messrs. Crowe Horwath, have indicated their willingness to accept re-appointment.

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

……………………………………

Mac Ngan Boon @ Mac Yin Boon

……………………………………

Mac Chung Jin

Klang, Selangor Darul Ehsan.

Date: 28 March 2018

Muhibbah Engineering (M) Bhd.

(Company No. 12737-K)
(Incorporated in Malaysia)

and its subsidiaries

Statements of financial position as at 31 December 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Assets					
Property, plant and equipment	3	887,746	801,119	135,883	146,877
Investment properties	4	234	244	12,047	11,665
Investments in subsidiaries	5	-	-	253,587	261,940
Investments in associates	6	503,782	436,924	8,723	8,981
Receivables, deposits and prepayments	7	6,129	6,712	-	-
Deferred tax assets	8	39,426	26,637	13,573	-
Other non-current assets	9	25,719	14,679	9	9
Total non-current assets		1,463,036	1,286,315	423,822	429,472
Receivables, deposits and prepayments	7	556,510	704,292	1,027,794	916,311
Amount due from contract customers	10	498,978	1,088,956	144,439	646,385
Inventories	11	232,185	265,906	3,860	363
Derivative assets	18	6,467	32	-	-
Current tax assets		34,322	19,541	-	-
Cash and cash equivalents	12	626,511	737,605	130,567	60,825
Total current assets		1,954,973	2,816,332	1,306,660	1,623,884
Total assets		3,418,009	4,102,647	1,730,482	2,053,356

Statements of financial position as at 31 December 2017
(continued)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Equity					
Share capital	13	241,057	241,057	241,057	241,057
Reserves	14	810,682	735,145	335,146	146,233
Total equity attributable to:					
Owners of the Company		1,051,739	976,202	576,203	387,290
Non-controlling interests		429,695	404,334	-	-
Total equity		1,481,434	1,380,536	576,203	387,290
Liabilities					
Loans and borrowings	15	91,829	73,101	65,500	49,200
Payables and accruals	16	9,283	13,517	-	-
Deferred tax liabilities	8	47,380	56,696	-	11,427
Total non-current liabilities		148,492	143,314	65,500	60,627
Payables and accruals	16	651,851	1,023,529	322,252	490,162
Amount due to contract customers	10	286,545	270,422	3,123	3,120
Bills payable	17	461,637	728,507	405,504	601,732
Derivative liabilities	18	-	13,583	-	447
Loans and borrowings	15	373,218	532,208	353,200	504,837
Current tax liabilities		14,832	10,548	4,700	5,141
Total current liabilities		1,788,083	2,578,797	1,088,779	1,605,439
Total liabilities		1,936,575	2,722,111	1,154,279	1,666,066
Total equity and liabilities		3,418,009	4,102,647	1,730,482	2,053,356

The notes on pages 18 to 103 are an integral part of these financial statements.

Muhibbah Engineering (M) Bhd.
(Company No. 12737-K)
(Incorporated in Malaysia)
and its subsidiaries

Statements of profit or loss and other comprehensive income for the financial year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Revenue	19	1,396,656	1,918,623	644,207	1,065,268
Cost of sales		(1,185,967)	(1,668,718)	(408,381)	(959,219)
Gross profit		210,689	249,905	235,826	106,049
Other income		9,536	13,221	4,386	912
Distribution costs		(18,893)	(14,962)	(7,980)	(6,221)
Administrative expenses		(125,387)	(135,756)	(17,143)	(31,588)
Results from operating activities		75,945	112,408	215,089	69,152
Interest income		15,087	15,579	33,864	24,431
Finance costs		(25,977)	(33,622)	(54,053)	(47,006)
Operating profit	20	65,055	94,365	194,900	46,577
Share of profit associates and joint ventures net of tax		154,267	88,181	-	-
Profit before tax		219,322	182,546	194,900	46,577
Income tax expense	22	(27,995)	(21,591)	16,231	(5,079)
Profit for the financial year		191,327	160,955	211,131	41,498
Profit for the financial year attributable to:					
Owners of the Company		131,608	105,501	211,131	41,498
Non-controlling interests		59,719	55,454	-	-
Profit for the financial year		191,327	160,955	211,131	41,498
Earnings per ordinary share (sen)					
Basic	23	27.40	22.19		
Diluted	23	27.21	22.19		

Statements of profit or loss and other comprehensive income for the financial year ended 31 December 2017
(continued)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Profit for the financial year		191,327	160,955	211,131	41,498
Other comprehensive income for the financial year, net of tax					
Item that will not be reclassified subsequently to profit or loss					
Movement in revaluation of property, plant and equipment, net of tax		11,644	-	-	-
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(57,410)	66,020	196	45
Other comprehensive income for the financial year, net of tax		(45,766)	66,020	196	45
Total comprehensive income for the financial year		145,561	226,975	211,327	41,543
Total comprehensive income for the financial year attributable to:					
Owners of the Company		96,733	153,442	211,327	41,543
Non-controlling interests		48,828	73,533	-	-
Total comprehensive income for the financial year		145,561	226,975	211,327	41,543

The notes on pages 18 to 103 are an integral part of these financial statements.

Muhibbah Engineering (M) Bhd.
(Company No. 12737-K)
(Incorporated in Malaysia)
and its subsidiaries

Consolidated statement of changes in equity for the financial year ended 31 December 2017

		/---Attributable to owners of the Company---/										
				/---Non-distributable---/					Distributable			
Group	**Note**	**Share capital RM'000**	**Treasury shares RM'000**	**Share premium RM'000**	**Revaluation reserve RM'000**	**Capital reserve RM'000**	**Share options reserve RM'000**	**Translation reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 1 January 2016												
As previously stated		235,297	(5,561)	50,990	193,629	5,237	6,488	67,850	262,116	816,046	267,753	1,083,799
Prior year adjustments		-	-	-	-	-	-	(2,310)	25,305	22,995	76,426	99,421
Restated		235,297	(5,561)	50,990	193,629	5,237	6,488	65,540	287,421	839,041	344,179	1,183,220
Other comprehensive income:												
Foreign currency translation differences for foreign operations		-	-	-	-	-	-	47,941	-	47,941	18,079	66,020
Profit for the financial year		-	-	-	-	-	-	-	105,501	105,501	55,454	160,955
Total comprehensive income		-	-	-	-	-	-	47,941	105,501	153,442	73,533	226,975
Share options exercised	13	5,760	-	4,378	-	-	-	-	-	10,138	2,937	13,075
Transfer to share premium for share options exercised		-	-	5,120	-	-	(5,120)	-	-	-	-	-
Share options forfeited		-	-	-	-	-	(1,368)	-	1,368	-	-	-
Acquisition of non-controlling interests		-	-	-	-	-	-	-	-	-	(693)	(693)
Dilution of interest in subsidiary		-	-	-	-	-	-	-	(2,415)	(2,415)	2,415	-
Dividend to owners of the Company	25	-	-	-	-	-	-	-	(24,004)	(24,004)	-	(24,004)
Dividend to non-controlling interests		-	-	-	-	-	-	-	-	-	(18,037)	(18,037)
Total transactions with owners		5,760	-	9,498	-	-	(6,488)	-	(25,051)	(16,281)	(13,378)	(29,659)
At 31 December 2016		241,057	(5,561)	60,488	193,629	5,237	-	113,481	367,871	976,202	404,334	1,380,536
		/---Note 14---/										

Consolidated statement of changes in equity for the financial year ended 31 December 2017
(continued)

Group	Note	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Revaluation reserve RM'000	Capital reserve RM'000	Share options reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		/-----Attributable to owners of the Company-----/										
				/-----Non-distributable-----/					**Distributable**			
At 1 January 2017		241,057	(5,561)	60,488	193,629	5,237	-	113,481	367,871	976,202	404,334	1,380,536
Other comprehensive income:												
Revaluation of property		-	-	-	8,857	-	-	-	-	8,857	2,787	11,644
Foreign currency translation differences for foreign operations		-	-	-	-	-	-	(43,732)	-	(43,732)	(13,678)	(57,410)
Profit for the financial year		-	-	-	-	-	-	-	131,608	131,608	59,719	191,327
Total comprehensive income		-	-	-	8,857	-	-	(43,732)	131,608	96,733	48,828	145,561
Share-based payment	24	-	-	-	-	-	5,222	-	-	5,222	-	5,222
Acquisition of subsidiary		-	-	-	-	-	-	-	-	-	267	267
Dividend to owners of the Company	25	-	-	-	-	-	-	-	(26,418)	(26,418)	-	(26,418)
Dividend to non-controlling interests		-	-	-	-	-	-	-	-	-	(23,734)	(23,734)
Total transactions with owners		-	-	-	-	-	5,222	-	(26,418)	(21,196)	(23,467)	(44,663)
At 31 December 2017		241,057	(5,561)	60,488	202,486	5,237	5,222	69,749	473,061	1,051,739	429,695	1,481,434
			/-----Note 14-----/									

The notes on pages 18 to 103 are an integral part of these financial statements.

Statement of changes in equity for the financial year ended 31 December 2017

Company	Note	Share capital RM’000	Treasury shares RM’000	Share premium RM’000	Revaluation reserve RM’000	Share options reserve RM’000	Translation reserve RM’000	Retained earnings RM’000	Total RM’000
		/-------------------------Non-distributable					-----------------------/	Distributable	
At 1 January 2016		235,297	(5,561)	48,089	35,043	5,463	221	41,061	359,613
Other comprehensive income:									
Foreign currency translation differences for foreign operations		-	-	-	-	-	45	-	45
Profit for the financial year		-	-	-	-	-	-	41,498	41,498
Total comprehensive income		-	-	-	-	-	45	41,498	41,543
Share options exercised	13	5,760	-	4,378	-	-	-	-	10,138
Transfer to share premium for share options exercised		-	-	4,562	-	(4,562)	-	-	-
Share options forfeited		-	-	-	-	(901)		901	-
Dividend to owners of the Company	25	-	-	-	-	-	-	(24,004)	(24,004)
Total transactions with owners		5,760	-	8,940	-	(5,463)	-	(23,103)	(13,866)
At 31 December 2016		241,057	(5,561)	57,029	35,043	-	266	59,456	387,290

/--Note 14--/

Statement of changes in equity for the financial year ended 31 December 2017
(continued)

				/------------Non-distributable------------			/------------/	Distributable	
Company	**Note**	**Share capital RM'000**	**Treasury shares RM'000**	**Share premium RM'000**	**Revaluation reserve RM'000**	**Share options reserve RM'000**	**Translation reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 January 2017		241,057	(5,561)	57,029	35,043	-	266	59,456	387,290
Other comprehensive income:									
Foreign currency translation differences for foreign operations		-	-	-	-	-	196	-	196
Profit for the financial year		-	-	-	-	-	-	211,131	211,131
Total comprehensive income		-	-	-	-	-	196	211,131	211,327
Share-based payment		-	-	-	-	4,004	-	-	4,004
Dividend to owners of the Company	25	-	-	-	-	-	-	(26,418)	(26,418)
Total transactions with owners		-	-	-	-	4,004	-	(26,418)	(22,414)
At 31 December 2017		241,057	(5,561)	57,029	35,043	4,004	462	244,169	576,203
			/------------	------------	------------Note 14	------------	------------	------------/	

The note on pages 18 to 103 are an integral part of these financial statements.

Muhibbah Engineering (M) Bhd.

(Company No. 12737-K)
(Incorporated in Malaysia)

and its subsidiaries

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from/(for) operating activities				
Profit before tax	219,322	182,546	194,900	46,577
Adjustments for:				
Amortisation of development costs	780	1,586	-	-
Amortisation of intellectual property	217	217	-	-
Bad debts written off	-	-	-	2
Depreciation of investment properties	10	11	268	265
Depreciation of property, plant and equipment	67,944	67,580	16,271	18,929
Dividend income	-	-	(100,323)	(42,760)
Finance costs	45,010	64,821	57,843	56,003
Gain on disposal of property, plant and equipment	(773)	(1,116)	(3,214)	(494)
Interest income	(15,087)	(15,579)	(33,864)	(24,431)
Net fair value adjustment on derivative instruments	(20,018)	(13,559)	(447)	(14,615)
Net (gain)/loss on foreign exchange	19,158	(2,095)	(8,748)	(11,622)
Net impairment loss on investment in associates/subsidiaries	-	4,381	6,901	-
Net impairment loss/(recovery)on receivables	6,679	(1,327)	-	14,912
Net impairment loss on other investments	34	1,061	-	-
Net provision/(reversal) for warranties	4,375	2,575	1,355	(433)
Property, plant and equipment written off	173	6	-	-
Share-based payments	5,222	-	2,518	-
Share of profit of associates and joint ventures	(154,267)	(88,181)	-	-
Write-back of inventories	-	(116)	-	-
Asset transfer out	525	-	-	-
Operating profit before changes in working capital	179,304	202,811	133,460	42,333

Statements of cash flows for the financial year ended 31 December 2017 (continued)

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Operating profit before changes in working capital		179,304	202,811	133,460	42,333
Receivables, deposits and prepayments		134,433	115,191	(61,845)	(205,905)
Inventories		(19,086)	38,723	(3,497)	134
Payables and accruals		(372,762)	350,308	(147,652)	125,284
Amount due (to)/from contract customers		601,347	(519,126)	501,949	(259,437)
Cash generated from/(used in) operations		523,236	187,907	422,415	(297,591)
Net taxes paid		(71,807)	(19,454)	(8,769)	(2,378)
Net cash generated from/(used in) operating activities		451,429	168,453	413,646	(299,969)
Cash flows (for)/from investing activities					
Acquisition of shares from non-controlling interests		-	(693)	-	-
Dividend received from:					
- subsidiaries		-	-	32,126	29,885
- associates		48,748	52,211	8,132	12,875
Interest received		10,156	7,154	1,361	1,683
Proceeds from disposal of property, plant and equipment		6,978	6,204	6,718	962
Purchase of property, plant and equipment		(106,039)	(87,493)	(9,940)	(15,334)
Purchase of other non-current assets		(9,454)	-	-	-
Net cash generated (used in)/from investing activities		(49,611)	(22,617)	38,397	30,071

Statements of cash flows for the financial year ended 31 December 2017 (continued)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows (for)/from financing activities					
Dividend paid to owners of the Company		(26,418)	(24,004)	(26,418)	(24,004)
Dividend paid to non-controlling interests		(23,734)	(18,037)	-	-
Interest paid		(44,897)	(62,954)	(23,966)	(34,772)
Proceeds from exercise of share options		-	10,138	-	10,138
Proceeds from issuance of shares to non-controlling interests of a subsidiary		-	2,937	-	-
Net advances/(repayment) of loans and borrowings		(403,548)	72,507	(331,565)	294,876
Net cash (used in)/generated from financing activities		(498,597)	(19,413)	(381,949)	246,238
Exchange differences on translation of the financial statements of foreign operations		(10,731)	42,688	(15)	122
Net (decrease)/increase in cash and cash equivalents		(107,510)	169,111	70,079	(23,538)
Cash and cash equivalents at beginning of year		731,686	562,575	60,488	84,026
Cash and cash equivalents at end of year	(i)	624,176	731,686	130,567	60,488

(i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Deposits placed with licensed banks	12	244,740	244,295	9,234	17,580
Short-term funds	12	94,341	88,844	10,000	18,000
Cash and bank balances	12	287,430	404,466	111,333	25,245
Bank overdrafts	15	(2,335)	(5,919)	-	(337)
		624,176	731,686	130,567	60,488

The notes on pages 18 to 103 are an integral part of these financial statements.

Muhibbah Engineering (M) Bhd.

(Company No. 12737-K)
(Incorporated in Malaysia)

and its subsidiaries

Notes to the financial statements

Muhibbah Engineering (M) Bhd. is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is Lot 579 and 586, 2nd Mile, Jalan Batu Tiga Lama, 41300 Klang, Selangor Darul Ehsan, Malaysia.

The consolidated financial statements of the company as at and for the financial year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates and jointly controlled operations. The financial statements of the Company as at and for the financial year ended 31 December 2017 do not include other entities.

The Company is principally engaged in the provision of oil and gas, marine, infrastructure, civil and structural engineering contract works. The subsidiaries are involved in design, manufacture, commission, repair, maintenance and customisation of cranes, offshore supply vessels and anchor handling tugboats for oil and gas industry. The associates are mainly involved in international airport concessions in Cambodia and road maintenance concessions in Malaysia. The main business segments of the Group are stated in Note 26 to the financial statements. The principal activities of its subsidiaries are as stated in Note 5.

The financial statements were authorised for issue by the Board of Directors on 28 March 2018.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

During the current financial year, the Group and the Company have adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

Amendments to MFRS 107: Disclosure Initiative

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

Annual Improvements to MFRS Standards 2014 – 2016 Cycles: Amendments to MFRS 12: Clarification of the Scope of the Standard

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's and the Company's financial statements except as follow:-

Amendments to MFRS 107: Disclosure Initiative

The amendments to MFRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The changes in liabilities arising from financing activities are shown in the cash flow statements

The Group and the Company have not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

During the current financial year, the Group and the Company have adopted the following new accounting standards and interpretations (including the consequential amendments, if any):- (continued)

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 15: Effective date of MFRS 15	
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycles: • Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters • Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2018

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group and the Company upon their initial application except as follows:-.

MFRS 9 (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. The Group and the Company is currently assessing the financial impact of adopting MFRS 9.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

During the current financial year, the Group and the Company have adopted the following new accounting standards and interpretations (including the consequential amendments, if any):- (continued)

MFRS 15: Revenue from Contracts with Customers & Amendments to MFRS 15: Effective Date of MFRS 15 & Amendments to MFRS 15: Clarifications to MFRS 15

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15. The Group and the Company is currently assessing the financial impact that may arise from the adoption of MFRS15.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the notes to the financial statements.

(c) Functional and presentation currencies

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is functional currency.

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

There are no significant areas of estimation of uncertainty and critical judgements in applying accounting policies that have significant effects on the amounts recognised in the financial statements other than those disclosed in following notes:

- recognition of revenue and profit from construction contracts
- valuation of investment properties
- impairment on receivables
- impairment on property, plant and equipment
- share-based payments
- depreciation
- income tax

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, 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. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de factor power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee’s return.

Investments in subsidiaries are measured in the Company’s statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

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

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vi) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investment in joint venture are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vii) Affiliated company

An affiliated company to the Group is a Company in which the ultimate holding Company holds a long term investment of between 20% to 50% of the equity.

(viii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ix) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising from retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur 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, and are presented in the foreign currency translation reserve ("FCTR") in equity.

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 which are treated as assets and liabilities of the Company. The income and expenses of foreign operations in functional currencies other than RM are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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 designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets 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.

(b) ***Loans and receivables***

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

Financial liabilities

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

(b) ***Loans and receivables (continued)***

Financial liabilities (continue)

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

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

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.

(iii) Regular way purchase or sale of financial assets

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

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

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

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

(iv) Derecognition

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Derecognition (continue)

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

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost/valuation less any accumulated depreciation and any accumulated impairment losses.

The Group and the Company adopted the policy to revalue their freehold land and leasehold land every 5 years or at shorter intervals whenever the fair values of the freehold land and leasehold land are expected to differ materially from their carrying values.

Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Dry-docking costs are recognised in the carrying amount of ships, rigs, etc. when incurred and depreciated over the period until the next dry-docking.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives are as follows:

Drydock and slipway	45 years
Cranes	10 - 15 years
Plant and equipment	3 - 20 years
Motor vehicles	5 years

Buildings are depreciated on a straight-line basis over the shorter of 50 years or the lease period.

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period.

2. Significant accounting policies (continued)

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payment made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

2. Significant accounting policies (continued)

(f) Investment properties

Investment properties carried at cost

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purpose.

Investment properties are stated at cost less accumulated depreciation and impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(d).

Where the fair value of the investment property under construction is not reliably determined, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Transfers between investment property and property, plant and equipment do not change the carrying amount and the cost of the property transferred.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(g) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill that forms part of the carrying amount of the equity-accounted associates.

Goodwill with indefinite useful lives are not amortised but are tested for impairment at the end of each reporting period and whenever there is an indication that goodwill may be impaired.

2. Significant accounting policies (continued)

(g) Intangible assets (continued)

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and use or sell the assets.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Intellectual property

Intellectual property consists of rights to trade name, knowhow and industrial property rights and is stated at cost less any accumulated amortisation and any impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(v) Amortisation

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired. Other intangible assets are amortised from the date that they are available for use. Amortisation of intangible assets is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets of 5 to 10 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period, and adjusted if appropriate.

2. Significant accounting policies (continued)

(g) Intangible assets (continued)

(vi) Development cost

Development costs consists of land and development costs where no development activities are carried out or where development activities are not expected to be completed within the normal operating cycle. Such land and development costs are carried at cost less and accumulated impairment losses.

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

Non-current property development costs are transferred to the current asset when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is measured based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work in progress, manufactured inventories and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Cost of crane components comprises the original purchase price plus incidentals in bringing these inventories to their present location and condition. Cost of work-in-progress and assembled cranes consists of crane components, direct labour and an appropriate proportion of fixed and variable production overheads. Crane components are determined on a first-in, first-out basis. Cost of work-in-progress and assembled cranes is determined on a specific identification basis.

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

2. Significant accounting policies (continued)

(i) Amount due from/(to) contract customers

Amount due from contract customers represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billing and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity. For qualifying contracts, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Amount due from contract customers is presented as part of total current assets in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as amount due to contract customers which is part of the deferred income in the statement of financial position.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances, demand deposits, bank overdrafts and deposits with financial institution and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of 3 months or less.

(k) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and investment in associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables 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.

2. Significant accounting policies (continued)

(k) Impairment (continued)

(i) Financial assets (continued)

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 the profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases 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 the profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories, amount due from contract customers, deferred tax asset, assets arising from employee benefits, investment property measured in fair value and non-current assets classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

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 unit. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

2. Significant accounting policies (continued)

(k) Impairment (continued)

(ii) Other assets (continued)

The recoverable amount of an assets or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units (group of cash generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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 does not exceed the 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.

(l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Incremental costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Preference share capital

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

2. Significant accounting policies (continued)

(l) Equity instruments (continued)

(iii) Preference share capital (continued)

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

(iv) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(m) Bonds

The Redeemable Islamic bonds with detachable provisional rights to allotment of warrants are issued in the form of Sukuk Mudharabah in accordance with the Shariah principles of Mudharabah. The Islamic bonds are based on the Master Mudharabah (Profit Sharing) Agreement ("*MAA*") entered into between the Company (*Mudharib*) and Trustee on behalf of the investor (*rabb al-mal*). The investors provide the required capital to the Company under the principle of Mudharabah Mutlaqah or unrestricted Mudharabah for the relevant investment period, subject to specified terms and conditions, where absolute entrepreneurial authority was granted to the Company to manage the investment capital in Shariah compliant, general business activities of the Company.

The proceeds from the issue of Warrants, net of issue costs, will be credited to a warrants reserve account which is non-distributable. Warrants reserve will be transferred to the share premium accounts upon the exercise of warrants and the warrants reserve in relation to the unexercised warrants on the expiry date of the exercise period will be transferred to retained earnings. Further details of the Islamic bonds in issue are disclosed in Note 15 to the financial statements.

2. Significant accounting policies (continued)

(n) Loans and borrowings

Loans and borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and redemption value is recognised in the profit or loss over the period of the loans and borrowings using the effective interest method.

(o) Employee benefits

(i) 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 or profit-sharing plans if the Group 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.

The Group’s contributions to the Employees Provident Fund are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(ii) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(p) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense in profit or loss.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

2. Significant accounting policies (continued)

(p) Provisions (continued)

(ii) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(q) Revenue recognition

(i) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to-date bear to the estimated total 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 are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(ii) Goods sold and services rendered

Revenue from sale of goods, trading of crane inventories and crane components and marine supplies are measured at net fair value of the consideration received or receivable and is recognised in profit or loss. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customers, recovery of the consideration is probable and there is no continuing management involvement with the goods, and the revenue can be measured reliably.

2. Significant accounting policies (continued)

(q) Revenue recognition (continued)

(ii) Goods sold and services rendered (continued)

Revenue from ship repair and other services rendered, which are of short term nature, is recognised in the profit or loss upon the completion of the repairs or services. Where the outcome of the transactions cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(iii) Rental income

Rental income from investment property is recognised in profit or loss as it accrues over the term of the lease.

Rental income from cranes and vessels is recognised in profit or loss as it accrues.

(iv) Dividend income

Dividend income is recognised in profit or loss on the date that the Group or the Company's right to receive payment is established.

(r) Interest income

Interest income is recognised as it accrues, using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(s) Borrowing costs

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

Borrowing costs 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.

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

2. Significant accounting policies (continued)

(t) Income tax

(i) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(ii) Deferred Tax

Deferred tax are recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

2. Significant accounting policies (continued)

(t) Income tax (continued)

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

Revenues, expenses and assets are recognised net of GST except for the GST in a purchase of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

In addition, receivables and payables are also stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

(u) Earnings per share

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

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

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

(v) Operating segments

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

2. Significant accounting policies (continued)

(w) Fair value measurements

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

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

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

3. Property, plant and equipment

Group	Land RM'000	Buildings RM'000	Drydock and slipway RM'000	Cranes RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost/Valuation							
1 January 2016	331,922	219,422	45,368	165,721	629,777	985	1,393,195
Additions	-	2,693	-	41,183	38,202	5,415	87,493
Disposals	-	-	-	(6,153)	(15,304)	-	(21,457)
Written off	-	-	-	-	(9,058)	-	(9,058)
Exchange differences	1,826	637	-	74	11,052	25	13,614
Transfer	-	-	-	(3,857)	(1,168)	-	(5,025)
Reclassification	-	704	-	163	(672)	(195)	-
At 31 December 2016/ 1 January 2017	333,748	223,456	45,368	197,131	652,829	6,230	1,458,762
Additions	-	1,972	-	39,176	64,432	459	106,039
Disposals	-	-	-	(4,579)	(28,967)	-	(33,546)
Written off	-	-	-	-	(27)	(173)	(200)
Exchange differences	(3,361)	(715)	-	1,881	(21,148)	(57)	(23,400)
Revaluation	11,644	-	-	-	-	-	11,644
Transfer	-	-	-	-	52,807	(525)	52,282
Reclassification	-	2,404	-	(53)	310	(2,661)	-
At 31 December 2017	342,031	227,117	45,368	233,556	720,236	3,273	1,571,581
Representing items at:							
Cost	83,513	227,117	45,368	233,556	720,236	3,273	1,313,063
Valuation	258,518	-	-	-	-	-	258,518
	342,031	227,117	45,368	233,556	720,236	3,273	1,571,581
Accumulated depreciation and impairment losses							
At 1 January 2016	12,162	69,405	17,148	62,460	447,172	-	608,347
Depreciation for the year	2,339	5,284	1,019	10,731	48,207	-	67,580
Disposals	-	-	-	(3,483)	(12,889)	-	(16,372)
Written off	-	-	-	-	(9,052)	-	(9,052)
Exchange differences	-	369	-	171	8,733	-	9,273
Transfer	-	-	-	(767)	(1,366)	-	(2,133)
Reclassification	-	67	-	-	(67)	-	-
Accumulated depreciation	14,501	59,445	18,167	68,576	475,812	-	636,501
Accumulated impairment loss	-	15,680	-	536	4,926	-	21,142
At 31 December 2016/ 1 January 2017	14,501	75,125	18,167	69,112	480,738	-	657,643
Depreciation for the year	2,314	4,822	1,019	14,156	45,633	-	67,944
Disposals	-	-	-	(2,266)	(25,075)	-	(27,341)
Written off	-	-	-	-	(27)	-	(27)
Exchange differences	-	(253)	-	851	(14,982)	-	(14,384)
Transfer	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-
Accumulated depreciation	16,815	64,014	19,186	81,317	481,361	-	662,693
Accumulated impairment loss	-	15,680	-	536	4,926	-	21,142
At 31 December 2017	16,815	79,694	19,186	81,853	486,287	-	683,835

3. Property, plant and equipment (continued)

Group	Land RM'000	Buildings RM'000	Drydock and slipway RM'000	Cranes RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Carrying amounts							
At 1 January 2016	319,760	150,017	28,220	103,261	182,605	985	784,848
At 31 December 2016/ 1 January 2017	319,247	148,331	27,201	128,019	172,091	6,230	801,119
At 31 December 2017	325,216	147,423	26,182	151,703	233,949	3,273	887,746

Company	Land RM'000	Buildings RM'000	Cranes RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost/Valuation						
At 1 January 2016	55,108	6,990	29,223	172,902	168	264,391
Additions	-	-	1,918	8,211	5,205	15,334
Disposals	-	-	-	(3,070)	-	(3,070)
Written off	-	-	-	(147)	-	(147)
Exchange differences	-	-	-	(46)	-	(46)
At 31 December 2016/ 1 January 2017	55,108	6,990	31,141	177,850	5,373	276,462
Additions	-	-	97	9,264	579	9,940
Disposals	-	-	(118)	(25,768)	-	(25,886)
Reclassification/transfer	-	1,754	(53)	310	(3,185)	(1,174)
Exchange differences	-	-	-	(74)	-	(74)
At 31 December 2017	55,108	8,744	31,067	161,582	2,767	259,268
Accumulated depreciation						
At 1 January 2016	3,138	210	15,131	94,899	-	113,378
Depreciation for the year	624	140	2,249	15,916	-	18,929
Disposals	-	-	-	(2,602)	-	(2,602)
Written off	-	-	-	(147)	-	(147)
Exchange differences	-	-	-	27	-	27
At 31 December 2016/ 1 January 2017	3,762	350	17,380	108,093	-	129,585
Depreciation for the year	624	148	2,237	13,262	-	16,271
Disposals	-	-	(118)	(22,264)	-	(22,382)
Exchange differences	-	-	-	(89)	-	(89)
At 31 December 2017	4,386	498	19,499	99,002	-	123,385
Carrying amounts						
At 1 January 2016	51,970	6,780	14,092	78,003	168	151,013
At 31 December 2016/ 1 January 2017	51,346	6,640	13,761	69,757	5,373	146,877
At 31 December 2017	50,722	8,246	11,568	62,580	2,767	135,883

3. Property, plant and equipment (continued)

Security

The freehold land, buildings and certain long term leasehold land of the Group with total net book value of RM162,251,000 (2016 - RM163,086,000) have been pledged to certain licensed banks as security for term loan facilities granted to the Group (Note 15).

Property, plant and equipment under the revaluation model

During the current financial year, four pieces of freehold land were revalued by independent valuers using the comparison approach. The surpluses arising from the revaluation of RM11,644 million have been credited to other comprehensive income and accumulated in equity under the revaluation reserve.

Had the freehold land and leasehold land been carried under the cost model, the net book value of the Group's freehold land would have been RM85,490,000 (2016 – RM86,402,000) and Group and Company's leasehold land would have been RM50,544,000 (2016 - RM51,924,000) and RM8,007,000 (2016 - RM8,101,000) respectively.

Land

Included in the carrying amounts of land are:

	Group		**Company**	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Freehold land	154,475	146,194	50	50
Long term leasehold land	170,741	173,053	50,672	51,296
	325,216	319,247	50,722	51,346

4. Investment properties

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cost				
At 1 January	629	629	13,343	13,343
Reclassification	-	-	650	-
At 31 December	629	629	13,993	13,343
Accumulated depreciation and impairment loss				
At 1 January	385	374	1,678	1,413
Depreciation for the year	10	11	268	265
At 31 December	395	385	1,946	1,678
Carrying amounts				
At 31 December	234	244	12,047	11,665
Included in the above are:				
Freehold land	94	94	94	94
Buildings	140	150	11,953	11,571
	234	244	12,047	11,665

Investment properties of the Group comprise a number of commercial properties that are leased to third parties. Certain investment properties of the Company were leased to companies within the Group for their respective own use and accordingly classified as property, plant and equipment in the consolidated statements of financial position.

Market value

The market value of the investment properties presented on an aggregated basis is as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Market value of investment properties - aggregated basis	370	370	35,034	67,695

4. Investment properties (continued)

Market value (continued)

The market value of the investment properties of the Group and of the Company were derived at by reference to market indication of transaction prices for similar properties within the same/adjacent location. Market indication of transaction prices are adjusted for differences in key attributes such as property size.

The Directors estimated the fair values of the Group's investment properties without involvement of independent valuers.

5. Investments in subsidiaries

		Company	
	Note	**2017 RM'000**	**2016 RM'000**
Ordinary shares			
Quoted shares - in Malaysia		98,663	98,663
Unquoted shares - at cost		257,384	257,036
Cumulative redeemable convertible preference shares, at cost	(a)	-	1,800
		356,047	357,499
Less: Impairment losses		(102,460)	(95,559)
		253,587	261,940

Market value

Quoted shares in Malaysia	358,288	312,354

(a) During the financial year, the cumulative redeemable preference shares held in a subsidiary was fully redeemed.

5. Investments in subsidiaries (continued)

The principal activities of the subsidiaries, their places of incorporation and the interest of Muhibbah Engineering (M) Bhd. are as follows:

Company	Principal activities	Country of incorporation	Effective ownership interest 2017 %	Effective ownership interest 2016 %
Cranes segment				
Favelle Favco Berhad	Investment holding	Malaysia	59.28	59.28
Favelle Favco Cranes (M) Sdn. Bhd.	Manufacturing of cranes	Malaysia	59.28	59.28
Favelle Favco Cranes Pte. Ltd.*	Trading of cranes, spare parts and services	Singapore	59.28	59.28
Favelle Favco Cranes (USA), Inc.*	Manufacturing of cranes	United States of America	59.28	59.28
Favelle Favco Cranes Pty Limited* and its subsidiaries:	Manufacturing of cranes	Australia	59.28	59.28
FF Management Pty. Limited*	Management services	Australia	59.28	59.28
Milperra Blasting and Coating Pty. Limited*	Dormant	Australia	59.28	59.28
Kroll Cranes A/S*	Manufacturing of cranes	Denmark	59.28	59.28
Favelle Favco Cranes International Ltd.	Dormant	Labuan	59.28	59.28
FES Equipment Services Sdn. Bhd.	Hiring and repair of cranes	Malaysia	59.28	59.28
Favelle Favco Winches Pte. Ltd.*	Design, fabrication, trading, service and rental of winches, hydraulic system and material handling equipment	Singapore	59.28	59.28
Favelle Favco Management Services Sdn. Bhd.*	Dormant	Malaysia	59.28	59.28
Shanghai Favco Engineering Machinery Manufacturing Co. Ltd.*	Manufacturing of cranes	China	47.42	47.42

5. Investments in subsidiaries (continued)

Company	Principal activities	Country of incorporation	Effective ownership interest 2017 %	2016 %
Marine shipbuilding and ship repair segment				
Muhibbah Marine Engineering Sdn. Bhd. and its subsidiary:	Shipbuilding, renting of ship, providing ship repair services, trading of marine supplies and provision of other engineering works	Malaysia	100	100
Energy Ocean Ltd.	Trading of motor vessels, spare parts and other services	Labuan	100	100
Infrastructure construction segment				
Juara Lagi Sdn. Bhd.#	Vessel chartering services	Malaysia	100	100
Elelink Sdn. Bhd.* and its subsidiary:	Investment holding	Malaysia	100	100
ITS Konsortium Sdn. Bhd.	Commissioning of intelligent transport system solution	Malaysia	60	60
Muhibbah Petrochemical Engineering Sdn. Bhd.#	Oil, gas, petrochemical engineering and related works	Malaysia	100	100
Muhibbah Engineering (Singapore) Pte. Ltd.*	Civil and structural engineering contract works	Singapore	100	100
MEB Construction Sdn. Bhd.#	Civil and structural engineering contract works	Malaysia	100	100
Muhibbah Steel Industries Sdn. Bhd.*	Structural steel fabrication and related works	Malaysia	100	100
Muhibbah Airline Support Industries Sdn. Bhd.	Manufacturing and services for airline support equipment	Malaysia	100	100
Muhibbah Marine Engineering (Deutschland) GmbH*	Constructing and leasing of marine plants	Germany	95	95

5. Investments in subsidiaries (continued)

Company	Principal activities	Country of incorporation	Effective ownership interest 2017 %	2016 %
Infrastructure construction segment (continued)				
Muhibbah Masteron Cambodia JV Limited	Investment holding and civil and structural engineering contract works	Cambodia	70	70
Ann Bee (M) Sdn. Bhd.*	Manufacture of aluminium foils and carbonless papers	Malaysia	100	100
Muhibbah Maritime Hub Sdn. Bhd.*	Distribution and marketing of construction materials	Malaysia	100	100
Aspect Saga Sdn. Bhd.* and its subsidiaries:	Investment holding	Malaysia	100	100
IDS Cahaya Sdn. Bhd.*	Investment holding	Malaysia	100	100
IDS Cahaya Ltd.#	Offshore leasing business	Labuan	100	100
Muhibbah Reefers Sdn. Bhd.*	Manufacturing of containers and refrigerator containers	Malaysia	100	100
Khas Jejaka Sdn. Bhd.*	Investment holding	Malaysia	100	100
Inno Marine Services Sdn. Bhd.*#	Marine leasing activities	Malaysia	74	37.5
Muhibbah International Labuan Ltd.	Offshore leasing and international trade business	Labuan	100	100
Muhibbah Offshore Services Ltd.	Offshore leasing business	Labuan	95	95
Muhibbah Engineering (Cambodia) Co. Ltd.#	Construction, quarry and trading business	Cambodia	60	60
Muhibbah-LTAT JV Sdn. Bhd.	Civil, marine and structural engineering contract works	Malaysia	51	51
Citech Energy Recovery System Malaysia Sdn. Bhd.* and its subsidiary:	Manufacture of waste heat recovery units for the oil and gas industry	Malaysia	100	100
Citech Energy Recovery Solutions UK (Ltd)*	Trading of waste heat recovery units, spare parts and other services	United Kingdom	100	100

5. Investments in subsidiaries (continued)

Company	Principal activities	Country of incorporation	Effective ownership interest 2017 %	Effective ownership interest 2016 %
Infrastructure construction segment (continued)				
CB International Engineering Sdn. Bhd.	Rental of investment properties and related services and provision of vessel chartering services	Malaysia	100	100
Muhibbah Construction Pty. Limited.*#	Marine and port construction work	Australia	100	100
Muhibbah Engineering Middle East LLC*	Civil and structural engineering contract works	Qatar	90	90
Karisma Duta Sdn. Bhd.*#	Dormant	Malaysia	100	100
Muhibbah Oil & Gas Sdn. Bhd.*	Dormant	Malaysia	100	100
Konsortium Muhibbah Eng-LTAT Sdn. Bhd.	Dormant	Malaysia	100	100
Sun Vibrant Sdn. Bhd.*	Dormant	Malaysia	51	51
MEB Equipment Sdn. Bhd.*#	Dormant	Malaysia	100	100
Muhibbah Corporation (L) Ltd.#	Dormant	Labuan	100	100
Cambodia Land Ltd.#	Dormant	Labuan	100	100
Muhibbah Engineering (Philippines) Corporation*#	Civil and structural engineering contract works	Philippines	99.99	99.99
Concession segment				
Muhibbah Airport Services (Labuan) Ltd.#	Investment holding	Labuan	70	70

* Subsidiaries not audited by Messrs. Crowe Horwath.

\# The auditors' reports on the audited financial statements of the subsidiaries contained an emphasis on the reliance of these subsidiaries on the continuing financial support from the Company and/or bankers in order to continue operating as going concerns.

5. Investments in subsidiaries (continued)

(a) The Company assessed the recoverable amount of investments in subsidiaries and determined that an impairment loss of approximately RM6.9 million (2016 – Nil) should be recognised as the recoverable amount of certain subsidiaries is lower than the carrying amount. The recoverable amount of the cash-generating unit is determined using the fair value less costs to sell approach, and this is derived from the net assets position of the subsidiary as at the end of the reporting period. The net assets position of certain subsidiaries as at the end of the reporting period has declined in the current financial year which was attributed to the continuing losses incurred.

Non-controlling interests in subsidiaries

The following table lists out the information relating to Favelle Favco Bhd, the subsidiaries of the Group which has material non-controlling interest ("NCI"). The summarised financial information presented below represents the amount before any inter-company elimination.

	Group	
	2017 RM'000	**2016 RM'000**
NCI percentage	40.72%	40.72%
Carrying amount of NCI	263,654	249,032
Profit allocated to NCI	26,593	27,788
Dividends paid to NCI	13,523	13,523
Total assets	1,207,441	1,160,537
Total liabilities	579,213	568,780
Revenue	526,484	582,273
Profit for the year	63,997	72,040

6. Investments in associates

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Unquoted shares				
- At cost	77,530	77,787	8,723	8,981
- Share of post-acquisition reserves	426,252	359,137	-	-
	503,782	436,924	8,723	8,981

6. Investments in associates (continued)

Details of the associates are as follows:

Company	Principal activities	Country of incorporation	Effective Ownership interest 2017 %	Effective Ownership interest 2016 %
Concession segment				
Roadcare (M) Sdn. Bhd.*@	Operation and maintenance of roadways and bridges	Malaysia	21	21
Société Concessionnaire de l' Aéroport*#	Operator and concessionaire of airports in Cambodia	Cambodia	21	21
Cambodia Airport Management Services Ltd. *#	Provision of airport management services	Cambodia	21	21
Infrastructure construction segment				
Freyssinet PSC (M) Sdn. Bhd.*@	Civil engineering and construction works	Malaysia	50	50
IDS Darussalam Sdn. Bhd.*#	Ship management services	Malaysia	50	50
IDS Offshore Sdn. Bhd.*#	Ship management services	Malaysia	50	50
Wabag Muhibbah JV Sdn. Bhd.*+	Engineering, procurement, construction and commissioning of effluent treatment plant	Malaysia	30	30
Cranes segment				
Favco Offshores Sdn. Bhd.#	Manufacture, supply, servicing and renting of cranes	Malaysia	17.8	17.8
Favelle Favco Machinery and Equipment L.L.C*#	Trading and rental of construction equipment	United Arab Emirates	29.2	29.2
Favco Heavy Industry (Changshu) Co., Ltd.*#	Supply, renting and servicing of lifting equipment and spare parts	China	29.6	29.6

6. Investments in associates (continued)

* Associates not audited by Messrs. Crowe Horwath

Associates of subsidiaries of Muhibbah Engineering (M) Bhd.

\+ Financial year ended as at 31 March. Special audit is performed for financial period as at 31 December for consolidated financial statements purpose.

@ The results of the associate are consolidated using management accounts.

Summary financial information of major associates

The major associates of the Group, adjusted for any differences in accounting policies and the carrying amounts in the consolidated financial statements, are disclosed below:

	Group 2017 RM'000	Group 2016 RM'000
Gross amount of the major associates		
Non-current assets	1,326,326	1,247,742
Current assets	802,652	651,483
Non-current liabilities	39,767	194,743
Current liabilities	603,376	388,298
Revenue	2,056,283	1,142,011
Profit for the year	557,301	327,692
Dividends received	48,748	52,211
Carrying amount in the consolidated financial statements	484,751	416,053

Aggregate information of immaterial associates

	Group 2017 RM'000	Group 2016 RM'000
Aggregate carrying amount	19,031	20,871
Aggregate amount of the group share:		
- Loss for the year	(875)	(6,050)

7. Receivables, deposits and prepayments

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Non-trade					
Amount due from associates	7.1	6,129	6,712	-	-
Current					
Trade					
Trade receivables	7.2	230,984	284,376	-	-
Progress billings receivable	7.2	133,656	232,172	95,599	224,454
Amount due from subsidiaries	7.3	-	-	683,158	403,300
Amount due from associates	7.1	90,372	94,314	-	-
Amount due from joint venture		50,113	33,881	45,713	-
		505,125	644,743	824,470	627,754
Less: Allowance for impairment loss		(63,685)	(59,862)	(26,032)	(28,586)
		441,440	584,881	798,438	599,168
Non-trade					
Amount due from subsidiaries	7.3	-	-	227,631	294,068
Amount due from associates	7.1	35,050	52,654	2,806	20,382
Other receivables		63,004	46,261	14,116	11,877
		98,054	98,915	244,553	326,327
Less: Allowance for impairment loss		(3,180)	(3,180)	(19,831)	(19,831)
		94,874	95,735	224,722	306,496
Deposits		7,032	6,724	1,285	3,382
Prepayments		13,164	16,952	3,349	7,265
		115,070	119,411	229,356	317,143
		556,510	704,292	1,027,794	916,311
Non-current and current		562,639	711,004	1,027,794	916,311

7. Receivables, deposits and prepayments (continued)

7.1 Amounts due from associates

The amounts due from associates of the Group and of the Company are unsecured, interest-free and have no fixed terms of repayment, other than an amount due from an associate of RM6,129,000 (2016 – RM6,712,000) which is subject to interest of 1% (2016 – 1%) per annum.

7.2 Trade receivables and progress billings receivables

Analysis of foreign currency exposure for significant receivables

Included in trade receivables and progress billings receivable are major receivables denominated in currencies other than the functional currency, as follows:

	Group		**Company**	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Australian Dollar	348	372	-	-
Euro	191	207	-	-
Qatari Riyal	37,166	116,878	37,166	116,878
Singapore Dollar	91	8,763	-	-
US Dollar	32,886	70,263	26,796	23,306
	======	======	======	======

Also included in trade receivables and progress billings receivable of the Group and of the Company are retention sums of RM72,185,000 (2016 - RM77,870,000) and RM72,092,012 (2016 - RM77,777,000) respectively.

7.3 Amount due from subsidiaries

The trade receivables due from subsidiaries are subject to the normal credit terms ranging from 30 to 150 days (2016 – 30 to 60 days).

The non-trade receivables due from subsidiaries are unsecured, interest free and repayable on demand.

8. Deferred tax (assets) and liabilities

Recognised deferred tax (assets) and liabilities

Deferred tax (assets) and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Property, plant and equipment	-	-	58,331	54,733	58,331	54,733
Tax losses carry forward	(25,262)	(827)	-	-	(25,262)	(827)
Other temporary differences	(29,651)	(30,157)	4,536	6,310	(25,115)	(23,847)
Tax (assets)/ liabilities	(54,913)	(30,984)	62,867	61,043	7,954	30,059
Set off of tax	15,487	4,347	(15,487)	(4,347)	-	-
Net tax (assets)/ liabilities	(39,426)	(26,637)	47,380	56,696	7,954	30,059
Company						
Property, plant and equipment	-	-	11,427	11,427	11,427	11,427
Tax losses	(25,000)	-	-	-	(25,000)	-
Tax (assets)/ liabilities	(25,000)	-	11,427	11,427	(13,573)	11,427
Set off of tax	11,427	-	(11,427)	-	-	-
Net tax (assets)/ liabilities	(13,573)	-	-	11,427	(13,573)	11,427

Unrecognised deferred tax assets

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

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Accelerated capital allowances	(63,426)	(77,856)	(62,378)	(66,890)
Unabsorbed capital allowances	92,240	101,086	81,088	71,463
Tax losses carry forward	733,226	684,027	453,663	420,539
Other temporary differences	28,742	24,280	-	6,308
	790,782	731,537	472,373	431,420

8. Deferred tax (assets) and liabilities (continued)

Unrecognised deferred tax assets (continued)

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Movement in temporary differences during the financial year

Group	**Property plant and equipment RM'000**	**Tax losses carry forward RM'000**	**Other temporary differences RM'000**	**Total RM'000**
As at 1 January 2016	54,211	(1,356)	(14,776)	38,079
Recognised in profit or loss (Note 22)	522	529	(9,092)	(8,041)
Foreign exchange differences	-	-	21	21
As at 31 December 2016/ 1 January 2017	54,733	(827)	(23,847)	30,059
Recognised in profit or loss (Note 22)	3,598	(24,435)	(1,357)	(22,194)
Foreign exchange differences	-	-	89	89
As at 31 December 2017	58,331	(25,262)	(25,115)	7,954
Company				
As at 1 January 2016/ 31 December 2016/ 1 January 2017	11,427	-	-	11,427
Recognised in profit or loss loss (Note 22)	-	(25,000)	-	(25,000)
As at 31 December 2017	11,427	(25,000)	-	(13,573)

9. Other non-current assets

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Other investments	85	119	9	9
Land held for development	20,342	11,199	-	-
Development costs	4,795	2,647	-	-
Intellectual property	497	714	-	-
	25,719	14,679	9	9

	Land held for development Group		Development costs Group	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cost				
At 1 January	11,199	10,804	18,979	18,817
Additions	7,151	-	2,303	-
Transfer from WIP	2,963	-	1,790	-
Exchange difference	(971)	395	(1,277)	162
At 31 December	20,342	11,199	21,795	18,979
Accumulated impairment/amortisation				
At 1 January	-	-	16,332	14,570
Amortisation charge for the year	-	-	780	1,586
Exchange difference	-	-	(112)	176
At 31 December	-	-	17,000	16,332
Carrying amounts				
At 1 January	11,199	10,804	2,647	4,247
At 31 December	20,342	11,199	4,795	2,647

9. Other non-current assets (continued)

Development costs represent internally generated development expenditure by subsidiaries on new or substantially improved projects. It is reasonably anticipated that the development expenditure will be recovered through future commercial activity. The amortisation period of development expenditure ranged from 1 year to 5 years (2016 - 1 year to 5 years).

Title

The long term leasehold land in a foreign subsidiary is registered in the name of its director cum minority shareholder who holds the property in trust for the foreign subsidiary.

	Intellectual property Group	
	2017	**2016**
	RM'000	**RM'000**
Cost		
At 1 January / 31 December	1,800	1,800
Accumulated impairment/amortisation		
At 1 January	1,086	869
Amortisation charge for the year	217	217
At 31 December	1,303	1,086
	=====	=====
Carrying amounts		
At 1 January	714	931
	=====	=====
At 31 December	497	714
	=====	=====

Intellectual property represents the acquisition of know-how, rights to industrial property and trade name by subsidiaries. It is reasonably anticipated that the intellectual property will be recovered through future commercial activity.

10. Amounts due from/(to) contract customers

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Aggregate costs incurred to date	7,011,574	9,374,266	3,749,971	5,115,413
Add: Attributable profits less foreseeable losses	138,715	48,357	124,616	(27,529)
	7,150,289	9,422,623	3,874,587	5,087,884
Less: Progress billings	(6,937,856)	(8,604,089)	(3,733,271)	(4,444,619)
	212,433	818,534	141,316	643,265
Represented by:				
Amount due from contract customers	498,978	1,088,956	144,439	646,385
Amount due to contract customers	(286,545)	(270,422)	(3,123)	(3,120)
	212,433	818,534	141,316	643,265

Additions to aggregate costs incurred during the financial year include:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Depreciation of property, plant and equipment	31,395	40,070	12,208	17,191
Finance costs	19,033	31,199	3,790	8,997
Rental expense	9,423	52,746	2,680	7,809

11. Inventories

	Group 2017 RM'000	Group 2016 RM'000
At cost:		
Raw materials	21,852	20,404
Crane components	70,646	69,031
Work-in-progress	118,093	158,200
Manufactured and trading inventories	1,245	662
	211,836	248,297
At net realisable value:		
Cranes	1,396	967
Crane components	35	16,156
Raw materials	17,022	486
Work-in-progress	1,896	-
	232,185	265,906

	Company 2017 RM'000	Company 2016 RM'000
At cost:		
Work-in-progress	3,860	363

12. Cash and cash equivalents

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Deposits placed with licensed banks	244,740	244,295	9,234	17,580
Short-term funds	94,341	88,844	10,000	18,000
Cash and bank balances	287,430	404,466	111,333	25,245
	626,511	737,605	130,567	60,825

Short-term funds represent investment in highly liquid money market, which is readily convertible to a known amount of cash. The effective interest rates range from 2.4% to 3.6% (2016: 2.4% to 3.1%) per annum.

13. Share capital

		Group and Company			
		Number of shares		Amount	
		2017 '000	2016 '000	2017 RM'000	2016 RM'000
Ordinary shares with no Par Value (2016: Par Value of RM0.50 each)					
Authorised:					
At 1 January/31 December	(i)	N/A	1,000,000	N/A	500,000
Issued and fully paid:					
At 1 January		482,114	470,593	241,057	235,297
Exercise of employee share options	(ii)	-	11,521	-	5,760
At 31 December		482,114	482,114	241,057	241,057

N/A Not applicable pursuant to Companies Act 2016 which came into operation on 31 January 2017 as disclosed in item (i) below.

(i) On 31 January 2017, the concepts of authorised share capital and par value of share capital were abolished in accordance with the Companies Act 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

(ii) In the previous financial year, a total of 5,761,000 (2016 - 11,521,000) new ordinary shares were issued for cash pursuant to the employees' share options scheme ("Former ESOS") of the Company. The details of options granted under the Company's share options are disclosed in Note 24.

14. Reserves

Treasury shares

This amount represents the acquisition cost for the repurchase of the Company's ordinary shares, net of the proceeds received on their subsequent sale or issuance of the shares repurchased.

The number of treasury shares held is 1,783,000 (2016 - 1,783,000). None of the treasury shares held was sold or cancelled during the financial year ended 31 December 2017.

Share premium

The Company has adopted the transitional provisions set out in Section 618(3) of the Companies Act 2016 ("Act") where the sum standing to the credit of the share premium may be utilised within twenty four months from the commencement date of 31 January 2017 in the manner as allowed for under the Act. Therefore, the Group and the Company has not consolidated the share premium into share capital within this transitional period.

Revaluation reserve

Revaluation reserve of the Group relates to the revaluation of freehold land and leasehold land of the Company and certain subsidiaries, and the revaluation of an investment in a subsidiary by the Company in 1982.

Capital reserve

The capital reserve of the Group represents reserve arising from the redemption of preference shares issued by a subsidiary, and the capitalisation of distributable reserve for issuance of bonus shares by subsidiaries in previous years.

Share options reserve

The share options reserve of the Group and of the Company comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share options reserve is transferred to share premium. When the share options expire, the amount from the share options reserve is transferred to retained earnings.

Translation reserve

The translation reserve of the Group and of the Company comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

14. Reserves (continued)

Retained earnings

Under the single tier tax system, tax on the Company's profits is the final tax and accordingly, any dividends to the shareholders are not subject to tax.

15. Loans and borrowings

The note provides information about the contractual terms of the Group's and the Company's interest bearing loans and borrowings. For more information about the Group's and Company's exposure to interest rate risk, see Note 28.

	Group		Company	
	2017	2016	2017	2016
Non-current	RM'000	RM'000	RM'000	RM'000
Secured				
Term loans	26,329	23,901	-	-
Unsecured				
Term loans	65,500	49,200	65,500	49,200
	91,829	73,101	65,500	49,200
Current				
Secured				
Term loans	11,876	15,312	-	-
Bank overdrafts	2,335	-	-	-
Unsecured				
Term loans	12,200	10,500	12,200	10,500
Bank overdrafts	-	5,919	-	337
Revolving credits	343,900	496,900	341,000	494,000
Insurance premium finance	2,907	3,577	-	-
	373,218	532,208	353,200	504,837
Non-current and current	465,047	605,309	418,700	554,037

15. Loans and borrowings (continued)

Terms and debt repayment schedule

Group	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	3 – 5 years RM'000	Over 5 years RM'000
2017						
Term loans						
- secured	2019-2020	38,205	11,876	3,992	13,141	9,196
- unsecured	2021	77,700	12,200	31,000	34,500	-
Bank Overdrafts						
- secured	-	2,335	2,335	-	-	-
Revolving credits						
- unsecured	-	343,900	343,900	-	-	-
Insurance premium finance						
- unsecured	-	2,907	2,907	-	-	-
		465,047	373,218	34,992	47,641	9,196
2016						
Term loans						
- secured	2019-2020	39,213	15,312	15,312	8,589	-
- unsecured	2021	59,700	10,500	9,200	40,000	-
Bank Overdrafts						
- unsecured	-	5,919	5,919	-	-	-
Revolving credits						
- unsecured	-	496,900	496,900	-	-	-
Insurance premium finance						
- unsecured	-	3,577	3,577	-	-	-
		605,309	532,208	24,512	48,589	-

15. Loans and borrowings (continued)

Terms and debt repayment schedule (continued)

Company	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	3 - 5 years RM'000
2017					
Unsecured					
- Term loans	2021	77,700	12,200	31,000	34,500
- Revolving credits	-	341,000	341,000	-	-
		418,700	353,200	31,000	34,500
2016					
Unsecured					
- Term loans	2021	59,700	10,500	9,200	40,000
- Bank overdrafts	-	337	337	-	-
- Revolving credits	-	494,000	494,000	-	-
		554,037	504,837	9,200	40,000

Term loans

The secured term loans of the subsidiaries are charged against long term leasehold land, freehold land and buildings of subsidiaries (Note 3).

16. Payables and accruals

		Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Non-current					
Non-trade					
Advance from minority shareholders	(i)	9,283	13,517	-	-
Current					
Trade					
Trade payables	(ii)	473,272	877,189	243,476	368,522
Amount due to subsidiaries	(iii)	-	-	50,882	86,989
Amount due to associates	(iv)	349	373	-	-
		473,621	877,562	294,358	455,511
Non-trade					
Amount due to subsidiaries	(iii)	-	-	14,255	21,990
Amount due to associates	(iv)	7,603	3,548	-	-
Provision for warranty costs	(v)	28,891	27,084	1,669	314
Other payables		68,026	31,883	7,350	4,897
Accrued expenses		73,710	83,452	4,620	7,450
		178,230	145,967	27,894	34,651
Total current		651,851	1,023,529	322,252	490,162
Non-current and current		661,134	1,037,046	322,252	490,162

(i) The advances from minority shareholders of a subsidiary are interest free, unsecured and are not expected to be repayable within the next twelve months.

(ii) Included in trade payables of the Group and of the Company are advances received from contract customers amounting to RM58,879,222 (2016 - RM9,606,978).

16. Payables and accruals (continued)

(ii) Included in trade payables are major payables denominated in currencies other than the functional currency, as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Australian Dollar	568	321	-	-
Euro	3,880	5,852	-	-
Qatari Riyal	34,500	75,038	34,500	75,038
Singapore Dollar	508	1,077	-	-
US Dollar	9,663	15,600	4,394	10,434
Sterling Pound	205	310	-	-
Japanese Yen	91	96	-	-
Hong Kong Dollar	6	10	-	-
Chinese Renminbi	544	3,220	-	-
	======	======	======	======

(iii) The trade payables due to subsidiaries are subject to the normal credit terms ranging from 30 to 60 days (2016 – 30 to 60 days).

The non-trade payables due to subsidiaries are non-trade in nature, unsecured, interest free and repayable on demand.

(iv) The amounts due to associates of the Group and of the Company are interest free, unsecured and have no fixed terms of repayment.

(v) Provision for warranty costs relates to provision for defect rectification costs for manufactured cranes sold. The provision is made based on historical warranty data and a weighting of all possible outcomes against the associated probability of further costs being incurred on the completed projects where defect liability periods have commenced.

17. Bills payable

All bills payable of the Group and of the Company are unsecured and payable within a year and not subject to repricing before maturity.

18. Derivative asset/(liabilities)

Group	2017 Contract/ Notional amount RM'000	2017 Derivative Assets/ (liabilities) RM'000	2016 Contract/ Notional amount RM'000	2016 Derivative Asset/ (liabilities) RM'000
Forward foreign currency contracts	155,863	6,467	1,039	32
	======	======	=======	======
Forward foreign currency contracts	-	-	343,674	(13,583)
	======	======	=======	======
Company				
Forward foreign currency contracts	-	-	42,521	(447)
	======	======	======	======

Forward exchange contracts are used to manage the foreign currency exposure arising from the Group's receivables and payables denominated in currencies other than the functional currency of the Group. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward contracts are rolled over at maturity. There is minimal credit and market risk because the contracts are with reputable banks.

19. Revenue

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Contract revenue	1,183,385	1,718,982	522,780	1,006,340
Sale of goods	131,086	116,440	-	-
Services rendered	82,177	83,201	21,104	16,168
Dividend income	8	-	100,323	42,760
	1,396,656	1,918,623	644,207	1,065,268
	=======	=======	=======	=======

Supplementary information on revenue of the Group inclusive of the Group's share of revenue of associates and joint ventures are as follow:

	Group 2017 RM'000	Group 2016 RM'000
Revenue of the Group	1,396,656	1,918,623
Share of revenue of associates and joint ventures	607,700	353,461
	2,004,356	2,272,084
	=======	=======

20. Operating profit

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Operating profit is arrived at after charging:				
Amortisation of development costs	780	1,586	-	-
Amortisation of intellectual property	217	217	-	-
Auditors' remuneration:				
- Holding company's auditors				
- statutory audit				
- current year	584	602	194	184
-(over)/under provision in prior years	65	-	10	-
- others	-	6	10	9
- other services	80	40	-	20
- Other auditors	726	697	-	9
Bad debts (recovered)/written off	-	-	-	2
Depreciation of investment properties	10	11	268	265
Depreciation of property, plant and equipment	67,944	67,580	16,271	18,929
Finance costs				
- borrowings	25,864	31,755	20,176	25,775
- interest expenses arising on financial assets/liabilities measured under MFRS139	113	1,867	33,877	21,231
	25,977	33,622	54,053	47,006
- contract costs	19,033	31,199	3,790	8,997
	45,010	64,821	57,843	56,003
Net impairment (recovery)/loss on receivables	6,679	(1,327)	-	14,912
Net impairment loss on other investments	34	1,061	-	-
Net impairment loss on investment in subsidiaries/associates	-	4,381	6,901	-
Net provision/(reversal) for warranties	4,375	2,575	1,355	(433)
Personnel expenses (including key management personnel)				
- contribution to Employees Provident Fund	21,794	21,419	1,223	3,189
- wages, salaries and others	165,663	192,745	11,233	26,862
Property, plant and equipment written off	173	6	-	-

20. Operating profit (continued)

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Operating profit is arrived at after charging: (continued)				
Rental expenses	58,330	49,341	32,947	54,878
Share-based payments	5,222	-	2,518	-
Write (back) / down of inventories	-	(116)	-	-
and after crediting:				
Gain on disposal of property, plant and equipment	773	1,116	3,214	494
Dividend income	-	-	100,323	42,760
Interest income	10,156	7,154	1,361	1,683
Interest income arising on financial assets/ liabilities measured under MFRS139	4,931	8,425	32,503	22,748
	15,087	15,579	33,864	24,431
Net fair value adjustment on derivative instruments	20,018	13,559	447	14,615
Net gain/(loss) on foreign exchange	(19,158)	2,095	8,748	11,622
Rental income on:				
- premises	605	426	95	96
- plant and equipment	16,519	21,669	-	-

21. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Directors of the Company				
- Fees	1,201	1,179	648	648
- Remuneration	4,583	4,831	3,664	3,859
	5,784	6,010	4,312	4,507

The Directors of the Company are the key management personnel for the Group with ultimate authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

22. Income tax expense

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Current tax expense/(benefit)				
Malaysia - current	3,837	24,590	(5,097)	(3,127)
- under/(over)provision in prior year	21,138	(5,904)	6,451	6,144
	24,975	18,686	1,354	3,017
Foreign - current	26,704	3,643	7,415	2,062
- (over)/under provision in prior year	(1,490)	7,282	-	-
	25,214	10,925	7,415	2,062
Deferred tax expense (Note 8)				
Origination of temporary differences	3,457	2,491	-	-
Effect of changes in corporate tax rate	-	922	-	-
(over)/under provision in prior years	(25,651)	(11,433)	(25,000)	-
	(22,194)	(8,020)	(25,000)	-
Total income tax expense	27,995	21,591	(16,231)	5,079

22. Income tax expense (continued)

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Reconciliation of tax expense				
Profit before tax	219,322	182,546	194,900	46,577
Income tax using Malaysian tax rate at 24% (2016 - 24%)	52,637	43,811	46,776	11,178
Effect of different tax rates in foreign jurisdictions	(3,073)	(14,368)	-	-
Effect of deferred tax benefits not recognised	45,385	42,893	13,231	24,263
Utilisation of deferred tax assets not recognised in previous year	(2,913)	(5,858)	-	(3,127)
Utilisation of tax losses	(31)	(2,051)	-	-
Non-deductible expenses	81,045	12,927	13,412	9,537
Non-taxable income	(106,259)	(23,827)	(41,709)	(21,667)
Double deduction	(838)	(333)	-	-
Tax incentives	(7)	(352)	-	-
Tax exempt income	(853)	(730)	-	-
Non-deductible foreign projects expenses	17,459	27,761	13,051	27,762
Non-taxable foreign projects income	(50,808)	(51,073)	(39,728)	(51,073)
Withholding tax for foreign projects	2,704	2,062	(2,715)	2,062
Others	(450)	784	-	-
	33,998	31,646	2,318	(1,065)
(Over)/Underprovision in prior years				
- current tax expense	19,648	1,378	6,451	6,144
- deferred tax expense	(25,651)	(11,433)	(25,000)	-
Total income tax expense	27,995	21,591	(16,231)	5,079

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016 – 24%) of the estimated assessable profit for the financial year.

23. Earnings per ordinary share (sen)

Basic earnings per share

The calculation of basic earnings per share for the financial year ended 31 December 2017 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2017 **RM'000**	**2016** **RM'000**
Profit for the financial year attributable to owners of the Company	131,608	105,501

	Group	
	2017 **'000**	**2016** **'000**
Number of ordinary shares issued at 1 January	480,331	468,810
Effect of shares issued under employee share options	-	6,653
Total weighted average number of ordinary shares in issue	480,331	475,463

	Group	
	2017	**2016**
Basic earnings per share (sen)	27.40	22.19

23. Earnings per ordinary share (sen) (continued)

Diluted earnings per share

The Group has dilutive potential ordinary shares from the options granted to eligible employees of the Group.

The calculation of diluted earnings per share for the year ended 31 December 2017 was based on profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding on the assumption that all the dilutive potential ordinary shares are fully converted, as follows:

	Group	
	2017	**2016**
	RM'000	**RM'000**
Profit attributable to owners of the Company	131,608	105,501
	======	======

	Group	
	2017	**2016**
	'000	**'000**
Weighted average number of ordinary shares	480,331	475,463
Effect of dilution arising from conversion of remaining employee share options	3,411	-
Adjusted weighted average number of ordinary shares at 31 December	483,742	475,463
	======	======

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period that the share options were outstanding.

	Group	
	2017	**2016**
Diluted earnings per share (sen)	27.21	22.19
	====	====

24. Employee benefits

24.1 Share-based payments

In 2017, an employees' share issuance scheme ("SIS") was established and approved by the shareholders of the Company at an Extraordinary General Meeting ("EGM") held on 22 June 2017 to the eligible employees including Directors of the Company and its subsidiaries. The former employees' share option scheme ("Former ESOS") which was previously established and approved by the shareholders of the Company at an EGM held on 28 June 2011, had expired on 5 July 2016.

The main features of the SIS, and details of the share options offered and exercised during the financial year are as follows:

i) The maximum number of approved unissued new ordinary shares available for allotment under the SIS shall not exceed in aggregate of ten per cent (10%) of the issued and paid-up share capital of the Company at any point in time during the duration of the SIS scheme;

ii) Save for Directors, the eligible employees are those confirmed full time employees of the Group and who have served for a continuous period of at least one (1) year;

iii) A grantee shall be allowed to exercise the options granted subject to the following percentage limits based on entitlement granted:

		Year option is granted 2017
Cumulative %	Year 1	-
of options	Year 2	20%
exercisable	Year 3	40%
during the option	Year 4	60%
period in:	Year 5	100%

iv) The exercise price shall be based on the weighted average market price of the shares of the Company for the five (5) market days immediately preceding the offer date subject to a discount of not more than ten per cent (10%) or at the par value of the shares of the Company, whichever is higher.

The following options were granted under the Option scheme:

Group and Company

<u>SIS</u>

Grant Date	**Exercise price ’000**	**At 1.1.2017 ’000**	**Granted ’000**	**Exercised ’000**	**Forfeited ’000**	**At 31.12.2017 ’000**	**Expiry date**
26.7.2017	RM2.25	-	38,138	-	-	38,138	9.7.2022
		=====	=====	=====	=====	======	

24. Employee benefits (continued)

Share-based payments (continued)

Subsidiary

SIS

Grant date	Exercise price	At 1.1.2017 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2017 '000	Expiry date
15.09.2017	RM2.35	-	18,307	-	(95)	18,212	09.7.2022

Former ESOS

Grant date	Exercise price	At 1.1.2016 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2016 '000	Expiry date
28.09.2011	RM0.80	1,458	-	(1,445)	(13)	-	05.7.2016
28.09.2012	RM1.57	125	-	(114)	(11)	-	05.7.2016
01.10.2013	RM2.50	344	-	(42)	(302)	-	05.7.2016
26.09.2014	RM3.05	472	-	-	(472)	-	05.7.2016
28.09.2015	RM2.25	920	-	(665)	(255)	-	05.7.2016
		3,319	-	(2,266)	(1,053)	-	

Details relating to options exercised during the year

	Company 2017 RM'000	Company 2016 RM'000
Ordinary share capital	-	5,760
Share premium	-	4,378
Proceeds received from exercise of share options	-	10,138

	Company 2017 RM	Company 2016 RM	Subsidiary 2017 RM	Subsidiary 2016 RM
Average share price for the year	2.72	2.27	2.76	2.55

24. Employee benefits (continued)

Details relating to options exercised during the year (continued)

The value of employee services received for issue of share options is as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Expense recognised as share-based payments	5,222	-	2,518	-
	====	====	====	====

Fair value of share options and assumptions

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black Scholes model, with the following inputs:

SIS

	Company	**Subsidiary**
Fair value at grant date (RM)		
- Granted in Year 2017	0.55 - 0.84	0.48 - 0.74
Weighted average share price (RM)		
- Granted in Year 2017	2.50	2.62
Exercise price (RM)		
- Granted in Year 2017	2.25	2.35
Expected volatility (%) (weighted average volatility)	24.24	15.58
Option life	5 years	5 years
Risk-free interest rate (based on Malaysian Government bonds) (%)		
- Granted in Year 2017	3.68	3.18 – 3.498
Expected staff turnover (%)	15	10

24. Employee benefits (continued)

Fair value of share options and assumptions (continued)

Former ESOS

	Company	Subsidiary
Fair value at grant date (RM)		
- Granted in 2011	0.40 - 0.50	0.34 - 0.42
- Granted in 2012	-	0.49 - 0.67
- Granted in 2013	-	0.83 - 1.01
- Granted in 2014	-	0.69
- Granted in 2015	-	0.46
Weighted average share price (RM)		
- Granted in 2011	0.96	0.88
- Granted in 2012	-	1.74
- Granted in 2013	-	2.75
- Granted in 2014	-	3.36
- Granted in 2015	-	2.46
Exercise price (RM)		
- Granted in Year 2011	0.88	0.80
- Granted in Year 2012	-	1.57
- Granted in Year 2013	-	2.50
- Granted in Year 2014	-	3.05
- Granted in Year 2015	-	2.25
Expected volatility (%) (weighted average volatility)	51.64	22.19 - 46.94
Option life (years)	-	-
Risk-free interest rate (based on Malaysian Government bonds) (%)		
- Granted in Year 2011	3.24 - 3.41	3.23 - 3.41
- Granted in Year 2012	-	3.06 - 3.24
- Granted in Year 2013	-	3.21 - 3.38
- Granted in Year 2014	-	3.35
- Granted in Year 2015	-	3.18
Expected staff turnover (%)	12	10

The expected volatility reflects the assumption that the historical volatility is indicative of future trends and not necessarily be the actual outcome. The expected option life is based on historical data, which may also not necessarily be indicative of exercise patterns that may occur.

25. Dividend

The dividend recognised in the current year by the Company is:

Ordinary dividend	Per share Sen	Total amount RM'000	Date of payment
2017			
Final per ordinary share tax exempt – for the year ended 31 December 2016	5.50	26,418	20 September 2017
		====	
2016			
Final per ordinary share tax exempt – for the year ended 31 December 2015	5.00	24,004	11 August 2016
		====	

Proposed final dividend for the year ended 31 December 2017

The Directors have recommended a first and final ordinary tax exempt dividend of 7.00 sen (2016:5.50 sen) per ordinary share totaling RM33,623,188 in respect of the financial year ended 31 December 2017, which will be paid after the financial year end subject to the approval of the shareholders at the forthcoming Annual General Meeting. The proposed final dividend has not been accounted for in the financial statements of the Group and of the Company as at 31 December 2017.

Dividend per ordinary share

The calculation of dividend per ordinary share is based on the issued and paid-up share capital (excluding treasury shares) of 480,331,250 (2016 – 480,331,250) ordinary shares as at 31 December 2017.

26. Operating segments

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Executive Committee as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group comprises the following main business segments:

Infrastructure construction	Construction of petroleum hub and bunkering facilities, oil and gas terminals, liquefied natural gas jetty works, marine ports, bridges and dams, airport terminals runway and facility support buildings, heavy concrete foundations and other similar construction works
Cranes	Design, manufacture, supply, trading, leasing and service provider of offshore oil and gas pedestal cranes, tower cranes, shipyard cranes and other heavy lifting equipment cranes
Marine shipbuilding and ship repair	Design, engineering, building and service provider of anchor handling tug boats, supply vessels, accommodation ships and marine vessels for the offshore oil and gas exploration and production works
Concession	Privatisation of international airports in Cambodia and road maintenance works in the central region of Peninsular Malaysia

Segment assets and segment liabilities

The Group Executive Committee reviews the segments' operating performance on segment net assets basis. Hence the segment assets and segment liabilities are presented on the same basis.

26. Operating segments (continued)

Business segments

	Infrastructure construction		Cranes		Marine shipbuilding and ship repair		Concession		Eliminations		Consolidated	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Segment profit	113,065	90,084	83,277	79,782	42,041	22,421	120,533	86,741	(139,594)	(96,482)	219,322	182,546
	=======	=======	=======	=======	=======	=======	=======	=======	=======	=======	=======	=======
Included in the measure of segment profit are:												
Revenue from external customers	826,270	1,237,107	524,461	579,454	45,925	102,062	-	-	-	-	1,396,656	1,918,623
Group share of revenue of associates and joint ventures	227,420	54,880	14,611	21,023	-	-	365,669	277,558	-	-	607,700	353,462
	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------
Group's revenue	1,053,690	1,291,987	539,072	600,477	45,925	102,062	365,669	277,558	-	-	2,004,356	2,272,085
Inter-segment revenue	474,639	858,286	2,023	2,819	69,187	1,086	1,428	1,414	(547,277)	(863,605)	-	-
Interest income	46,691	41,231	7,075	3,959	15,341	4,643	-	-	(54,020)	(34,254)	15,087	15,579
Finance costs	(62,453)	(52,017)	(2,024)	(2,677)	(8,397)	(6,099)	(156)	(219)	47,053	27,390	(25,977)	(33,622)
Share of results of associates and joint ventures	34,348	7,530	(803)	(1,425)	(72)	(4,625)	120,794	86,701	-	-	154,267	88,181
	=======	=======	=======	=======	=======	=======	=======	=======	=======	=======	=======	=======
Net segment assets	503,282	490,970	628,228	596,750	234,734	199,403	429,634	387,777	(314,444)	(294,364)	1,481,434	1,380,536
	=======	=======	=======	=======	=======	=======	=======	=======	=======	=======	=======	=======

26. Operating segments (continued)

Geographical segments

The infrastructure construction segment is operating mainly in Malaysia, Qatar, Singapore and Cambodia. The cranes segment is managed on a worldwide basis with its head office in Malaysia. The cranes segment has manufacturing plants in Malaysia, Australia, United States of America and Denmark. The marine shipbuilding and ship repair segment operates in Malaysia. The airport concession segment is managed in Cambodia and the road maintenance concession works are carried out in the central region of Peninsular Malaysia.

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of the respective principal operations.

	Inside Malaysia		Outside Malaysia		Eliminations		Consolidated	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Geographical information								
Revenue	1,225,816	2,124,277	718,117	657,951	(547,277)	(863,605)	1,396,656	1,918,623
Group share of associates and joint ventures revenue	209,412	118,981	398,288	234,480	-	-	607,700	353,461
Total revenue	1,435,228	2,243,258	1,116,405	892,431	(547,277)	(863,605)	2,004,356	2,272,084
Total assets	3,623,864	3,736,400	1,588,632	1,741,221	(1,794,487)	(1,374,974)	3,418,009	4,102,647

27. Capital commitments

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Capital expenditure in respect of purchase of property, plant and equipment:				
- contracted for	29,843	6,362	6,067	6,067
	=====	=====	=====	=====

28. Financial instruments

28.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables (L&R);
(b) Fair value through profit or loss (FVTPL)
- held for trading (HFT); and

(c) Financial liabilities measured at amortised cost (FL).

28. Financial instruments (continued)

28.1 Categories of financial instruments (continued)

Group	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL - HFT RM'000
2017			
Financial assets			
Receivables and deposits	549,475	549,475	-
Cash and cash equivalents	626,511	626,511	-
Derivative assets	6,467	-	6,467
	1,182,453	1,175,986	6,467
Financial liabilities			
Loan and borrowings	(465,047)	(465,047)	-
Payables and accruals	(661,134)	(661,134)	-
Bills payable	(461,637)	(461,637)	-
	(1,587,818)	(1,587,818)	-
2016			
Financial assets			
Receivables and deposits	694,052	694,052	-
Cash and cash equivalents	737,605	737,605	-
Derivative assets	32	-	32
	1,431,689	1,431,657	32
Financial liabilities			
Loan and borrowings	(605,309)	(605,309)	-
Payables and accruals	(1,037,046)	(1,037,046)	-
Bills payable	(728,507)	(728,507)	-
Derivative liabilities	(13,583)	-	(13,583)
	(2,384,445)	(2,370,862)	(13,583)
Company			
2017			
Financial assets			
Receivables and deposits	1,024,445	1,024,445	-
Cash and cash equivalents	130,567	130,567	-
	1,155,012	1,155,012	-
Financial liabilities			
Loan and borrowings	418,700	418,700	-
Payables and accruals	322,252	322,252	-
Bills payable	405,504	405,504	-
	1,146,456	1,146,456	-

28. Financial instruments (continued)

28.1 Categories of financial instruments (continued)

Company	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL - HFT RM'000
2016			
Financial assets			
Receivables and deposits	909,046	909,046	-
Cash and cash equivalents	60,825	60,825	-
	969,871	969,871	-
Financial liabilities			
Loan and borrowings	(554,037)	(554,037)	-
Payables and accruals	(490,162)	(490,162)	-
Bills payable	(601,732)	(601,732)	-
Derivative liabilities	(447)	-	(447)
	(1,646,378)	(1,645,931)	(447)

28.2 Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its credit, liquidity, interest rate and foreign currency risks. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

28.3 Credit risk

The Group's credit risk is primarily attributable to trade receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees given to banks for borrowings granted to subsidiaries.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

At the end of the reporting period, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

28. Financial instruments (continued)

28.3 Credit risk (continued)

The exposure of credit risk for trade receivables by geographical region is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Asia	304,406	377,952	741,643	482,290
Europe	35,753	40,093	-	-
America	10,373	11,036	-	-
Middle East	67,031	116,882	56,795	116,878
Australia	23,877	38,918	-	-
	441,440	584,881	798,438	599,168

The ageing of trade receivables as at the end of the reporting period was:

Group	Gross RM'000	Individual Impairment RM'000	Net RM'000
2017			
Not past due	239,878	-	239,878
Past due 0 – 90 days	60,115	-	60,115
Past due 91 – 180 days	43,116	-	43,116
Past due more than 180 days	162,016	(63,685)	98,331
	505,125	(63,685)	441,440
2016			
Not past due	227,151	-	227,151
Past due 0 – 90 days	58,847	-	58,847
Past due 91 – 180 days	73,356	-	73,356
Past due more than 180 days	285,389	(59,862)	225,527
	644,743	(59,862)	584,881

28. Financial instruments (continued)

28.3 Credit risk (continued)

The movements in the allowance for impairment losses of trade receivables during the year were:

	Group	
	2017	**2016**
	RM'000	**RM'000**
At 1 January	59,862	61,986
Impairment loss recognised	16,990	10,176
Reversal of impairment loss	(10,311)	(11,503)
Impairment loss written off against previous allowances	(2,693)	(914)
Exchange difference	(163)	117
At 31 December	63,685	59,862

Company	**Gross RM'000**	**Individual Impairment RM'000**	**Net RM'000**
2017			
Not past due	109,511	-	109,511
Past due 0 – 90 days	291,992	-	291,992
Past due 91 – 180 days	350,648	-	350,648
Past due more than 180 days	72,319	(26,032)	46,287
	824,470	(26,032)	798,438
2016			
Not past due	127,949	-	127,949
Past due 0 – 90 days	92,324	-	92,324
Past due 91 – 180 days	85,926	-	85,926
Past due more than 180 days	321,555	(28,586)	292,969
	627,754	(28,586)	599,168

The movements in the allowance for impairment losses of trade receivables during the year were:

	Company	
	2017	**2016**
	RM'000	**RM'000**
At 1 January	28,586	28,674
Impairment loss written off against previous allowances	(2,554)	(88)
At 31 December	26,032	28,586

28. Financial instruments (continued)

28.3 Credit risk (continued)

The Group's trade receivables as at 31 December 2017 have been assessed for impairment losses. For those trade receivables that are not provided for impairment, the Group is satisfied that recovery of the amounts is possible.

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

The maximum exposure to credit risk amounted to RM193.6 million (2016 – RM193.1 million) representing the outstanding banking facilities of the subsidiaries as at the end of the financial year.

As at the end of the financial year, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

28.4 Liquidity risk

The Group's exposure to liquidity risk primarily arises from its capabilities to meet its financial obligations, principally its trade payables, loan and borrowings, as and when they fall due.

The Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the operations and to mitigate the effects of fluctuations in cash flows.

The table below summaries the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows:

Group	Effective interest rate %	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
2017				
Secured borrowings				
- Term loans	1.85 - 5.5	12,413	17,484	11,141
- Bank overdrafts	2.8	2,335	-	-
Unsecured borrowings				
- Term loans	4.6 - 4.7	20,834	68,338	-
- Revolving credits	4.1 - 8.2	346,230	-	-
- Insurance premium finance	1.3	2,907	-	-
Unsecured bills payable	2.8 – 6.1	461,637	-	-
Unsecured payables and accruals	-	622,960	-	9,283
		1,469,316	85,822	20,424

28. Financial instruments (continued)

28.4 Liquidity risk (continued)

Group	Effective interest rate %	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
2016				
Secured borrowings				
- Term loans	2 - 5.7	15,943	25,001	-
Unsecured borrowings				
- Term loans	4.6	13,138	54,682	-
- Bank overdrafts	4.4 - 8.5	5,921	-	-
- Revolving credits	3.5 - 6.1	498,960	-	-
- Insurance premium finance	1.2 - 2.2	3,577	-	-
Unsecured bills payable	2.8 - 7.9	728,507	-	-
Unsecured payables and accruals	-	996,445	-	13,517
		2,262,491	79,683	13,517

Company	Effective interest rate %	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
2017				
Unsecured borrowings				
- Term loans	4.6 - 4.7	20,834	68,338	-
- Bank overdrafts	-	-	-	-
- Revolving credits	4.1 - 4.9	343,330	-	-
Unsecured bills payable	3.8 - 5.1	405,504	-	-
Unsecured payables and accruals	-	320,583	-	-
Financial guarantees	-	193,574	-	-
		1,283,825	68,338	-
2016				
Unsecured borrowings				
- Term loans	4.6	13,138	54,682	-
- Bank overdrafts	7.6	339	-	-
- Revolving credits	4.1 - 4.9	496,060	-	-
Unsecured bills payable	3.8 - 5.1	603,261	-	-
Unsecured payables and accruals	-	489,848	-	-
Financial guarantees	-	193,128	-	-
		1,795,774	54,682	-

28. Financial instruments (continued)

28.5 Interest rate risk

The Group's interest rate risk arises from its interest bearing financial instruments that could impact fair value and future cash-flows due to fluctuation in market interest rates. The Group and the Company borrow to fund the acquisition of property, plant and equipment and for working capital purposes from banks and financial institutions, and have fixed deposits placed with licensed banks. Interest rate exposure is managed through the use of fixed and floating rate debts.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their average effective interest rates at the end of the reporting period and the periods in which they mature, or if earlier, reprice.

28. Financial instruments (continued)

28.5 Interest rate risk (continued)

Effective interest rates and repricing analysis (continued)

	2017				2016			
Group	**Effective interest rate %**	**Total RM'000**	**Less than 1 year RM'000**	**1 - 5 years RM'000**	**Effective interest rate %**	**Total RM'000**	**Less than 1 year RM'000**	**1 – 5 years RM'000**
Financial assets								
Deposits placed with licensed banks	0.7 - 5.0	244,740	244,740	-	0.8 - 4.1	244,295	244,295	-
Short-term funds	2.4 - 3.6	94,341	94,341	-	2.4 - 3.1	88,844	88,844	-
		339,081	339,081	-		333,139	333,139	-
		======	======	======		======	======	======
Financial liabilities								
Secured borrowings								
- Term loans	1.85 - 5.5	38,205	11,876	26,329	2.0 - 5.7	39,213	15,312	23,901
- Bank overdrafts	2.8	2,335	2,335	-	-	-	-	-
Unsecured borrowings								
- Term loans	4.6 - 4.7	77,700	12,200	65,500	4.6	59,700	10,500	49,200
- Bank overdrafts	-	-	-	-	4.4 - 8.5	5,919	5,919	-
- Revolving credits	4.1 - 8.2	343,900	343,900	-	3.5 - 6.1	496,900	496,900	-
- Insurance premium finance	1.3	2,907	2,907	-	1.2 - 2.2	3,577	3,577	-
Unsecured bills payable	2.8 - 6.1	461,637	461,637	-	2.8 - 7.9	728,507	728,507	-
		926,684	834,855	91,829		1,333,816	1,260,715	73,101
		=======	=======	======		=======	========	======

28. Financial instruments (continued)

28.5 Interest rate risk (continued)

Effective interest rates and repricing analysis (continued)

Company	2017 Effective interest rate %	2017 Total RM'000	2017 Less than 1 year RM'000	2017 1 - 5 years RM'000	2016 Effective interest rate %	2016 Total RM'000	2016 Less than 1 year RM'000	2016 1 – 5 years RM'000
Financial assets								
Deposits placed with licensed banks	2.6 - 2.9	9,234	9,234	-	2.6 - 2.9	17,580	17,580	-
Short-term funds	2.4 - 3.6	10,000	10,000	-	2.7 - 3.3	18,000	18,000	-
		19,234	19,234	-		35,580	35,580	-
Financial liabilities								
Unsecured borrowings								
- Term loans	4.6	77,700	12,200	65,500	4.6	59,700	10,500	49,200
- Bank overdrafts	-	-	-	-	7.6	337	337	-
- Revolving credits	4.1 - 4.9	341,000	341,000	-	4.1 - 4.9	494,000	494,000	-
Unsecured bills payable	3.8 - 5.1	405,504	405,504	-	3.8 - 5.1	601,732	601,732	-
		824,204	758,704	65,500		1,155,769	1,106,569	49,200

28. Financial instruments (continued)

28.5 Interest rate risk (continued)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments
The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments
If interest rates as at the end of the reporting period increase by 100 basis points (bp) with all other variables being held constant, the Group and the Company's profit after taxation would have decreased by RM5,107,000 (2016 – RM7,605,000) and RM6,118,000 (2016 – RM8,513,000). A 100 bp decrease would have had an equal but opposite effect on the profit after taxation.

28.6 Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United State Dollar ("USD"), Euro, Australian Dollar ("AUD"), Chinese Renminbi ("RMB"), Singapore Dollar ("SGD"), Norwegian Krone and Qatari Riyal ("QAR").

The Group and the Company hold derivative financial instruments to hedge their foreign currency risk exposures. The exposure to foreign currency risk of the Group and of the Company is monitored by the management from time to time.

The foreign exchange contracts are used as hedges to manage the operational exposures to foreign currency risks. The exposure to foreign currency risk of the Group and of the Company is also mitigated by natural hedging via borrowings and payment of operational costs and expenses in the same currency of the major receivables.

The Group's exposure to major foreign currencies risk, based on carrying amounts as at the end of the reporting period was as follows:

Group	**USD RM'000**	**Euro RM'000**	**AUD RM'000**	**RMB RM'000**	**SGD RM'000**
2017					
Financial assets	175,632	4,983	128,603	65,406	74,225
Financial liabilities	(54,804)	(6,367)	(52,002)	(7,869)	(859)
Net financial assets/(liabilities)	120,828	(1,384)	76,601	57,537	73,366
Less:					
- Net financial assets/(liabilities) denominated in the respective entities' functional currencies	5,140	1,403	(38,050)	(50,662)	(12,213)
- Forward foreign currency contracts (contracted notional principal)	(111,718)	(20,102)	(60)	-	(23,983)
Net currency exposure	14,250	(20,083)	(38,491)	6,875	37,170

28. Financial instruments (continued)

28.6 Foreign currency risk (continued)

Group	USD RM'000	Euro RM'000	AUD RM'000	RMB RM'000	SGD RM'000
2016					
Financial assets	273,147	15,449	286,137	81,666	140,793
Financial liabilities	(79,287)	(7,124)	(257,400)	(9,877)	(2,591)
Net financial assets/(liabilities)	193,860	8,325	28,737	71,789	138,202
Less:					
- Net financial assets/(liabilities) denominated in the respective entities' functional currencies	(12,005)	(1,271)	(5,476)	(65,023)	(46,992)
- Forward foreign currency contracts (contracted notional principal)	(262,121)	(18,981)	-	-	(62,572)
Net currency exposure	(80,266)	(11,927)	23,261	6,766	28,638

Sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:

Effects on profit after taxation

Group	USD RM'000	Euro RM'000	AUD RM'000	RMB RM'000	SGD RM'000
2017					
- strengthened by 5%	542	(763)	(1,463)	(261)	1,412
- weakened by 5%	(542)	763	1,463	261	(1,412)
2016					
- strengthened by 5%	(3,050)	(453)	883	257	1,088
- weakened by 5%	3,050	453	(883)	(257)	(1,088)

The Company's exposure to major foreign currency is as follows:

Company	USD RM'000	Euro RM'000	AUD RM'000	SGD RM'000	QAR RM'000
2017					
Financial assets	26,796	-	1,160	-	37,166
Financial liabilities	(94,878)	(2)	(1,864)	(37,313)	-
Net financial (liabilities)/assets	(68,082)	(2)	(704)	(37,313)	37,166
Less:					
- Net financial assets denominated in the respective entities' functional currencies	-	-	-	-	-
- Forward foreign currency contracts (contracted notional principal)	-	-	-	-	-
Net currency exposure	(68,082)	(2)	(704)	(37,313)	37,166

28. Financial instruments (continued)

28.6 Foreign currency risk (continued)

Company	USD RM'000	Euro RM'000	AUD RM'000	SGD RM'000	QAR RM'000
2016					
Financial assets	38,973	24	1,226	263	117,136
Financial liabilities	(86,090)	(2)	-	(22,950)	(71,455)
Net financial (liabilities)/assets	(47,117)	22	1,226	(22,687)	45,681
Less:					
- Net financial assets denominated in the respective entities' functional currencies	-	-	-	-	-
- Forward foreign currency contracts (contracted notional principal)	(42,794)	-	-	-	-
Net currency exposure	(89,911)	22	1,226	(22,687)	45,681

Sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:

Effects on profit after taxation

Company	USD RM'000	Euro RM'000	AUD RM'000	SGD RM'000	QAR RM'000
2017					
- strengthened by 5%	(2,587)	-	(27)	(1,418)	1,412
- weakened by 5%	2,587	-	27	1,418	(1,412)
2016					
- strengthened by 5%	(3,416)	1	47	(862)	1,736
- weakened by 5%	3,416	(1)	(47)	862	(1,736)

28.7 Fair value information

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values except for the following:

Company	2017 Carrying amount RM'000	2017 Fair value RM'000	2016 Carrying amount RM'000	2016 Fair value RM'000
Financial assets				
Quoted shares - long-term	98,663	358,288	98,663	312,354

For those financial assets and financial liabilities that are impractical to establish the market value or fair value, are carried at cost less impairment, if any.

28. Financial instruments (continued)

28.7 Fair values information (continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) 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 (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Group	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
2017				
Financial Asset				
Forward exchange contracts	-	6,467	-	6,467
	======	======	======	======
2016				
Financial Asset				
Forward exchange contracts	-	32	-	32
	======	======	======	======
Financial liability				
Forward exchange contracts	-	(13,583)	-	(13,583)
	======	======	======	======
Company				
2016				
Financial liability				
Forward exchange contracts	-	(447)	-	(447)
	======	======	======	======

29. Contingent liabilities

Continuing financial support

The Company has undertaken to provide continuing financial support to certain subsidiaries to enable them to meet their financial obligations as and when they fall due (Note 5).

Contingent liabilities – litigation (Group)

Eisenmann Anlagenbau GmbH ("EIS") & Co. KG and Envac Scandinavia A.B. ("Envac") v Muhibbah Engineering (M) Bhd ("the Company")

EIS and Envac, Nominated Subcontractors for Hamad International Airport have filed arbitration proceedings against the Company for alleged claims of approximately QAR70.1 million. The Company is disputing the claims including through counter claims.

30. Related parties

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 Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has a related party relationship with its subsidiaries (see Note 5) and its associates (see Note 6).

30. Related parties (continued)

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

	Company	
	2017	2016
	RM'000	RM'000
Significant transactions with subsidiaries:		
Gross dividend income	(92,197)	(29,885)
Interest income	(142)	(719)
Purchase of materials and services	591,559	592,083
Rental expense	30,251	47,331
Interest expense	-	47
Rental income	(36)	(846)
Repair and services	(52)	(4,880)
Sale of property, plant and equipment	(80)	-
Shared services	(2,000)	(2,000)
	======	======

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Significant transactions with associates:				
Gross dividend income	(48,748)	(52,211)	(8,125)	(12,875)
Technical assistance fee	(17,342)	(12,848)	(17,342)	(12,848)
Sale of goods	(12,639)	(14,074)	-	-
	=====	=====	=====	=====

The above transactions have been entered into the normal course of business and have been established under negotiated terms.

The outstanding net amounts due from/(to) subsidiaries and associates and joint ventures as at 31 December 2017 are disclosed in Note 7 and Note 16 respectively.

31. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic and business conditions or expansion plans of the Group. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes in the Group's approach to capital management during the year.

32. Significant event during the financial year

The Companies Act 2016 came into effect on 31 January 2017 (except for Section 241 and Division 8 of Part III of the said Act) and replaced the existing Companies Act 1965.

Amongst the key changes introduced under the Companies Act 2016 that have affected the financial statements of the Group and of the Company upon their initial adoption are:-

(i) Removal of the authorised share capital;
(ii) Ordinary shares ceased to have par value; and
(iii) Share premium account become part of the share capital amount.

The Companies Act 2016 was applied prospectively and the impacts on implementations are disclosed in the respective note(s) to financial statement.

33. Significant event occurring after the financial year

On 28 March 2018, Favelle Favco Bhd, a subsidiary of the Company listed on the Main Market of Bursa Malaysia Securities Berhad entered into a conditional share purchase agreement ("SPA") with the individual vendors of Exact Automation Sdn Bhd, Sedia Teguh Sdn Bhd, Exact Analytical Sdn Bhd and Exact Oil & Gas Sdn Bhd (the four (4) companies are collectively referred to as the "Target Companies") to acquire 70% equity interest in each of the Target Companies, at an indicative cash consideration ranging between RM90.7 million to RM143.1 million, subject to amongst others, the relevant profit thresholds to be met over the financial years ended 31 December 2017 to 2019 as well as the terms of the SPA.

The SPA is expected to be unconditional within 4 months from the date of the SPA.

Muhibbah Engineering (M) Bhd.
(Company No. 12737-K)
(Incorporated in Malaysia)
and its subsidiaries

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 7 to 103 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2017 and of their financial performance and cash flows for the year then ended.

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

………………………………………	………………………………………
Mac Ngan Boon @ Mac Yin Boon	**Mac Chung Jin**

Klang, Selangor Darul Ehsan
Date: 28 March 2018

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

I, **Lee Poh Kwee**, the Director primarily responsible for the financial management of Muhibbah Engineering (M) Bhd., do solemnly and sincerely declare that the financial statements set out on pages 7 to 103 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 in Klang, Selangor Darul Ehsan on 28 March 2018.

………………………
Lee Poh Kwee

Before me:

Tee Hsiao Mei, Pesuruhjaya Sumpah (No.B272)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MUHIBBAH ENGINEERING (M) BHD.
(Company No. 12737-K)
(Incorporated in Malaysia)

Opinion

We have audited the financial statements of Muhibbah Engineering (M) Bhd., which comprise the statements of financial position as at 31 December 2017 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 103.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significant in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MUHIBBAH ENGINEERING (M) BHD. (CONT'D)
(Company No. 12737-K)
(Incorporated in Malaysia)

Key Audit Matters (Cont'd)

We have determined the matters described below to be the key audit matters to be communicated in our report.

<table>
<tr><td colspan="2">Revenue recognition and contract accounting
Refer to Note 19 to the financial statements</td></tr>
<tr><td>Key Audit Matter</td><td>How our audit addressed the Key Audit Matter</td></tr>
<tr><td>Revenue is one of the largest accounts in the financial statements and an important driver of the Group's operating results. We focus on this area as under ISA 240 there is presumption that there are risks of fraud in revenue recognition. There is a risk that management could adopt accounting policies in such a way as to lead material misstatement in the reported revenue position and resulting profit.

Given the significant risks involved when auditing revenue, revenue recognition and contract accounting is an area of audit emphasis as it requires significant management's judgement and estimate, including among others:-

(i) assessment of the stage of completion and timing of revenue recognition.

(ii) determining cost budgets.

(iii) determining project costs to complete.

(iv) recognition of variation orders.

(v) provision for foreseeable losses and liquidated ascertained damages.

The amount due from contract customers represents the amount of revenue earned on contract but yet billed to customer.

There is significant judgement involved in the assessment of recoverability of amount due from contract customers, particularly regarding estimation of future cash collection and in calculating allowance for foreseeable losses.</td><td>Our audit procedures included, among others:

• Assessing internal control procedures by flowchart and walkthrough test;

• Performing test of control;

• Assessing basis used in determining the budgeted contract costs;

• Assessing project status that fall under our sample;

• Verifying progress billings and contract costs incurred;

• Testing the percentage of completion to ensure contract costs incurred to-date reflects the actual work performed;

• Reviewing calculation of recognition of revenue, cost and profit to be consistent with the percentage of completion; and

• Assessing reasonableness and adequacy of provision for foreseeable losses and liquidated ascertained damages.</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MUHIBBAH ENGINEERING (M) BHD. (CONT'D)
(Company No. 12737-K)
(Incorporated in Malaysia)

Key Audit Matters (Cont'd)

Investments in associates Refer to Note 6 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
Key Audit Matter in relation to major associate The major associate is audited by a component auditor of the Group. In the context of our audit of the Group's consolidated financial statements, the component auditor has identified revenue recognition amongst others as key audit matter. Revenue is a presumed fraud risk area in the financial statements. Thus, the risk of material misstatement may be high and a good degree of professional scepticism is necessary. Given the significant risk involved when auditing revenue, we have reviewed the component auditor's workings papers to ensure sufficient audit procedures had been performed to ensure the Company's revenue recognition policy was consistent with the accounting standards and has been applied consistently.	We have met with the major associate's component auditor and discussed the significant audit risks relating to revenue recognition and audit approach, and have reviewed their workings papers and discussed with them the results of their work. The procedures performed by the component auditor on revenue included:- • Performing test on the operating effectiveness of the associate's controls relevant to recognition of revenue; • Performing sales transaction test to ensure the accuracy and validity of revenue recognised; and • Performing sales cut off test to ensure revenue is recognised in the proper accounting period.

Recoverability of trade receivables Refer to Note 7 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
Trade receivables are a major component of the financial position of the Group. Given the unfavourable macro economic factors from prolonged weakness in global crude oil prices, the risk of customers becoming insolvent may be high. Accordingly, there is significant judgement involved in the assessment of recoverability of receivables, particularly regarding estimation of future cash collection and in calculating allowance for doubtful debts.	Our audit procedures included, among others: • Reviewing recoverability of major receivables including but not limited to the review of subsequent collections; • Enquiring management on project/receivables status for major customers; • Reviewing collections and sales trends during financial year of major receivables; and • Reviewing management's basis of estimation on the adequacy of the Group's allowance for impairment loss on trade receivables.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MUHIBBAH ENGINEERING (M) BHD. (CONT'D)
(Company No. 12737-K)
(Incorporated in Malaysia)

Key Audit Matters (Cont'd)

Net Realisable Value of Inventories under Work-In-Progress Refer to Note 11 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
Inventories are a major component of the financial position of the Group. The unfavourable macro economic factors from prolonged weakness in global crude oil prices has impacted the demand of cranes and offshore support vessels which might lead to slow moving stocks. Accordingly, significant judgement is required in the assessment on write-down of slow moving stocks.	Our audit procedures included, among others: • Reviewing whether inventories are carried at lower of costs and net realisable value; • Evaluating the qualifications, objectivity and competency of the independent external valuer engaged in the valuation of the vessels and assessed the reasonableness of the assumptions used in arriving at the valuation; • Assessing the methodologies use by the independent external valuer to estimate the net realisable value of the vessels; • Checking the accuracy and relevance of the input data provided by management to the independent external valuer; and • Assessing the adequacy of write-down of inventories.

Information Other than the Financial Statements and Auditors’ Report Thereon

The directors are responsible for the other information. The other information comprises the Directors’ Report and Statement of Risk Management and Internal Control (but does not include the financial statements of the Group and of the Company and our auditor’s report thereon), which we obtained prior to the date of this auditors’ report, and other sections of the 2017 annual report which is expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of Directors for the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MUHIBBAH ENGINEERING (M) BHD. (CONT'D)
(Company No. 12737-K)
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENT

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries, of which we have not acted as auditors, are disclosed in Note 5 to the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MUHIBBAH ENGINEERING (M) BHD. (CONT'D)
(Company No. 12737-K)
(Incorporated in Malaysia)

OTHER MATTERS

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

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Chan Kuan Chee
Approval No: 2271/10/19 (J)
Chartered Accountant

28 March 2018

Kuala Lumpur