ANNUAL REPORT
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MUHIBBAH ENGINEERING (M) BHD

Company No.: 12737-K

CORPORATE INFORMATION

Board Of Directors

Tan Sri Zakaria bin Abdul Hamid
(Chairman, Senior Independent Non-Executive Director)

Mac Ngan Boon @ Mac Yin Boon
(Group Managing Director)

Ooi Sen Eng
(Executive Director)

Mac Chung Jin
(Executive Director/Deputy Chief Executive Officer)

Shirleen Lee Poh Kwee
(Group Finance Director)

Abd Hamid bin Ibrahim
(Independent Non-Executive Director)

Sobri bin Abu
(Independent Non-Executive Director)

Dato' Mohamad Kamarudin bin Hassan
(Independent Non-Executive Director)

Dato' Sri Khazali bin Haji Ahmad
(Independent Non-Executive Director)

Mazlan bin Abdul Hamid
(Non-Independent Non-Executive Director)

Audit Committee

Sobri bin Abu *(Chairman)*
Tan Sri Zakaria bin Abdul Hamid
Dato' Mohamad Kamarudin bin Hassan

Company Secretaries

Irene Choe Mee Kam @
Irene Chow Mee Kam *(MIA 16775)*
Lim Suak Guak *(MIA 19689)*
Tia Hwei Ping *(MAICSA 7057636)*

Registered Office

Lot 579 & 586, 2nd Mile, Jalan Batu Tiga Lama
41300 Klang, Selangor Darul Ehsan, Malaysia
Tel: (603) 3342 4323 Fax: (603) 3342 4327

Auditors

Crowe Horwath *(Firm No. AF1018)*
Chartered Accountants
Level 16, Tower C, Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur, Malaysia

Principal Bankers

Affin Bank Berhad
Ambank (Malaysia) Berhad
Bank Islam Malaysia Berhad
Bank Muamalat Malaysia Berhad
Bank of Tokyo - Mitsubishi UFJ
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Industrial and Commercial Bank of China (Malaysia) Berhad
Kuwait Finance House (Malaysia) Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad
Standard Chartered Bank Malaysia Berhad
United Overseas Bank (Malaysia) Berhad

Share Registrar

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia
Tel : (603) 2783 9299 Fax: (603) 2783 9222

Stock Exchange Listing

Muhibbah Engineering (M) Bhd
Main Market of Bursa Malaysia Securities Berhad
Stock Name: Muhibah
Bursa Stock Code: 5703
Bloomberg Stock Code: MUHI MK
Listing Date: 25 February 1994

Favelle Favco Berhad
Main Market of Bursa Malaysia Securities Berhad
Stock Name: Favco
Bursa Stock Code: 7229
Bloomberg Stock Code: FFB MK
Listing Date: 15 August 2006

Investor Relations

Tel: (603) 3376 2530 Fax: (603) 3344 6302
Email: ir@muhibbah.com.my

Website

www.muhibbah.com
www.favellefavco.com

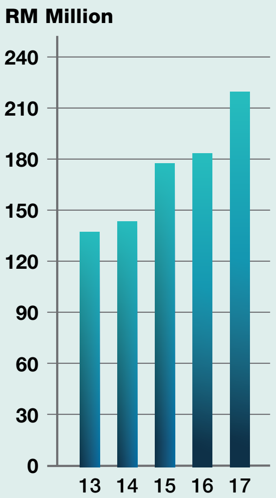
Noise Barrier System for Klang Valley Mass Rapid Transit ("MRT") Line 1

CONTENTS

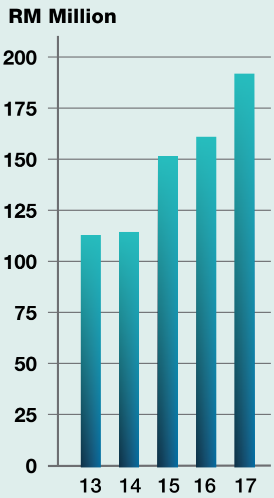
Group Financial Highlights

	2013	2014	2015	2016	2017
Turnover (RM'000)*	2,200,089	2,050,138	2,093,593	2,272,084	**2,004,356**
Profit Before Tax (RM'000)	132,570	143,689	178,378	182,546	**219,322**
Profit After Tax (RM'000)	116,215	118,856	150,534	160,955	**191,327**
Profit After Tax and Non-controlling Interest (RM'000)	86,379	81,550	87,492	105,501	**131,608**
Total Equity Attributable to Owners of the Company (RM'000)	562,656	643,979	839,041	976,202	**1,051,739**
Share Capital (RM'000)	211,214	215,732	235,297	241,057	**241,057**
Basic Earnings Per Ordinary Share Attributable to Owners of the Company (Sen)	20.98	19.23	19.11	22.19	**27.40**
Net Assets Per Ordinary Share Attributable to Owners of the Company (RM)	1.34	1.50	1.79	2.03	**2.17**

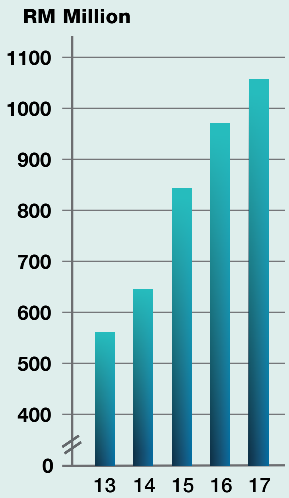
* Group revenue include Group's share of revenue of associates and joint ventures



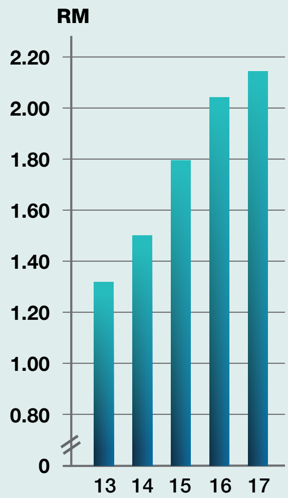
Profit Before Tax



Profit After Tax



Total Equity Attributable to Owners of the Company



Net Assets Per Ordinary Share Attributable to Owners of the Company

Core Divisions as at 30 March 2018

MUHIBBAH ENGINEERING (M) BHD
(12737-K)

CONCESSIONS

- **70%** MUHIBBAH MASTERON CAMBODIA JV LIMITED
  - **30%** SOCIETE CONCESSIONAIRE DE I' AEROPORT
- **21%** ROADCARE (M) SDN. BHD.

INFRASTRUCTURE CONSTRUCTION

- **100%** MEB CONSTRUCTION SDN. BHD.
- **100%** MUHIBBAH STEEL INDUSTRIES SDN. BHD.
- **100%** MUHIBBAH AIRLINE SUPPORT INDUSTRIES SDN. BHD.
- **100%** CITECH ENERGY RECOVERY SYSTEM MALAYSIA SDN. BHD.
  - **100%** CITECH ENERGY RECOVERY SOLUTIONS UK (LTD)
- **95%** MUHIBBAH MARINE ENGINEERING (DEUTSCHLAND) GmbH
- **60%** MUHIBBAH ENGINEERING (CAMBODIA) CO. LTD.
- **50%** FREYSSINET PSC (M) SDN. BHD.
- **30%** WABAG MUHIBBAH JV SDN. BHD.

CRANES

- **59.28%** FAVELLE FAVCO BERHAD
  - **100%** FAVELLE FAVCO CRANES (M) SDN. BHD.
  - **100%** FAVELLE FAVCO CRANES PTE. LTD.
  - **100%** FAVELLE FAVCO CRANES PTY. LIMITED
  - **100%** FAVELLE FAVCO CRANES (USA), INC.
  - **100%** KROLL CRANES A/S
  - **100%** FES EQUIPMENT SERVICES SDN. BHD.
  - **80%** SHANGHAI FAVCO ENGINEERING MACHINERY MANUFACTURING CO. LTD.

SHIPYARD

- **100%** MUHIBBAH MARINE ENGINEERING SDN. BHD.

Only major active companies are included here

Management Discussion and Analysis

Overview of Businesses

Muhibbah was incorporated in Malaysia on 4 September 1972 and has been listed on the Main Market of Bursa Malaysia Securities Berhad ("Main Market") since 1994.

Since its inception, Muhibbah has established its track record as an engineering construction company servicing numerous industries and has played an integral role as an integrated solutions provider for maritime, oil and gas, infrastructure projects in both the local and global markets. The Group also has expertise in a Main Market listed crane manufacturing subsidiary, Favelle Favco Berhad which manufactures specialised offshore oil and gas pedestal cranes as well as tower cranes for use in the construction of very tall buildings that require heavy lifting at more efficient speeds.

Our Airports Division owns a Build-Operate-Transfer concession for the development and management of three (3) international airports in Cambodia namely the airports in Phnom Penh (the capital city of Cambodia), Siem Reap (home to the UNESCO World Heritage Angkor Archaeological Complex) and Sihanoukville (the port and beach resort city).

From our Group's headquarters in Klang, Malaysia, the Group has established presence and offices in Australia, Denmark, Germany, the United States of America, Qatar, the United Kingdom, Cambodia, Myanmar, Singapore, People's Republic of China and the Philippines.

Mission and Strategies

The Group's long term vision is to be concession owner and operator as well as an infrastructure and construction solutions provider. It also has vision as a heavy-lifting crane manufacturer for the global oil and gas and commercial industries.

Our long term strategy is to continue building the right mix of diversified businesses to provide synergistic growth for the Group.

Market Overview

Economic growth in Malaysia accelerated through 2017 with a year-on-year growth of 5.9% which was propelled by domestic and external demand for Malaysian products.

A stabilization of the global oil prices have seen the return of activities and renewed interest in the oil and gas sector.

Review of Financial Results and Operating Activities

Key Financial Highlights

- Group's revenue (including revenue of associates and joint ventures) of RM2.0 billion (2016: RM2.3 billion);
- Group's earnings before interest, depreciation, tax and amortisation ("EBIDTA") increased to RM369.0 million (2016: RM328.3 million);
- Group's net profit after tax increased by 18.8% to RM191.3 million (2016: RM161.0 million);
- Group's net profit after tax and non-controlling interests increased by 24.7% to RM131.6 million (2016: RM105.5 million);
- Group's basic earnings per share increased to 27.4 sen (2016: 22.2 sen);
- Group's net assets per share increased to RM2.17 (2016: RM2.03); and
- Group's net gearing improved to 0.29 times (2016: 0.61 times).

Phnom Penh International Airport, Cambodia

Key Financial Highlights (continued)

Revenue

decreased by 11.8% to

RM2.0 billion

EBIDTA

increased by 12.4% to

RM369.0 million

Profit After Tax

increased by 18.8% to

RM191.3 million

Review of Financial Performance

The Group's profit after tax grew to RM191.3 million in 2017, 18.8% higher than RM161.0 million posted in 2016. Net profit after tax and non-controlling interests is also significantly higher at RM131.6 million in 2017, a 24.7% increase from the previous year.

Liquidity and Financial Resources

As at 31 December 2017, the Group's net gearing ratio has improved to 0.29 times (0.61 times in previous financial year).

Dividend

The Board recommended a first and final tax exempt dividend of 7.0 sen per ordinary share in respect of the financial year under review subject to the approval of the shareholders at the forthcoming Annual General Meeting. This represents an increase of 27% compared to 5.5 sen per ordinary share in year 2016. The total dividend payable amounts to RM33.6 million (2016: RM26.4 million).

Review of Core Business Operations Performance and Outlook

Review of the performance and outlook of each division of the Group for the financial year ended 31 December 2017 and the future prospects of the Group are as follows:-

Concessions Division

All the three (3) Cambodia international airports namely Phnom Penh International Airport, Siem Reap International Airport and Sihanoukville International Airport saw accelerated growth at an average rate of 26% year-on-year

Construction of roads and infrastructure works at Um Alhoul Economic Zones for Manateq in Qatar

in 2017. The Cambodia international airports set a new record of 8.8 million passengers.

Besides the increase in passengers, cargo movements and the non-aeronautical revenue such as ground handling services and retail business have also experienced growth of 27% and 37% respectively in 2017.

The construction of the new domestic terminal of the Phnom Penh Airport in Cambodia was also completed during the year 2017.This US$26 million domestic terminal project is the second phase of the airport's development, following a US$100 million expansion for the international terminals of Phnom Penh and Siem Reap Airports in 2016 to double the airports capacity.

Over the last two years, there have been a continuous increase in the routes development and growth in air traffic volume with a wide range of airlines from different market and countries across various continents. In 2017, international airlines such as Emirates, Malindo Air, Vietjet Air, Thai Smile Airways, new Chinese carriers such as Shenzhen Airlines, Hainan Airlines, Spring Airlines, China Express as well as new domestic airlines such as JC Airlines and Lanmei Airlines offer new flights to Cambodia Airports. We also saw new offerings from cargo carriers such as Etihad and Qatar Cargo.

The revenue for the periodic maintenance work increased by 15% in 2017 after our road maintenance concession received an extension of our concession for the central region of Peninsular Malaysia to 2026.

The contribution from our Concession Division has increased from 58% in 2016 to 68% in 2017 of the Group's profit after tax and non-controlling interests.

Design, Construction and Completion of the Conveyor System Facilities at Samalaju Port in Bintulu, Sarawak, Malaysia

Management Discussion and Analysis (continued)

Construction and Engineering Division

Among the notable projects delivered in 2017 are the new domestic terminal of the Phnom Penh Airport in Cambodia for Société Concessionnaire de l'Aéroport, fabrication works for Ophir Development Project, temporary construction facilities and accommodation camp for package 3 PETRONAS' Refinery and Petrochemicals Integrated Development ("RAPID") Project in Pengerang, Johor, Malaysia, marine works at Port Klang for Northport (Malaysia) Bhd and Samalaju Port Development in Bintulu, Sarawak.

Muhibbah Group started its construction activities in Qatar in 2007 since receiving the award for construction works for the Catering Facility of the Hamad International Airport (formerly known as the New Doha International Airport).With more than 10 years track record in Qatar, our subsidiary in Qatar was awarded a contract by the Economic Zones Company of Qatar (MANATEQ), which is wholly owned by the Qatari Government, to undertake the construction of roads and infrastructure works at Um Alhoul Economic Zones (QEZ)-3 in Qatar for a total contract price of approximately Qatari Riyal 356.7 million (equivalent to approximately RM438.1 million) in January 2017. A few months later, we received an additional work order associated with this contract worth Qatari Riyal 105.8 million (equivalent to approximately RM120.5 million).

In February 2018, the Company was awarded by MANATEQ a contract for the design, construction and erection of syncrolift and travel lift in Marsa Um Alhoul at Um Alhoul Special Economic Zone, Qatar for a total contract value of Qatari Riyal 143 million (equivalent to approximately RM149 million). All in, we have secured three contracts in Qatar worth RM707.6 million in aggregate.

In April 2017, the Company vide its joint venture, was awarded a project by the Bintulu Port Authority for the design and build of the development of a supply base wharf in the second harbour basin, Bintulu Port, Bintulu, Sarawak for a sum of RM584.8 million.

In October 2017, we received a contract worth RM168 million from East Coast Economic Region Development Council for the construction and completion of main infrastructure works for Kertih Biopolymer Park located at Terengganu Darul Iman.

In 2016, we have successfully completed the noise barriers and enclosures for MRT Line 1. In early December 2017, the Company announced an award of a contract of RM189 million by Mass Rapid Transit Corporation Sdn Bhd for the design, supply, installation, testing and commissioning of noise barriers and enclosures for MRT Line 2. In 2018, Prasarana Malaysia Berhad further awarded two contracts worth RM90.3 million for the design, supply, delivery, installation, testing and commissioning of noise barriers for the Light Rail Transit Line 3 (LRT3).

The Company has also secured a project worth RM70 million from Tenaga Nasional Berhad for the construction of reinforced concrete jetty and platform for the establishment of the 230kV Senibong switching station and 230kV overhead line in Johor Bahru, Johor Darul Ta'zim.

The shipyard division has successfully constructed and delivered to Jabatan Laut Malaysia an 85-metre multi-purpose vessel during the year 2017.

As at 30 March 2018, the outstanding secured order book for the construction and engineering division stands at approximately RM1.6 billion.

Engineering, Procurement, Construction and Commissioning for RAPID Temporary Village and Temporary Management Office Facilities for the RAPID Project in Pengerang, Johor.

Favelle Favco Tower Crane used to construct the bridge to Russky Island, Vladivostok, Russia

Crane Testing at Favelle Favco Shanghai Factory, China

Crane Division

The crane market remained at a low level during the year under review. However, we are finding recurring income opportunities in the rental markets.

We continued to focus on staying vigilant on our costs.

The Company continued its development of several new cranes targeting for the wind turbine industries.

The wind turbine erection industry is starting to accept that the cycle times for our cranes are competitive and we expect to further our penetration into the onshore wind turbine market.

Additionally, this year we recorded our highest ever revenue for our after-sales segment.

The global oil and gas market shows signs of recovery and renewed interest. We expect a slight pickup in the oil and gas crane market in the foreseeable future.

As at 30 March 2018, the outstanding order book for the Crane Division is RM481 million.

Corporate Development

On 28 March 2018, our Crane subsidiary, Favelle Favco Berhad entered into a conditional share purchase agreement to acquire 70% controlling stake in each of Exact Automation Sdn Bhd, Sedia Teguh Sdn Bhd, Exact Analytical Sdn Bhd and Exact Oil & Gas Sdn Bhd (collectively to be known as the "Exact Group") for a total indicative initial cash purchase consideration of approximately RM90.7 million ("Proposed Acquisition").

The principal business activities of the Exact Group are the provision of design, engineering and maintenance services for integrated automation solutions, process analysers and specialised equipment for various industries. Leveraging on our international network of business associates, financial strength and expertise coupled with the vendors' technical expertise and track record in the industrial automation business, this Proposed Acquisition is expected to enhance and widen the earnings base of our Group.

Future Prospects

Global growth is expected to grow at a modest pace in 2018. Whilst we continue to see tough operating conditions ahead, our Group remains committed to our ongoing objectives of expanding our focus on achieving operational efficiency to achieve sustainable growth in our core business segments.

Our Airports concession in Cambodia is expected to register another record year boosted by the continuing growth in passengers and cargo in the year 2018.

Our Construction and Engineering Division is expected to continue to perform well in view of the potential infrastructure works and healthy order books, backed by operations in different geographical locations as well as income derived from new businesses. We believe the effective implementation of the Malaysian Government's substantial investment in the infrastructure arena under the 11th Malaysian Plan will steer the construction industry and sustain Malaysia's future economic growth.

The Crane Division is expected to broaden its earning base from the Proposed Acquisition of the Exact Group.

Engineering, Procurement, Construction, Installation and Commissioning of Wellhead Platform for Ophir Development Project, Offshore Terengganu, Malaysia

Acknowledgement and Appreciation

On behalf of the Board of Directors, I would also like to commend our team for having shown great resilience by staying the course over the challenging year and continue to achieve such encouraging results. We also thank our valued customers, business associates, subcontractors, suppliers and the various Government agencies who have given us continuous support all this while.

I would also like to welcome our newly appointed Independent Director, Dato' Sri Khazali on board. Dato' Sri has extensive experience cumulated from the Malaysian Government and Customs department.

Lastly, I would like to extend my appreciation to my fellow Board members for all your contribution and commitment. I hope all shareholders and stakeholders will continue to place their trust in our Group as we continue into another year ahead.

Mac Ngan Boon @ Mac Yin Boon
Group Managing Director

CiBAS Waste Heat Recovery Units designed & built by Citech Energy Recovery System Malaysia Sdn Bhd

85M DP2 Multi Purpose Buoy Tender Vessel built by Muhibbah Marine Engineering Sdn Bhd

Profile of Directors

Tan Sri Zakaria bin Abdul Hamid

Aged 74, Male, Malaysian
- *Chairman*
- *Senior Independent Non-Executive Director*
- *Chairman of the Remuneration Committee and Nominating Committee*
- *Member of the Audit Committee*

Tan Sri Zakaria bin Abdul Hamid was appointed as Vice Chairman of the Company on 20 February 2002 and a member of the Audit Committee on 28 March 2003. He was redesignated as Chairman of the Company, Chairman of the Audit Committee, Remuneration and Nominating Committee and appointed as Senior Independent Non-Executive Director on 15 May 2014. Tan Sri Zakaria was further redesigned to a member of the Audit Committee on 2 March 2018 following the introduction of Malaysian Code on Corporate Governance 2017.

He obtained a Bachelor of Arts with Honours Degree from the University of Malaya in 1969 and later furthered his studies in 1993 at the Royal College of Defence Studies in London. He started work in 1969 in the Government Service and later in the Prime Minister's Department. His last held position was Director General when he retired in early 2002.

He is also a Non-Independent Non-Executive Director of Landmarks Berhad.

Mac Ngan Boon @ Mac Yin Boon

Aged 74, Male, Malaysian
- *Group Managing Director*

Mr Mac Ngan Boon @ Mac Yin Boon is the co-founder of Muhibbah Engineering (M) Bhd and was appointed as the Managing Director of the Company on 22 May 1973. He was a member of the Remuneration Committee from 21 February 2002 until 2 March 2018.

Having obtained a Bachelor of Engineering (Civil) Degree from the University of Western Australia in 1967, Mr Mac is a professional engineer with the Institute of Engineers Malaysia. He started work as construction engineer in 1967. He has been the Chairman of the Machinery and Equipment Manufacturers Association of Malaysia (MEMA) since 1998 and the Chairman of Machinery and Engineering Industries Federation (MEIF) since 2016.

He is also an Executive Director of Favelle Favco Berhad, a subsidiary of Muhibbah Engineering (M) Bhd listed on the Main Market of Bursa Malaysia Securities Berhad.

Ooi Sen Eng

Aged 76, Male, Malaysian
- *Executive Director*

Mr Ooi Sen Eng obtained his Bachelor of Engineering (Civil) Degree from the University of Malaya in 1966. He was admitted as a member of the Professional Engineer (Malaysia) in 1976 and became a member of the Institute of Engineers Malaysia in 1978. He gained his early marine engineering construction experience from Zublin AG, a German construction company, where he worked for six (6) years until he co-founded the Company in 1972. He was appointed as Director on 26 May 1973 and was a member of the Remuneration Committee from 21 February 2002 until 2 March 2018.

Mac Chung Jin

Aged 44, Male, Malaysian
- *Executive Director/ Deputy Chief Executive Officer*

Mr Mac Chung Jin was appointed as Executive Director of Muhibbah Engineering (M) Bhd on 15 May 2014. He was Alternate Director to Mr Ooi Sen Eng from 2 May 2008 to 15 May 2014. He holds a Bachelor of Civil Engineering Degree from Oxford Brookes University, United Kingdom. He joined Muhibbah Engineering (M) Bhd in 1995 as a Project Engineer and was promoted to Head of Business Development in 1999, spearheading local and international projects. He was appointed Deputy Chief Executive Officer of the Company on 2 September 2013. He is currently also a member of the Risk Management Committee of Muhibbah Group.

Shirleen Lee Poh Kwee

Aged 52, Female, Malaysian
- *Group Finance Director*

Ms Shirleen Lee Poh Kwee was appointed as Group Finance Director to the Board of Muhibbah Engineering (M) Bhd on 15 May 2014. She is also a member of the Risk Management Committee of Muhibbah Group.

Prior to joining Muhibbah Group, she was a Senior Auditor with an international accounting firm, KPMG with experience in statutory audit, special audit, due diligence, strategic tax planning and compliance services.

She joined Muhibbah Group in 1993 as Group Chief Financial Officer to spearhead Muhibbah Group's corporate banking and treasury management, corporate finance and development, mergers and acquisitions, financial management reporting, tax planning, corporate affairs and investor relations as well as Group investment strategy and appraisal.

Ms Shirleen Lee is a fellow member of the Association of Chartered Certified Accountants, United Kingdom and a Chartered Accountant with Malaysian Institute of Accountants. She is also a Certified Financial Planner of the Financial Planning Association of Malaysia.

Ms Shirleen Lee is also the Group Finance Director of Favelle Favco Berhad, a subsidiary of Muhibbah Engineering (M) Bhd listed on the Main Market of Bursa Malaysia Securities Berhad.

Sobri bin Abu

Aged 65, Male, Malaysian
- *Independent Non-Executive Director*
- *Chairman of the Audit Committee*
- *Member of the Remuneration Committee and Nominating Committee*

Encik Sobri bin Abu was appointed to the Board as an Independent Non-Executive Director on 27 June 2013. He was further appointed as a member of the Audit Committee as well as the Remuneration and Nominating Committees on 28 August 2013 and redesignated as Chairman of the Audit Committee on 2 March 2018.

Encik Sobri's career spans more than thirty years (30) in the oil and gas industry. He worked not only for major international oil companies, such as ExxonMobil and PETRONAS but also the major international engineering construction companies like Babcock King Wilkinson (UK) Ltd of the United Kingdom, Stone and Webster Construction, Inc of the United States of America, Petrofac Engineering and Construction of the United Arab Emirates and local engineering companies including Sumatec Engineering Bhd and Ranhill WorleyParsons of Malaysia.

He is also an Independent Director of Favelle Favco Berhad, a subsidiary of Muhibbah Engineering (M) Bhd listed on the Main Market of Bursa Malaysia Securities Berhad.

Profile of Directors (continued)

Abd Hamid bin Ibrahim

Aged 69, Male, Malaysian
- *Independent Non-Executive Director*

Encik Abd Hamid bin Ibrahim was appointed to the Board of Muhibbah Engineering (M) Bhd on 18 January 2006 as an Independent Non-Executive Director.

He holds a Masters degree in Petroleum Engineering from Heriot-Watt University, Scotland and a degree in Mining from Camborne School of Mines, UK. He also attended the Advanced Management Program at the University of Hawaii in 1980 and Wharton School of Management, University of Pennsylvania, USA in 2000.

Encik Abd Hamid joined PETRONAS in June 1976 as a Production Engineer in the Production Department and since then had held several managerial positions in the Upstream Sector (including as General Manager, Development Division, PETRONAS Carigali Sdn Bhd) until April 1991. He was the Managing Director/ Chief Executive Officer of Ethylene Malaysia Sdn Bhd and Polyethylene Malaysia Sdn Bhd from May 1991 till May 1996, Managing Director/ Chief Executive Officer of Malaysia LNG Sdn Bhd and MLNG Dua Sdn Bhd, and Project Director of MLNG Tiga Sdn Bhd from June 1996 prior to his appointment as Managing Director/Chief Executive Officer of PETRONAS Gas Bhd from September 1999 to June 2003. He was a member of the PETRONAS Management Committee from July 1996 until June 2003.

In April 2004, he was appointed as the PETRONAS representative to the Board of Trustees of Cancer Research Malaysia (CRM). He was conferred an Honorary Membership of Malaysia Gas Association in year 2014 and was also made an Honorary Member and Advisor to the Malaysian Oil & Gas Engineering Council in May 2015 for his significant contribution to the Association and industry respectively.

Dato' Mohamad Kamarudin bin Hassan

Aged 62, Male, Malaysian
- *Independent Non-Executive Director*
- *Member of the Audit Committee, Remuneration Committee and Nominating Committee*

Dato' Mohamad Kamarudin bin Hassan was appointed to the Board of Muhibbah Engineering (M) Bhd as an Independent Non-Executive Director and a member of the Audit, Nominating and Remuneration Committee on 15 May 2014.

He graduated with a Bachelor of Economics degree (Majoring in Business Administration) from the University of Malaya in 1978 and obtained a Diploma in Public Management from Institute Tadbiran Awam Malaysia (INTAN) in 1979. He received a Masters Degree in Business Administration (Majoring in Finance) from Oklahoma City University, USA in 1987.

Dato' Mohamad Kamarudin began his career with the Administrative and Diplomatic Service in 1979 with his first posting to the Macro-economic Division of the Economic Planning Unit in the Prime Minister's Department. In 1987, he was transferred to the Ministry of International Trade and Industry (MITI) where he had served in various divisions of the Ministry. He was then posted to the Malaysian Embassy in Washington DC as the Economic Counsellor from 1992 to 1994. From January 2006 until his retirement on 31 August 2013, he was seconded to Malaysia External Trade Development Corporation (MATRADE) as the Deputy Chief Executive Officer.

He is also an Independent Director in four (4) Public Listed Companies, namely, CCM Duopharma Biotech Berhad, ManagePay Systems Berhad, Lion Diversified Holdings Berhad and Malaysian Pacific Industries Berhad.

Dato' Sri Khazali bin Haji Ahmad

Aged 63, Male, Malaysian
- *Independent Non-Executive Director*

Dato' Sri Khazali bin Haji Ahmad was appointed to the Board of Muhibbah Engineering (M) Bhd as an Independent Non-Executive Director on 16 April 2018.

He graduated with a Bachelor of Economics degree from University Kebangsaan Malaysia in 1980 and obtained a Diploma in Public Administration from Institute Tadbiran Awam Malaysia (INTAN) in 1981. He received a Masters Degree in Economics from the University of Central Oklahoma, USA in 1991.

He was the recipient of the Excellence Service Awards in 2003 and 2006 by the Ministry of Finance. He was also awarded the Asia Tax Commissioner of The Year 2015 for his excellent leadership in the Royal Malaysian Customs (Customs), particularly in the implementation of GST.

Dato' Sri Khazali bin Haji Ahmad began his career as Assistant Director in the Public Service Department Malaysia in 1981. He was subsequently posted to International Trade Division of the Ministry of International Trade and Industry (MITI) where he held various positions before he was transferred to Tax Analysis Division under the Ministry of Finance in 1997 and became Section Chief in the Division from 2005 to 2007. Between 2007 and 2008, he served as Special Functions Officer to the Chief Secretary to the Government in the Prime Ministers Department. In early 2009, Dato' Sri Khazali was appointed Deputy Director General of Customs. His last held position before his retirement in 2017 was Director General of Customs.

He is also an Independent Director and Audit Committee member of Malaysia Venture Capital Management Bhd, Bank Islam Malaysia Berhad and Shangri-la Hotels (Malaysia) Berhad.

Mazlan bin Abdul Hamid

Aged 55, Male, Malaysian
- *Non-Independent Non-Executive Director*

Encik Mazlan bin Abdul Hamid was appointed to the Board of Muhibbah Engineering (M) Bhd on 15 May 2014 as a Non-Independent Non-Executive Director.

He obtained a Diploma in Engineering from the University of Mara Technology in 1984 and attended an Advanced Metallurgy course in the United Kingdom in 1985. In the same year, he started his career as a project coordinator in DNT (M) Sdn Bhd. He then joined SCS Petrotechnical (M) Sdn Bhd and was seconded to Sarawak Shell Berhad. Thereafter, he joined Bureau Veritas (M) Sdn Bhd as Surveyor and Marketing Manager. He joined Favelle Favco Cranes (M) Sdn Bhd in 1996 as the Sales & Marketing General Manager and has played a key role in penetrating the international crane manufacturing market.

Encik Mazlan is also an Executive Director of Favelle Favco Berhad, a subsidiary of Muhibbah Engineering (M) Bhd listed on the Main Market of Bursa Malaysia Securities Berhad.

Profile of Key Senior Management

Mac Chung Hui

Aged 40, Male, Malaysian

- *Managing Director/ Chief Executive Officer of Favelle Favco Berhad, A subsidiary of Muhibbah Engineering (M) Bhd listed on the Main Market of Bursa Malaysia Securities Berhad*

Mac Chung Hui was appointed as the Group Deputy Managing Director of Favelle Favco Berhad ("FFB") on 5 May 2004 and appointed as Chief Executive Officer in the same year. He was re-designated as Managing Director on 26 August 2013. He holds a Bachelor of Civil Engineering degree from the University of Nottingham, United Kingdom. He joined FFB as Supervisory Board Member in 1999 and was responsible in assisting the Managing Director in the execution of operational decisions of the FFB Group. He has also been overseeing the production and operation of Favelle Favco Cranes Pty Limited (FFA") and Favelle Favco Cranes (M) Sdn Bhd ("FFM") over the past seventeen (17) years.

He has no directorships on other public listed companies and listed issues. He is the son of Mr Mac Ngan Boon @ Mac Yin Boon, the Managing Director and substantial shareholder of the Company. He has no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years and has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Ooi Kien Chuan

Aged 66, Male, Malaysian

Mr Ooi Kien Chuan joined Muhibbah Marine Engineering Sdn Bhd (MME) initially as a Shipyard Manager in 1995. He was appointed as the General Manager and subsequently appointed as a Director in 2015 in the shipyard subsidiary to spearhead the Group's shipyard operation which includes shipbuilding, ship repairs and other marine engineering services.

He started his working career in 1970. Prior to joining MME in 1995, he gained hands-on knowledge and experience in various capacities in the maritime oil & gas and shipyard industries in Singapore, Brunei and Malaysia. He obtained a Diploma in Management from the Malaysia Institute of Management (MIM) in 1990.

Mr Ooi has no directorships on other public listed companies and listed issues. He does not have family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years and has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Other Information

Additional Information on Directors

1. **Family Relationship with any Director and/or major shareholder of Muhibbah Engineering (M) Bhd**

   None of the Directors have any relationship with each other and/or major shareholders of Muhibbah Engineering (M) Bhd except Mac Chung Jin. Mac Chung Jin is the son of Mac Ngan Boon @ Mac Yin Boon, the Managing Director and substantial shareholder of Muhibbah Engineering (M) Bhd.

2. **Conflict of Interest**

   None of the Directors have any conflict of interest with the Company.

3. **Convictions for Offences within the past 5 years, other than traffic offences**

   None of the Directors have been convicted for offences.

Additional Compliance Information

1. **Utilisation of Proceeds from Corporate Proposals**

   There were no proceeds raised from corporate proposals during the financial year.

2. **Fees for services rendered by External Auditors**

   The amount of fees payable/paid to the external auditors for the financial year ended 31 December 2017 were as follows:

	Group RM'000	Company RM'000
Audit services	649	214
Non-audit services		
- Tax compliance	61	19
- Financial due diligence and advisory	120	20
	830	253

3. **Material Contracts**

   Save for the recurrent related party transactions disclosed under item 4, there were no material contracts entered into by the Company and its subsidiaries involving the interests of Directors and major shareholders, either still subsisting as at 31 December 2017 or entered into since the end of the previous financial year ended 31 December 2016.

4. **Recurrent Related Party Transactions**

   At the Annual General Meeting held on 22 June 2017, the Company has obtained shareholders' mandate allowing the Group to enter into recurrent related party transactions of a revenue or trading nature as disclosed in the Circular to Shareholders dated 28 April 2017. In accordance with Section 3.1.5 of Practice Note No. 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the details of recurrent related party transactions conducted during the financial year ended 31 December 2017 pursuant to the shareholders' mandate are disclosed as follows:-

Other Information (continued)

Transacting Parties	Related Party	Nature of Transactions	Actual Transaction Value for the Financial Year Ended 31 December 2017 RM'000
MEB Group and FFB Group	Mac Ngan Boon @ Mac Yin Boon, Mac Chung Hui, Mac Chung Jin and Mazlan bin Abdul Hamid	Sales of cranes and parts and rental of cranes, plant and equipment by MEB Group to FFB Group; and subcontracting work awarded by FFB Group to MEB Group	18,874
		Purchases and rental of cranes and parts by MEB Group from FFB Group, and the provision of crane maintenance and services by FFB Group to MEB Group	2,466
		# Rental of factory and office premises located at Lot 9895, Geran #26559, Kg. Jawa, Mukim of Klang, State of Selangor by MEB Group to FFB Group, measuring 5.0 acres	1,045
		# Rental of office space under Lot 586, 2nd Mile, Jalan Batu Tiga Lama by MEB Group to FFB Group, measuring 4,500 sq. ft.	176
		# Rental of land located at PN 109083 Lot 104626, Mukim of Klang, State of Selangor by MEB Group to FFB Group, measuring 36,000 square meters	2,566
		Rental of plant and equipment and scaffolding service by FFB Group to MEB Group	64
		Shared services expenses/charges by MEB Group to FFB Group which include amongst others, legal, information technology and internal audit by MEB Group to FFB Group	2,000

Tenancies are for terms not exceeding three (3) years with rentals payable on monthly basis.

Abbreviations

"MEB"	: Muhibbah Engineering (M) Bhd
"MEB Group"	: MEB, its subsidiaries and associated companies collectively
"FFB"	: Favelle Favco Berhad
"FFB Group"	: FFB, its subsidiaries and associated companies collectively

Overview on Corporate Governance

Introduction

The Board of Directors ("the Board") is committed towards ensuring that good Corporate Governance is observed throughout the Group. Upholding integrity and professionalism in its management of the affairs of the Group, the Board aims to enhance business prosperity and corporate accountability with the ultimate objective of realising long-term shareholders' value and safeguarding interests of other stakeholders.

On 26 April 2017, the Securities Commission of Malaysia released the new Malaysian Code on Corporate Governance 2017 ("MCCG 2017" or "the Code") which supersedes the Malaysian Code on Corporate Governance 2012, its earlier edition.

This statement describes how the Group has applied the principles set out in the MCCG 2017 and except where stated otherwise, its compliance with the recommended practices of the MCCG 2017 for the financial year ended 31 December 2017.

Board of Directors

Composition and Balance
An experienced Board consisting of members with a wide range of business, technical, financial and public service backgrounds leads and controls the Group. This brings insightful depth and diversity to the leadership and management of the Group's businesses.

The Board is well balanced with Executive and Non-Executive Directors. Currently, the Board consists of ten (10) members, comprising five (5) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and four (4) Executive Directors. As such, half of the Board comprises Independent Directors. This composition is in compliance with Paragraph 15.02 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and MCCG 2017. The Board believes that the current composition is appropriate given the nature of business and scale of the operations of the Group. Profiles of the Directors are presented in this Annual Report.

The Executive Directors are generally responsible for making and implementing operational decisions whilst the Non-Executive Directors support the skills and experience of the Executive Directors, contributing to the formulation of policy and decision-making with their knowledge and experience in other business sectors.

An Independent Non-Executive Chairman leads the Board and he is also identified as the Senior Independent Non-Executive Director to whom concerns of the Group may be conveyed. The Chairman leads the Board and manages the Board's effectiveness by focusing on strategy, governance and compliance.

Duties and Responsibilities of the Board
The Board assumes the following principal responsibilities in discharging its fiduciary and leadership functions:

- Oversee the conduct of the Group's businesses and financial performance to determine if the business is being properly managed and provide stewardship in monitoring the businesses are aligned with the Group's long and short term objectives and goals.
- Review and adopt strategic plans/directions of the Company and its Group and to monitor the implementation of such plans/directions by the management.
- Review and adopt financial results of the Company and the Group as well as to ensure adequacy of financial information disclosure.
- Review the conduct and performance of major projects to determine whether they are properly managed.
- Assess and review principal risks affecting the Group and supervise the implementation of appropriate systems or processes to manage such risks effectively. The details of the processes are set out in Statement on Risk Management and Internal Control.

Overview on Corporate Governance (continued)

- Review related party transactions.
- Review and adopt the Board Charter, Whistleblowing Policy and Code of Ethics.
- Establish and implement succession planning for the Directors and the Group's key senior management for the purpose of business continuity. This includes ensuring implementation of appropriate systems for recruitment, training and retention.
- Review and adopt corporate strategy, business plans, major investment and financing plans.
- Review material litigations, Group's order book, debt collection status, capital expenditure, borrowing and cash statuses.

The Board has delegated specific responsibilities to the committees to assist the Board in the effective operation and governance of the Group. The functions and the authority delegated by the Board have been defined by the Board in the Terms of Reference of the respective committees. These committees are Audit Committee, Nominating Committee and Remuneration Committee. In addition, the Board is also assisted by a Risk Management Committee which comprises members of the Board and Senior Management.

Board Meetings

Board meetings are held at regular intervals with additional meetings taking place as and when necessary. Board meetings for the ensuing financial year are scheduled in advance at the end of the previous financial year so that the Directors are able to plan ahead and incorporate the following year's Board meetings into their respective schedules. During the financial year under review, the Board met four (4) times to review the Group's operations, review and approve the quarterly financial results, annual financial statements and relevant operational strategic matters requiring Board approval. The Company Secretary records in the minutes of Board meetings all the deliberations, particularly the issues discussed in reaching that decision. Directors attended Board meetings held during the financial year and have complied with the minimum requirement of 50% attendance at Board meetings as stipulated in the MMLR of Bursa Securities. Details of the Directors' attendance at the Board meetings which were held during the financial year under review are as follows:

Names of Directors	Attendance at Meetings in 2017
Tan Sri Zakaria bin Abdul Hamid	2/4
Mac Ngan Boon @ Mac Yin Boon	4/4
Ooi Sen Eng	4/4
Abd Hamid bin Ibrahim	4/4
Sobri bin Abu	4/4
Mac Chung Jin	4/4
Lee Poh Kwee	4/4
Dato' Mohamad Kamarudin bin Hassan	4/4
Mazlan bin Abdul Hamid	4/4
Dato' Sri Khazali bin Haji Ahmad (Appointed on 16 April 2018)	Not applicable

Board members are required to declare their respective directorships in other companies to the Board. All Board members are expected to devote sufficient time to carry out their roles and responsibilities as Directors. The Board is of the opinion the Companies Act 2016 and MMLR of Bursa Securities are sufficient to ensure adequate commitment by the Directors to perform their duties, including devoting sufficient time to the Company without it being formally regulated. This is evidenced by the attendance of the Directors and the time spent at Board meetings as shown above. Schedule for the Company's Board meeting was formulated and shared with the Directors prior to the beginning of each financial year to ensure the Directors' commitment.

Access to Information and Advice

Due notice is given to the Directors prior to each Board and Board Committee meetings. Each Director is provided with the agenda and a full set of Board papers which includes Minutes of Meetings, details of operational, financial, safety and corporate developments and other relevant documents, prior to each Board meeting with the aim of enabling the Directors to make well-informed decisions on matters arising at the meetings. It is the primary responsibility of the Chairman of the Board to organise such information necessary for the Board to deal with the agenda and the Board adopts a formal schedule of matters specifically referred to it for decision.

Furthermore, the Board is regularly kept updated and apprised of any regulations and guidelines as well as amendments thereto issued by regulators, particularly the effects of such new and amended regulations and guidelines on directors specifically, and the Company and the Group generally.

The appointment of the Company Secretary is based on the capability and proficiency determined by the Board. The Company Secretaries are responsible for ensuring that the secretarial function provides adequate support to the Board and the Board Committees. The Company Secretaries are accessible at all times to provide the Directors with the appropriate advice and services and also to ensure that all relevant procedures, policies and applicable rules and regulations are complied with. As permitted by the Constitution of the Company, the removal of Company Secretary is a matter for the Board as a whole.

In addition, the Directors have authority to access all information within the Company in furtherance of their duties as well as to seek the advice and services of the Senior Management of the Company. They are also empowered to seek external independent professional advice in connection with their role as Directors at the Company's expense, to enable them to make well-informed decisions.

Sustainability

The Board views the commitment to sustainability and environment, social and governance performance as part of its broader responsibility to clients, shareholders, workplace and the communities in which the Group operates. Every business decision that the Group makes pertaining to growth and profitability is consistent with its social and environmental needs for sustainability. The corporate responsibility initiatives undertaken by the Company for the financial year ended 31 December 2017 are disclosed in the Sustainability Statement of this Annual Report.

Board Charter and Code of Ethics

Board Charter

The Board had adopted a Board Charter, which sets out the roles and responsibilities of the Board, the division of authority and responsibilities of the Board and Management, terms of reference and composition of Board Committees as well as other administrative policies and procedures in relation to the operation of the Board as a whole.

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

Code of Conduct

The Board is committed to ensuring that all its business activities operate within the good standards of business ethics and integrity as summarised in the Company's code on business practices, which are applicable Group-wide. The key principles of the Company's code on business practices include avoiding conflict of interest situations, insider trading, unethical practices, exercising caution and due care in safeguarding the Company's assets and confidential information.

A summary of the Code of Conduct is available on the Company's website.

Whistleblowing Policy

The Board has also adopted a Whistleblowing Policy to provide avenues for stakeholders of the Company to raise legitimate concerns relating to potential breaches of business conduct, non-compliance with legal and regulatory requirements as well as other malpractices.

The Whistleblowing Policy is made available in the Company's website for reference and for ease of access for reporting by employees and associates of the Group.

Board Committees

The following committees have been established to assist the Board to discharge its duties and responsibilities. The Board has delegated certain powers and duties to these committees, which operate within the defined Terms of Reference. The final decision on all matters, however, lies with the entire Board. During the Board meetings, the Chairman of the various Board committees will present the respective committee's recommendations and seek Board approval, where appropriate.

Overview on Corporate Governance (continued)

(i) Audit Committee

The principal objective of the Audit Committee is to assist the Board in carrying out its statutory duties and responsibilities relating to the accounting and reporting practices of the Group. This includes reviewing the quarterly financial results to be disclosed, the scope of works and management letter of the external auditors as well as undertaking any such other functions as may be determined by the Board from time to time.

All the members of the Audit Committee are Independent Non-Executive Directors. The Audit Committee met four (4) times during the year.

A report detailing the membership, attendance, role, activities of the Audit Committee is presented in the Audit Committee Report of this Annual Report.

(ii) Nominating Committee

The present members of the Nominating Committee which consist of all Non-Executive Directors are as follows:

Name of Committee Members	Designation
Tan Sri Zakaria bin Abdul Hamid	Chairman *(Senior Independent Non-Executive Director)*
Sobri bin Abu	Member *(Independent Non-Executive Director)*
Dato' Mohamad Kamarudin bin Hassan	Member *(Independent Non-Executive Director)*

The Nominating Committee met once during the financial year. In accordance with its Terms of Reference, the Nominating Committee reviewed the Board structure on the designation, roles and responsibilities of the individual Directors of the Company to ensure that the Board has the required mix of skills, experience and other core competencies, meeting the requirements of Bursa Securities' guidelines on the composition of the Board and other sub-Board Committees.

The Nominating Committee had carried out the following activities during the financial year under review in accordance with its Terms of Reference:-

- Reviewed the performance of Independent Directors including the criteria as required under the MMLR of Bursa Securities. All assessments and evaluations carried out by the Nominating Committee are properly documented and the Nominating Committee was satisfied by the level of independence demonstrated by all the Independent Directors;

- Reviewed the existing balance, size, composition and effectiveness of the Board and Board committees through an evaluation survey questionnaire known as Board and Board Committees Assessment Questionnaire. The duly completed questionnaire was compiled and used as guidance for the recommendation of appropriate actions for further improvement;

- Discussed the criteria to be used for the appointment of new Directors which includes gender diversity, ethnicity, age and succession planning;

- Identified and recommended to the Board, the Directors who were due for retirement by rotation subject to re-election at the forthcoming Annual General Meeting; and

- Reviewed its Terms of Reference to ensure they are in line with the requirements of the latest MMLR of Bursa Securities and also to formalise some existing practices of the Nominating Committee.

The Nominating Committee's Terms of Reference is made available on the Company's corporate website at www.muhibbah.com.

(iii) Remuneration Committee

The present members of the Remuneration Committee ("RC") are as follows:

Name of Committee Members	Designation
Tan Sri Zakaria bin Abdul Hamid	Chairman *(Senior Independent Non-Executive Director)*
Sobri bin Abu	Member *(Independent Non-Executive Director)*
Dato' Mohamad Kamarudin bin Hassan	Member *(Independent Non-Executive Director)*
Mac Ngan Boon @ Mac Yin Boon	Member *(Group Managing Director)* *(Resigned as RC member on 2 March 2018)*
Ooi Sen Eng	Member *(Executive Director)* *(Resigned as RC member on 2 March 2018)*

The Remuneration Committee met once during the financial year. In accordance with its Terms of Reference, the Remuneration Committee reviewed the remuneration packages and benefits of the Executive Directors in accordance with their performance, contribution and level of responsibilities undertaken for the Board and benchmark against other companies from similar industries to ensure the Company is able to attract high calibre executives to run the Company successfully as well as to attract and retain Directors. Directors do not participate in deliberations and decisions on their own remuneration. At the same time, the Non-Executive Directors' fees were also reviewed based on their respective experience and level of responsibilities and recommended for Board's approval. The individual Non-Executive Directors concerned had abstained from discussing and voting on decisions in respect of their own remuneration packages.

Although the Group does not have written remuneration policies, remuneration comparison with other companies for similar positions among other Malaysian public listed companies within similar industries is performed on an annual basis to ensure that the remuneration of the Directors remain competitive with the market which is consistent with their respective duties and responsibilities.

Overview on Corporate Governance (continued)

Board Evaluation

The process of assessing Directors is an ongoing responsibility of the entire Board. For the financial year under review, the Board assisted by the Nominating Committee, reviewed the skills and experience of the individual Director and assessed the effectiveness of the Board as a whole.

The Board was satisfied with the performance and effectiveness of the Board and Board Committees who have discharged their duties and responsibilities effectively. The Board evaluation criteria was reviewed by the Nominating Committee during the financial year.

The Board evaluation comprises Board and Board Committees assessments as well as an assessment on the Independence of the Independent Directors and the contribution of each individual Director which are conducted on an annual basis. The evaluations involve individual Directors and members of Committees completing a set of evaluation questionnaire regarding the processes of the Board and its Committees, their effectiveness and where improvements could be considered by the Company. The criteria for assessing the independence of an Independent Director includes assessing their respective relationship with the Group and their involvement in any significant transactions with the Group. The Board also undertook a self-assessment in which they assessed their own performance.

Appointment, Re-appointment and Re-election of Directors

In accordance with the Company's Constitution, one-third (1/3) of the Directors (including the Managing Director) shall retire from office and be eligible for re-election at each Annual General Meeting and all Directors shall retire from office at least once in every three (3) years but shall be eligible for re-election. Directors appointed during the year will be subject to retirement and re-election by shareholders at the Annual General Meeting.

The Board believes that diversity in the Board's composition will bring value to Board's deliberation. The Board recognises the benefit of diversity in gender and hence gender had been inherently considered in the recruitment and appointment of Directors. The Board has one (1) woman Director and the Board is comfortable with its current composition. Nevertheless, to ensure effective appointment of female Directors, the Board does not set any specific target for female Directors but continues to work actively towards having more female Directors on the Board, all things being equal.

Reinforcement of Independence

The Board acknowledges the importance of Independent Non-Executive Directors in bringing objectivity and impartiality in providing unbiased opinion and judgment to ensure that the interests of the Group, shareholders, customers and other stakeholders are taken into account during its decision making process. The Board consists of five (5) Independent Directors who were neither involved in the business transactions nor participated in the day-to-day management of the Group. The Independent Directors satisfy the definition set out in the MMLR of Bursa Securities and the Company meets the minimum requirement prescribed by the MMLR of Bursa Securities to have at least one-third (1/3) of its Board members being Independent Directors.

In line with the recommendation of MCCG 2017, the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Should the Board intends to retain a Director as Independent Director after serving beyond nine (9) years, shareholders' approval will be sought. If the Board continues to retain the Independent Director after the twelfth (12) years, the Board should seek annual shareholders' approval through a two-tier voting process.

Currently, there are two (2) Board members who have served as Independent Directors for more than twelve (12) years. The Nominating Committee and the Board have performed the assessment on the independence of the Independent Directors and noted that Tan Sri Zakaria bin Abdul Hamid and En Abd Hamid bin Ibrahim had served the Board for more than twelve (12) years as Independent Directors. The Board on the recommendation of the Nominating Committee has proposed for their re-appointment as Independent Directors at the forthcoming Annual General Meeting based on their independence, vast experience cumulated from the relevant industries, networking and ability to continue to provide valuable contributions and independent insights to support the Board.

Each Independent Director is responsible to notify the Board of any changes to the circumstances or development of any new interest or relationship that would affect their independence as an Independent Director of the Company.

The Board takes cognisance of Practice 4.2 of the Code that the tenure of an Independent Director should not exceed a cumulative term limit of nine (9) years. Nevertheless, the Board is of the view that the ability of long serving Independent Directors to remain independent and to discharge their duties with integrity and competency should not be measured solely by tenure of service or any pre-determined age.

The Board continues to strike an appropriate balance between tenure of service and continuity of experience of the Board. However, such change will take some time in order to maintain stability to the Board. Furthermore, the Company acknowledged the benefits from the Independent Directors who have, over time, gained invaluable insights into the Group, its market and the industry.

Division of roles and responsibility between Chairman and Managing Director

The Board subscribes to the principle that clear division of responsibilities between the Chairman of the Board and the Managing Director is beneficial to facilitate a check and balance mechanism for the effective functioning of the Board. The Chairman of the Board is a Senior Independent Non-Executive Director who is leading the Board in overseeing the management while the Managing Director focuses on the business and the day-to-day management of the Group. Such separation of roles and positions promotes accountability and ensures that there is a balance of power and authority in the Board's overseeing the management of the Company.

Directors' Training

The Board is cognisant of the added value that the Directors can bring when they are kept up to date with the industry and regulatory development. All the Directors have attended and successfully completed the Mandatory Accreditation Programme ("MAP") as prescribed by Bursa Securities. During the financial year, seminars and training programmes attended include topics relating to corporate governance, Companies Act 2016, risk management, corporate strategy, taxation and new legislations. Training for Directors will be provided continuously so as to ensure that they are kept up to date on latest developments in relevant laws and business practices and to enable them to discharge their duties effectively.

An induction briefing is provided by the Board and Senior Management to any newly appointed Independent Non-Executive Directors to provide them with in-depth knowledge of the Group's business and strategies.

The seminars, training programmes, conference and forums attended by the Directors during the financial year under review among others, were as follows:-

Programme title	Organiser
The New Malaysian Code on Corporate Governance: "How To Walk The Talk?"	Malaysian Institute of Corporate Governance
Changes Affecting Directors Under The Companies Act 2016: What Every Director Needs To Know	Bursatra Sdn Bhd
Companies Act 2016: Overview of The Changes And How They Affect You And Your Business	CCMD Bhd
What Directors Need To Know On Reporting & Disclosure Obligations To Prevent Public Reprimand & Fines By The Regulators	Bursatra Sdn Bhd
Annual General Meeting: A Venue Of The New Regime In Corporate Governance	Bursatra Sdn Bhd

Overview on Corporate Governance (continued)

Programme title	Organiser
MIA 50th Anniversary Commemorative Lecture - Integrity: The Game Changer	Malaysian Institute of Accountant
Advocacy Sessions To Enhance Quality of Management Discussion & Analysis For Chief Executive Officers And Chief Financial Officers Of Listed Issuers	Bursa Malaysia Berhad
2018 National Budget & Tax Planning Conference: Riding The Wave of National Transformation - Surf of Slide	Crowe Horwath CPE Sdn Bhd
KPMG Tax Seminar and Business Summit 2017	KPMG Tax Services Sdn Bhd
Driving Financial Integrity and Performance: Enhancing Financial Literacy for Audit Committees	Bursa Malaysia Berhad
Risk Management Training for Directors	Bursa Malaysia Berhad
Director's Guide to Fraud & Corruption Risks	Bursa Malaysia Berhad
Case Study Workshop For Independent Directors	Bursa Malaysia Berhad
4th Industrial Revolution: Impact and Opportunities for Manufacturing and Financial Services	Bain & Company
Economic Forum on "The Future of Globalisation and Liberalisation: Are We Losing the Battle?"	Permodalan Nasional Berhad

Directors' Remuneration

The details of the remuneration of the Directors of the Company for the financial year under review are as follows:

	Group RM	Company RM
Executive:		
Fees	635,000	288,000
Salaries and other emoluments	3,853,250	3,594,980
	4,488,250	3,882,980
Non-Executive (but holding executive position in subsidiaries):		
Fees	174,000	72,000
Salaries and other emoluments	651,540	13,640
	825,540	85,640
Independent Non-Executive:		
Fees	391,500	288,000
Other emoluments	79,170	55,540
	470,670	343,540
Total Directors' remuneration	5,784,460	4,312,160

The number of Directors in each remuneration band for the financial year ended 31 December 2017 is as follows:

Range of Remuneration	Executive Directors	Non-Independent Non-Executive Director	Independent Non-Executive Directors	Total
Below RM100,000	-	-	3	3
RM150,001 to RM200,000	-	-	1	1
RM800,001 to RM850,000	-	1	-	1
RM850,001 to RM900,000	1	-	-	1
RM900,001 to RM950,000	1	-	-	1
RM1,200,001 to RM1,250,000	1	-	-	1
RM1,450,001 to RM1,500,000	1	-	-	1
	4	1	4	9

The Board has considered the disclosures of details of the remuneration of each Director as required in the MMLR of Bursa Securities and Practice 7.1 of the MCCG 2017. The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Directors' Remuneration are appropriately served by the "band disclosure" as above.

The Company departs from Practices 7.2 and 7.3 of the MCCG 2017 in view that there would be adverse implication including dissatisfaction and animosity among the staff in the event that the Company discloses salaries, bonuses, benefits in-kind and other emoluments of Senior Management on a named basis.

Audit and Risk Management

Relationship with the Auditors
Through the Audit Committee, the Group has established a transparent and appropriate relationship with the Group's auditors, both internal and external. The internal auditors report directly to the Audit Committee and details of their activities are provided in the Audit Committee Report. Both the internal and external auditors are invited to attend the Audit Committee meetings to facilitate the exchange of views in issues requiring attention. The external auditors are also invited to attend meetings on special matters, when necessary. In addition, the Audit Committee also meets the external auditors, without the presence of Executive Board members and Management, at least twice a year.

Risk Management Framework and Internal Control
The Group's Statement on Risk Management & Internal Control presented in this Annual Report provides an overview of the risk management framework and state of internal control within the Group.

Internal Audit Function
Details of the Internal Audit Function and activities are set out in the Audit Committee Report of this Annual Report.

Recurrent Related Party Transactions
The Board, through the Audit Committee, reviews all recurrent related party transactions.

All recurrent related party transactions entered into by the Group were made in the ordinary course of business and in accordance with the approved shareholders' mandate for recurrent related party transactions.

Overview on Corporate Governance (continued)

Timely and High Quality Disclosure

Corporate Disclosure Policy
The Company is committed to ensuring that all information such as corporate announcements, circulars to shareholders and financial results are disseminated to the general public in a timely and accurate manner.

The Company releases all announcements, material and price sensitive information in a timely manner to Bursa Securities as required under the MMLR of Bursa Securities as well as releases the Company's updates to the market and community through the Company's website, media releases and other appropriate channels.

The Executive Directors evaluate the release of all major communications to investors or Bursa Securities.

Shareholders

Investors and Shareholders Relationship
The Board recognises the importance of maintaining effective communication with its investors and shareholders. An Investor Relations and Shareholder Communication Policy have been adopted by the Board to enable the Group and the Company to communicate effectively with its shareholders, existing and potential investors, other stakeholders and the public in general. An Investor Relations function has been established to facilitate communication between the Company and its existing shareholders and potential investors.

The Investor Relations function communicates with the shareholders and investors through periodic roadshows and investors briefing both locally and abroad, with fund managers, institutional investors and research analysts. Information such as the Group's performance, strategy and major development are presented and explained during these investors briefing.

Apart from the mandatory announcements of the Group's financial results and corporate developments to Bursa Securities, the Group maintains a website (www.muhibbah.com) that allows all shareholders to gain access to information and business activities and recent developments of the Group and for feedback.

Annual General Meeting
The Annual General Meeting ("AGM") is an important forum and primary channel where communications with shareholders can be effectively conducted. Shareholders are encouraged to attend and participate at the meeting by raising questions on resolutions proposed and to enquire on the Company's progress and performance. The Chairman and Directors are in attendance to respond to shareholders' queries during the meeting. External auditors were also invited to attend the AGM to provide independent clarification on issues relating to the conduct of the audit and Auditors' Report, if any.

Since the last AGM, voting at the AGM is conducted on a poll. All shareholders were briefed on the voting procedures by the poll administrator prior to the poll voting and an independent Scrutineer was appointed to validate the votes cast and announce the poll results.

Compliance Statement

The Company has complied with, to a substantial extent, the principles set out in the MCCG 2017 and the relevant requirements of the MMLR of Bursa Securities on Corporate Governance to the extent as set out above throughout the financial year ended 31 December 2017.

This Statement on Corporate Governance was approved by the Board of Directors on 16 April 2018.

Audit Committee Report

The Board of Directors ("the Board") of Muhibbah Engineering (M) Bhd is pleased to present the Audit Committee Report for the financial year ended 31 December 2017.

Composition and Attendance

Board members who served on the Audit Committee ("AC") during the financial year and details of their attendance are as follows:

Name of Committee Members	Designation	No of Committee Meetings Attended
Sobri bin Abu	Chairman *(Independent Non-Executive Director)* *(Redesignated as Chairman of AC on 2 March 2018)*	4/4
Tan Sri Zakaria bin Abdul Hamid	Member *(Senior Independent Non-Executive Director)* *(Redesignated as member of AC on 2 March 2018)*	2/4
Dato' Mohamad Kamarudin bin Hassan	Member *(Independent Non-Executive Director)*	4/4

The AC comprises entirely Independent Non-Executive Directors. Dato' Mohamad Kamarudin bin Hassan has fulfilled the financial expertise requisite of the Main Market Listing Requirements of Bursa Securities.

Whilst the AC reported to the Board on principal matters deliberated during the four (4) AC meetings, minutes of the meetings had also been circulated to each member of the Board.

The Group's Finance Director and the Group Internal Audit Manager attended all AC meetings by invitation. A representative of the External Auditors and other Board members also attended some of the meetings upon invitation by the Chairman of the AC.

Summary of Activities in 2017

The AC carried out its duties in accordance with its Terms of Reference. The main activities undertaken by the AC are as follows:

(i) Financial Reporting & External Audit

- Reviewed the quarterly financial results as well as the year end financial statements of the Group before recommending them to the Board of Directors for consideration and approval for announcement. The AC deliberated on book orders, budgeted revenue, profitability and cash position.
- Reviewed the external auditors' audit plan, scope of work and results of the annual audit for the Group and the Management Letter, including Management's response.
- Convened two (2) separate meeting sessions with the external auditors without the presence of the Executive Directors and Management to discuss relevant issues and obtain feedback.

(ii) Internal Audit

- Reviewed and approved the internal audit plan to ensure its adequacy of the scope of coverage.
- Reviewed the recurrent related party transactions review report and corporate governance review report.
- Reviewed the internal audit reports and specific review reports tabled by the Internal Auditors together with the recommendations and management's committed action plans.
- Reviewed the results of follow-up audits conducted by the Internal Auditors on status of management's implementation of the committed action plans.
- Reviewed the adequacy of internal audit resource requirements.

Audit Committee Report (continued)

(iii) Reviewed the recurrent related party transactions that arose within the Group to ensure that the amount transacted were within the mandate approved by the shareholders.

(iv) Reviewed major business issues/risks of projects in the Group as well as material litigations affecting the Group.

(v) Reviewed the Company's dividend proposal and recommended the same to the Board for approval.

Internal Audit Function

The in-house Group Internal Audit Department ("GIAD") is an independent function that reports directly to the Audit Committee. GIAD performs objective assessment on the adequacy and effectiveness of the Group's system of internal control, risk management and governance processes and is guided by the Internal Audit Charter approved by the Audit Committee that defines the scope, authority, roles and responsibilities of the function.

GIAD is led by Foo Sek Thai who is a member of Malaysian Institute of Accountants and is a Chartered Member of the Institute of Internal Auditors Malaysia. During the financial year ended 2017, the number of supporting internal audit staff were between two (2) and four (4) and they possess professional qualifications and/or university degrees. All members of GIAD are free from any relationships or conflicts of interest which could impair their objectivity and independence. GIAD is guided by the International Professional Practice Framework (IPPF) and the internal audit works conducted use the risk based approach.

During the financial year ended 2017, GIAD carried out its works in accordance with the risk-based internal audit plan approved by the Audit Committee. The scopes of review for the year include the following:

- Bidding Administration.
- Budgetary Control of Costs.
- Procurement Process and Inventory Management.
- Corporate Governance.
- Recurrent Related Party Transactions and Billings on Intra-Group Services.
- Pre-qualification of Vendors.
- Administration of Sub-Contracts and Variation Orders.
- Project Cash Requisition & Clearance and Administration of Project Bank Accounts.
- Payments to Sub-Contractors and Equipment Rental Vendors.
- User Acceptance Test of ERP Implementation.

The results of reviews had been documented in reports which included findings, recommendations and management's mitigation action plans.

In addition, GIAD carried out the following:

- Facilitated Risk Management Committee meetings at Company and its listed subsidiary group levels and Risk Management Unit meetings for the various business units.

- Participated in key Management meetings to keep abreast of the evolvement of the risks pertaining to the business environment.

- Reviewed the Statement on Risk Management and Internal Control for the Company's 2017 Annual Report.

GIAD incurred approximately RM553,000 in respect of the financial year ended 31 December 2017.

Terms of Reference

The Audit Committee Terms of reference is made available on the Company's corporate website at www.muhibbah.com.

Statement on Risk Management & Internal Control

Introduction

The Board of Directors (“the Board”) of MEB is pleased to include this statement as required by paragraph 15.26(b) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

Board’s Responsibilities

The Board, in upholding the principles of corporate governance, is committed to maintaining a sound system of risk management and internal control (“the System”) to safeguard the shareholders’ interests and the Group’s assets. The Board, however, recognised that due to inherent limitations in any system, such system established by Management can only provide reasonable and not absolute assurance against the risk of material error, misstatement or loss, hence does not totally eliminate the risk of not achieving the Group’s business objectives.

Risk Management

In line with good practice to closely monitor the Group’s risk exposure, a Risk Management Committee (“RMC”) with its principal roles and responsibilities stated in the risk management policy and procedure was established at the Group level. The RMC that consists of Executive Directors and members from Senior Management, monitors the Group‘s risk exposure by meeting on a quarterly basis to review the risk profile.

The RMC is supported by Risk Management Units (“RMUs”) set up at the respective business units. The RMU within each business entity meets on a quarterly basis to review and update the risk profiles and risk matrix before submitting them to the RMC.

The RMC and RMUs are established with the aim of providing a continuous systematic approach in identifying and assessing risks as well as ensuring that the risk mitigation processes are established to address the ever evolving risks. Such risk management process has been in place for the financial year and up to the date of approval of this statement.

Key Elements of Internal Control

- Organisation Structure & Authorisation Procedures
  The Group maintains a formal organisational structure that defines accountabilities and delegation of responsibilities. The roles and responsibilities that set out comprise review and approval procedures to uphold the internal control system of the Group’s various business units.

- Limit of Authority
  The authority limits for corporate and project levels provide clear delegations of authority. Wherever deemed possible, such authority limits are embedded in the Enterprise Resource Planning (“ERP”) System.

- Code of Conduct
  Code of Conduct is in place to foster a culture of accountability and integrity. It serves as a guidance to shape the acceptable behaviour of the employees.

- Group Policies and Procedures
  Standard operating procedures for key business processes are formalised in quality procedures to govern the Group’s business operations. The Corporate QA/QC Department conducts quarterly Internal Quality Audits and checks to ensure that the operational processes are in accordance with ISO 9001:2008 and subsequently, ISO 9001:2015 and ISO/TS29001:2010.

Statement on Risk Management & Internal Control (continued)

- Periodic Management Review of Project Performance
  The Group has established a process to review performance of projects on a periodic basis. The project teams meet at these times to examine their progress and performance. In addition, management reports are prepared and tabled to Senior Management for their review and deliberation in the periodic meetings attended by the Project Director, Project Management Team and Executive Directors.

- Quality Assurance / Quality Control
  The Corporate QA/QC Department focuses on Quality Assurance of the construction and fabrication works of the Group. A team of Quality Control Inspectors are posted at various project sites and fabrication yards where they carry out quality control activities at sites/yards to ensure that the work performance complies with the quality specifications and safety requirements.

- Safety, Health and Environment
  In addition to the site safety audits, the Health, Safety and Environment Department has been conducting continuous programs including induction and training to ensure safety awareness among the staff. The Department also conducts periodic audits and checks to confirm that the operational processes conformed to ISO 18001:2007 Occupational Health and Safety Management as well as 14001:2004 Environmental Management Systems.

- External Audit
  If the external auditors detect any internal control weakness during the course of their audit, they will highlight such weakness in the Audit Review Memorandum to the Audit Committee for their attention.

The Group's system of internal control does not apply to Associate Companies and Jointly Controlled Entities where the Group does not have full management control over these entities. However, the Group's interest is served through representations on the Board of the respective Associate Companies and Jointly Controlled Entities.

The Board delegated its role of reviewing the adequacy and effectiveness of internal controls to the Audit Committee. The Audit Committee assesses the internal controls via its review of the quarterly reports submitted by Management, observations reported by the external auditors and internal audit reports submitted by Group Internal Audit Department. In addition, for the period under review, the Board has received opinions from the Managing Director, Deputy Chief Executive Officer and Financial Director that the Group's risk management and internal control system is reasonably adequate and effective in material aspects.

Review of this Statement

The external auditors have reviewed this Statement on Risk Management & Internal Control pursuant to Paragraph 15.23 of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad and in accordance with the scope set out in the Recommended Practice Guide 5 issued by the Malaysian Institute of Accountants for inclusion in the Annual Report for the financial year ended 31 December 2017 and have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and effectiveness of the risk management and internal control system.

Conclusion

The Board is of the opinion that the risk management and internal control system put in place for the year under review and up to the date of approval of this statement is reasonably adequate to safeguard the shareholders' interests and the Group's assets.

The Board will continue to monitor and ensure that the risk management and internal control system continues to function effectively in the changing and challenging business environment.

This statement was approved by the Board on 30 March 2018.

Directors' Responsibility Statement

The Directors are required by the Companies Act 2016 ("the Act") to ensure that the annual financial statements of the Group and the Company are prepared in accordance with the applicable approved accounting standards in Malaysia, the provisions of the Act and the Main Market Listing Requirements of Bursa Securities, and that these financial statements provide a true and fair view of the financial position, financial performance and cash flows of the Group and the Company for the financial year ended 31 December 2017.

In preparing these financial statements, the Directors have adopted appropriate accounting policies on a consistent basis, made judgments and estimates that are reasonable and prudent and ensured that the financial statements are prepared on a going concern basis in accordance with the applicable accounting standards.

The Directors are required to keep proper accounting record with reasonable accuracy to enable them to ensure that the financial statements comply with the Act. The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and the Company, and to detect and prevent fraud and other irregularities.

Sustainability Statement

In Muhibbah, we strive to integrate sustainability into our business model and in our diverse range of operations. We believe sustainability is the key to corporate success. Muhibbah is proud to be able to play a vital role in promoting sustainable development by creating long-term financial value, reducing our environmental footprint, empowering our workforce and contributing to our community.

Introduction

We are pleased to present our inaugural sustainability statement that shows how we, Muhibbah Engineering (M) Bhd ("Muhibbah" or "the Group") manages material sustainability-related risks and opportunities in our business operations.

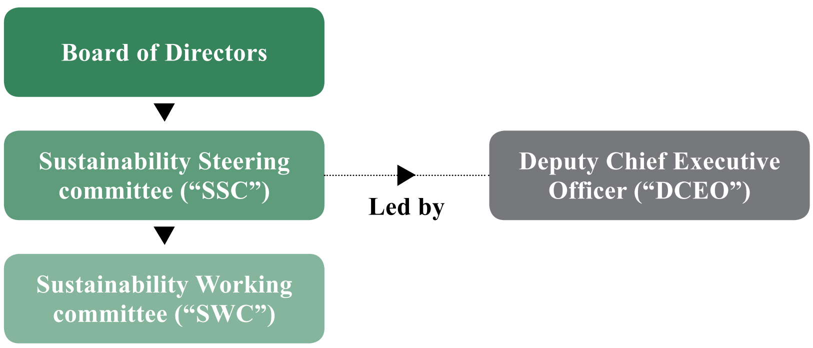
This statement is prepared in accordance with Bursa Malaysia Securities Berhad's Sustainability Reporting Guide. The format is aligned with the recommended Global Reporting Initiatives (GRI) 4.0 Sustainability Reporting Guidelines.

Our business portfolio comprises 3 divisions, namely: Construction and Engineering, Cranes and Concessions. The Construction and Engineering division is primarily engaged in infrastructure, civil and structural engineering, marine, oil and gas, shipbuilding, contract works while the Concessions division consists of Cambodia Airports privatisation and road maintenance for Federal Government of Malaysia. For the purpose of this sustainability statement, we only cover our operations in Malaysia.[1]

This statement presents our sustainability performance for the financial year ended 31 December 2017.

Sustainability Governance

We have developed a 2-tier structure that reports to the Board of Directors of Muhibbah ("Board") to ensure the implementation and monitoring of our sustainability initiatives and performance.



Muhibbah is Sustainability Governance Structure

The **Board of Directors** is responsible in building sustainability by endorsing the Group's sustainability strategy and setting the direction for sustainability within the Group. The **SSC** is responsible to report the sustainability performance to the Board on a periodic basis. Led by the **DCEO**, the **SSC** provides guidance to the **SWC** on the implementation of sustainability-related strategies. The **SWC** consists of internal departments that manage the day-to-day implementation, data collection and monitoring of the sustainability initiatives.

[1] The sustainability statement issued by the Group's crane manufacturing subsidiary company, Favelle Favco Berhad which is a public listed company is presented in Favelle Favco Berhad's Annual Report.

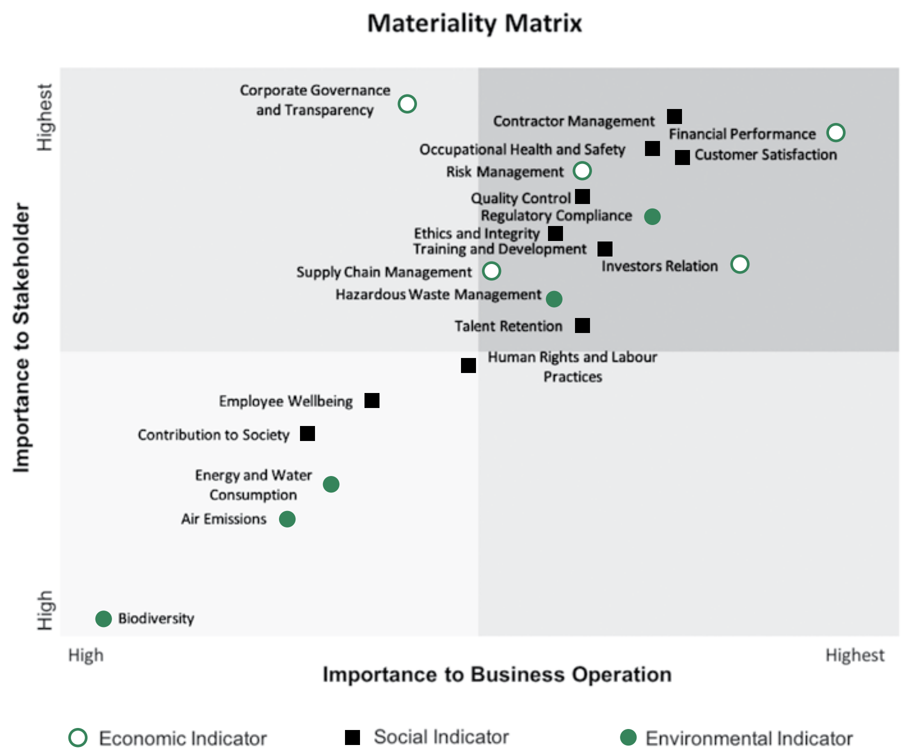
Stakeholder Engagement

We actively engage with our stakeholders to understand their expectations and this enables us to address their issues of interest. For efficient engagement, we engage our stakeholders through various platform as described below.

Our Stakeholders	Issues of Interest	Our Methods of Engagement
Regulatory Agencies	• Regulatory compliance • Labour practices • Occupational safety and health • Environmental management and compliance • Operating licence	• Inspection by local authority • General meetings with local regulators • Relevant circulations on authorities' / regulators' policies • Communication of new law and law changes
Shareholders / Investors and Financiers / Bankers	• Group financial performance • Group business strategy • Corporate governance and compliance • Ethical business conduct • Share price growth • Cash flow and profit forecast of the company	• Investors meetings • Annual general meetings • Annual reports • Investors seminars and conference • Communication via emails or tele-conferencing • Regular meetings with financiers
Client	• Quality of work • Customer-company relationship management • Safety and security	• Regular client meetings • Feedback sessions • Satisfaction surveys • Company website • Periodic Quality Control checks and audits at project sites
Employees	• Performance management • Career development • Safety and health at workplace • Training and development / Competency training • Employee engagement • Company policies • Rewards and remuneration	• MySurvey (Staff Satisfaction Survey) • Circulation of internal policies • Management retreat • On-Board Induction • Mandatory and organisational training • Performance Management System (Staff Performance Appraisal) • Benchmark against general market benefits and remunerations
Suppliers / Sub-Contractors	• Procurement practices • Payment schedule • Ability and capability of suppliers or sub-contractors • Financial stability of sub-contractors • Health, Safety and Environmental Management	• Evaluation and performance reviews • Contract negotiation • Vendor registration • Evaluation and performance reviews • Establishment of e-procurement with long-term strategic suppliers • Third party appraisal for the sub-contractors • Periodic audit and inspection
Local Communities	• Social issues • Impact of business operations • Transparency and accountability • Health, Safety and Environmental Management	• Community engagement • Corporate social responsibility (CSR) programmes • Press releases

Materiality Assessment

Materiality sustainability matters refer to the key issues related to economic, environmental and social that impact the sustainability of our business.



Road to Sustainability

To achieve our sustainability vision, we have developed a strategy that focuses on the four (4) main pillars encompassing the Marketplace, Workplace, Environmental and Community in our business operations.

Sustainability Vision:
Forging ahead with steady growing potential in the pursuit of excellence

Marketplace

Delivering sustainable return to our shareholders

Workplace

Keeping our people safe at work through proper planning and training

Environment

Optimising usage of natural resources and minimising environmental impacts

Community

Engaging our community through contribution of labour and financial support

Marketplace

Sustainability is the core of Muhibbah's business model and strategy since its incorporation in 1972. Muhibbah has established its track record as a leading engineering contractor servicing a diverse range of industries by providing integrated construction solutions for maritime, oil and gas and infrastructure projects for both local and global markets. We are committed to delivering a sustainable financial growth while contributing to the local economy.

Financial Performance

We achieved RM219.3 million profit before tax (PBT) for the financial year ended 31 December 2017. The Group's historical summary of 5-year economic performance is disclosed in the Group Financial Highlights of this Annual Report.

Quality Assurance and Quality Control

We have further strengthened our commitment to the pursuit of delivering quality product with our Quality Policy. Internal Quality Audits are conducted periodically to ensure compliance with all requirements of the standards listed below by each of the certified subsidiaries. Being internationally certified for our quality management systems provide assurance to our clients with regards to the delivery of the highest quality of products and services by the Group.

Standard	Company / Subsidiary
ISO 9001:2015: Quality Management Systems	1. Muhibbah Engineering (M) Bhd 2. Muhibbah Steel Industries Sdn Bhd (MSI) 3. CiTECH Energy Recovery System Malaysia Sdn Bhd (CiTECH) 4. Muhibbah Airline Support Industries Sdn Bhd (MASI) 5. Muhibbah Petrochemical Engineering Sdn Bhd (MPE) 6. Favelle Favco Cranes (M) Sdn Bhd (FFC)- Senawang & Telok Gong 7. Muhibbah Marine Engineering Sdn Bhd (MME)
ISO/TS 29001:2010: Quality Management System for product and service supply organizations for the petroleum, petrochemical and natural gas industries.	1. Muhibbah Engineering (M) Bhd 2. Muhibbah Steel Industries Sdn Bhd (MSI) 3. CiTECH Energy Recovery System Malaysia Sdn Bhd (CiTECH) 4. Muhibbah Airline Support Industries Sdn Bhd (MASI)
ASME 'U' Stamp – Boilers and Pressure Vessel Certification	1. CiTECH Energy Recovery System Malaysia Sdn Bhd (CiTECH)
NBBI 'R' Stamp – Repairs and alterations on pressure vessels, boilers, and pressure-retaining items.	1. CiTECH Energy Recovery System Malaysia Sdn Bhd (CiTECH)

Risk Management

Our detailed system of risk management and internal control is reported in the Statement of Risk Management and Internal Control in our Annual Report.

Workplace

Our employees play a fundamental role in driving the business operation to meet best industry standards. Realising their value, we strive to provide our employees with a productive work environment to continue to retain talent within the Group by empowering them with training and development.

Occupational Health and Safety

Due to the nature of our business, Muhibbah is firmly committed to create a safe workplace for our employees. We treat Safety and Health with the highest level of priority. Our commitment is demonstrated in our Safety and Health Policy which is adhered across the Group.

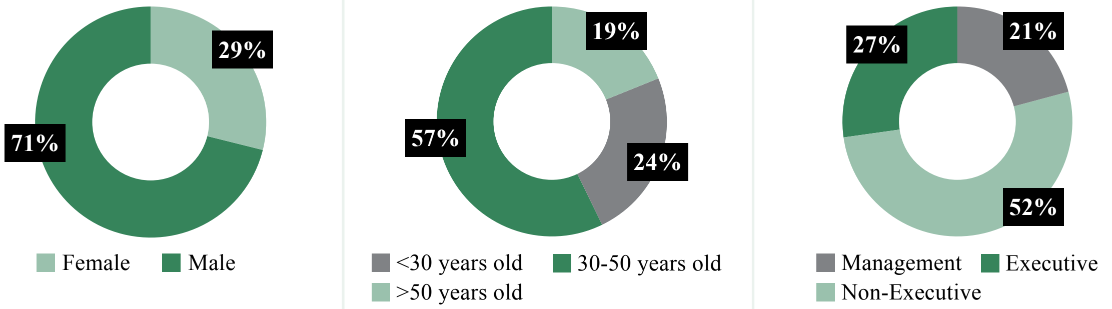
Safety and Health Policy Statement

- To treat Safety and Health with the highest priority and demonstrate visible leadership in all of our business activities by providing adequate resources necessary to manage and communicate Safety & Health commitment, expectations and accountability in the same manner as any other critical business function.
- Muhibbah shall assign clear emphasis on Safety and Health responsibilities to all employees as a fundamental part of their duties.
- Muhibbah shall comply with all requirements of legislation related to Safety and Health as stated in the Occupational Safety and Health Act 1994, as well as other approved regulations and codes of practice.
- Muhibbah shall proactively identify, manage associated risks and abide to the accident prevention scheme in its activities to minimize impact to its employees, stakeholders and communities.
- All Safety and Health information and literature shall be disseminated and well communicated to all staffs and sub-contractors. Muhibbah shall ensure continual performance improvement to its Safety and Health Management System through periodic meetings, programs, audits and reviews.

Throughout our Group, we work towards full compliance with the requirements of the Occupational Safety and Health Act 1994 and the Factories and Machineries Act, 1967. We are proud to announce that we have achieved the OHSAS 18001:2007 certification for our occupational health and safety management system within the Group.

Health and Safety Committees ("HSC") are established within our Group to develop and carry out measures for the protection and safeguard of our employees at their respective workplace. The HSCs comprise employee and employer representatives from each department who work in partnerships together on various health and safety programmes, undertake job hazard analysis and investigate accidents/incidents to implement appropriate remedial measures and reduce the hazards at the workplace. To further improve our workplace safety, we undertake periodical risk assessments for each work task to identify the hazards and risks involved and provide the necessary mitigating controls.

Employee Diversity
We treat our employees with respect and dignity. Muhibbah appreciates the diversity among our workforce and endeavours to create a diversified workforce by hiring talented people without any form of discrimination.



(i) Employees Breakdown by Gender

(ii) Employees Breakdown by Age

(iii) Employees Breakdown by Category

(i) Male employees contribute to 71% of the Group's workforce. Our workforce is male-dominated due to the nature of our business operation.

(ii) Muhibbah has a diverse and well-distributed age group of workforce. The demographic data above shows the diversity of age that enable us to develop a sustainable workforce via ensuring the implementation of effective succession planning.

(iii) In Muhibbah, Management makes up 21% of the employee distribution followed by executive (27%) and non-executive (52%).

Training and Development
We continuously empower our employees through training and development either in-house or externally and focused mostly on safety, human resource management, time management, project management and other relevant competency training.

Talent Retention
The Group complies with the Minimum Wage Order 2016 and provides competitive remuneration packages and employees benefit schemes to retain our best talent. All employees are covered under our Group Insurance and Health Plans which include Group Personal Accident, Group Term Life and Group Hospitalization & Surgical (GHS). The GHS coverage also extends to their immediate family members.

Ethics and Integrity
Muhibbah demonstrates sound moral and ethical principles at work by maintaining high ethical standards among employees. Failure to adhere to the Group's Code of Conduct and Discipline results in disciplinary action in accordance with our Disciplinary Management Policy.

Environment

The Group's commitment toward environmental protection is by employing responsible environmental practices through ensuring regulatory compliance, promoting environmental responsibility through the Group's Environmental Policy and encouraging the development and use of environmental-friendly designs and technologies.

Environmental Policy Statement

- Establishing, implementing and maintaining the Environmental Management System by continuously improving its processes by setting up Specific, Measurable, Achievable, Realistic and Time bound (SMART) objectives, targets and Environment Management Programme (EMP).
- Conducting training for all the employees of Muhibbah for them to understand their role and responsibility in establishing environmental management system that meet and excels client / statutory requirements.
- Ensuring conformance and commitment against the relevant environmental compliance obligations.
- Encouraging environmental sustainable concept through all Muhibbah's activities.
- Consideration of environmental aspects and impacts in all business strategies and initiatives.
- Communicating the company's Environment Policy to all persons working for or on behalf of the organization, interested parties and made available to all relevant persons.

Regulatory Compliance
We are committed to pursue, implement and continuously improve our Environmental Management System in accordance with the requirements of ISO 12001: 2015 for each and every project undertaken. The Group received ISO 14001: 2015 certification for its Environmental Management System.

Hazardous Waste Management
At Muhibbah's project sites and subsidiaries such as MSI, MASI, CiTech and Muhibbah Equipment Division, we implement an operational control plan on waste management in accordance with the Environmental Quality (Scheduled Waste) Regulations, 2005. Common hazardous wastes generated within project and subsidiaries are contaminated containers, contaminated filter, contaminated gloves and rags, spent lubricating oil and spent hydraulic oil.

Community

As a Group that believes in giving back to the societies, we take responsibility to invest our resources to contribute to the local communities that we operate within. In line with this, we have set up Muhibbah is CSR Rangers to contribute to the society.

Contribution to Society
CSR Rangers participated in a Gotong Royong Activity to clean-up the Taman Bidara cycle trail at Forest Research Institute Malaysia (FRIM).

We also carried out the "Back to School Programme" for the children of the Good Samaritan House, Klang. As part of this programme, we donated school uniforms, school shoes and stationary to the children residing in the home in preparation for the new school year in 2018.

We also support and contribute to PINTAR Foundation, an organisation with mission to enhance the motivation and success of students from underperforming schools through quality education.

Conclusion

We are cognisant that embedding sustainability effectively across the Group is a journey. This statement describes our sustainability initiatives and how we managed our material sustainability issues in our operations for the financial year ended 31 December 2017. Moving forward, we will continue to build and enhance our initiatives progressively with the ultimate goal of achieving our sustainability vision.

FINANCIAL STATEMENTS

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
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
Abdul Hamid bin Ibrahim	95,000	-	-	95,000
Mazlan bin Abdul Hamid	2,432,000	-	-	2,432,000

Directors' interests (continued)

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. This 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.

Other statutory information (continued)

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

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

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	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 59 to 133 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income
for the financial year ended 31 December 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	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		

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	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 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 59 to 133 are an integral part of these financial statements.

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							---/			

		/----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 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 59 to 133 are an integral part of these financial statements.

Statement of Changes in Equity
for the financial year ended 31 December 2017

		/--------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 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			--------/	

		/----------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 notes on pages 59 to 133 are an integral part of these financial statements.

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
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)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
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
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

The notes on pages 59 to 133 are an integral part of these financial statements.

Statements of Cash Flows for the financial year ended 31 December 2017 (continued)

(i) Cash and cash equivalents

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

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	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 59 to 133 are an integral part of these 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.

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:-

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
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
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 judgments

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.

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.

(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.

2. Significant accounting policies

(a) Basis of consolidation (continued)

(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.

(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) Jointly 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.

(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.

2. Significant accounting policies (continued)

(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.

(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.

2. Significant accounting policies (continued)

(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.

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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial liabilities

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

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.

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.

2. Significant accounting policies (continued)

(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.

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.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(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.

(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.

(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

2. Significant accounting policies (continued)

(g) Intangible assets (continued)

(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.

(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.

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.

2. Significant accounting policies (continued)

(k) Impairment (continued)

(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.

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.

2. Significant accounting policies (continued)

(l) Equity instruments (continued)

(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.

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.

(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.

2. Significant accounting policies (continued)

(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.

(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.

2. Significant accounting policies (continued)

(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.

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.

2. Significant accounting policies (continued)

(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.

(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.

2. Significant accounting policies (continued)

(t) Income tax (continued)

(ii) Deferred Tax (continued)

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.

(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.

Notes to the Financial Statements (continued)

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
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

3. Property, plant and equipment (continued)

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

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.

Notes to the Financial Statements (continued)

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.

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

5. Investments in subsidiaries (continued)

Company	Principal activities	Country of incorporation	Effective ownership interest 2017 %	2016 %
Cranes segment (continued)				
Milperra Blasting and	Dormant Coating Pty. Limited*	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
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
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

Notes to the Financial Statements (continued)

5. Investments in subsidiaries (continued)

Company	Principal activities	Country of incorporation	Effective ownership interest 2017 %	2016 %
Infrastructure construction segment				
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
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

5. Investments in subsidiaries (continued)

Company	Principal activities	Country of incorporation	Effective ownership interest 2017 %	2016 %
Infrastructure construction segment (continued)				
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
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

5. Investments in subsidiaries (continued)

Company	Principal activities	Country of incorporation	Effective ownership interest 2017 %	2016 %
Infrastructure construction segment (continued)				
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.

(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.

5. Investments in subsidiaries (continued)

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

Notes to the Financial Statements (continued)

7. Receivables, deposits and prepayments

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	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 receivable

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Group						
Property, plant and equipment	-	-	58,331	54,733	58,331	54,733
Tax losses carry forward	(25,262)	(827)	-	-	(25,262)	(827)
Other temporary allowances	(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

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.

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

Movement in temporary differences during the financial year

	Property plant and equipment RM'000	Tax losses carry forward RM'000	Other temporary differences RM'000	Total RM'000
Group				
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 (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 RM'000	2016 RM'000	2017 RM'000	2016 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

9. Other non-current assets (continued)

	Land held for development Group		Development costs Group	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 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

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).

9. Other non-current assets (continued)

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 RM'000	**2016 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 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 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

10. Amounts due from/(to) contract customers (continued)

Additions to aggregate costs incurred during the financial year include:

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

12. Cash and cash equivalents

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	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		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 Setion 618(3) of the Companies Act 2016 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.

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 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current				
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

Notes to the Financial Statements (continued)

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						
- unsecured	-	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).

Notes to the Financial Statements (continued)

16. Payables and accruals

		Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	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)

	2017		2016	
	Contract/ Notional amount RM'000	Derivative Assets/ (liabilities) RM'000	Contract/ Notional amount RM'000	Derivative Assets/ (liabilities) RM'000
Group				
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		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	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	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		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**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	-	-

Notes to the Financial Statements (continued)

20. Operating profit (continued)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 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	4,47	14,615
Net gain/(loss) on foreign exchange	(19,158)	2,095	8,748	11,622
Rental income on:				
- premises	605	426	95	96
- equipment	16,519	21,669	-	-

21. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 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		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	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 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
Reconciliation of tax expense				
Profit for the year	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	**2016**
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

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

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

Diluted earnings per share (continued)

	Group	
	2017	**2016**
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:

24. Employee benefits (continued)

Share-based payments (continued)

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

SIS

Grant date	Exercise price	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

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)	-	

24. Employee benefits (continued)

Details relating to options exercised during the year

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

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

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

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

24. Employee benefits (continued)

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

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

24. Employee benefits (continued)

Fair value of share options and assumptions (continued)

<u>Former ESOS Scheme (continued)</u>

	Company	Subsidiary
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.

25. Dividend (continued)

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 2017 RM'000	Infrastructure construction 2016 RM'000	Cranes 2017 RM'000	Cranes 2016 RM'000	Marine shipbuilding and ship repair 2017 RM'000	Marine shipbuilding and ship repair 2016 RM'000	Concession 2017 RM'000	Concession 2016 RM'000	Eliminations 2017 RM'000	Eliminations 2016 RM'000	Consolidated 2017 RM'000	Consolidated 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	353,461
Group's revenue	1,053,690	1,291,987	539,072	600,477	45,925	102,062	365,669	277,558	-	-	2,004,356	2,272,084
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 RM'000	2016 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 RM'000	2016 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	Over 1 - 5 years RM'000	5 years RM'000
2017				
Secured borrowings				
- Term loans	1.85 - 5.5	12,413	17,484	11,141
- Bank overdrafts	-	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 - 7.9	461,637	-	-
Unsecured payables and accruals	-	622,960	-	9,283
		1,469,316	85,822	20,424
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

28. Financial instruments (continued)

28.4 Liquidity risk (continued)

Company	Effective interest rate %	Less than 1 year RM'000	Over 1 - 5 years RM'000	5 years RM'000
2017				
Unsecured borrowings				
- Term loans	4.6 - 4.7	20,834	68,338	-
- Bank overdrafts	7.6	-	-	-
- 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 - 4.7	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	-

28.5 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)

Group	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	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, Singapore Dollar ("SGD"), Norwegian Krone and Qatari Riyal.

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)
Less: 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)
Less: 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)

28. Financial instruments (continued)

28.6 Foreign currency risk (continued)

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	-	-	-	-	-
Less: Forward foreign currency contracts (contracted notional principal)	-	-	-	-	-
Net currency exposure	(68,082)	(2)	(704)	(37,313)	37,166

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 assets/(liabilities)	(47,117)	22	1,226	(22,687)	45,681
Less: Net financial assets denominated in the respective entities' functional currencies	-	-	-	-	-
Less: Forward foreign currency contracts (contracted notional principal)	(42,794)	-	-	-	-
Net currency exposure	(89,911)	22	1,226	(22,687)	45,681

28. Financial instruments (continued)

28.6 Foreign currency risk (continued)

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.

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).

28. Financial instruments (continued)

28.7 Fair value information (continued)

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.

Notes to the Financial Statements (continued)

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).

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

	Company	
	2017 RM'000	2016 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 RM'000	2016 RM'000	2017 RM'000	2016 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)	-	-

30. Related parties (continued)

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 implementation are disclosed in the respective note(s) to financial statements.

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.

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 48 to 133 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
Klang, Selangor Darul Ehsan
Date: 28 March 2018

....

Mac Chung Jin

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 48 to 133 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:

Independent Auditors' Report to the members of Muhibbah Engineering (M) Bhd.

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 48 to 133.

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 Code"),* and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional 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.

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

Revenue recognition and contract accounting
Refer to Note 19 to the financial statements

Key Audit Matter	How our audit addressed the Key Audit Matter
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.	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;

Independent Auditors' Report to the members of Muhibbah Engineering (M) Bhd. (continued)

Key Audit Matters (continued)

Revenue recognition and contract accounting Refer to Note 19 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
Given the significant risks involved when auditing revenue, revenue recognition and contract accounting is an area of audit emphasis as it requires significant managements 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.	Our audit procedures included, among others (continued): • 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.

Investments in associates Refer to Note 6 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
Key Audit Matters 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.

Key Audit Matters (continued)

<table>
<tr><th colspan="2">Recoverability of trade receivables
Refer to Note 7 to the financial statements</th></tr>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td>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.</td><td>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.</td></tr>
</table>

<table>
<tr><th colspan="2">Net Realisable Value of Inventories under Work-In-Progress
Refer to Note 11 to the financial statements</th></tr>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td>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.</td><td>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.</td></tr>
</table>

Independent Auditors' Report to the members of Muhibbah Engineering (M) Bhd. (continued)

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.

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.

Responsibilities of Directors for the Financial Statements (continued)

- 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.

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.

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 Number: AF 1018
Chartered Accountants

Kuala Lumpur

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

List of Top 10 Properties as at 31 December 2017

No.	Location	Description of Property	Year of Revaluation	Tenure	Land Area	Age of Building	Carrying Value RM'000
1	HS(D) 99546, Lot 104625, Telok Gong, Mukim & District of Klang, Selangor	Office building and factory	2015	Leasehold expiring 2103	148,400 sq. m.	11 years	120,993
2	Hakmilik 75336, Lot 104505, Mukim & District of Klang, Selangor	Office building, factory and warehouse	2015	Leasehold expiring 2106	86,937 sq. m.	21 years	64,117
3	28, Yarrunga Street, Prestons, NSW 2170, Australia	Office building and factory	2017	Freehold	11.6 acres	47 years	53,596
4	Geran # 51011, Lot 31814 & Geran # 51020, Lot 31792, Mukim of Senawang, Seremban, Negeri Sembilan	Factory building with office block	2017	Freehold	68,846 sq. m.	11 years	34,739
5	Geran Mukim 17872, Lot 69222, Mukim Kapar, District of Klang, Selangor	Office building and factory	2017	Freehold	18,207 sq. m.	34 years	29,414
6	HS(D) 99547, Lot 104626, Telok Gong, Mukim & District of Klang, Selangor	Factory building and workshop	2015	Leasehold expiring 2103	52,490 sq. m.	6 years	26,178
7	Ream, Sihanoukville, Cambodia	Vacant land	2012	Freehold	23.97 hectare	NA	22,920
8	Geran # 26559, Lot 9895, Kg. Jawa, Mukim & District of Klang, Selangor	Office building and factory	2017	Freehold	5.0 acres	24 years	18,418
9	7 AL, Nordkranvej 2, 3540, Lynge DK Denmark	Factory building with office block	2017	Freehold	59,525 sq. m.	46 years	16,084
10	Hakmilik 6322, Lot 129073, Telok Gong, Mukim & District of Klang Selangor	Vacant land	2015	Leasehold expiring 2104	30,889 sq. m.	NA	14,365

Statistics of Shareholdings as at 30 March 2018

Share Capital

Total number of Issued shares	:	480,331,250* shares
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital*
1 – 99	227	4.752	3,342	0.001
100 – 1,000	926	19.384	674,422	0.140
1,001 –10,000	2,572	53.841	11,433,792	2.380
10,001 –100,000	745	15.596	24,481,531	5.097
100,001 – 24,016,561**	305	6.385	347,133,147	72.270
24,016,562 and above ***	2	0.042	96,605,016	20.112
Total	4,777	100.000	480,331,250	100.000

Note:

* *Excluding a total of 1,783,000 shares purchased by the Company and retained as treasury shares as at 30 March 2018.*

** *Less than 5% of issued shares.*

*** *5% and above of issued shares.*

Directors' Shareholdings as per Register of Directors' Shareholdings as at 30 March 2018

Name	Direct Interest	%*	Deemed Interest	%*
Mac Ngan Boon @ Mac Yin Boon	73,501,416	15.302	19,962,500[(a)]	4.156
Ooi Sen Eng	13,924,066	2.899	-	-
Mac Chung Jin	6,760,000	1.407	50,000[(a)]	-
Lee Poh Kwee	6,046,272	1.259	650,000[(a)]	0.135
Mazlan bin Abdul Hamid	500,000	0.104	-	-

Notes:-

(a) Deemed interest by virtue of the shares held by parties deemed connected to the directors pursuant to Section 59(11)(c) of the Companies Act 2016

* *Excluding a total of 1,783,000 shares purchased by the Company and retained as treasury shares as at 30 March 2018.*

Statistics of Shareholdings as at 30 March 2018 (continued)

Shares in related corporation
There is no change in the deemed interest of directors in related companies as disclosed in the Directors' Report in the Financial Statements for the year ended 31 December 2017 of this Annual Report.

Options in the Company
There is no change in the employee share options held by the Directors in the Company as disclosed in Directors' Report in the Financial Statements for the year ended 31 December 2017 of this Annual Report.

Substantial Shareholders as per Register of Substantial Shareholders as at 30 March 2018

Name	Direct Interest	%*	Deemed Interest	%*
Mac Ngan Boon @ Mac Yin Boon	73,501,416	15.302	-	-
Lembaga Tabung Haji	44,815,500 [(a)]	9.330	-	-

Notes:-

(a) Based on the notice of interest of substantial shareholders pursuant to Section 141 of the Companies Act 2016 which had been received by the Company.

* *Excluding a total of 1,783,000 shares purchased by the Company and retained as treasury shares as at 30 March 2018.*

List of 30 Largest Shareholders as at 30 March 2018

No.	Name	No. of Shares Held	% of Issued Capital*
1	Maybank Securities Nominees (Tempatan) Sdn Bhd Mac Ngan Boon @ Mac Yin Boon	54,141,416	11.272
2	Lembaga Tabung Haji	42,463,600	8.840
3	Cartaban Nominees (Asing) Sdn Bhd BBH (Lux) SCA For Fidelity Funds Pacific	18,192,500	3.787
4	Universal Capital Resources Sdn Bhd	16,230,200	3.379
5	AMSEC Nominees (Tempatan) Sdn Bhd Mtrustee Berhad For CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI)	13,724,500	2.857
6	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mac Ngan Boon @ Mac Yin Boon	12,800,000	2.665
7	Maybank Securities Nominees (Tempatan) Sdn Bhd Ooi Sen Eng	12,500,000	2.602
8	Maybank Securities Nominees (Tempatan) Sdn Bhd Chew Keng Siew	10,217,500	2.127
9	Kumpulan Wang Persaraan (Diperbadankan)	9,612,000	2.001
10	Amanahraya Trustees Berhad Public Islamic Opportunities Fund	7,290,100	1.518
11	Maybank Securities Nominees (Tempatan) Sdn Bhd Mac Chung Jin	6,760,000	1.407
12	HSBC Nominees (Asing) Sdn Bhd JPMCB NA For Vanguard Total International Stock Index Fund	5,659,300	1.178
13	Amanahraya Trustees Berhad Amanah Saham Gemilang For Amanah Saham Persaraan	5,588,000	1.163
14	Maybank Securities Nominees (Tempatan) Sdn Bhd Mac Chung Hui	5,405,000	1.125
15	Cartaban Nominees (Tempatan) Sdn Bhd PAMB For Participating Fund	4,701,100	0.979
16	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Mac Ngan Boon @ Mac Yin Boon (SFC)	4,650,000	0.968
17	CIMB Commerce Trustee Berhad Public Focus Select Fund	4,279,600	0.891

Statistics of Shareholdings as at 30 March 2018 (continued)

List of 30 Largest Shareholders as at 30 March 2018 (continued)

No.	Name	No. of Shares Held	% of Issued Capital*
18	Citigroup Nominees (Asing) Sdn Bhd CBNY For Dimensional Emerging Markets Value Fund	4,199,800	0.874
19	Maybank Securities Nominees (Tempatan) Sdn Bhd Mac Chung Lynn	4,000,000	0.833
20	Amanahraya Trustees Berhad Public Islamic Select Treasures Fund	3,980,000	0.829
21	Amanahraya Trustees Berhad PB Islamic Smallcap Fund	3,940,400	0.820
22	Citigroup Nominees (Asing) Sdn Bhd CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	3,916,200	0.815
23	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (F Templeton)	3,890,700	0.810
24	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Eastspring Investments Small-Cap Fund	3,776,200	0.786
25	Citigroup Nominees (Tempatan) Sdn Bhd Universal Trustee (Malaysia) Berhad For CIMB Islamic Dali Equity Fund	3,562,700	0.742
26	Citigroup Nominees (Asing) Sdn Bhd Exempt An For Citibank New York (Norges Bank 9)	3,516,102	0.732
27	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For CIMB Islamic Dali Equity Theme Fund	3,299,100	0.687
28	Transasia Assets Sdn Bhd	3,241,400	0.675
29	Amanahraya Trustees Berhad Amanah Saham Gemilang For Amanah Saham Pendidikan	3,179,100	0.662
30	Harmony Effective Sdn Bhd	3,163,700	0.659
		281,880,218	58.683

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Forty-Fifth Annual General Meeting (AGM) of Muhibbah Engineering (M) Bhd will be held at Concorde Hotel Shah Alam, Concorde I, Level 2, No. 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on Tuesday, 26 June 2018 at 3.00 p.m. for the following purposes :-

Agenda

As Ordinary Business

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2017 and the Reports of the Directors and Auditors thereon.	**Please refer to Explanatory Note 1**
2.	To approve the declaration of a first and final tax exempt dividend of 7.0 sen per ordinary share in respect of the financial year ended 31 December 2017.	**Resolution 1**
3.	To re-elect Dato' Sri Khazali bin Haji Ahmad who retires pursuant to Article 85 of the Constitution of the Company.	**Resolution 2**
4.	To re-elect the following Directors who retire pursuant to Article 79 of the Constitution of the Company:-	
	(i) Ooi Sen Eng	**Resolution 3**
	(ii) Abd Hamid Bin Ibrahim; and	**Resolution 4**
	(iii) Sobri Bin Abu	**Resolution 5**
5.	To approve the payment of Directors' fees and benefits of RM1,600,000 in respect of the 12 months financial year ended 31 December 2017.	**Resolution 6**
6.	To approve the payment of Directors' fees and benefits payable up to an amount of RM2,500,000 for a period of 18 months from 1 January 2018 until the next AGM of the Company.	**Resolution 7**
7.	To re-appoint Messrs Crowe Horwath as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration.	**Resolution 8**

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

8. ## Ordinary Resolution
Retention of Independent Directors

"THAT the following Directors who have each served for more than twelve (12) years to be retained as Independent Directors of the Company:-

(i) Tan Sri Zakaria bin Abdul Hamid; and	**Resolution 9**
(ii) Abd Hamid bin Ibrahim	**Resolution 10**

9. ## Ordinary Resolution

Authority for Directors to issue and allot shares in the Company pursuant to Section 75 of the Companies Act 2016 **Resolution 11**

"THAT subject to Section 75 of the Companies Act 2016 and approvals of the relevant government/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued share capital of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad AND THAT that such authority shall commence immediately upon the passing of this resolution and continue in force until the conclusion of the next Annual General Meeting of the Company in accordance with Section 76 of the Companies Act 2016."

10. ## Ordinary Resolution

Proposed Renewal of Authority for Share Buy-Back **Resolution 12**

"THAT subject to the requirements of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), Companies Act 2016 ("the Act"), and the Constitution of the Company, the Company be and is hereby authorised to purchase such number of ordinary shares in the Company through Bursa Securities ("Proposed Share Buy-Back"), as may be determined by the Directors of the Company from time to time upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that :-

(i) the aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed ten percent (10%) of the total number of issued share capital of the Company at any point in time; and

(ii) the funds allocated by the Company for the Proposed Share Buy-Back shall not exceed the aggregate retained profits of the Company; and

(iii) the authority conferred by this resolution shall continue to be in force until :-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which this resolution was passed, at which time it shall lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, whether unconditionally or subject to conditions; or

(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by an ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first.

THAT the Directors of the Company be and are hereby authorised to deal with the shares purchased in the following manner :-

(a) cancel all the shares so purchased; and/or

(b) retain the shares so purchased as treasury shares, for distribution as share dividends to the shareholders and/or resell on the market of Bursa Securities; and/or

(c) retain part thereof as treasury shares and cancel the remainder.

AND THAT the Directors of the Company be and are hereby authorised to give effect to the Proposed Share Buy-Back with full power to assent to any modifications and/or amendments as may be required by the relevant authorities."

11. ## Ordinary Resolution

Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature **Resolution 13**

"THAT subject to the Main Market Listing Requirements of Bursa Securities, approval be and is hereby given to the Renewal of the Existing Shareholders' Mandate for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in 2.1.2 of the Circular to Shareholders ("Circular") dated 30 April 2018 ("Proposed Shareholders' Mandate") provided that such transactions are undertaken in the ordinary course of business, at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the interests of the minority shareholders of the Company.

THAT the Proposed Shareholders' Mandate conferred by this resolution shall continue to be in force until :-

a) the conclusion of the next AGM of the Company at which time it will lapse, unless by a resolution passed at the next AGM, the Proposed Shareholders' Mandate is renewed; or

b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

c) revoked or varied by a resolution passed by the Company's shareholders at a general meeting,

whichever is the earliest.

AND THAT the Directors of the Company be and are hereby authorised to take all steps and to do all such acts and deeds as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate."

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

Notice of Annual General Meeting (continued)

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 59(d) of the Constitution of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Securities, a Record of Depositors as at 19 June 2018 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting or appoint proxies to attend and/or vote on his/her behalf.

Notes :-

(a) *A member entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. Each proxy appointed, shall represent a minimum of one hundred (100) shares. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his/her shareholdings to be represented by each proxy.*

(b) *A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.*

(c) *The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.*

(d) *Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

(e) *Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

(f) *The duly completed Proxy Form must be deposited at the Share Registrar's Office, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi 59200 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time set for the holding of the Meeting or any adjournment thereof.*

(g) *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all resolutions set out in this Notice will be put to vote by way of poll.*

Explanatory Notes to the Agenda

1. **Audited Financial Statements for the Financial Year Ended 31 December 2017**
The Audited Financial Statements in Agenda 1 is intended for discussion only as the provision of the Section 340(1)(a) of the Act does not require a formal approval of the shareholders and hence is not put forward for voting.

2. **Resolutions 6 and 7: Approval for payment of Directors' fees and benefits**
Section 230(1) of the Companies Act 2016 provides amongst others, that "the fees" of the Directors and "any benefits" payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, shareholders' approval shall be sought at the forthcoming Forty-Fifth Annual General Meeting on the Directors' fees and benefits under Resolutions 6 and 7 respectively. The Directors' benefits comprise meeting allowances, travelling allowances and other benefits such as directors' and officers' liability insurance.

3. **Resolutions 9 & 10: Approval pertaining to the Continuation of Terms of Office as Independent Director**
The Board of Directors has vide the Nominating Committee conducted an assessment of independence of the following directors who have each served as Independent Director for a cumulative term of more than twelve (12) years and recommended them to continue to act as Independent Directors based on the following justifications:

(i) Tan Sri Zakaria bin Abdul Hamid; and
(ii) Abd Hamid bin Ibrahim

Justifications

(a) They have met the independence criteria set out in Chapter 1 of the Main Market Listing Requirements of Bursa Securities and are therefore they would be able to give independent opinion to the Board;
(b) Being directors for more than twelve (12) years have enabled them to contribute positively during deliberations/ discussions at meetings as they are familiar with the operations of the Company and possess tremendous insight and knowledge of the Company's operations;
(c) They have contributed sufficient time and exercised due care during their tenure as Independent Directors;
(d) They have discharged their professional duties in good faith and also in the best interest of the Company and shareholders;
(e) They have safeguarded the interests of the minority shareholders of the Company;
(f) They have the calibre, qualifications, experiences and personal qualities to challenge management in an effective and constructive manner;
(g) They have provided objective views on the performance of the Executive Director and Management in meeting the agreed goals and objectives; and
(h) They have ensured that there were effective checks and balances in Board proceedings.

4. **Resolution 11: Authority for Directors to issue and allot shares in the Company pursuant to Section 75 of the Companies Act 2016**
For Resolution 11, Authority for Directors to issue and allot shares in the Company pursuant to Section 75 of the Companies Act 2016 if passed will give the Directors of the Company from the date of the above meeting, authority to allot and issue ordinary shares from the unissued capital of the Company for such purposes as the Directors consider would be in the interest of the Company. The purposes of this general mandate is for possible fund raising exercise but not limited to further placing of the shares for purpose of funding investment(s), working capital and/or acquisitions at any time to such persons in their absolute discretion without convening a general meeting as it would be both costs and time-consuming to organize a general meeting. This authorization will expire at the conclusion of the next Annual General Meeting of the Company.

This general mandate is a renewal of the mandate obtained from the shareholders at the Annual General Meeting of the Company held on 22 June 2017. The Company did not exercise the mandate obtained at the last Annual General Meeting and thus no proceeds were raised from the previous mandate.

5. **Resolution 12: Proposed Renewal of Authority for Share Buy-Back**
For Resolution 12, the detailed information on the Proposed Renewal of Authority for Share Buy-Back Authority is set out in the Statement/Circular to Shareholders dated 30 April 2018 which is despatched together with the Company's Annual Report 2017.

6. **Resolution 13: Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")**
For Resolution 13, the detailed information on the Proposed Shareholders' Mandate is set out in Statement/Circular to Shareholders dated 30 April 2018 which is despatched together with the Company's Annual Report 2017.

Notice of Dividend Entitlement and Payment Date

NOTICE IS HEREBY GIVEN THAT a first and final tax exempt dividend of 7.0 sen per ordinary share in respect of the financial year ended 31 December 2017, if approved by the shareholders at the forthcoming Forty-Fifth Annual General Meeting, will be paid on 24 September 2018 to Depositors whose names appear in the Record of Depositors at the close of business on 13 September 2018.

A Depositor shall qualify for entitlement to the dividend only in respect of :-

a) Shares transferred into the Depositor's securities account before 4.00 p.m. on 13 September 2018 in respect of ordinary transfers; and

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

BY ORDER OF THE BOARD

IRENE CHOE MEE KAM @ IRENE CHOW MEE KAM (MIA 16775)
LIM SUAK GUAK (MIA 19689)
TIA HWEI PING (MAICSA 7057636)
Company Secretaries

Selangor Darul Ehsan
30 April 2018

MUHIBBAH ENGINEERING (M) BHD
(12737-K)

Number of Shares Held
CDS Account Number

Proxy Form

*I/*We ______________________________ NRIC No./Passport No./Company No. ______________
(Full name as per NRIC/Certificate of Incorporation in Capital Letters)

of ____
(Full address)

being a member/members of **Muhibbah Engineering (M) Bhd**, hereby appoint Mr/Ms ______________

______________________________ NRIC No./Passport No. ______________

of ____

OR failing whom, Mr/Ms ______________ NRIC No./Passport No. ______________

of ____

OR failing whom, the Chairman of the Meeting as *my/*our proxy to vote for *me/*us and on *my/*our behalf at the Forty-Fifth Annual General Meeting of the Company to be held at Concorde Hotel Shah Alam, Concorde I, Level 2, No. 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on **Tuesday, 26 June 2018 at 3.00 p.m.** and at any adjournment thereof.

The Proportion of *my/*our holding to be represented by *my/*our proxies are as follows :

Proxy 1	%	Proxy 2	%	100%

*My/*Our proxy(ies) is/are to vote as indicated below :-

Resolution No.	Ordinary Business	For	Against
1.	To approve the declaration of a first and final tax exempt dividend of 7.0 sen per ordinary share.		
2.	To re-elect Dato' Sri Khazali bin Haji Ahmad as Director of the Company.		
3.	To re-elect Mr Ooi Sen Eng as Director of the Company.		
4.	To re-elect Mr Abd Hamid bin Ibrahim as Director of the Company.		
5.	To re-elect Mr Sobri bin Abu as Director of the Company.		
6.	To approve the payment of Directors' fees and benefits of RM1,600,000 for the 12 months financial year ended 31 December 2017.		
7.	To approve the payment of Directors' fees and benefits payable of up to RM2,500,000 for a period of 18 months from 1 January 2018 until the next Annual General Meeting.		
8.	To re-appoint Messrs Crowe Horwath as the Company's Auditors and to authorise the Directors to fix their remuneration.		
	Special Business		
9.	To retain Tan Sri Zakaria bin Abdul Hamid as an Independent Non-Executive Director of the Company.		
10.	To retain Mr Abd Hamid bin Ibrahim as an Independent Non-Executive Director of the Company.		
11.	To authorise the Directors to issue and allot shares pursuant to Section 75 of the Companies Act 2016.		
12.	To approve the Proposed Renewal of Authority for Share Buy-Back.		
13.	To approve the Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		

Please indicate with (X) on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

Dated this .... day of 2018

[* Delete if not applicable]

....
[Signature/Common Seal of Shareholder(s)]

Notes:

(a) A member entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. Each proxy appointed, shall represent a minimum of one hundred (100) shares. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his/her shareholdings to be represented by each proxy.

(b) A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.

(c) The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.

(d) Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

(e) Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(f) The duly completed Proxy Form must be deposited at the Share Registrar's Office, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi 59200 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time set for the holding of the Meeting or any adjournment thereof.

(g) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

Affix
Stamp
Here

Muhibbah Engineering (M) Bhd (12737-K)

Share Registrar
Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia