

Muhibbah Engineering (M) Bhd.

(Company No. 12737-K)

(Incorporated in Malaysia)

and its subsidiaries

**Financial statements for the financial year
ended 31 December 2016**

Muhibbah Engineering (M) Bhd.

(Company No. 12737-K)

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Directors' report for the financial year ended 31 December 2016

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 2016.

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 change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit attributable to:		
Owners of the Company	105,501	41,498
Non-controlling interests	55,454	-
Profit for the year	<u>160,955</u>	<u>41,498</u>

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 5.00 sen per ordinary share totaling RM24,003,963 in respect of the financial year ended 31 December 2015.

The first and final ordinary tax exempt dividend recommended by the Directors in respect of the financial year ended 31 December 2016 is 5.50 sen per ordinary share totaling RM26,418,822 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

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 as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.1.2016	Allotted/ Bought	Sold	At 31.12.2016
<u>Muhibbah Engineering (M) Bhd:</u>				
Mac Ngan Boon @ Mac Yin Boon				
- Direct	71,591,416	1,910,000	-	73,501,416
- Indirect	19,962,500	-	-	19,962,500
Ooi Sen Eng	13,025,066	1,700,000	(501,000)	14,224,066
Mac Chung Jin				
- Direct	5,060,000	2,000,000	-	7,060,000
- Indirect	50,000	-	-	50,000
Lee Poh Kwee				
- Direct	4,046,272	2,000,000	-	6,046,272
- Indirect	650,000	-	-	650,000
Mazlan bin Abdul Hamid	305,000	300,000	-	605,000
<u>Favelle Favco Berhad (a subsidiary):</u>				
Tan Sri Zakaria bin Abdul Hamid	220,000	-	-	220,000
Mac Ngan Boon @ Mac Yin Boon				
- Direct	8,492,913	650,000	-	9,142,913
- Indirect	1,738,800	-	-	1,738,800

Directors' interests (continued)

	Number of ordinary shares of RM0.50 each			
	At 1.1.2016	Allotted/ Bought	Sold	At 31.12.2016
<u>Favelle Favco Berhad (a subsidiary):</u> (continued)				
Ooi Sen Eng				
- Direct	1,156,000	-	-	1,156,000
- Indirect	900	-	-	900
Mac Chung Jin	677,000	-	-	677,000
Lee Poh Kwee	1,295,000	420,000	-	1,715,000
Abd Hamid bin Ibrahim	95,000	-	-	95,000
Mazlan bin Abdul Hamid	2,434,000	-	(2,000)	2,432,000

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

	Number of options over ordinary shares of RM0.50 each			
	At 1.1.2016	Granted	Exercised	At 31.12.2016
<u>Muhibbah Engineering (M) Bhd:</u>				
Mac Ngan Boon @ Mac Yin Boon:				
- Direct	1,880,000	-	(1,880,000)	-
- Indirect	-	-	-	-
Ooi Sen Eng	1,700,000	-	(1,700,000)	-
Mac Chung Jin	2,000,000	-	(2,000,000)	-
Lee Poh Kwee	2,000,000	-	(2,000,000)	-
Mazlan bin Abdul Hamid	300,000	-	(300,000)	-
<u>Favelle Favco Berhad (a subsidiary):</u>				
Mac Ngan Boon @ Mac Yin Boon:				
- Direct	650,000	-	(650,000)	-
- Indirect	-	-	-	-
Lee Poh Kwee	420,000	-	(420,000)	-
Mazlan bin Abdul Hamid	-	-	-	-

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 2016 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 ESOS 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 Option Scheme.

The Company operates an Employees' Share Option Scheme ("ESOS Scheme") that was established and approved by the shareholders of the Company at an Extraordinary General Meeting ("EGM") held on 28 June 2011. The main features of the ESOS, details of share options offered and exercised during the financial year are disclosed in Note 24.

The Company has been granted exemption pursuant to Section 169(11) of the Companies Act 1965 by the Companies Commission of Malaysia from having to disclose the names of option holders, other than Directors, who have been granted options representing 700,000 ordinary shares of RM0.50 each and below under the ESOS Scheme. The option holders who have been granted options representing more than 700,000 ordinary shares of RM0.50 each are as follows:-

	Number of options over ordinary shares of RM0.50 each			
	Balance at 1.1.2016	Granted	Exercised	Balance at 31.12.2016
Tan Chin Guan	1,000,000	-	(1,000,000)	-

Other statutory information

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

- i) all known bad debts had been written off and adequate allowance had been made for impairment losses on receivables, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

- i) that would render the amount written off for bad debts or the amount of allowance for impairment losses on receivables in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2016 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.

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

None of the subsidiaries had any interest in share in the Company during the financial year. Their interests in shares in other related corporations 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 RM1,299,000 and RM193,000 respectively.

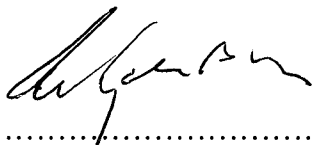
Significant Event Occurring After The Reporting Period

The significant event after the financial year are disclosed in Note 34 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,

Date: **3 1 MAR 2017**

Muhibbah Engineering (M) Bhd.

(Company No. 12737-K)

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Statements of financial position as at 31 December 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000 Restated	2016 RM'000	2015 RM'000 Restated
Assets					
Property, plant and equipment	3	801,119	784,848	146,877	151,013
Investment properties	4	244	255	11,665	11,930
Investments in subsidiaries	5	-	-	261,940	261,940
Investments in associates	6	436,924	388,507	8,981	8,981
Receivables, deposits and prepayments	7	6,712	6,804	-	10,000
Deferred tax assets	8	26,637	18,082	-	-
Other non-current assets	9	14,679	17,162	9	9
Total non-current assets		1,286,315	1,215,658	429,472	443,873
Receivables, deposits and prepayments	7	704,292	806,648	916,311	736,680
Amount due from contract customers	10	1,088,956	720,077	646,385	397,428
Inventories	11	265,906	300,742	363	497
Derivative assets	18	32	-	-	-
Current tax assets		19,541	21,539	-	688
Cash and cash equivalents	12	737,605	576,944	60,825	89,090
Total current assets		2,816,332	2,425,950	1,623,884	1,224,383
Total assets		4,102,647	3,641,608	2,053,356	1,668,256

Statements of financial position as at 31 December 2016

(continued)

		Group		Company	
	Note	2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
			Restated		Restated
Equity					
Share capital	13	241,057	235,297	241,057	235,297
Reserves	14	735,145	603,744	146,233	124,316
Total equity attributable to:					
Owners of the Company		976,202	839,041	387,290	359,613
Non-controlling interests		404,334	344,179	-	-
Total equity		1,380,536	1,183,220	387,290	359,613
Liabilities					
Loans and borrowings	15	73,101	48,914	49,200	9,700
Payables and accruals	16	13,517	15,266	-	-
Deferred tax liabilities	8	56,696	56,161	11,427	11,427
Total non-current liabilities		143,314	120,341	60,627	21,127
Payables and accruals	16	1,023,529	663,421	490,162	402,935
Amount due to contract customers	10	270,422	420,669	3,120	13,600
Bills payable	17	728,507	838,334	601,732	519,355
Derivative liabilities	18	13,583	27,110	447	15,062
Loans and borrowings	15	532,208	382,510	504,837	336,564
Current tax liabilities		10,548	6,003	5,141	-
Total current liabilities		2,578,797	2,338,047	1,605,439	1,287,516
Total liabilities		2,722,111	2,458,388	1,666,066	1,308,643
Total equity and liabilities		4,102,647	3,641,608	2,053,356	1,668,256

The notes on pages 18 to 104 are an integral part of these financial statements.

Muhibbah Engineering (M) Bhd.

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Statements of profit or loss and other comprehensive income for the financial year ended 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000 Restated	2016 RM'000	2015 RM'000 Restated
Revenue	19	1,918,623	1,707,473	1,065,268	659,622
Cost of sales		(1,668,718)	(1,456,229)	(959,219)	(572,532)
Gross profit		249,905	251,244	106,049	87,090
Other income		13,221	36,104	912	662
Distribution costs		(14,962)	(20,399)	(6,221)	(5,291)
Administrative expenses		(135,756)	(154,053)	(31,588)	(24,744)
Results from operating activities		112,408	112,896	69,152	57,717
Interest income		15,579	22,178	24,431	21,855
Finance costs		(33,622)	(42,905)	(47,006)	(54,195)
Operating profit	20	94,365	92,169	46,577	25,377
Share of profit associates, net of tax		88,181	86,209	-	-
Profit before tax		182,546	178,378	46,577	25,377
Income tax expense	22	(21,591)	(27,844)	(5,079)	(2,147)
Profit for the financial year		160,955	150,534	41,498	23,230
Profit attributable to:					
Owners of the Company		105,501	87,492	41,498	23,230
Non-controlling interests		55,454	63,042	-	-
Profit for the financial year		160,955	150,534	41,498	23,230
Earnings per ordinary share (sen)					
Basic	23	22.19	19.11		
Diluted	23	22.19	18.82		

Statements of profit or loss and other comprehensive income for the financial year ended 31 December 2016

(continued)

	Note	Group 2016 RM'000	2015 RM'000 Restated	Company 2016 RM'000	2015 RM'000 Restated
Profit for the financial year		160,955	150,534	41,498	23,230
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		-	26,317	-	9,079
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		66,020	52,569	45	221
Other comprehensive income for the financial year, net of tax		66,020	78,886	45	9,300
Total comprehensive income for the financial year		226,975	229,420	41,543	32,530
Total comprehensive income attributable to:					
Owners of the Company		153,442	155,558	41,543	32,530
Non-controlling interests		73,533	73,862	-	-
Total comprehensive income for the financial year		226,975	229,420	41,543	32,530

The notes on pages 18 to 104 are an integral part of these financial statements.

Muhibbah Engineering (M) Bhd.

(Company No. 12737-K)

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Consolidated statement of changes in equity for the financial year ended 31 December 2016

Group	Note	/-----Attributable to owners of the Company-----/								Distributable	Non-controlling interests	Total equity	
		Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Warrant reserve RM'000	Revaluation reserve RM'000	Capital reserve RM'000	Share options reserve RM'000	Translation reserve RM'000				Retained earnings RM'000
At 1 January 2015													
As previously stated		215,732	(5,561)	25,680	2,220	167,385	5,237	7,179	23,718	202,389	643,979	224,309	868,288
Prior year adjustments		-	-	-	-	-	-	-	-	23,414	23,414	51,859	75,273
Restated		215,732	(5,561)	25,680	2,220	167,385	5,237	7,179	23,718	225,803	667,393	276,168	943,561
Other comprehensive income:													
Foreign currency translation differences for foreign operations		-	-	-	-	-	-	-	41,822	-	41,822	10,747	52,569
Movement in revaluation of property, plant and equipment, net of tax		-	-	-	-	26,244	-	-	-	-	26,244	73	26,317
Profit for the financial year		-	-	-	-	-	-	-	-	87,492	87,492	63,042	150,534
Total comprehensive income		-	-	-	-	26,244	-	-	41,822	87,492	155,558	73,862	229,420
Share-based payment	24	-	-	-	-	-	-	499	-	-	499	334	833
Share options exercised	13	1,065	-	810	-	-	-	-	-	-	1,875	1,383	3,258
Transfer to share premium for share options exercised		-	-	1,190	-	-	-	(1,190)	-	-	-	-	-
Warrants exercised		18,500	-	23,310	(2,220)	-	-	-	-	-	39,590	-	39,590
Issue of shares to non-controlling interests		-	-	-	-	-	-	-	-	-	-	2,093	2,093
Dilution of interest in subsidiary		-	-	-	-	-	-	-	-	(7,132)	(7,132)	7,132	-
Dividend to owners of the Company	25	-	-	-	-	-	-	-	-	(18,742)	(18,742)	-	(18,742)
Dividend to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(16,793)	(16,793)
Total transactions with owners		19,565	-	25,310	(2,220)	-	-	(691)	-	(25,874)	16,090	(5,851)	10,239
At 31 December 2015		235,297	(5,561)	50,990	-	193,629	5,237	6,488	65,540	287,421	839,041	344,179	1,183,220

Note 14

/-----Note 14-----/

Consolidated statement of changes in equity for the financial year ended 31 December 2016

(continued)

Group	Note	/-----Attributable to owners of the Company-----/								Distributable			Total equity RM'000
		Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Warrant reserve 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	
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-based payment	24	-	-	-	-	-	-	-	-	-	-	-	-
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-----/													

The notes on pages 18 to 104 are an integral part of these financial statements.

Statement of changes in equity for the financial year ended 31 December 2016

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Statement of changes in equity for the financial year ended 31 December 2016

(continued)

Company	Note	/-----Non-distributable-----/						Distributable		Total RM'000
		Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Warrant reserve RM'000	Revaluation reserve RM'000	Share options reserve RM'000	Translation reserve RM'000	Retained earnings 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
Movement in revaluation of property, plant and equipment, net of tax		-	-	-	-	-	-	-	-	-
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)	-	-	-
Warrants exercised		-	-	-	-	-	-	-	-	-
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-----/										

The note on pages 18 to 104 are an integral part of these financial statements.

Muhibbah Engineering (M) Bhd.

(Company No. 12737-K)

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Statements of cash flows for the financial year ended 31 December 2016

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Cash flows from/(for) operating activities				
Profit before tax	182,546	178,378	46,577	25,377
Adjustments for:				
Amortisation of development costs	1,586	1,461	-	-
Amortisation of intellectual property	217	217	-	-
Bad debts (recovered)/written off	-	(517)	2	-
Depreciation of investment properties	11	9	265	131
Depreciation of property, plant and equipment	67,580	63,467	18,929	18,365
Development costs impaired	-	13,455	-	-
Dividend income	-	-	(42,760)	(87,156)
Finance costs	64,821	60,507	56,003	65,882
Gain on disposal of property, plant and equipment	(1,116)	(9,285)	(494)	(504)
Interest income	(15,579)	(22,178)	(24,431)	(21,855)
Net fair value adjustment on derivative instruments	(13,559)	2,220	(14,615)	12,735
Net impairment loss on investment in associates	4,381	2	-	-
Net impairment (recovery)/loss on receivables	(1,327)	32,479	14,912	484
Net impairment loss on other investments	1,061	12	-	-
Net (gain)/loss on foreign exchange	(2,095)	6,025	(11,622)	(7,475)
Net provision/(reversal) for warranties	2,575	(458)	(433)	(6,005)
Property, plant and equipment written off	6	2,338	-	217
Share-based payments	-	833	-	-
Share of profit of associates	(88,181)	(86,209)	-	-
Writeback of inventories	(116)	(172)	-	-
Operating profit before changes in working capital	202,811	242,584	42,333	196

Statements of cash flows for the financial year ended 31 December 2016 (continued)

		Group		Company	
	Note	2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
			Restated		Restated
Operating profit before changes in working capital		202,811	242,584	42,333	196
Receivables, deposits and prepayments		115,191	(109,639)	(205,905)	(214,785)
Inventories		38,723	(17,836)	134	1,109
Payables and accruals		350,308	(74,819)	125,284	205,679
Amount due from contract customers		(519,126)	34,327	(259,437)	(49,331)
Cash generated from/(used in) operations		187,907	74,617	(297,591)	(57,132)
Net taxes paid		(19,454)	(43,418)	(2,378)	(1,899)
Net cash generated from/(used in) operating activities		168,453	31,199	(299,969)	(59,031)
Cash flows (for)/from investing activities					
Acquisition of shares from non-controlling interests		(693)	-	-	-
Additions to development expenditure		-	(4,013)	-	-
Dividend received from:					
- subsidiaries		-	-	29,885	28,156
- associates		52,211	51,272	12,875	14,000
Investment in associates		-	(557)	-	(300)
Interest received		7,154	6,894	1,683	4,956
Proceeds from disposal of property, plant and equipment		6,204	13,837	962	5,628
Purchase of property, plant and equipment		(87,493)	(66,854)	(15,334)	(28,994)
Purchase of other non-current assets		-	(571)	-	-
Net cash generated (used in)/from investing activities		(22,617)	8	30,071	23,446

Statements of cash flows for the financial year ended 31 December 2016 (continued)

		Group		Company	
	Note	2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Cash flows (for)/from financing activities					
Dividend paid to owners of the Company		(24,004)	(18,742)	(24,004)	(18,742)
Dividend paid to non-controlling interests		(18,037)	(16,793)	-	-
Interest paid		(62,954)	(54,196)	(34,772)	(37,540)
Proceeds from exercise of share options and warrants		10,138	41,465	10,138	41,465
Proceeds from issuance of shares to non-controlling interests of a subsidiary		2,937	3,476	-	-
Net advances/(repayment) of loans and borrowings		72,507	29,302	294,876	(92,683)
Net cash (used in)/generated from financing activities		(19,413)	(15,488)	246,238	(107,500)
Exchange differences on translation of the financial statements of foreign operations					
		42,688	(28,274)	122	45
Net increase/(decrease) in cash and cash equivalents		169,111	(12,555)	(23,538)	(143,040)
Cash and cash equivalents at beginning of year		562,575	575,130	84,026	227,066
Cash and cash equivalents at end of year	(i)	731,686	562,575	60,488	84,026

(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	2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
		Restated			
Deposits placed with licensed banks	12	244,295	105,621	17,580	33,927
Short-term funds	12	88,844	15,737	18,000	-
Cash and bank balances	12	404,466	455,586	25,245	55,163
Bank overdrafts	15	(5,919)	(14,369)	(337)	(5,064)
		731,686	562,575	60,488	84,026

The notes on pages 18 to 104 are an integral part of these financial statements.

Muhibbah Engineering (M) Bhd.

(Company No. 12737-K)

(Incorporated in Malaysia)

and its subsidiaries

Notes to the financial statements

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

The consolidated financial statements as at and for the year ended 31 December 2016 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 year ended 31 December 2016 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 31 March 2017.

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 1965 in Malaysia.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

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

MFRS 14 Regulatory Deferral Accounts

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities – Applying the Consolidation Exception

Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations

Amendments to MFRS 101: Disclosure Initiative

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants

Amendments to MFRS 127: Equity Method in Separate Financial Statements

Annual Improvements to MFRSs 2012 – 2014 Cycle

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) did not have any material impact on the Group's and the Company's financial statements.

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

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

	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
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 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 12: Clarification of the Scope of Standard	1 January 2017
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

* Entities that meet the specific criteria in MFRS 4.20B may choose to defer the application of MFRS 9 until the earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The adoption of the above accounting standard(s) and/or interpretation(s) (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.

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 anticipates that the application of MFRS 15 in the future may have an impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 15 until the Group and the Company performs a detailed review.

1. Basis of preparation (continued)

(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

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

(d) Use of estimates and judgements

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

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

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 test of goodwill
- 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.

2. Significant accounting policies (continued)

(a) Basis of consolidation

(i) *Subsidiaries*

Subsidiaries are entities, including unincorporated 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 facto 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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) *Acquisitions of non-controlling interests*

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

(iv) *Loss of control*

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

(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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) *Associates (continued)*

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.

(vi) *Joint arrangements*

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

Joint arrangements are classified and accounted for as follows:

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(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.

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

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

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

(c) Financial instruments

(i) *Initial recognition and measurement*

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

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

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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial assets (continued)

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

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

(b) *Loans and receivables*

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

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

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

Financial liabilities

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

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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Regular way purchase or sale of financial assets (continued)

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.

(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.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) *Recognition and measurement (continued)*

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.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) *Subsequent costs*

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

(iii) *Depreciation*

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

The estimated useful lives are as follows:

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

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

The depreciable amount is determined after deducting the residual value.

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

2. Significant accounting policies (continued)

(e) Leased assets

(i) *Finance lease*

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

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

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

(ii) *Operating lease*

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

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

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

2. Significant accounting policies (continued)

(f) Investment properties

Investment properties carried at cost

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

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

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

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

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

(g) Intangible assets

(i) Goodwill

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

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

2. Significant accounting policies (continued)

(g) Intangible assets (continued)

(ii) *Research and development*

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

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

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

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

(iii) *Intellectual property*

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

(iv) *Subsequent expenditure*

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

(v) *Amortisation*

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.

2. Significant accounting policies (continued)

(g) Intangible assets (continued)

(vi) Development cost

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

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

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

(h) Inventories

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

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

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

2. Significant accounting policies (continued)

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

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

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

(j) Cash and cash equivalents

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

(k) Impairment

(i) Financial assets

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

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 assets's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

2. Significant accounting policies (continued)

(k) Impairment (continued)

(i) *Financial assets (continued)*

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

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

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

(ii) *Other assets*

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

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

2. Significant accounting policies (continued)

(k) Impairment (continued)

(ii) *Other assets (continued)*

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

Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units (group of cash generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(l) Equity instruments

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

(i) *Issue expenses*

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

(ii) *Ordinary shares*

Ordinary shares are classified as equity.

(iii) *Preference share capital*

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

2. Significant accounting policies (continued)

(l) Equity instruments (continued)

(iii) *Preference share capital (continued)*

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

(iv) *Repurchase of share capital*

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

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

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

(m) Bonds

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

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

2. Significant accounting policies (continued)

(n) Loans and borrowings

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

(o) Employee benefits

(i) *Short term employee benefits*

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

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

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

(ii) *Share-based payment transactions*

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

(p) Provisions

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

(i) *Warranties*

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

2. Significant accounting policies (continued)

(p) Provisions (continued)

(ii) *Contingent liabilities*

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

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

(q) Revenue recognition

(i) *Construction contracts*

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

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to-date bear to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(ii) *Goods sold and services rendered*

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

2. Significant accounting policies (continued)

(q) Revenue recognition (continued)

(ii) *Goods sold and services rendered (continued)*

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

(iii) *Rental income*

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

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

(iv) *Dividend income*

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

(r) Interest income

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

(s) Borrowing costs

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

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

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

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

2. Significant accounting policies (continued)

(t) Income tax

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentive that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against the unutilised tax incentive can be utilised.

(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.

2. Significant accounting policies (continued)

(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.

(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 recognizes transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. Property, plant and equipment

Group	Land	Buildings	Drydock and slipway	Cranes	Plant, equipment and motor vehicles	Capital work-in- progress	Total
<i>Cost/Valuation</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
1 January 2015	288,415	191,682	45,368	151,331	557,066	12,503	1,246,365
Additions	-	728	-	13,589	40,667	11,870	66,854
Disposals	-	-	-	(3,741)	(11,781)	-	(15,522)
Written off	-	-	-	(3,057)	(1,277)	-	(4,334)
Exchange differences	8,663	3,844	-	3,384	49,403	93	65,387
Revaluation of leasehold land	34,844	-	-	-	-	-	34,844
Transfer	-	-	-	-	-	(399)	(399)
Reclassification	-	23,168	-	4,215	(4,301)	(23,082)	-
At 31 December 2015/ 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	333,748	223,456	45,368	197,131	652,829	6,230	1,458,762
Representing items at:							
Cost	1,560	223,456	45,368	197,131	652,829	6,230	1,126,574
Valuation	332,188	-	-	-	-	-	332,188
	333,748	223,456	45,368	197,131	652,829	6,230	1,458,762
Accumulated depreciation and impairment losses							
At 1 January 2015	10,291	60,896	16,129	51,954	383,806	-	523,076
Depreciation for the year	1,871	4,680	1,019	7,594	48,303	-	63,467
Disposals	-	-	-	(1,165)	(9,805)	-	(10,970)
Written off	-	-	-	(1,184)	(812)	-	(1,996)
Exchange differences	-	2,096	-	2,476	30,198	-	34,770
Reclassification	-	1,733	-	2,785	(4,518)	-	-
Accumulated depreciation	12,162	53,725	17,148	61,924	442,246	-	587,205
Accumulated impairment loss	-	15,680	-	536	4,926	-	21,142
At 31 December 2015/ 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	14,501	75,125	18,167	69,112	480,738	-	657,643

3. Property, plant and equipment (continued)

<i>Group</i>	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
<i>Carrying amounts</i>							
At 1 January 2015	278,124	130,786	29,239	99,377	173,260	12,503	723,289
At 31 December 2015/ 1 January 2016	319,760	150,017	28,220	103,261	182,605	985	784,848
At 31 December 2016	319,247	148,331	27,201	128,019	172,091	6,230	801,119

<i>Company</i>	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
<i>Cost/Valuation</i>						
At 1 January 2015	43,003	2,402	23,918	167,323	9,570	246,216
Additions	-	-	1,533	16,656	10,805	28,994
Disposals	-	-	(443)	(6,923)	(3,870)	(11,236)
Written off	-	-	-	(847)	-	(847)
Reclassification	-	4,588	4,215	(3,549)	(16,337)	(11,083)
Revaluation of leasehold land	12,105	-	-	-	-	12,105
Exchange differences	-	-	-	242	-	242
At 31 December 2015/ 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)
Reclassification	-	-	-	-	-	-
Exchange differences	-	-	-	(46)	-	(46)
At 31 December 2016	55,108	6,990	31,141	177,850	5,373	276,462

<i>Accumulated depreciation</i>						
At 1 January 2015	2,685	348	10,998	87,868	-	101,899
Depreciation for the year	453	73	1,653	16,186	-	18,365
Disposals	-	-	(305)	(5,807)	-	(6,112)
Written off	-	-	-	(630)	-	(630)
Reclassification	-	(211)	2,785	(2,785)	-	(211)
Exchange differences	-	-	-	67	-	67
At 31 December 2015/ 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	3,762	350	17,380	108,093	-	129,585

<i>Carrying amounts</i>						
At 1 January 2015	40,318	2,054	12,920	79,455	9,570	144,317
At 31 December 2015/ 1 January 2016	51,970	6,780	14,092	78,003	168	151,013
At 31 December 2016	51,346	6,640	13,761	69,757	5,373	146,877

3. Property, plant and equipment (continued)

Depreciation charge for the year is allocated as follows:

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Operating expenses	20	27,510	25,822	1,738	1,665
Contract costs	10	40,070	37,645	17,191	16,700
		<u>67,580</u>	<u>63,467</u>	<u>18,929</u>	<u>18,365</u>
		=====	=====	=====	=====

Security

The freehold land, buildings and certain long term leasehold land of the Group with a total carrying amount of RM163,086,000 (2015 - RM163,513,000) 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

In 2015, two pieces of leasehold land were revalued by independent valuers using the comparison approach by comparing sales price of comparable properties in close proximity with adjustment for differences in key attributes such as property size, location and transaction timing to arrive at main input of price per square foot of comparable properties. The fair values of the other leasehold land of similar location were estimated by the directors by referring to the price per square foot in the said valuation report.

The following table shows a reconciliation of level 3 fair value:-

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	175,393	142,420	51,920	40,268
Depreciation recognised in profit or loss (realised)	(2,339)	(1,871)	(624)	(453)
Revaluation surpluses recognised in other comprehensive income	-	34,844	-	12,105
At 31 December	<u>173,054</u>	<u>175,393</u>	<u>51,296</u>	<u>51,920</u>

3. Property, plant and equipment (continued)

Property, plant and equipment under the revaluation model (continued)

There were no transfers between level 1 and 2 during the current financial year.

The surpluses arising from the revaluation, net of deferred taxation, have been credited to 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 RM41,638,000 (2015 - RM40,996,000) and Group and Company's leasehold land would have been RM51,924,380 (2015 - RM53,330,000) and RM8,101,380 (2015 - RM8,196,000) respectively.

Land

Included in the carrying amounts of land are:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Freehold land	146,194	144,367	50	50
Long term leasehold land	173,053	175,393	51,296	51,920
	<hr/>	<hr/>	<hr/>	<hr/>
	319,247	319,760	51,346	51,970
	<hr/>	<hr/>	<hr/>	<hr/>

4. Investment properties

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<i>Cost</i>				
At 1 January	629	629	13,343	2,260
Reclassification	-	-	-	11,083
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	629	629	13,343	13,343
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation and impairment loss</i>				
At 1 January	374	365	1,413	1,071
Depreciation for the year	11	9	265	131
Reclassification	-	-	-	211
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	385	374	1,678	1,413
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Carrying amounts</i>				
At 31 December	244	255	11,665	11,930
	<hr/>	<hr/>	<hr/>	<hr/>
Included in the above are:				
Freehold land	94	94	94	94
Buildings	150	161	11,571	11,836
	<hr/>	<hr/>	<hr/>	<hr/>
	244	255	11,665	11,930
	<hr/>	<hr/>	<hr/>	<hr/>

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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Market value of investment properties				
- aggregated basis	370	396	67,695	52,520
	<hr/>	<hr/>	<hr/>	<hr/>

4. Investment properties (continued)

Market value (continued)

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

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

5. Investments in subsidiaries

	Note	Company	
		2016 RM'000	2015 RM'000
Ordinary shares			
Quoted shares - in Malaysia		98,663	98,663
Unquoted shares - at cost		257,036	257,036
Cumulative redeemable convertible preference shares, at cost	(a)	1,800	1,800
		<hr/>	<hr/>
		357,499	357,499
Less: Impairment losses		(95,559)	(95,559)
		<hr/>	<hr/>
		261,940	261,940
		<hr/>	<hr/>
Market value			
Quoted shares in Malaysia		312,354	359,600
		<hr/>	<hr/>

- (a) The cumulative redeemable convertible preference shares are held in a subsidiary and shall be redeemable at any time after 30 June 2009, at the discretion of the directors of the subsidiary.

5. Investments in subsidiaries (continued)

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

Company	Principal activities	Country of incorporation	Effective ownership interest	
			2016 %	2015 %
<i>Cranes segment</i>				
Favelle Favco Berhad	Investment holding	Malaysia	59.28	59.89
Favelle Favco Cranes (M) Sdn. Bhd.	Manufacturing of cranes	Malaysia	59.28	59.89
Favelle Favco Cranes Pte. Ltd.*	Trading of cranes, spare parts and services	Singapore	59.28	59.89
Favelle Favco Cranes (USA), Inc.*	Manufacturing of cranes	United States of America	59.28	59.89
Favelle Favco Cranes Pty Limited* and its subsidiaries:	Manufacturing of cranes	Australia	59.28	59.89
FF Management Pty. Limited*	Management services	Australia	59.28	59.89
Milperra Blasting and Coating Pty. Limited*	Dormant	Australia	59.28	59.89
Kroll Cranes A/S*	Manufacturing of cranes	Denmark	59.28	59.89
Favelle Favco Cranes International Ltd.	Dormant	Labuan	59.28	59.89
FES Equipment Services Sdn. Bhd.	Hiring and repair of cranes	Malaysia	59.28	59.89
Favelle Favco Winches Pte. Ltd.*	Design, fabrication, trading, service and rental of winches, hydraulic system and material handling equipment	Singapore	59.28	59.89
Favelle Favco Management Services Sdn. Bhd.*	Dormant	Malaysia	59.28	59.89
Shanghai Favco Engineering Machinery Manufacturing Co. Ltd.*	Manufacturing of cranes	China	47.42	46.71

5. Investments in subsidiaries (continued)

Company	Principal activities	Country of incorporation	Effective ownership interest	
			2016 %	2015 %
<i>Marine shipbuilding and ship repair segment</i>				
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
<i>Infrastructure construction segment</i>				
Juara Lagi Sdn. Bhd.#	Vessel chartering services	Malaysia	100	100
Elelink Sdn. Bhd.* and its subsidiary:	Investment holding	Malaysia	100	100
ITS Konsortium Sdn. Bhd.	Commissioning of intelligent transport system solution	Malaysia	60	60
Muhibbah Petrochemical Engineering Sdn. Bhd.#	Oil, gas, petrochemical engineering and related works	Malaysia	100	100
Muhibbah Engineering (Singapore) Pte. Ltd.*	Civil and structural engineering contract works	Singapore	100	100
MEB Construction Sdn. Bhd.#	Civil and structural engineering contract works	Malaysia	100	100
Muhibbah Steel Industries Sdn. Bhd.*	Structural steel fabrication and related works	Malaysia	100	100
Muhibbah Airline Support Industries Sdn. Bhd.	Manufacturing and services for airline support equipment	Malaysia	100	100
Muhibbah Marine Engineering (Deutschland) GmbH*	Constructing and leasing of marine plants	Germany	95	95

5. Investments in subsidiaries (continued)

Company	Principal activities	Country of incorporation	Effective ownership interest	
			2016 %	2015 %
Infrastructure construction segment (continued)				
Muhibbah Masteron Cambodia JV Limited	Investment holding and civil and structural engineering contract works	Cambodia	70	70
Ann Bee (M) Sdn. Bhd.*	Manufacture of aluminium foils and carbonless papers	Malaysia	100	100
Muhibbah Maritime Hub Sdn. Bhd.*	Distribution and marketing of construction materials	Malaysia	100	100
Aspect Saga Sdn. Bhd.* and its subsidiaries:	Investment holding	Malaysia	100	100
IDS Cahaya Sdn. Bhd.*	Investment holding	Malaysia	100	100
IDS Cahaya Ltd.#	Offshore leasing business	Labuan	100	100
Muhibbah Reefers Sdn. Bhd.*	Manufacturing of containers and refrigerator containers	Malaysia	100	100
Khas Jejaka Sdn. Bhd.*	Investment holding	Malaysia	100	100
Muhibbah International Labuan Ltd.	Offshore leasing and international trade business	Labuan	100	100
Muhibbah Offshore Services Ltd.	Offshore leasing business	Labuan	95	95
Muhibbah Engineering (Cambodia) Co. Ltd.#	Construction, quarry and trading business	Cambodia	60	60
Muhibbah-LTAT JV Sdn. Bhd.	Civil, marine and structural engineering contract works	Malaysia	51	51
Citech Energy Recovery System Malaysia Sdn. Bhd.* and its subsidiary:	Manufacture of waste heat recovery units for the oil and gas industry	Malaysia	100	100
Citech Energy Recovery Solutions UK (Ltd)*	Trading of waste heat recovery units, spare parts and other services	United Kingdom	100	100

5. Investments in subsidiaries (continued)

Company	Principal activities	Country of incorporation	Effective ownership interest	
			2016 %	2015 %
Infrastructure construction segment (continued)				
CB International Engineering Sdn. Bhd.	Rental of investment properties and related services and provision of vessel chartering services	Malaysia	100	100
Muhibbah Construction Pty. Limited.*#	Marine and port construction work	Australia	100	100
Muhibbah Engineering Middle East LLC*	Civil and structural engineering contract works	Qatar	90	49
Karisma Duta Sdn. Bhd.*#	Dormant	Malaysia	100	100
Muhibbah Oil & Gas Sdn. Bhd.*	Dormant	Malaysia	100	100
Konsortium Muhibbah Eng-LTAT Sdn. Bhd.	Dormant	Malaysia	100	100
Sun Vibrant Sdn. Bhd.*	Dormant	Malaysia	51	51
MEB Equipment Sdn. Bhd.*#	Dormant	Malaysia	100	100
Muhibbah Corporation (L) Ltd.#	Dormant	Labuan	100	100
Cambodia Land Ltd.#	Dormant	Labuan	100	100
Muhibbah Engineering (Philippines) Corporation*#	Civil and structural engineering contract works	Philippines	99.99	99.99
Concession segment				
Muhibbah Airport Services (Labuan) Ltd.#	Investment holding	Labuan	70	70

* Subsidiaries not audited by Messrs. Crowe Horwath.

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

5. Investments in subsidiaries (continued)

- (a) The Group's effective interest in Favelle Favco Berhad ("FFB") was diluted from 59.89% to 59.28%, pursuant to the exercise of employees' share options by eligible employees of FFB during the financial year.

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	
	2016	2015
	RM'000	RM'000
NCI percentage	40.72%	40.11%
Carrying amount of NCI	249,032	228,922
Profit allocated to NCI	27,788	37,126
Dividends paid to NCI	13,523	10,516
 Total assets	 1,160,537	 1,219,695
Total liabilities	568,780	672,080
Revenue	582,273	867,348
Profit for the year	72,040	93,866

6. Investments in associates

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
		Restated		
Unquoted shares				
- At cost	77,787	82,168	8,981	8,981
- Share of post-acquisition reserves	359,137	306,339	-	-
	<u>436,924</u>	<u>388,507</u>	<u>8,981</u>	<u>8,981</u>
	=====	=====	=====	=====

6. Investments in associates (continued)

Details of the associates are as follows:

Details of the associates are as follows:				
Company	Principal activities	Country of incorporation	Effective Ownership interest	
			2016 %	2015 %
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
Inno Marine Services Sdn. Bhd.*#	Marine leasing activities	Malaysia	37.5	37.5
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	18.0
Favelle Favco Machinery and Equipment L.L.C*#	Trading and rental of construction equipment	United Arab Emirates	29.2	29.3
Favco Heavy Industry (Changshu) Co., Ltd.*#	Supply, renting and servicing of lifting equipment and spare parts	China	29.6	30.0

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 material 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	
	2016	2015
	RM'000	RM'000
		Restated
Gross amount of the major associates		
Non-current assets	1,247,742	1,127,253
Current assets	651,483	547,149
Non-current liabilities	194,743	50,112
Current liabilities	388,298	497,350
Revenue	1,142,011	1,247,539
Profit for the year	327,692	313,315
Dividends received	52,211	47,772
Carrying amount in the consolidated financial statements	416,053	357,817

Aggregate information of immaterial associates

	Group	
	2016	2015
	RM'000	RM'000
		Restated
Aggregate carrying amount	20,871	30,690
Aggregate amount of the group share:		
- Profit/(Loss) for the year	(6,050)	(2,603)

7. Receivables, deposits and prepayments

		Group		Company	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
			Restated		
Non-current					
Trade					
Trade receivable	7.2	-	373	-	-
Less: Allowance for impairment loss		-	-	-	-
		<u>-</u>	<u>373</u>	<u>-</u>	<u>-</u>
Non-trade					
Amount due from a subsidiary	7.1	-	-	-	10,000
Amount due from associates	7.4	6,712	6,431	-	-
		<u>6,712</u>	<u>6,804</u>	<u>-</u>	<u>10,000</u>
		=====	=====	=====	=====
Current					
Trade					
Trade receivables	7.2	284,376	335,175	-	-
Progress billings receivable	7.2	232,172	312,173	224,454	239,508
Amount due from subsidiaries	7.3	-	-	403,300	294,896
Amount due from associates	7.4	94,314	62,707	-	-
Amount due from joint venture		33,881	35,783	-	-
		<u>644,743</u>	<u>745,838</u>	<u>627,754</u>	<u>534,404</u>
Less: Allowance for impairment loss		(59,862)	(61,986)	(28,586)	(28,674)
		<u>584,881</u>	<u>683,852</u>	<u>599,168</u>	<u>505,730</u>
		-----	-----	-----	-----
Non-trade					
Amount due from subsidiaries	7.3	-	-	294,068	194,013
Amount due from associates	7.4	52,654	33,424	20,382	3,081
Other receivables		46,261	63,579	11,877	23,351
		<u>98,915</u>	<u>97,003</u>	<u>326,327</u>	<u>220,445</u>
Less: Allowance for impairment loss		(3,180)	(3,301)	(19,831)	(4,831)
		<u>95,735</u>	<u>93,702</u>	<u>306,496</u>	<u>215,614</u>
Deposits		6,724	11,846	3,382	8,368
Prepayments		16,952	17,248	7,265	6,968
		<u>119,411</u>	<u>122,796</u>	<u>317,143</u>	<u>230,950</u>
		-----	-----	-----	-----
		<u>704,292</u>	<u>806,648</u>	<u>916,311</u>	<u>736,680</u>
		=====	=====	=====	=====

7. Receivables, deposits and prepayments (continued)

- 7.1 The long term advance due from a subsidiary was non-trade in nature, interest free, unsecured and is not expected to be repayable within the next twelve months.
- 7.2 Included in trade receivables and progress billings receivable are major receivables denominated in currencies other than the functional currency, as follows:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
		Restated		
Australian Dollar	372	357	-	-
Euro	207	158	-	-
Qatari Riyal	116,878	101,002	116,878	101,002
Singapore Dollar	8,763	695	-	-
Chinese Renminbi	-	1,341	-	-
US Dollar	70,263	125,037	23,306	38,298
	=====	=====	=====	=====

Also included in trade receivables and progress billings receivable of the Group and of the Company are retention sums of RM77,870,000 (2015 - RM64,282,000) and RM77,777,000 (2015 - RM64,189,000) respectively.

- 7.3 The trade receivables due from subsidiaries are subject to the normal credit terms ranging from 30 to 60 days (2015 – 30 to 60 days).

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

- 7.4 The amounts due from associates of the Group and of the Company are interest free, unsecured and have no fixed terms of repayment, other than an amount due from an associate of RM6,712,000 (2015 – RM6,431,000) which is subject to interest of 1% (2015 – 1%) per annum.

8. Deferred tax (assets) and liabilities

Recognised deferred tax (assets) and liabilities

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

Group	Assets		Liabilities		Net	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Property, plant and equipment	-	-	54,733	54,211	54,733	54,211
Tax losses carry forward	(827)	(1,356)	-	-	(827)	(1,356)
Unabsorbed capital allowances	(6)	(8)	-	-	(6)	(8)
Other items	(30,151)	(20,280)	6,310	5,512	(23,841)	(14,768)
	<hr/>		<hr/>		<hr/>	
Tax (assets)/liabilities	(30,984)	(21,644)	61,043	59,723	30,059	38,079
Set off of tax	4,347	3,562	(4,347)	(3,562)	-	-
	<hr/>		<hr/>		<hr/>	
Net tax (assets)/liabilities	(26,637)	(18,082)	56,696	56,161	30,059	38,079
	<hr/>		<hr/>		<hr/>	
Company						
Property, plant and equipment	-	-	11,427	11,427	11,427	11,427
	<hr/>		<hr/>		<hr/>	
Net tax liabilities	-	-	11,427	11,427	11,427	11,427
	<hr/>		<hr/>		<hr/>	

Unrecognised deferred tax assets

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Accelerated capital allowances	(77,856)	(74,038)	(66,890)	(72,174)
Other temporary differences	(368)	(691)	-	-
Unabsorbed capital allowances	101,086	89,488	71,463	61,774
Tax losses carry forward	684,027	607,002	420,539	335,230
Provision	22,933	24,962	-	107
Foreign exchange losses	1,715	7,774	6,308	8,968
	<hr/>		<hr/>	
	731,537	654,497	431,420	333,905
	<hr/>		<hr/>	

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

Unrecognised deferred tax assets (continued)

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

Movement in temporary differences during the financial year

Group	Property plant and equipment RM'000	Tax losses carry forward RM'000	Unabsorbed capital allowances RM'000	Other items RM'000	Total RM'000
As at 1 January 2015	48,583	(2,276)	(6)	(16,133)	30,168
Recognised in profit or loss (Note 22)	1,327	920	(2)	(3,152)	(907)
Recognised in equity	4,301	-	-	4,410	8,711
Exchange differences	-	-	-	107	107
As at 31 December 2015/ 1 January 2016	54,211	(1,356)	(8)	(14,768)	38,079
Recognised in profit or loss (Note 22)	522	529	2	(9,073)	(8,020)
As at 31 December 2016	54,733	(827)	(6)	(23,841)	30,059

Company

As at 1 January 2015/ 31 December 2015/ 1 January 2016	11,427	-	-	-	11,427
Recognised in equity	-	-	-	-	-
As at 31 December 2016	11,427	-	-	-	11,427

9. Other non-current assets

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
		Restated		
Other investments	119	1,180	9	9
Land held for development	11,199	10,804	-	-
Development costs	2,647	4,247	-	-
Intellectual property	714	931	-	-
	<u>14,679</u>	<u>17,162</u>	<u>9</u>	<u>9</u>
	=====	=====	=====	=====
	Land held for development		Development costs	
	Group		Group	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cost				Restated
At 1 January	10,804	8,828	18,817	29,184
Additions	-	-	-	4,013
Impaired	-	-	-	(18,199)
Exchange difference	395	1,976	161	3,819
	<u>11,199</u>	<u>10,804</u>	<u>18,978</u>	<u>18,817</u>
	=====	=====	=====	=====
Accumulated impairment/amortisation				
At 1 January	-	-	14,570	15,615
Amortisation charge for the year	-	-	1,586	1,461
Impairment loss	-	-	-	(4,744)
Exchange difference	-	-	176	2,238
	<u>-</u>	<u>-</u>	<u>16,332</u>	<u>14,570</u>
	=====	=====	=====	=====
Carrying amounts				
At 1 January	10,804	8,828	4,247	13,569
	=====	=====	=====	=====
At 31 December	11,199	10,804	2,646	4,247
	=====	=====	=====	=====

9. Other non-current assets (continued)

Development costs represent internally generated development expenditure by subsidiaries on new or substantially improved projects. It is reasonably anticipated that the development expenditure will be recovered through future commercial activity. The amortisation period of development expenditure ranged from 1 year to 5 years (2015 - 1 year to 5 years).

Title

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

	Intellectual property Group	
	2016	2015
	RM'000	RM'000
<i>Cost</i>		
At 1 January / 31 December	1,800	1,800
<i>Accumulated impairment/amortisation</i>		
At 1 January	869	652
Amortisation charge for the year	217	217
At 31 December	<u>1,086</u>	<u>869</u>
	=====	=====
<i>Carrying amounts</i>		
At 1 January	931	1,148
	=====	=====
At 31 December	<u>714</u>	<u>931</u>
	=====	=====

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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Aggregate costs incurred to date	9,374,266	9,138,480	5,115,413	4,188,423
Add: Attributable profits less foreseeable losses	48,357	26,484	(27,529)	(104,919)
	<u>9,422,623</u>	<u>9,164,964</u>	<u>5,087,884</u>	<u>4,083,504</u>
Less: Progress billings	(8,604,089)	(8,865,556)	(4,444,619)	(3,699,676)
	<u>818,534</u>	<u>299,408</u>	<u>643,265</u>	<u>383,828</u>
	=====	=====	=====	=====
Represented by:				
Amount due from contract customers	1,088,956	720,077	646,385	397,428
Amount due to contract customers	(270,422)	(420,669)	(3,120)	(13,600)
	<u>818,534</u>	<u>299,408</u>	<u>643,265</u>	<u>383,828</u>
	=====	=====	=====	=====

Additions to aggregate costs incurred during the financial year include:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	40,070	37,645	17,191	16,700
Finance costs	31,199	17,602	8,997	11,687
Rental expense	52,746	24,107	49,837	46,094
	=====	=====	=====	=====

- (a) The net balance of RM218 million included in the amounts due/(to) from contract customers in previous financial year for completed projects have been resolved during the financial year.

11. Inventories

	Group	
	2016	2015
	RM'000	RM'000
At cost:		
Raw materials	20,404	13,694
Crane components	69,031	92,266
Work-in-progress	158,200	185,015
Manufactured and trading inventories	662	610
	<hr/>	<hr/>
	248,297	291,585
At net realisable value:		
Cranes	967	1,896
Crane components	16,156	7,226
Raw materials	486	35
	<hr/>	<hr/>
	265,906	300,742
	=====	=====

	Company	
	2016	2015
	RM'000	RM'000
At cost:		
Work-in-progress	363	497
	=====	=====

12. Cash and cash equivalents

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
		Restated		
Deposits placed with licensed banks	244,295	105,621	17,580	33,927
Short-term funds	88,844	15,737	18,000	-
Cash and bank balances	404,466	455,586	25,245	55,163
	<u>737,605</u>	<u>576,944</u>	<u>60,825</u>	<u>89,090</u>
	=====	=====	=====	=====

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 3.1% (2015: 2.6% to 3.3%) per annum.

13. Share capital

	Group and Company			
	Number of shares		Amount	
	2016	2015	2016	2015
	'000	'000	RM'000	RM'000
Ordinary shares of RM0.50 each				
Authorised:				
At 1 January/31 December	1,000,000	1,000,000	500,000	500,000
	=====	=====	=====	=====
Issued and fully paid:				
At 1 January	470,593	431,464	235,297	215,732
Exercise of ESOS (i)	11,521	2,129	5,760	1,065
Exercise of Warrants	-	37,000	-	18,500
	<u>482,114</u>	<u>470,593</u>	<u>241,057</u>	<u>235,297</u>
	=====	=====	=====	=====

- (i) During the financial year, a total of 11,521,000 (2015 - 2,129,000) new ordinary shares were issued for cash pursuant to the employees' share options scheme ("ESOS") of the Company. The details of options granted under the Company's ESOS 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 (2015 - 1,783,000). None of the treasury shares held was sold or cancelled during the financial year ended 31 December 2016.

Share premium

The share premium of the Group and of the Company represents premium arising from the issuance of ordinary shares of the Company at an issue price above par value and the transfer of options reserve to share premium when the share options are exercised.

The share premium may be applied only for the purposes as specified in the Companies Act, 1965.

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.

Warrant reserve

The proceeds from the issue of Warrants, net of issue costs, is credited to a warrant reserve account which is non-distributable. Warrant reserve will be transferred to the share premium accounts upon the exercise of warrants and the warrant reserve in relation to the unexercised warrants on the expiry date of the exercise period will be transferred to retained earnings.

14. Reserves (continued)

Single tier tax system

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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Non-current				
<i>Secured</i>				
Term loans	23,901	39,214	-	-
<i>Unsecured</i>				
Term loans	49,200	9,700	49,200	9,700
	<hr/>	<hr/>	<hr/>	<hr/>
	73,101	48,914	49,200	9,700
	<hr/>	<hr/>	<hr/>	<hr/>
Current				
<i>Secured</i>				
Term loans	15,312	15,312	-	-
<i>Unsecured</i>				
Term loans	10,500	5,500	10,500	5,500
Bank overdrafts	5,919	14,369	337	5,064
Revolving credits	496,900	343,361	494,000	326,000
Insurance premium finance	3,577	3,968	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	532,208	382,510	504,837	336,564
	<hr/>	<hr/>	<hr/>	<hr/>
	605,309	431,424	554,037	346,264
	<hr/>	<hr/>	<hr/>	<hr/>

15. Loans and borrowings (continued)

Terms and debt repayment schedule

<i>Group</i>	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	3 - 5 years RM'000
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	-	-
		<u>605,309</u>	<u>532,208</u>	<u>24,512</u>	<u>48,589</u>
		=====	=====	=====	=====
2015					
Term loans					
- secured	2019 - 2020	54,526	15,312	15,312	23,902
- unsecured	2018	15,200	5,500	5,500	4,200
Bank overdrafts					
- unsecured	-	14,369	14,369	-	-
Revolving credits					
- unsecured	-	343,361	343,361	-	-
Insurance premium finance					
- unsecured	-	3,968	3,968	-	-
		<u>431,424</u>	<u>382,510</u>	<u>20,812</u>	<u>28,102</u>
		=====	=====	=====	=====

15. Loans and borrowings (continued)

Terms and debt repayment schedule (continued)

<i>Company</i>	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	3 - 5 years RM'000
2016					
Term loans					
- unsecured	2021	59,700	10,500	9,200	40,000
Bank overdrafts					
- unsecured	-	337	337	-	-
Revolving credits					
- unsecured	-	494,000	494,000	-	-
		<u>554,037</u>	<u>504,837</u>	<u>9,200</u>	<u>40,000</u>
		=====	=====	=====	=====
2015					
Term loans					
- unsecured	2018	15,200	5,500	5,500	4,200
Bank overdrafts					
- unsecured	-	5,064	5,064	-	-
Revolving credits					
- unsecured	-	326,000	326,000	-	-
		<u>346,264</u>	<u>336,564</u>	<u>5,500</u>	<u>4,200</u>
		=====	=====	=====	=====

Term loans

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

16. Payables and accruals

		Group		Company	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Non-current					
Non-trade					
Advance from minority shareholders	(i)	13,517	15,266	-	-
		=====	=====	=====	=====
Current					
Trade					
Trade payables	(ii)	877,189	532,855	368,522	255,971
Amount due to subsidiaries	(iii)	-	-	86,989	122,304
Amount due to associates	(iv)	373	-	-	-
		-----	-----	-----	-----
		877,562	532,855	455,511	378,275
		-----	-----	-----	-----
Non-trade					
Amount due to subsidiaries	(iii)	-	-	21,990	15,436
Amount due to associates	(iv)	3,548	3,633	-	-
Provision for warranty costs	(v)	27,084	30,094	314	746
Other payables		31,883	31,137	4,897	3,696
Accrued expenses		83,452	65,702	7,450	4,782
		-----	-----	-----	-----
		145,967	130,566	34,651	24,660
		-----	-----	-----	-----
Total current		1,023,529	663,421	490,162	402,935
		=====	=====	=====	=====
Non-current and current		1,037,046	678,687	490,162	402,935
		=====	=====	=====	=====

- (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 RM9,606,978 (2015 - RM20,072,249).

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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
		Restated		
Australian Dollar	321	16,044	-	-
Euro	5,852	11,589	-	494
Qatari Riyal	75,038	43,742	75,038	43,742
Singapore Dollar	1,077	2,427	-	-
US Dollar	15,600	37,596	10,434	18,796
Sterling Pound	310	190	-	-
Japanese Yen	96	103	-	-
Philippine Peso	-	21	-	-
Hong Kong Dollar	10	9	-	-
Chinese Renminbi	3,220	569	-	-
	=====	=====	=====	=====

- (iii) The trade payables due to subsidiaries are subject to the normal credit terms ranging from 30 to 60 days (2015 – 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 is made based on historical warranty data and a weighting of all possible outcomes against the associated probability of further costs being incurred on the completed projects where defect liability periods have commenced.

17. Bills payable

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

18. Derivative asset/(liabilities)

Group	2016		2015	
	Contract/ Notional amount RM'000	Derivative Assets/ (liabilities) RM'000	Contract/ Notional amount RM'000	Derivative Asset/ (liabilities) RM'000
Forward foreign currency contracts	1,039	32	-	-
	=====	=====	=====	=====
Forward foreign currency contracts	343,674	(13,583)	699,560	(27,110)
	=====	=====	=====	=====
Company				
Forward foreign currency contracts	42,521	(447)	171,929	(15,062)
	=====	=====	=====	=====

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	
	2016 RM'000	2015 RM'000 Restated	2016 RM'000	2015 RM'000
Contract revenue	1,718,982	1,527,800	1,006,340	555,806
Sale of goods	116,440	119,756	-	-
Services rendered	83,201	59,917	16,168	16,660
Dividend income	-	-	42,760	87,156
	=====	=====	=====	=====
	1,918,623	1,707,473	1,065,268	659,622
	=====	=====	=====	=====

20. Operating profit

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Operating profit is arrived at after charging:				
Amortisation of development costs	1,586	1,461	-	-
Amortisation of intellectual property	217	217	-	-
Auditors' remuneration:				
- Holding company's auditors				
- statutory audit				
- current year	602	597	184	175
- others	6	47	9	38
- other services	93	233	39	104
- Other auditors	697	778	9	8
Bad debts (recovered)/written off	-	(517)	2	-
Cost of construction	1,668,718	1,456,229	959,219	572,532
Depreciation of investment properties	11	9	265	131
Depreciation of property, plant and equipment				
- operating expenses	27,510	25,822	1,738	1,665
- contract costs	40,070	37,645	17,191	16,700
	67,580	63,467	18,929	18,365
Development costs impaired	-	13,455	-	-
Finance costs				
- borrowings	31,755	36,594	25,775	25,853
- interest expenses arising on financial assets/liabilities measured under MFRS139	1,867	6,311	21,231	28,342
	33,622	42,905	47,006	54,195
- contract costs	31,199	17,602	8,997	11,687
	64,821	60,507	56,003	65,882
Net fair value adjustment on derivative instruments	(13,559)	2,220	(14,615)	12,735
Net impairment (recovery)/loss on receivables	(1,327)	32,479	14,912	484
Net impairment loss on other investments	1,061	12	-	-
Net impairment loss on investment in associates	4,381	2	-	-
Net provision/(reversal) for warranties	2,575	(458)	(433)	(6,005)
Personnel expenses (including key management personnel)				
- contribution to Employees Provident Fund	21,419	14,348	3,189	2,762
- wages, salaries and others	192,745	133,681	26,862	24,437
Property, plant and equipment written off	6	2,338	-	217

20. Operating profit (continued)

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Operating profit is arrived at after charging: (continued)				
Rental expenses on:				
- premises	16,798	8,555	5,942	6,335
- equipment	74,086	25,071	48,936	44,800
Share-based payments	-	833	-	-
Writeback of inventories	(116)	(172)	-	-
and after crediting:				
Gain on disposal of property, plant and equipment	1,116	9,285	494	504
Dividend income	-	-	42,760	87,156
Interest income	7,154	6,894	1,683	4,956
Interest income arising on financial assets/liabilities measured under MFRS139	8,425	15,284	22,748	16,899
	15,579	22,178	24,431	21,855
Net gain/(loss) on foreign exchange	2,095	(6,025)	11,622	7,475
Rental income on:				
- premises	426	152	96	99
- equipment	21,669	12,317	-	-

21. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Directors of the Company				
- Fees	1,179	1,204	648	648
- Remuneration	4,831	4,535	3,859	3,605
	6,010	5,739	4,507	4,253

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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current tax expense/(benefit)				
Malaysia - current	24,590	16,854	(3,127)	-
- overprovision in prior year	(5,904)	542	6,144	26
	18,686	17,396	3,017	26
Foreign - current	3,643	12,642	2,062	2,088
- under/(over)provision in prior year	7,282	(1,287)	-	33
	10,925	11,355	2,062	2,121
Deferred tax expense (Note 8)				
Origination of temporary differences	2,491	(899)	-	-
Effect of changes in corporate rate	922	-	-	-
Overprovision in prior years	(11,433)	(8)	-	-
	(8,020)	(907)	-	-
Total income tax expense	<u>21,591</u>	<u>27,844</u>	<u>5,079</u>	<u>2,147</u>
	=====	=====	=====	=====

22. Income tax expense (continued)

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
	Restated			
Reconciliation of tax expense				
Profit for the year	160,955	150,534	41,498	23,230
Total tax expense	21,591	27,844	5,079	2,147
Profit excluding tax	<u>182,546</u>	<u>178,378</u>	<u>46,577</u>	<u>25,377</u>
	=====	=====	=====	=====
Income tax using Malaysian tax rate at 24% (2015 - 25%)	43,811	44,595	11,178	6,344
Effect of different tax rates in foreign jurisdictions	(14,368)	(6,090)	-	-
Effect of deferred tax benefits not recognised	42,893	26,647	24,263	19,573
Utilisation of deferred tax assets not recognised in previous year	(5,858)	(15,446)	(3,127)	-
Utilisation of tax losses	(2,051)	(311)	-	-
Non-deductible expenses	12,927	16,207	9,537	7,387
Non-taxable income	(23,827)	(29,182)	(21,667)	(25,028)
Double deduction	(333)	(390)	-	-
Tax incentives	(352)	(1,147)	-	-
Tax exempt income	(730)	(1,240)	-	-
Non-deductible foreign projects expenses	27,761	35	27,762	35
Non-taxable foreign projects income	(51,073)	(8,311)	(51,073)	(8,311)
Withholding tax for foreign projects	2,062	2,088	2,062	2,088
Others	784	1,142	-	-
	<u>31,646</u>	<u>28,597</u>	<u>(1,065)</u>	<u>2,088</u>
(Over)/Underprovision in prior years				
- current tax expense	1,378	(745)	6,144	59
- deferred tax expense	(11,433)	(8)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total income tax expense	21,591	27,844	5,079	2,147
	=====	=====	=====	=====

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015 – 25%) 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 2016 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2016	2015
	RM'000	RM'000
		Restated
Profit attributable to owners of the Company	105,501	87,492
	=====	=====
	Group	
	2016	2015
<i>In thousands units of shares</i>		
Number of ordinary shares issued at 1 January	468,810	429,681
Effect of shares issued under ESOS	6,653	1,210
Effect of shares issued under warrants	-	26,938
	-----	-----
Total weighted average number of ordinary shares in issue	475,463	457,829
	=====	=====
	Group	
	2016	2015
		Restated
Basic earnings per share (sen)	22.19	19.11
	=====	=====

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

Diluted earnings per share

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

The calculation of diluted earnings per share for the year ended 31 December 2016 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	
	2016	2015
	RM'000	RM'000
		Restated
Profit attributable to owners of the Company	105,501	87,492
	=====	=====
	Group	
	2016	2015
<i>In thousands units of shares</i>		
Weighted average number of ordinary shares	475,463	457,829
Effect of dilution arising from conversion of remaining employee share options	-	7,110
	-----	-----
Adjusted weighted average number of ordinary shares at 31 December	475,463	464,939
	=====	=====

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	
	2016	2015
		Restated
Diluted earnings per share (sen)	22.19	18.82
	=====	=====

24. Employee benefits

Share-based payments

On 28 June 2011, the Company established an employees' share option scheme ("ESOS Scheme") to the eligible employees including Directors of the Company and its subsidiaries.

The main features of the ESOS Scheme are as follows:

- (i) The maximum number of approved unissued new ordinary shares shall not exceed in aggregate 10% of the issued and paid-up share capital of the Company at any point in time during the duration of the ESOS 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 1 year;
- (iii) A grantee shall be allowed to exercise the options granted to him/her subject to the following percentage limits based on his/her respective entitlement granted at the discretion of the ESOS Committee:

		← Year option is granted →				
		Year 1	Year 2	Year 3	Year 4	Year 5
Cumulative % of options exercisable during the option period in:	Year 1	-	-	-	-	-
	Year 2	33.33%	-	-	-	-
	Year 3	66.67%	33.33%	-	-	-
	Year 4	100%	66.67%	66.67%	-	-
	Year 5	100%	100%	100%	100%	100%

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

The following options were granted under the ESOS scheme:

Grant date	Number of option '000	At 1.1.2016 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2016 '000	Expiry date
29.9.2011	38,170	11,866	-	(11,521)	(345)	-	2.8.2016
		=====	=====	=====	=====	=====	

24. Employee benefits (continued)

Share-based payments (continued)

Subsidiary

Grant date	Exercise price RM	At 1.1.2016 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2016 '000	Expiry date
28.9.2011	0.80	1,458	-	(1,445)	(13)	-	5.7.2016
28.9.2012	1.57	125	-	(114)	(11)	-	5.7.2016
1.10.2013	2.50	344	-	(42)	(302)	-	5.7.2016
26.9.2014	3.05	472	-	-	(472)	-	5.7.2016
28.9.2015	2.25	920	-	(665)	(255)	-	5.7.2016
		<u>3,319</u>	<u>-</u>	<u>(2,266)</u>	<u>(1,053)</u>	<u>-</u>	
		=====	=====	=====	=====	=====	

Details relating to options exercised during the year

	Company	
	2016	2015
	RM'000	RM'000
Ordinary share capital at par	5,760	1,065
Share premium	4,378	810
Proceeds received from exercise of share options	<u>10,138</u>	<u>1,875</u>
	=====	=====

	Company		Subsidiary	
	2016	2015	2016	2015
	RM	RM	RM	RM
Average share price for the year	<u>2.27</u>	<u>2.20</u>	<u>2.55</u>	<u>2.74</u>
	=====	=====	=====	=====

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Expense recognised as share-based payments	<u>-</u>	<u>833</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====

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:

	Company		Subsidiary	
	2016	2015	2016	2015
Fair value at grant date (RM)				
- Granted in 2011	0.40 - 0.50	0.40 - 0.50	0.34 - 0.42	0.34 - 0.42
- Granted in 2012	-	-	0.49 - 0.67	0.49 - 0.67
- Granted in 2013	-	-	0.83 - 1.01	0.83 - 1.01
- Granted in 2014	-	-	0.69	0.69
- Granted in 2015	-	-	0.46	0.46
Weighted average share price (RM)				
- Granted in 2011	0.96	0.96	0.88	0.88
- Granted in 2012	-	-	1.74	1.74
- Granted in 2013	-	-	2.75	2.75
- Granted in 2014	-	-	3.36	3.36
- Granted in 2015	-	-	2.46	2.46
Exercise price (RM)				
- Granted in 2011	0.88	0.88	0.80	0.80
- Granted in 2012	-	-	1.57	1.57
- Granted in 2013	-	-	2.50	2.50
- Granted in 2014	-	-	3.05	3.05
- Granted in 2015	-	-	2.25	2.25
Expected volatility (%)	51.64	51.64	22.19 - 46.94	22.19 - 46.94
Expected option life (years)	-	1	-	1
Risk free interest rate (%) (based on Malaysia government bonds)				
- Granted in 2011	3.24 - 3.41	3.24 - 3.41	3.23 - 3.41	3.23 - 3.41
- Granted in 2012	-	-	3.06 - 3.24	3.06 - 3.24
- Granted in 2013	-	-	3.21 - 3.38	3.21 - 3.38
- Granted in 2014	-	-	3.35	3.35
- Granted in 2015	-	-	3.18	3.18
Expected staff turnover (%)	12.00	12.00	10.00	10.00

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
2016			
Final per ordinary share of RM0.50 each tax exempt – for the year ended 31 December 2016	5.00	24,004 =====	11 August 2016
2015			
Final per ordinary share of RM0.50 each tax exempt – for the year ended 31 December 2015	4.50	18,742 =====	11 September 2015

Proposed final dividend for the year ended 31 December 2016

The Directors have recommended a first and final ordinary tax exempt dividend of 5.50 sen (2015:5.00 sen) per ordinary share totaling RM26,418,822 in respect of the financial year ended 31 December 2016, 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 2016.

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 (2015 – 468,810,250) ordinary shares as at 31 December 2016.

26. Operating segments

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

The Group comprises the following main business segments:

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

Segment assets and segment liabilities

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

26. Operating segments (continued)

Business segments

	Infrastructure construction		Cranes		Marine shipbuilding and ship repair		Concession		Eliminations		Consolidated	
	2016 RM'000	2015 RM'000 Restated	2016 RM'000	2015 RM'000 Restated	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000 Restated	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000 Restated
Segment profit	90,084	60,950	79,782	118,276	22,421	19,757	86,741	83,137	(96,482)	(103,742)	182,546	178,378
<i>Included in the measure of segment profit are:</i>												
Revenue from external customers	1,237,107	797,540	579,454	861,404	102,062	48,529	-	-	-	-	1,918,623	1,707,473
Inter-segment revenue	858,286	566,764	2,819	5,944	1,086	2,011	1,414	1,334	(863,605)	(576,053)	-	-
Interest income	41,231	29,222	3,959	15,135	4,643	5,349	-	-	(34,254)	(27,528)	15,579	22,178
Finance costs	(52,017)	(63,819)	(2,677)	(8,022)	(6,099)	(5,259)	(219)	(345)	27,390	34,540	(33,622)	(42,905)
Share of results of associates	7,530	6,532	(1,425)	(830)	(4,625)	(1,714)	86,701	82,221	-	-	88,181	86,209
Net segment assets	490,970	422,935	596,750	551,995	199,403	181,841	387,777	330,890	(294,364)	(304,441)	1,380,536	1,183,220

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.

Geographical information	Inside Malaysia		Outside Malaysia		Eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000 Restated	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000 Restated
Revenue	2,124,277	1,682,906	657,951	600,619	(863,605)	(576,052)	1,918,623	1,707,473
	=====	=====	=====	=====	=====	=====	=====	=====
Total assets	3,736,400	3,412,983	1,741,221	1,467,054	(1,374,974)	(1,238,429)	4,102,647	3,641,608
	=====	=====	=====	=====	=====	=====	=====	=====

27. Capital commitments

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Capital expenditure in respect of purchase of property, plant and equipment:				
- contracted for	6,067	6,067	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
2016			
Financial assets			
Receivables and deposits	694,052	694,052	-
Cash and cash equivalents	737,605	737,605	-
Derivative assets	32	-	32
	<u>1,431,689</u>	<u>1,431,657</u>	<u>32</u>
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)
	<u>(2,384,445)</u>	<u>(2,370,862)</u>	<u>(13,583)</u>
2015			
Financial assets			
Receivables and deposits	796,204	796,204	-
Cash and cash equivalents	576,944	576,944	-
	<u>1,373,148</u>	<u>1,373,148</u>	<u>-</u>
Financial liabilities			
Loan and borrowings	(431,424)	(431,424)	-
Payables and accruals	(678,687)	(678,687)	-
Bills payable	(838,334)	(838,334)	-
Derivative liabilities	(27,110)	-	(27,110)
	<u>(1,975,555)</u>	<u>(1,948,445)</u>	<u>(27,110)</u>
Company			
2016			
Financial assets			
Receivables and deposits	909,046	909,046	-
Cash and cash equivalents	60,825	60,825	-
	<u>969,871</u>	<u>969,871</u>	<u>-</u>
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)
	<u>(1,646,378)</u>	<u>(1,645,931)</u>	<u>(447)</u>

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
2015			
Financial assets			
Receivables and deposits	739,712	739,712	-
Cash and cash equivalents	89,090	89,090	-
	<u>828,802</u>	<u>828,802</u>	<u>-</u>
Financial liabilities			
Loan and borrowings	(346,264)	(346,264)	-
Payables and accruals	(402,935)	(402,935)	-
Bills payable	(519,355)	(519,355)	-
Derivative liabilities	(15,062)	-	(15,062)
	<u>(1,283,616)</u>	<u>(1,268,554)</u>	<u>(15,062)</u>

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.

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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Asia	377,952	435,531	482,290	404,728
Europe	40,093	17,112	-	-
America	11,036	14,231	-	-
Middle East	116,882	101,037	116,878	101,002
Australia	38,918	116,314	-	-
	<u>584,881</u>	<u>684,225</u>	<u>599,168</u>	<u>505,730</u>
	=====	=====	=====	=====

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

Group	Gross	Individual	Net
	RM'000	Impairment	RM'000
		RM'000	
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
	<u>644,743</u>	<u>(59,862)</u>	<u>584,881</u>
	=====	=====	=====
2015			
Not past due	247,377	-	247,377
Past due 0 – 90 days	116,863	-	116,863
Past due 91 – 180 days	55,317	-	55,317
Past due more than 180 days	326,654	(61,986)	264,668
	<u>746,211</u>	<u>(61,986)</u>	<u>684,225</u>
	=====	=====	=====

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	
	2016	2015
	RM'000	RM'000
At 1 January	61,986	460,650
Impairment loss recognised	10,176	44,647
Reversal of impairment loss	(11,503)	(12,168)
Impairment loss written off against previous allowances	(914)	(432,645)
Exchange difference	117	1,502
At 31 December	59,862	61,986
	=====	=====

	Gross	Individual	Net
Company	RM'000	Impairment	RM'000
2016		RM'000	
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
	=====	=====	=====
2015			
Not past due	190,572	-	190,572
Past due 0 – 90 days	30,045	-	30,045
Past due 91 – 180 days	45,739	-	45,739
Past due more than 180 days	268,048	(28,674)	239,374
	534,404	(28,674)	505,730
	=====	=====	=====

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

	Company	
	2016	2015
	RM'000	RM'000
At 1 January	28,674	459,925
Impairment loss recognised	-	484
Reversal of impairment loss	(88)	-
Impairment loss written off against previous allowances	-	(431,735)
At 31 December	28,586	28,674
	=====	=====

28. Financial instruments (continued)

28.3 Credit risk (continued)

The Group's trade receivables as at 31 December 2016 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.

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 %	Carrying amount RM'000	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
2016						
Secured borrowings						
- Term loans	2 – 5.7	39,213	40,944	15,943	25,001	-
Unsecured borrowings						
- Term loans	4.6	59,700	67,820	13,138	54,682	-
- Bank overdrafts	4.4 - 8.5	5,919	5,921	5,921	-	-
- Revolving credits	3.5 - 6.1	496,900	498,960	498,960	-	-
- Insurance premium finance	1.2 - 2.2	3,577	3,577	3,577	-	-
Unsecured bills payable	2.8 - 7.9	728,507	728,507	728,507	-	-
Unsecured payables and accruals	-	1,009,962	1,009,962	996,445	-	13,517
		<u>2,343,778</u>	<u>2,355,691</u>	<u>2,262,491</u>	<u>79,683</u>	<u>13,517</u>
		=====	=====	=====	=====	=====

28. Financial instruments (continued)

28.4 Liquidity risk (continued)

Group	Effective	Carrying	Contractual	than	Less	Over
2015	interest rate	amount	cash flows	1 year	1 - 5	5
	%	RM'000	RM'000	RM'000	years	years
Secured borrowings						
- Term loans	2.0 - 5.7	54,526	56,871	16,062	40,809	-
Unsecured borrowings						
- Term loans	4.6	15,200	16,202	6,088	10,114	-
- Bank overdrafts	5.3 - 8.5	14,369	14,400	14,400	-	-
- Revolving credits	2.9 - 5.6	343,361	347,531	347,531	-	-
- Insurance premium finance	2.20	3,968	3,998	3,998	-	-
Unsecured bills payable	1.4 - 5.6	838,334	838,334	838,334	-	-
Unsecured payables and accruals	-	648,593	648,593	633,327	-	15,266
		<u>1,918,351</u>	<u>1,925,929</u>	<u>1,859,740</u>	<u>50,923</u>	<u>15,266</u>
		=====	=====	=====	=====	=====

Company	Effective	Carrying	Contractual	Less	1 - 5	Over
2016	interest rate	amount	cash flows	than	years	5
	%	RM'000	RM'000	1 year	RM'000	years
Unsecured borrowings						
- Term loans	4.6	59,700	67,820	13,138	54,682	-
- Bank overdrafts	7.6	337	339	339	-	-
- Revolving credits	4.1 - 4.9	494,000	496,060	496,060	-	-
Unsecured bills payable	3.8 - 5.1	601,732	603,261	603,261	-	-
Unsecured payables and accruals		489,848	489,848	489,848	-	-
		<u>1,645,617</u>	<u>1,657,328</u>	<u>1,602,646</u>	<u>54,682</u>	<u>-</u>
		=====	=====	=====	=====	=====

2015						
Unsecured borrowings						
- Term loans	4.4	15,200	16,202	6,088	10,114	-
- Bank overdrafts	7.6	5,064	5,095	5,095	-	-
- Revolving credits	4.4 - 4.9	326,000	330,142	330,142	-	-
Unsecured bills payable	1.4 - 4.5	519,355	520,462	520,462	-	-
Unsecured payables and accruals	-	402,189	402,189	402,189	-	-
		<u>1,267,808</u>	<u>1,274,090</u>	<u>1,263,976</u>	<u>10,114</u>	<u>-</u>
		=====	=====	=====	=====	=====

28. Financial instruments (continued)

28.5 Interest rate risk

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

Effective interest rates and repricing analysis

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

28. Financial instruments (continued)

28.5 Interest rate risk (continued)

Effective interest rates and repricing analysis (continued)

Group	2016				2015			
	Effective interest rate %	Total RM'000	Less than 1 year RM'000	1 - 5 years RM'000	Effective interest rate %	Total RM'000	Less than 1 year RM'000	1 - 5 years RM'000
Financial assets								
Deposits placed with licensed banks	0.8 – 4.1	244,295	244,295	-	0.7 - 3.8	105,621	105,621	-
Short-term funds	2.4 - 3.1	88,844	88,844	-	2.6 - 3.3	15,737	15,737	-
		<u>333,139</u>	<u>333,139</u>	<u>-</u>		<u>121,358</u>	<u>121,358</u>	<u>-</u>
		=====	=====	=====		=====	=====	=====
Financial liabilities								
Secured borrowings								
- Term loans	2.0 – 5.7	39,213	15,312	23,901	2.0 - 5.7	54,526	15,312	39,214
Unsecured borrowings								
- Term loans	4.6	59,700	10,500	49,200	4.6	15,200	5,500	9,700
- Bank overdrafts	4.4 – 8.5	5,919	5,919	-	5.3 - 8.5	14,369	14,369	-
- Revolving credits	3.5 – 6.1	496,900	496,900	-	2.9 - 5.6	343,361	343,361	-
- Insurance premium finance	1.2 – 2.2	3,577	3,577	-	2.2	3,968	3,968	-
Unsecured bills payable	2.8 – 7.9	728,507	728,507	-	1.4 - 5.6	838,334	838,334	-
		<u>1,333,816</u>	<u>1,260,715</u>	<u>73,101</u>		<u>1,269,758</u>	<u>1,220,844</u>	<u>48,914</u>
		=====	=====	=====		=====	=====	=====

28. Financial instruments (continued)

28.5 Interest rate risk (continued)

Effective interest rates and repricing analysis (continued)

Company	Effective interest rate %	Total RM'000	2016 Less than 1 year RM'000	1 - 5 years RM'000	Effective interest rate %	Total RM'000	2015 Less than 1 year RM'000	1 - 5 years RM'000
Financial assets								
Deposits placed with licensed banks	2.6 – 2.9	17,580	17,580	-	2.7 - 2.9	33,927	33,927	-
Short-term funds	2.7 – 3.3	18,000	18,000	-	-	-	-	-
		<u>35,580</u>	<u>35,580</u>	<u>-</u>		<u>33,927</u>	<u>33,927</u>	<u>-</u>
		=====	=====	=====		=====	=====	=====
Financial liabilities								
Unsecured borrowings								
- Term loans	4.6	59,700	10,500	49,200	4.6	15,200	5,500	9,700
- Bank overdrafts	7.6	337	337	-	7.6	5,064	5,064	-
- Revolving credits	4.1 – 4.9	494,000	494,000	-	4.3 - 4.9	326,000	326,000	-
Unsecured bills payable	3.8 – 5.1	601,732	601,732	-	1.4 - 4.5	519,355	519,355	-
		<u>1,155,769</u>	<u>1,106,569</u>	<u>49,200</u>		<u>865,619</u>	<u>855,919</u>	<u>9,700</u>
		=====	=====	=====		=====	=====	=====

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 RM7,605,000 (2015 – RM8,613,000) and RM8,513,000 (2015 – RM6,238,000). 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 US Dollar, Euro, AUD, Chinese Renminbi, 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 is as follows:

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 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

28. Financial instruments (continued)

28.6 Foreign currency risk (continued)

Group	USD RM'000 Restated	Euro RM'000	AUD RM'000 Restated	RMB RM'000 Restated	SGD RM'000 Restated
2015					
Financial assets	209,697	1,961	132,183	75,363	54,634
Financial liabilities	(133,612)	(12,928)	(79,236)	(10,185)	(4,353)
Net financial assets/(liabilities)	76,085	(10,967)	52,947	65,178	50,281
Add/(Less): Net financial assets denominated in the respective entities' functional currencies	39,996	(387)	(136,518)	(57,973)	(51,738)
Less: Forward foreign currency contracts (contracted notional principal)	(558,391)	(19,530)	(4,317)	-	(103,959)
Net currency exposure	(442,310)	(30,884)	(87,888)	7,205	(105,416)

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 Restated	Euro RM'000	AUD RM'000 Restated	RMB RM'000 Restated	SGD RM'000 Restated
2016					
- strengthened by 5%	(3,050)	(453)	883	257	1,088
- weakened by 5%	3,050	453	(883)	(257)	(1,088)
2015					
- strengthened by 5%	(16,587)	(1,158)	(3,295)	270	(3,953)
- weakened by 5%	16,587	1,158	3,295	(270)	3,953

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
2016					
Financial assets	38,973	24	1,226	263	117,136
Financial liabilities	(86,090)	(2)	-	(22,950)	(71,455)
Net financial (liabilities)/assets	(47,117)	22	1,226	(22,687)	45,681
Less: Net financial assets denominated in the respective entities' functional currencies	-	-	-	-	-
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)

Company	USD RM'000	Euro RM'000	AUD RM'000	SGD RM'000	QAR RM'000
2015					
Financial assets	68,644	24	1,178	275	132,020
Financial liabilities	(80,333)	(8,065)	(9)	(22,534)	(43,742)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net financial assets/(liabilities)	(11,689)	(8,041)	1,169	(22,259)	88,278
Less: Net financial assets denominated in the respective entities' functional currencies	-	-	-	-	-
Less: Forward foreign currency contracts (contracted notional principal)	(186,431)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net currency exposure	(198,120)	(8,041)	1,169	(22,259)	88,278
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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
2016					
- strengthened by 5%	(3,416)	1	47	(862)	1,736
- weakened by 5%	3,416	(1)	(47)	862	(1,736)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
2015					
- strengthened by 5%	(7,430)	(302)	44	(835)	3,310
- weakened by 5%	7,430	302	(44)	835	(3,310)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

28.7 Fair values

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

Company	2016 Carrying amount RM'000	2016 Fair value RM'000	2015 Carrying amount RM'000	2015 Fair value RM'000
Financial assets				
Quoted shares - long-term	98,663	312,354	98,663	359,600
	<hr/>	<hr/>	<hr/>	<hr/>

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

28. Financial instruments (continued)

28.7 Fair values (continued)

Fair value hierarchy

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2016				
Financial Asset				
Forward exchange contracts	-	32	-	32
	=====	=====	=====	=====
Financial liability				
Forward exchange contracts	-	(13,583)	-	(13,583)
	=====	=====	=====	=====
2015				
Financial liability				
Forward exchange contracts	-	(27,110)	-	(27,110)
	=====	=====	=====	=====
Company				
2016				
Financial liability				
Forward exchange contracts	-	(447)	-	(447)
	=====	=====	=====	=====
2015				
Financial liability				
Forward exchange contracts	-	(15,062)	-	(15,062)
	=====	=====	=====	=====

29. Contingent liabilities - unsecured

	Company	
	2016	2015
	RM'000	RM'000
Corporate guarantees		
Corporate guarantees to licensed banks for credit facilities and bank guarantees utilised by subsidiaries	193,128	145,652
	=====	=====

In the ordinary course of business, the Company also issues some performance guarantees on behalf of subsidiaries.

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)

- a) ***Herbert Kannegiesser GmbH (“HKG”), Eisenmann Anlagenbau GmbH (“EIS”) & Co. KG and Envac Scandinavia A.B. (“Envan”) v Muhibbah Engineering (M) Bhd (“the Company”)***

HKG, EIS and Envan, Nominated Subcontractors for Hamad International Airport have filed arbitration proceedings against the Company for alleged claims of approximately QAR124.7 million. The Company is disputing the claims including through counter claims.

30. Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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

30. Related parties (continued)

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

	Company	
	2016	2015
	RM'000	RM'000
Significant transactions with subsidiaries:		
Gross dividend income	(29,885)	(73,156)
Interest income	(719)	(2,751)
Purchase of materials and services	592,083	276,219
Rental expense	47,331	43,706
Interest expense	47	9
Rental income receivable	(846)	(695)
Repair and services	(4,880)	(4,155)
Sale of property, plant and equipment	-	(3,870)
Shared services	(2,000)	(2,000)
	=====	=====

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Significant transactions with associates:				
Gross dividend income	(52,211)	(51,272)	(12,875)	(14,000)
Technical assistance fee	(12,848)	(11,176)	(12,848)	(11,176)
Sale of goods	(14,074)	(17,984)	-	-
	=====	=====	=====	=====

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 2016 are disclosed in Note 7 and Note 16 respectively.

The allowance for impairment loss on receivables in respect of the above significant related party transactions with subsidiaries for the financial year ended 31 December 2016 amounted to RM42,997,000 (2015 - RM27,997,000).

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. Prior years adjustments ("PYA")

The prior year adjustments arose from the restatement of prior years' computation relating to the application of equity method of investment in associates and impairment of assets of certain subsidiaries arising from omission of material facts and the correction associated with proper application of accounting policy.

Arising from the above changes, the financial statements for the previous financial years have been restated as follows:

The Group	As Previously Reported RM'000	As Restated RM'000	Effect of PYA RM'000
Statements of financial position (extract):			
Investments in associates	257,351	388,507	131,156
Other non-current assets	27,882	17,162	(10,720)
Receivables, deposits and prepayments	827,663	806,648	(21,015)
Reserves	580,749	603,744	22,995
Non-controlling interests	267,753	344,179	76,426
Statements of profit or loss and other comprehensive income (extract):			
Cost of sales	1,445,509	1,456,229	10,720
Share of profit of associates, net of tax	62,169	86,209	24,040
Profit attributable to:			
Owners of the Company	85,601	87,492	1,891
Non-controlling interests	51,613	63,042	11,429
Statements of cash flows (extract):			
Cash flow from/(for) operating activities			
Development cost charged to cost of sales/impairment	2,735	13,455	10,720
Share of profit of associates	62,169	86,209	24,040

33. Comparative figures

The following figures have been reclassified to conform with the presentation of the current financial year:-

	Group	
	As Restated RM'000	As Previously Reported RM'000
Statements of profit or loss and other comprehensive income (extract):		
Revenue	1,707,473	1,604,836
Cost of sales	1,445,509	1,342,872
Statements of cash flows (extract):		
Cash flow from/(for) operating activities		
Net loss on foreign exchange	6,025	-
Net unrealised gain on foreign exchange	-	(66,461)
Receivables, deposits and prepayments	(109,639)	(37,153)

34. Significant event occurring after the reporting period

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 replaces the existing Companies Act 1965.

Amongst the key changes introduced under the Companies Act 2016 that will affect 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 will cease to have par value; and
- (iii) Share premium account will become part of the share capital.

The adoption of the Companies Act 2016 is to be applied prospectively. Therefore, the changes in the accounting policies and the possible impacts on the financial statements upon its initial adoption will be disclosed in the financial statements of the Group and of the Company for the financial year ending 31 December 2017.

35. Realised and unrealised profits/(losses)

The breakdown of the retained profits of the Group and of the Company as at the end of the reporting period into realised and unrealised profits/(losses) presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follow:-

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
		Restated		
Total retained profits of Muhibbah Engineering (M) Bhd and its subsidiaries:				
- Realised	211,684	106,492	49,237	33,254
- Unrealised	80,892	133,228	10,219	7,807
	<u>292,576</u>	<u>239,720</u>	<u>59,456</u>	<u>41,061</u>
Total retained profits from associated companies:				
- Realised	210,569	187,469	-	-
- Unrealised	1,076	(279)	-	-
	<u>211,645</u>	<u>187,190</u>		-
Less: Consolidated adjustments	(136,350)	(139,489)	-	-
Total retained profits	<u>367,871</u>	<u>287,421</u>	<u>59,456</u>	<u>41,061</u>
	=====	=====	=====	=====

Muhibbah Engineering (M) Bhd.

(Company No. 12737-K)

(Incorporated in Malaysia)

and its subsidiaries

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

In the opinion of the Directors, the financial statements set out on pages 7 to 105 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 35 on page 105 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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



.....
Mac Ngan Boon @ Mac Yin Boon

Klang,

Date: 31 March 2017



.....
Mac Chung Jin

Muhibbah Engineering (M) Bhd.

(Company No. 12737-K)

(Incorporated in Malaysia)

and its subsidiaries

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

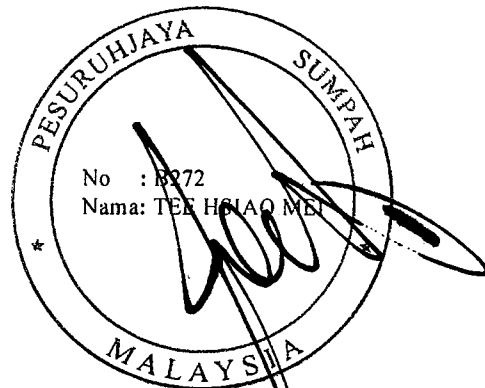
I, **Lee Poh Kwee**, the Director primarily responsible for the financial management of Muhibbah Engineering (M) Bhd., do solemnly and sincerely declare that the financial statements set out on pages 7 to 105 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously 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 on 31 March 2017.



.....
Lee Poh Kwee

Before me:



No. 7, Tingkat Bawah, Lebuh Pinang Dua,
Pusat Perniagaan NBC, Taman Meru,
41050 Klang, Selangor Darul Ehsan.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MUHIBBAH ENGINEERING (M) BHD.

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

Opinion

We have audited the financial statements of Muhibbah Engineering (M) Bhd., which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 104.

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 2016 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, 1965 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.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MUHIBBAH ENGINEERING (M) BHD. (CONT'D)

(Company No. 12737-K)

(Incorporated in Malaysia)

Key Audit Matters (Cont'd)

Revenue recognition and contract accounting Refer to Note 19 to the financial statements	
Key Audit Matter	How our audit addressed the Key Audit Matter
<p>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.</p> <p>Given the significant risks involved when auditing revenue, revenue recognition and contract accounting is an area of audit emphasis as it requires significant management judgement and estimate including amongst others:-</p> <p>(i) assessment of the stage of completion and timing of revenue recognition.</p> <p>(ii) determining cost budgets.</p> <p>(iii) determining project costs to complete.</p> <p>(iv) recognition of variation orders.</p> <p>(v) provision for foreseeable losses and liquidated ascertained damages.</p> <p>The amount due from contract customers represent the amount of revenue earned on contract but yet billed to customer.</p> <p>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.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> Assessing internal control procedures by flowchart and walkthrough test; Performing test of control; Assessing basis used in determining the budgeted contract costs; Assessing project status that fall under our sample; Verifying progress billings and contract costs incurred; Testing the percentage of completion to ensure contract costs incurred to-date reflects the actual work performed; Reviewing calculation of recognition of revenue, cost and profit to be consistent with the percentage of completion; and Assessing reasonableness and adequacy of provision for foreseeable loss and liquidated ascertained damages. <p>No significant issues arose from our work.</p>



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MUHIBBAH ENGINEERING (M) BHD. (CONT'D)**

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

Key Audit Matters (Cont'd)

Investments in associates Refer to Note 6 to the financial statements	
Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Key Audit Matters in relation to major associate</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>The procedures performed by the component auditor on revenue included:-</p> <ul style="list-style-type: none"> • 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. <p>No significant issues arose from our work.</p>



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MUHIBBAH ENGINEERING (M) BHD. (CONT'D)

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

Key Audit Matters (Cont'd)

Recoverability of trade receivables Refer to Note 7 to the financial statements	
Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Trade receivables are a major component of the financial position of the Group. Given the economic downturn due to the low global crude oil price, 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.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> • 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. <p>No significant issues arose from our work.</p>
Property, Plant and Equipment ("PPE") Refer to Note 3 to the financial statements	
Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Property, plant and equipment is a major component of the financial position. There is a risk associated with the assessment of the recoverable amount of certain operating assets included in PPE, which relate to construction, quarry, vessel chartering, marine and port construction, waste heat recovery units for oil and gas industry, and structural steel fabrication businesses. The unfavourable macro-economic factors about future work orders, commodity prices and especially from the prolonged weakness in the crude oil prices have heightened the possibility of a decline in the PPE's value in use and fair values. The recoverability of these PPE is also dependent on internal assumptions related to future production levels and operating costs.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> • Assessing whether there is any indication that an asset may be impaired. If any such indications exists, estimate the recoverable amount of the asset. <p>No significant issues arose from our work.</p>



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MUHIBBAH ENGINEERING (M) BHD. (CONT'D)**

(Company No. 12737-K)

(Incorporated in Malaysia)

Key Audit Matters (Cont'd)

Inventories – Inventories under Work-In-Progress Refer to Note 11 to the financial statements	
Key Audit Matter	How our audit addressed the Key Audit Matter
Inventories is a major component of the financial position, given the economic downturn and decline of the global crude oil price impacted the demand of cranes which might lead to slow moving stocks. Accordingly, significant judgement is required in the assessment on write-down of slow moving stocks.	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> • Reviewing whether inventories are carried at lower of costs and net realisable value; and • Assessing adequacy of allowance made for slow-moving inventories. <p>No significant issues arose from our work.</p>

Contingent Liabilities – Major Litigations and Claims Reported Refer to Note 29 to the financial statements	
Key Audit Matter	How our audit addressed the Key Audit Matter
<p>The Group is a defendant in a number of legal proceedings incidental to its operations.</p> <p>There are a significant number of legal claims in the Group and risk exists that the Group may not have provided adequately for liabilities.</p> <p>Litigation claims, if not properly accounted for or disclose may result in liabilities under or over taken up as well as lead to disclosure not faithfully disclose in the financial statements.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> • Circularising of solicitor confirmation and obtaining legal response; • Reviewing of company legal file; and • Enquiring the management and lawyer on the court case status and their opinions of the litigation claims. <p>No significant issues arose from our work.</p>



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MUHIBBAH ENGINEERING (M) BHD. (CONT'D)**

(Company No. 12737-K)
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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 2016 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, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MUHIBBAH ENGINEERING (M) BHD. (CONT'D)**

(Company No. 12737-K)

(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Crowe Horwath Offices in Malaysia:

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**MUHIBBAH ENGINEERING (M) BHD. (CONT'D)**

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENT

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



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MUHIBBAH ENGINEERING (M) BHD. (CONT'D)**

(Company No. 12737-K)

(Incorporated in Malaysia)

Other Reporting Responsibilities

The supplementary information set out in Note 35 on page 105 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

31 MAR 2017

Kuala Lumpur

Chan Kuan Chee
Approval No: 2271/10/17 (J)
Chartered Accountant

12 May 2017

Dear Shareholders

MUHIBBAH ENGINEERING (M) BHD
ERRATA TO THE AUDITED FINANCIAL STATEMENT FOR THE FINANCIAL YEAR
ENDED 31 DECEMBER 2016

We wish to inform that there was correction (highlighted in yellow) to page 108 of the Audited Financial Statement for the financial year ended 31 December 2016 as follows:-

Page 108 – Independent Auditors' Report

Before amendment

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. **In addition to the matter described in the Material Uncertainty Related to Going Concern section**, we have determined the matters described below to be the key audit matters to be communicated in our report.

After amendment

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.

The above correction was due to a typographical error as there is no section on Going Concern in the Independent Auditors Report dated 31 March 2017 of the Audited Financial Statements of the Company for the financial year ended 31 December 2016.

We enclose herewith the amended page for your kind attention.

Thank you.

Yours faithfully

MUHIBBAH ENGINEERING (M) BHD



Lim Suak Guak
Company Secretary
(MIA 19689)

(Amended)



Crowe Horwath AF 1018
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MUHIBBAH ENGINEERING (M) BHD.

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

Opinion

We have audited the financial statements of Muhibbah Engineering (M) Bhd., which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 104.

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 2016 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, 1965 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.