

• *ANNUAL REPORT* •  
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**MUHIBBAH ENGINEERING (M) BHD**

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Company No.: 12737-K

## CORPORATE INFORMATION

### Board Of Directors

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

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

**Ooi Sen Eng**  
(Executive Director)

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

**Shirleen Lee Poh Kwee**  
(Group Finance Director)

**Abd Hamid bin Ibrahim**  
(Independent Non-Executive Director)

**Sobri bin Abu**  
(Independent Non-Executive Director)

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

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

### Audit Committee

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

### Company Secretaries

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

### Registered Office

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

### Auditors

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

### Principal Bankers

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

### Share Registrar

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

### Stock Exchange Listing

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

### Favelle Favco Berhad

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

### Investor Relations

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

### Website

www.muhibbah.com  
www.favellefavco.com

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Klang Valley Mass Rapid Transit (“MRT”) Line 1 – Semi Enclosure Noise Barrier Structure

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Forty-Fourth Annual General Meeting of Muhibbah Engineering (M) Bhd will be held at Concorde Hotel Shah Alam, Concorde II, Level 2, No. 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on Thursday, 22 June 2017 at 2.45 p.m. for the following purposes :-

## Agenda

### As Ordinary Business

- |   |   |
|---|---|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 and the Reports of the Directors and Auditors thereon.   | <b>Please refer to Explanatory Note 1</b>                         |
| 2. To approve the declaration of a first and final tax exempt dividend of 5.50 sen per ordinary share in respect of the financial year ended 31 December 2016.  | <b>Resolution 1</b>   |
| 3. To re-elect the following Directors who retire pursuant to Article 79 of the Constitution of the Company:-<br><br>(i) Mac Ngan Boon @ Mac Yin Boon<br>(ii) Dato' Mohamad Kamarudin bin Hassan; and<br>(iii) Mazlan bin Abdul Hamid | <b>Resolution 2</b><br><b>Resolution 3</b><br><b>Resolution 4</b> |
| 4. To re-appoint Messrs Crowe Horwath as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration.  | <b>Resolution 5</b>   |

### As Special Business

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

#### 5. Ordinary Resolution

##### Continuation of Terms of Office as Independent Director

"THAT pursuant to the Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012"), approval be and is hereby given to the following Directors, who have served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company :-

- |  |                     |
|--|---------------------|
| (i) Tan Sri Zakaria bin Abdul Hamid; and | <b>Resolution 6</b> |
| (ii) Abd Hamid bin Ibrahim               | <b>Resolution 7</b> |

#### 6. Ordinary Resolution

##### Authority for Directors to issue and allot shares in the Company pursuant to Section 75 of the Companies Act, 2016

**Resolution 8**

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

## 7. Ordinary Resolution

### Proposed Renewal of Authority for Share Buy-Back

### Resolution 9

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

- (i) the aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed ten percent (10%) of the total number of issued share capital of the Company at any point in time; and
- (ii) the funds allocated by the Company for the Proposed Share Buy-Back shall not exceed the aggregate retained profits of the Company; and
- (iii) the authority conferred by this resolution shall continue to be in force until :-
  - (a) the conclusion of the next Annual General Meeting (“AGM”) of the Company following the general meeting at which this resolution was passed, at which time it shall lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, whether unconditionally or subject to conditions; or
  - (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
  - (c) revoked or varied by an ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever is the earliest.

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

- (a) cancel all the shares so purchased; and/or
- (b) retain the shares so purchased as treasury shares, for distribution as share dividends to the shareholders and/or resell on the market of Bursa Securities; and/or
- (c) retain part thereof as treasury shares and cancel the remainder.

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

## 8. Ordinary Resolution

### **Proposed Renewal of the Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

**Resolution 10**

“THAT subject to the Main Market Listing Requirements of Bursa Securities, approval be and is hereby given to the Renewal of the Existing Shareholders' Mandate for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.1.2 of the Circular to Shareholders (“Circular”) dated 28 April 2017 provided that such transactions are undertaken in the ordinary course of business, at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the interests of the minority shareholders of the Company.

THAT a New Shareholders' Mandate be and is hereby granted for the Company and/or its subsidiaries to enter into additional recurrent related party transactions of a revenue or trading nature with related parties which are necessary for the day-to-day operations and on normal commercial terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders as set out in Section 2.1.2 of the Circular dated 28 April 2017;

(collectively known as the “Proposed Shareholders' Mandate”)

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

- a) the conclusion of the next AGM of the Company at which time it shall lapse, unless by an ordinary resolution passed at the next AGM, the Proposed Shareholders' Mandate is renewed; or
- b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- c) revoked or varied by an ordinary resolution passed by the Company's shareholders at a general meeting,

whichever is the earliest.

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

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

**FURTHER NOTICE IS HEREBY GIVEN THAT** for the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 59(d) of the Constitution of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Securities, a Record of Depositors as at 15 June 2017 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting or appoint proxies to attend and/or vote on his/her behalf.

**Notes :-**

- (a) *A member entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. Each proxy appointed, shall represent a minimum of one hundred (100) shares. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his/her shareholdings to be represented by each proxy.*
- (b) *A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.*
- (c) *The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.*
- (d) *Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
- (e) *Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
- (f) *The duly completed Proxy Form must be deposited at the Share Registrar's Office, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi 59200 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time set for the holding of the AGM or any adjournment thereof.*
- (g) *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all resolutions set out in this Notice will be put to vote by way of poll.*

**Explanatory Notes to the Agenda**

**1. Audited Financial Statements for the Financial Year Ended 31 December 2016**

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

**2. Resolutions 6 & 7: Approval pertaining to the Continuation of Terms of Office as Independent Director**

For Resolution 6 and 7, in line with the Recommendation 3.1 of the MCCG 2012, the Nominating Committee and the Board of Directors had conducted an assessment of independence of Tan Sri Zakaria bin Abdul Hamid ("Tan Sri Zakaria") and En Abd Hamid bin Ibrahim ("En Abd Hamid"), who have served as Independent Non-Executive Directors of the Company for a cumulative terms of more than nine (9) years, and recommended them to continue to act as Independent Non-Executive Director of the Company based on the following justifications:-

- (a) They fulfilled the Independence guidelines as set out in the Main Market Listing Requirements of Bursa Securities, and therefore they would be able to exercise independent judgment and ability to act in the best interest of the Company.
- (b) They possess vast experience in the industry sectors which enable them to provide constructive thought in the Board deliberations and decision making judgment.
- (c) They have exercised care as Independent Director of the Company and carry out their professional and fiduciary duties in the interest of Company and its shareholders.
- (d) They have served the Board for more than nine (9) years and therefore understand the Company's operations which enable them to bring valuable recommendations and directions to the Company's directors.

## Notice of Annual General Meeting (continued)

### 3. **Resolution 8: Authority for Directors to issue and allot shares in the Company pursuant to Section 75 of the Companies Act, 2016**

For Resolution 8, Authority for Directors to issue and allot shares in the Company pursuant to Section 75 of the Companies Act, 2016 if passed, will provide flexibility to the Director to undertake fund raising activities but not limited to placement of shares for the funding of the Company's future investment projects, working capital and/or acquisitions, by the issuance of shares in the Company to such persons in any time, as the Directors may deem fit, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next Annual General Meeting of the Company.

This general mandate is a renewal of the mandate obtained from the shareholders at the Annual General Meeting of the Company held on 2 June 2016. The Company did not exercise the mandate obtained at the last Annual General Meeting and thus no proceeds were raised from the previous mandate.

### 4. **Resolution 9: Proposed Renewal of Authority for Share Buy-Back**

For Resolution 9, the detailed information on the Proposed Renewal of Authority for Share Buy-Back Authority is set out in the Statement/Circular to Shareholders dated 28 April 2017 which is despatched together with the Company's Annual Report 2016.

### 5. **Resolution 10: Proposed Renewal of the Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")**

For Resolution 10, the detailed information on the Proposed Shareholders' Mandate is set out in Statement/Circular to Shareholders dated 28 April 2017 which is despatched together with the Company's Annual Report 2016.

## Notice of Dividend Entitlement and Payment Date

**NOTICE IS HEREBY GIVEN THAT** a first and final tax exempt Dividend of 5.50 sen per ordinary share in respect of the financial year ended 31 December 2016, if approved by the shareholders at the forthcoming Forty-Fourth Annual General Meeting, will be paid on 20 September 2017 to Depositors whose names appear in the Record of Depositors at the close of business on 7 September 2017.

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

- Shares transferred into the Depositor's securities account before 4.00 p.m. on 7 September 2017 in respect of ordinary transfers; and
- Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

### **BY ORDER OF THE BOARD**

**IRENE CHOE MEE KAM @ IRENE CHOW MEE KAM (MIA 16775)**

**LIM SUAK GUAK (MIA 19689)**

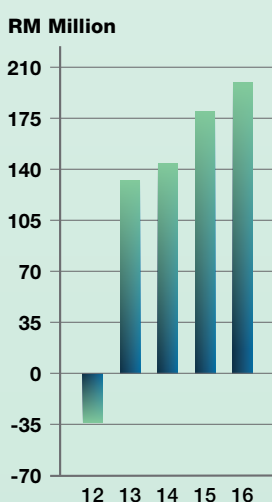
**TIA HWEI PING (MAICSA 7057636)**

Company Secretaries

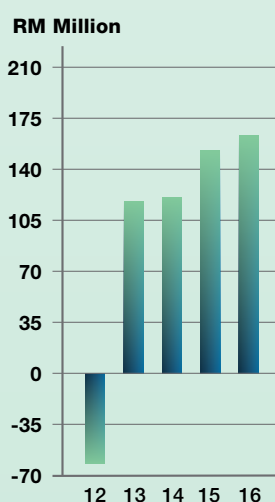
Selangor Darul Ehsan  
28 April 2017

## Group Financial Highlights

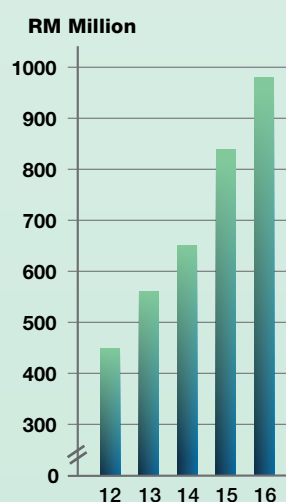
	2012	2013	2014	2015 Restated	2016
Turnover (RM'000)	2,625,525	1,936,401	1,733,620	1,707,473	<b>1,918,623</b>
Profit/(Loss) Before Tax (RM'000)	(34,977)	132,570	143,689	178,378	<b>182,546</b>
Profit/(Loss) After Tax Before Non-controlling Interest (RM'000)	(61,083)	116,215	118,856	150,534	<b>160,955</b>
Profit/(Loss) After Tax and Non-controlling Interest (RM'000)	(93,241)	86,379	81,550	87,492	<b>105,501</b>
Total Equity Attributable to Owners of the Company (RM'000)	454,055	562,656	643,979	839,041	<b>976,202</b>
Share Capital (RM'000)	204,124	211,214	215,732	235,297	<b>241,057</b>
Basic Earnings Per Ordinary Share Attributable to Owners of the Company (Sen)	(22.94)	20.98	19.23	19.11	<b>22.19</b>
Net Assets Per Ordinary Share Attributable to Owners of the Company (RM)	1.12	1.34	1.50	1.79	<b>2.03</b>



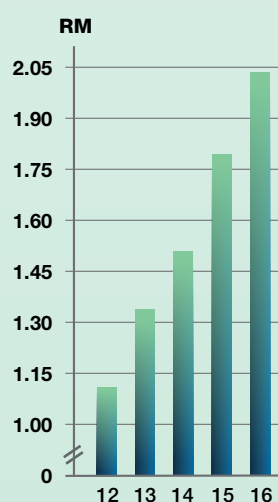
**Profit Before Tax**



**Profit After Tax Before  
Non-controlling Interest**

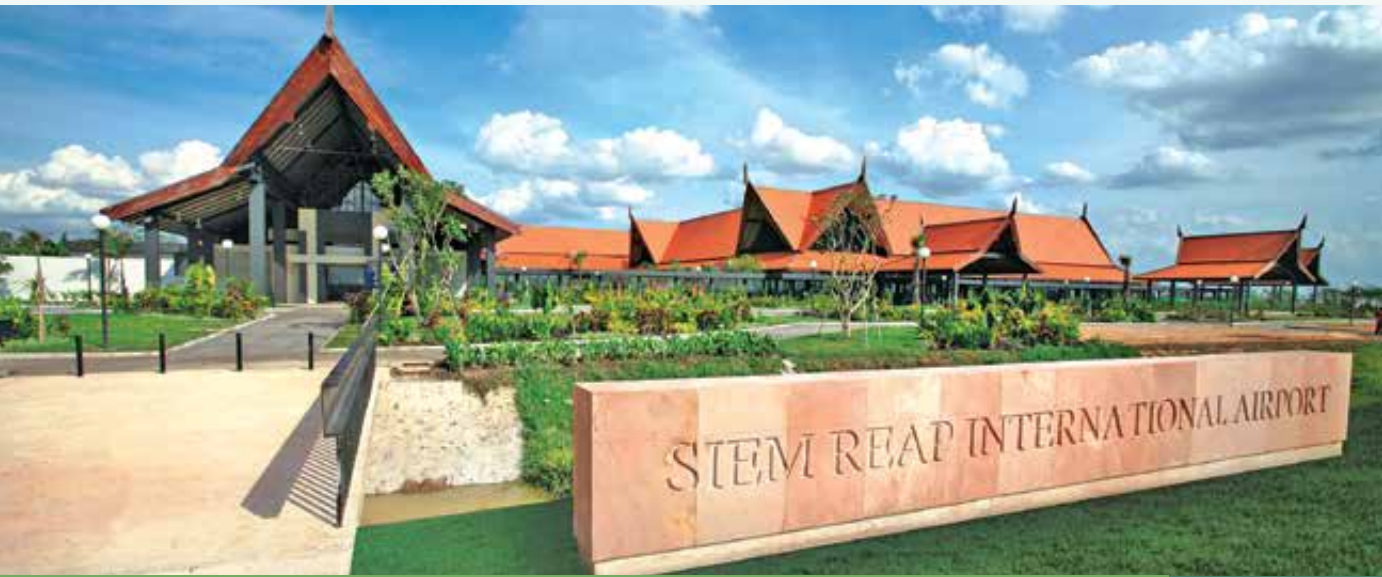


**Total Equity Attributable  
to Owners of the Company**



**Net Assets Per Ordinary  
Share Attributable to  
Owners of the Company**





### *Overview of Businesses*

Muhibbah was incorporated in Malaysia on 4 September 1972 and listed on the Main Market of Bursa Malaysia Securities Berhad (“Main Market”) since 1993.

Over the last 40 years, Muhibbah has established its track record as a leading engineering contractor servicing a multitude of industries and playing an integral role as an integrated construction solutions provider for maritime, oil and gas and infrastructure projects for both local and global markets.

The Group owns a Main Market listed and renowned international crane manufacturing subsidiary company, Favelle Favco Berhad. The Group’s shipyard facilities in Telok Gong, Klang caters for shipbuilding, ship conversion and engineering business. Our main associate companies comprise international airports concessions in Cambodia and a road maintenance concession in the central region of Malaysia.

Our Group’s headquarters is located in Klang, Malaysia which is about 35 kilometres from Kuala Lumpur, the capital city of Malaysia. Our Group has foot prints and offices set-up in Australia, Denmark, Germany, America, Qatar, the United Kingdom, Cambodia, Singapore, the Peoples Republic of China, the Philippines, Myanmar, Europe and Abu Dhabi. Our Group also has network agents that market its businesses worldwide.

### **Mission and Strategies**

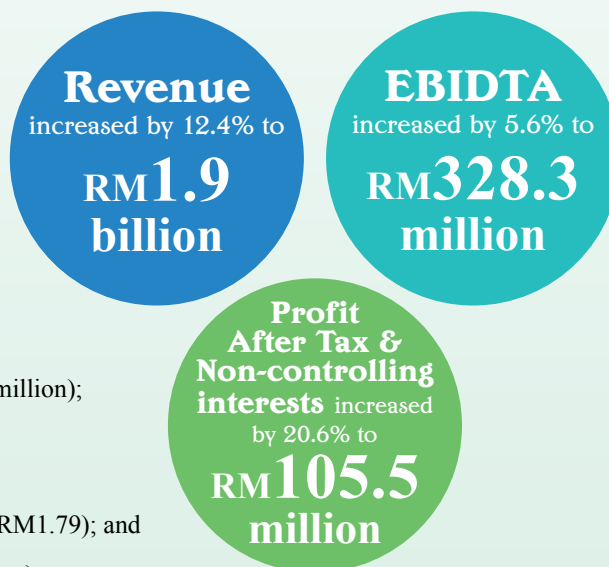
The Group’s long term mission is to be an international leading infrastructure and construction solutions provider, a renowned heavy-lifting cranes manufacturer, concessions owner and operator with steady growing potential.

Our long term strategy is to continue building the right mix of diversified core businesses which offer synergistic contribution to the Group.

## Review of Financial Results and Operating Activities

### Key Financial Highlights

- Group's revenue increased by 12.4% to RM1.9 billion (2015: RM1.7 billion);
- Group's earnings before interest, amortisation and tax ("EBIDTA") increased to RM328.3 million (2015: RM 310.8 million);
- Group's net profit after tax increased to RM161 million (2015: RM150.5 million);
- Group's profit after tax and non-controlling interests increased by 20.6% to RM105.5 million (2015: RM87.5 million);
- Group's basic earnings per share increased to 22.2 sen (2015: 19.1sen);
- Group's net assets per share increased to RM2.03 (2015: RM1.79); and
- Group's net gearing improved by 0.6 times (2015: 0.8 times).





Construction for Deck and Approach Bridge for Northport Project in Selangor, Malaysia.

## Review of Financial Performance

### Revenue

The Group's revenue for the financial year ended 31 December 2016 stood at RM1.9 billion, an increase of RM211.1 million or 12.4% compared to the revenue for the preceding financial year of RM1.7 billion. The growth in revenue was primarily driven by the increase in execution of contracts and revenue recognition in the Construction and Engineering Division.

### Profit after Tax

The Group's profit after tax of RM161 million in 2016, is 6.9% higher than the RM150.5 million recorded for the preceding financial year. Net profit after tax and non-controlling interests increased by 20.6% from RM87.5 million in 2015 to RM105.5 million in 2016 mainly due to improvement in the construction division,

export incentive allowance for the Crane Division as well as higher contribution from the Airports Concession Division.

## Liquidity and Financial Resources

The Group generally has been financing its operations through internally generated funds and bank borrowings.

As at 31st December 2016, the Group has net borrowings of RM596.2 million (RM692.8 million in previous financial year). The net gearing ratio is 0.6 times (0.8 times in previous financial year).

## Dividend Policy and Dividend

The Group has a dividend ratio policy ranging between 25% and 35% of net profit after tax and non-controlling interests, depending on the industry outlook, order book, working capital and gearing as well as future business development requirements.

The Board recommended a first and final tax exempt dividend of 5.5 sen per ordinary share (2015: 5.0 sen per ordinary share) in respect of the financial year under review, subject to the approval of the shareholders at the forthcoming Annual General Meeting. The total dividend payable amounts to RM26.4 million (2015: RM24 million).

## Review of Core Business Operations Performance and Outlook

Review of the performance and outlook of each division of the Group for the financial year ended 31 December 2016 and the future prospects of the Group are as follows:-

## Construction and Engineering Division

In 2016, the Group also secured several projects, amongst them, the extension of office floor sub-basement car park for PETRONAS Carigali Sdn. Bhd. in Sabah and the construction of a new domestic terminal of the Phnom Penh Airport in Cambodia for Société Concessionnaire de l'Aéroport.

Other ongoing contracts secured in previous years include several packages and work orders for the PETRONAS Refinery and Petrochemicals Integrated Development ("RAPID") Project in Pengerang, Johor, Malaysia, fabrication works for Ophir Development Project, marine works at Westport in Port Klang for Northport (Malaysia) Bhd and Samalaju Port Development in Bintulu, Sarawak.



Engineering, Procurement, Construction, Installation and Commissioning of Well Head Platform for Ophir Development Project in Terengganu, Malaysia.



Favelle Favco Offshore Crane at Hong Kong Bridge, Hong Kong.

At the start of 2017, the Company was awarded a contract by the Economic Zone Company of Qatar (MANATEQ), a wholly owned company of the Qatari Government, to undertake the construction of roads and infrastructure work in Qatar for a total contract price of approximately Qatari Riyal 356.7 million (equivalent to approximately RM438.1 million).

The Eleventh Malaysian Plan focuses on infrastructure projects such as the Mass Rapid Transit (MRT) Line 2 and the Light Rail Transit (LRT) Line 3, the PETRONAS RAPID Project and various marine related upgrading and expansion projects. The Group is hoping to secure some of these works.

As at 30 March 2017, the outstanding secured order book for the construction and engineering division stands at approximately RM1.1 billion.

### Crane Division

In 2016, Favelle Favco Berhad Group's revenue decreased to RM582 million from RM867 million in 2015 as a result of the slowdown in the global oil and gas sector.

Correspondingly, its profit after tax decreased to RM72.0 million from RM93.9 million in 2015.

Nevertheless, its net profit margin rose from 10.8% to 12.4%. This is attributed to controlling of costs.

The company completed the revamp of four more new tower crane models and will see them all introduced in 2017. We continue our penetration into the smaller range of tower cranes combining our experience in China and the best practices of Kroll and Favelle Favco. In addition to that, we have been increasing the size of our own Rental Fleet especially in our home markets. We have definitely been seeing welcoming acceptance of such a move.

In the past, we have highlighted our continued investment in our Operations and Maintenance business. We are glad to report we are making further inroads here. We continue to transfer machinery and some of our best people into this segment of the business. Our efforts have been rewarded with additional maintenance contracts during the year. We expect to continue investing in human resources training and development for this highly skilled segment of the business.

## Concessions Division

We have completed the extension of the new terminals at both Phnom Penh International Airport and Siem Reap International Airport to expand their capacity to 12 million passengers per annum. The new terminals were officially inaugurated in 2016 to cater for future growth. During the same year, an expansion programme was also undertaken to enlarge the domestic terminal at the Phnom Penh Airport in Cambodia.

All our three (3) Cambodia airports namely Phnom Penh International Airport, Siem Reap International Airport and Sihanoukville International Airport experienced growth at an average rate of 9% year-on-year.

In 2016, our road maintenance concession in the central region of Peninsular Malaysia was awarded an extension of the concession from 2016 to 2026 by the Federal Government of Malaysia.

## Future Prospects

Journeying ahead, improving project execution and delivery will remain our key priorities.

This roadmap underpins the character of our Group and establishes the values by which we deliver our results. The Group has what it takes to meet the challenges of the current business environment and achieve our vision of being a niche integrated infrastructure and construction solutions provider which is admired for its people, partnership and performance.

The Board of Directors is of the view that the economic conditions for 2017 are expected to stay challenging due to the current macro-economic condition. Nevertheless, with the Group diversified and with synergistic businesses in different industries and regions, the Group is continuing to tap its growth in relevant sectors globally.



Favelle Favco Tower Crane in Songkhla, Thailand.



Favelle Favco Offshore crane in Vietnam.





Civil, Concrete & Building for RAPID Project in Pengerang, Johor, Malaysia.

### Corporate Governance

The application of and compliance with the principles and best practices as set out in the Code on Corporate Governance, including a Statement on Risk Management & Internal Control, have been included in this Annual Report in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad.

### Corporate Social Responsibility

The Group continues to honour our long standing commitment to the environment by proactively addressing environmental challenges, promoting environmental responsibility through Health, Safety and Environmental (“HSE”) management policies, upholding HSE standards and encouraging the

development and use of environmental-friendly designs and technologies.

With preservation of the environment in mind, we continued our efforts by our participation in a Tree Planting Programme at the Forest Research Institute Malaysia.

Muhibbah’s true spirit of unity was seen, when we organised “Muhibbah Sehati Sejiwa” to commemorate Malaysia Day 2016. It has successfully connected our people within the Group. Activities included as photo sessions in all departments and drawing campaigns extended to the employees’ families.

The continual caring for community is close to the heart of Muhibbah. We organised a visit to the Cancer Kid of Pusat Perubatan Universiti Malaya in efforts to bring cheer to terminally ill children.

## Acknowledgement and Appreciation

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

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

**Mac Ngan Boon @ Mac Yin Boon**  
**Group Managing Director**



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



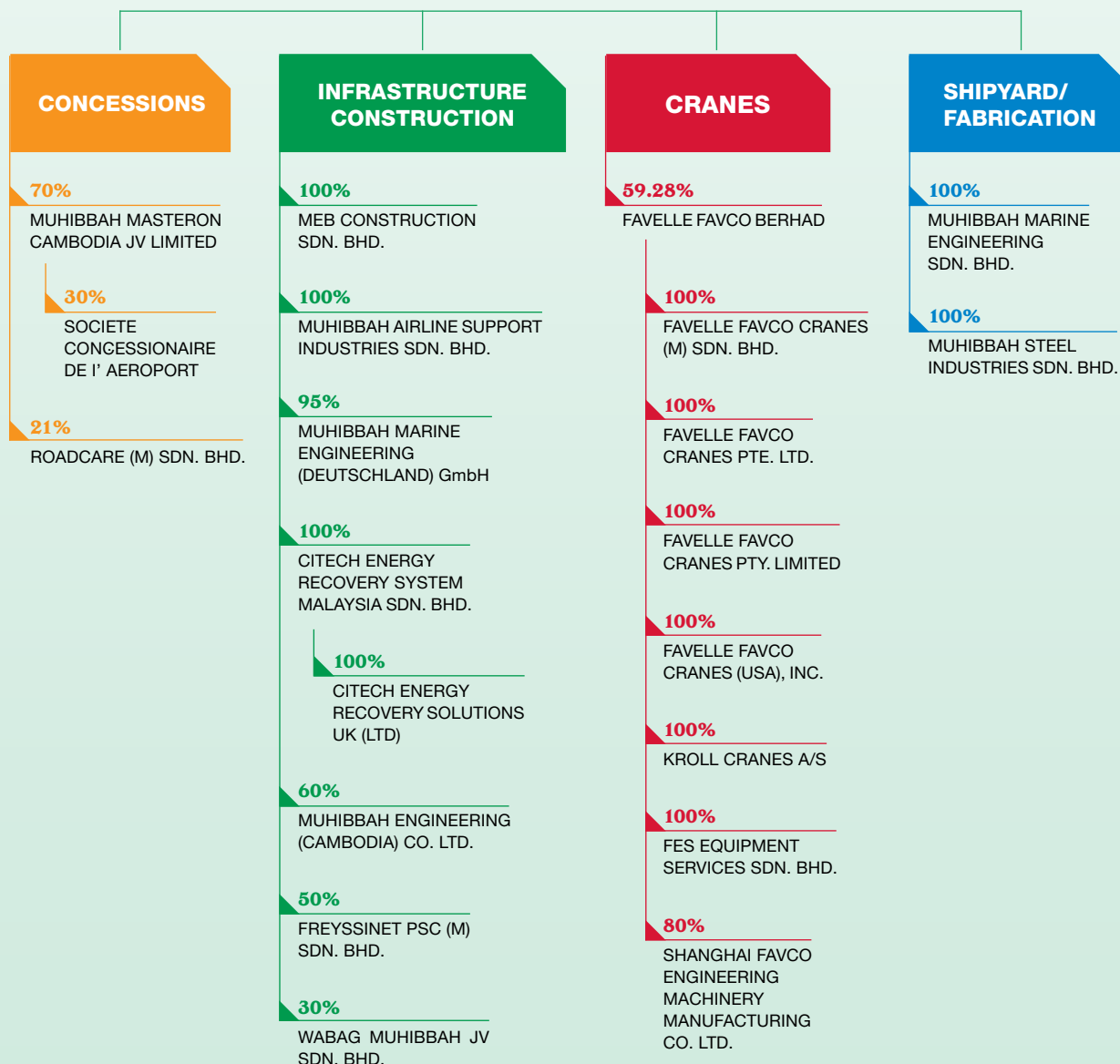
Engineering, Procurement, Construction and Commissioning for RAPID Temporary Village and Temporary Management Office Facilities in Pengerang, Johor, Malaysia.

## Core Divisions as at 31 March 2017



### MUHIBBAH ENGINEERING (M) BHD

(12737-K)



Only major active companies are included here



### **Tan Sri Zakaria bin Abdul Hamid**

Aged 73, Male, Malaysian

*Chairman, Senior Independent Non-Executive Director*

*Chairman of the Audit Committee, Remuneration Committee and Nominating Committee*

Tan Sri Zakaria bin Abdul Hamid was appointed as Vice Chairman of the Company on 20 February 2002 and a member of the Audit Committee on 28 March 2003. He was redesignated as Chairman of the Company and the Audit Committee and appointed as Senior Independent Non-Executive Director, Chairman of the Remuneration and Nominating Committees on 15 May 2014 following the retirement of Tuan Haji Mohamed Taib bin Ibrahim. He obtained a Bachelor of Arts with Honours Degree from the University of Malaya in 1969 and later furthered his studies in 1993 at the Royal College of Defence Studies in London. He started work in 1969 in the Government Service and later in the Prime Minister's Department. His last held position was Director General when he retired in early 2002.

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

### **Mac Ngan Boon @ Mac Yin Boon**

Aged 73, Male, Malaysian

*Group Managing Director*

*Member of the Remuneration Committee*

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

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

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

### **Ooi Sen Eng**

Aged 75, Male, Malaysian

*Executive Director*

*Member of the Remuneration Committee*

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

### Mac Chung Jin

Aged 43, Male, Malaysian

*Executive Director/Deputy Chief Executive Officer*

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

### Shirleen Lee Poh Kwee

Aged 51, Female, Malaysian

*Group Finance Director*

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

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

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

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

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

### Sobri bin Abu

Aged 64, Male, Malaysian

*Independent Non-Executive Director*

*Member of the Audit Committee, Remuneration Committee and Nominating Committee*

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

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

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

### **Abd Hamid bin Ibrahim**

Aged 68, Male, Malaysian

*Independent Non-Executive Director*

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

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

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

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

### **Dato' Mohamad Kamarudin bin Hassan**

Aged 61, Male, Malaysian

*Independent Non-Executive Director*

*Member of the Audit Committee, Remuneration Committee and Nominating Committee*

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

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

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

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



### **Mazlan bin Abdul Hamid**

Aged 54, Male, Malaysian

*Non-Independent Non-Executive Director*

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

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

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

### Mac Chung Hui

Aged 39, Male, Malaysian

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

Mac Chung Hui was appointed as the Group Deputy Managing Director of Favelle Favco Berhad (“FFB”) on 5 May 2004 and appointed as Chief Executive Officer in the same year. He was re-designated as Managing Director on 26 August 2013. He holds a Bachelor of Civil Engineering degree from the University of Nottingham, United Kingdom. He joined FFB as Supervisory Board Member in 1999 and was responsible in assisting the Managing Director in the execution of operational decisions of the FFB Group. He has also been overseeing the production and operation of Favelle Favco Cranes Pty Limited (“FFA”) and Favelle Favco Cranes (M) Sdn Bhd (“FFM”) over the past sixteen (16) years.

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

### Ooi Kien Chuan

Aged 65, Male, Malaysian

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

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

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

### Additional Information on Directors

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

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

#### 2. Conflict of Interest

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

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

The Directors have not been convicted of any offences, other than traffic offences within the past five (5) years and have no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

### Additional Compliance Information

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

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

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

The amount of fees payable/paid to the external auditors for the financial year ended 31 December 2016 were as follows:

	Group RM'000	Company RM'000
Audit services	602	184
Non-audit services -Tax compliance and advisory	93	39

#### 3. Profit Estimate, Forecast or Projection

There was no profit estimate, forecast or projection announced by the Company and its subsidiary companies during the financial year ended 31 December 2016.

#### 4. Material Contracts

Save for the recurrent related party transactions disclosed under item 5, there were no material contracts entered into by the Company and its subsidiaries involving the interests of Directors and major shareholders, either still subsisting as at 31 December 2016 or entered into since the end of the previous financial year ended 31 December 2015.

## 5. Recurrent Related Party Transactions

At the Annual General Meeting held on 2 June 2016, the Company had obtained shareholders' mandate allowing the Group to enter into recurrent related party transactions of a revenue or trading nature as disclosed in the Circular to Shareholders dated 29 April 2016. In accordance with Section 3.1.5 of Practice Note No. 12/2001 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the details of recurrent related party transactions conducted during the financial year ended 31 December 2016 pursuant to the shareholders' mandate are disclosed as follows :-

Transacting Parties	Related Party	Nature of Transactions	Actual Transaction Value for the Financial Year Ended 31 December 2016 RM'000
MEB Group and FFB Group	Mac Ngan Boon @ Mac Yin Boon, Mac Chung Hui, Mac Chung Jin and Mazlan bin Abdul Hamid	Sales of cranes and parts and rental of cranes, plant and equipment by MEB Group to FFB Group; and subcontracting work awarded by FFB Group to MEB Group	2,913
		Purchases and rental of cranes and parts by MEB Group from FFB Group, and the provision of crane maintenance and services by FFB Group to MEB Group	1,446
		# Rental of factory and office premises located at Lot 9895, Geran #26559, Kg. Jawa, Mukim & District of Klang, State of Selangor by MEB Group to FFB Group, measuring 5.0 acres	1,356
		# Rental of office space under Lot 586, 2nd Mile, Jalan Batu Tiga Lama by MEB Group to FFB Group, measuring 4,500 sq. ft.	176
		# Rental of land held under HS(D) 99546 Lot No. 104625 Mukim & District of Klang, State of Selangor by MEB Group to FFB Group, measuring in area approximately 160,000 sq. ft.	1,920
		# Rental of open yard located at Lot 104626 & Lot 129073, Telok Gong, Mukim & District of Klang, State of Selangor by MEB Group to FFB Group, measuring 62,500 sq. ft.	592
		Shared services expenses/charges by MEB Group to FFB Group which include amongst others, legal, information technology and internal audit by MEB Group to FFB Group	2,000

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

### Abbreviations

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



## Introduction

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

This statement describes how the Group has applied the principles set out in the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) and except where stated otherwise, its compliance with the best practices of the MCCG 2012 for the financial year ended 31 December 2016.

## Board of Directors

### Composition and Balance

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

The Board is well balanced with Executive and Non-Executive Directors. Currently, the Board consists of nine (9) members, comprising four (4) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and four (4) Executive Directors. As such, more than one-third (1/3) of the Board comprises Independent Directors.

The Board believes that the current composition is appropriate given the nature of business and scale of operations of the Group. Profiles of the Directors are presented on pages 17 to 20 of this Annual Report.

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

An Independent Non-Executive Chairman leads the Board and he is also identified as the Senior Independent Non-Executive Director to whom concerns of the Group may be conveyed.

### Duties and Responsibilities of the Board

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

- Oversee the conduct of the Group’s businesses and financial performance to determine if the businesses are being properly managed and provide stewardship in monitoring the businesses are aligned with the Group’s long and short term objectives and goals;
- Review and adopt strategic plans/directions of the Company and its Group and to monitor the implementation of such plans/directions by the management;
- Review and adopt financial results of the Company and the Group as well as adequacy of financial information disclosure;
- Review the conduct and performance of major projects to determine whether they were properly managed;
- Assess and review principal risks affecting the Group and supervise the implementation of appropriate systems or processes to manage such risks effectively. The details of the processes are set out in Statement on Risk Management and Internal Control;
- Review related party transactions;
- Establish and implement succession planning for the Directors and the Group’s key senior management for purpose of business continuity. This includes ensuring implementation of appropriate systems for recruitment, training and retention;
- Review and adopt corporate strategy, business plans, major investment and financing; and
- Review material litigations, Group’s order book, debt collection status, capital expenditure, borrowing and cash statuses.

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

### Board Meetings

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

<b>Names of Directors</b>	<b>Attendance at Meetings in 2016</b>
Tan Sri Zakaria bin Abdul Hamid	4/4
Mac Ngan Boon @ Mac Yin Boon	4/4
Ooi Sen Eng	4/4
Mac Chung Jin	4/4
Lee Poh Kwee	4/4
Abd Hamid bin Ibrahim	4/4
Sobri bin Abu	4/4
Dato' Mohamad Kamarudin bin Hassan	4/4
Mazlan bin Abdul Hamid	4/4

Board members are required to declare their directorship in other companies to the Board. All Board members are expected to devote sufficient time to carry out their roles and responsibilities as Directors. The Board is of the opinion that provisions in the Companies Act, 1965 or the Companies Act, 2016 (as the case may be) and Main Market Listing Requirements of Bursa Securities are sufficient to ensure adequate commitment by the Directors to perform their duties, including devoting sufficient time to the Company without it being formally regulated. This is evidenced by the attendance of the Directors and the time spent at Board meetings as shown above. Schedule for the Company's Board meeting was formulated and is shared with the Directors prior to the beginning of each financial year to ensure the Directors' commitment.

### Access to Information and Advice

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

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

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

### **Sustainability**

The Board views the commitment to sustainability and environment, social and governance performance as part of its broader responsibility to clients, shareholders, workplace and the communities in which it operates. Every business decision that the Group makes pertaining to growth and profitability is consistent with its social and environmental needs for sustainability. The corporate responsibility initiatives undertaken by the Company for the financial year ended 31 December 2016 are disclosed in the Management Discussion and Analysis of this Annual Report.

### **Board Charter and Code of Ethics**

As at the date of this Statement, the Board has not adopted a Board Charter as the Board believes that the existing legislation collectively with the various policies, the Company's internal procedures and practices that have been in place, the Company's Constitution, statutory and regulatory requirements (not limited to the Companies Act, 1965 or the Companies Act, 2016 (as the case may be), MCGG 2012 and the Main Market Listing Requirements of Bursa Securities), have effectively encapsulated the essence of the suggested contents of a Board Charter.

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

### **Board Committees**

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

#### **(i) Audit Committee**

The principal objective of the Audit Committee is to assist the Board in carrying out its statutory duties and responsibilities relating to the accounting and reporting practices of the Group. This includes reviewing the quarterly financial results to be disclosed and the scope of works, having two (2) independent meetings with external auditors and undertaking any such other functions as may be determined by the Board from time to time.

All the members of the Audit Committee are Non-Executive Directors. Tan Sri Zakaria bin Abdul Hamid, a Senior Independent Non-Executive Director, is the Chairman of the Audit Committee.

The Audit Committee met four (4) times during the year.

A report detailing the membership, attendance, role and activities of the Audit Committee is presented on pages 35 to 36 of this Annual Report.

**(ii) Nominating Committee**

The present members of the Nominating Committee are as follows:

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

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

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

- Reviewed the performance of Independent Directors including the criteria as required under the Listing Requirements. All assessments and evaluations carried out by the Nominating Committee are properly documented whereby the Nominating Committee was satisfied by the level of independence demonstrated by all the Independent Directors;
- Reviewed the existing balance, size, composition and effectiveness of the Board of Directors and Board committees through an evaluation survey questionnaire known as Board and Board Committees Assessment Questionnaire. The duly completed questionnaire was compiled and used as guidance for the recommendation of appropriate actions for further improvement;
- Discussed the criteria to be used for the appointment of new Directors which include gender diversity, ethnicity, age and succession planning;
- Identified and recommended to the Board the Directors who were due for retirement by rotation and/or subject to re-appointment at the forthcoming Annual General Meeting; and
- Reviewed the terms of reference of the Nominating Committee to ensure they are in line with the latest Main Market Listing Requirements of Bursa Securities and also to formalize some existing practices of the Nominating Committee.

The Nominating Committee Terms of Reference is made available on the Company's corporate website at [www.muhibbah.com](http://www.muhibbah.com).

## (iii) Remuneration Committee

The present members of the Remuneration Committee are as follows:

Names of Committee Members	Designation
Tan Sri Zakaria bin Abdul Hamid	Chairman (Senior Independent Non-Executive Director)
Mac Ngan Boon @ Mac Yin Boon	Member (Group Managing Director)
Ooi Sen Eng	Member (Executive Director)
Sobri bin Abu	Member (Independent Non-Executive Director)
Dato' Mohamad Kamarudin bin Hassan	Member (Independent Non-Executive Director)

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

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

## Board Evaluation

For the financial year under review, the Board assisted by the Nominating Committee reviewed the skills and experience of the individual Directors and assessed the effectiveness of the Board as a whole.

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

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

**Appointment, Re-appointment and Re-election of Directors**

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

The Board believes that diversity in the Board's composition will bring value to Board deliberation. The Board recognises the benefit of diversity in gender and hence gender had been inherently considered in the recruitment and appointment of Directors. The Board has one (1) woman Director and the Board is comfortable with its current composition.

**Reinforcement of Independence**

The Board acknowledges the importance of Independent Non-Executive Directors in bringing objectivity and impartiality in providing unbiased opinion and judgment to ensure that the interests of the Group, shareholders, customers and other stakeholders are taken into account during its decision making process. The Board consists of four (4) Independent Directors who neither involved themselves in the business transactions nor participated in the day-to-day management of the Group. The Independent Directors satisfy the definition set out in the Main Market Listing Requirements of Bursa Securities and the Company meets the minimum requirement prescribed by the Main Market Listing Requirements of Bursa Securities to have at least one-third (1/3) of its Board members being Independent Directors.

In line with the recommendations of MCCG 2012, the tenure of the Independent Director should not exceed a cumulative term of nine (9) years. Should the Board intend to retain the Director as Independent Director after serving beyond nine (9) years, shareholders' approval will be sought.

Currently, there are two (2) Board Members who have served as Independent Directors for more than nine (9) years. The Nominating Committee and the Board have performed the assessment on independence of the Independent Directors and noted that Tan Sri Zakaria bin Abdul Hamid and En Abd Hamid bin Ibrahim have served the Board for more than nine (9) years as Independent Directors. The Board on the recommendation of the Nominating Committee proposed for their re-appointment as Independent Directors at the forthcoming Annual General Meeting based on their independence, vast experience cumulated from the relevant industries, networking and ability to continue to provide valuable contributions and independent insights to support the Board.

**Division of roles and responsibilities between Chairman and Managing Director**

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

## Directors' Training

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

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

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

Programme title	Organiser
Independent Directors Programme : The Essence of Independence	Bursa Malaysia Berhad
Amendments to Bursa Malaysia's Listing Requirements - With Latest Cases on Directors Duties	Bursatra Sdn Bhd
Comprehending Financial Statements for Directors and Senior Management	Bursatra Sdn Bhd
Designing Directors' Performance Assessment for Directors's Independence & Effectiveness	Bursatra Sdn Bhd
Embracing The Board's Role in Corporate Transformation for Sustainable Results	Bursatra Sdn Bhd
Highlights of The Companies Act 2016 - Changes & Implications	Bursatra Sdn Bhd
The Inside Story of The Annual Report : What Directors Must Know	Bursatra Sdn Bhd
DBS Vickers - Pulse of Asia Conference in Singapore	DBS Vickers Securities
Companies Act 2016 - Key Changes Affecting Accountants & Auditors	Malaysian Institute of Accountants
Companies Act 2016 - Key Insights and Implication for Directors/Shareholders	Malaysian Institute of Accountants
Private Equity - Disrupting Markets	Malaysian Institute of Accountants
Budget Seminar 2016	PricewaterhouseCoopers Taxation Services Sdn Bhd

## Directors' Remuneration

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

	Group RM	Company RM
<b>Executive:</b>		
Fees	633,000	288,000
Other emoluments	4,030,800	3,776,740
	<b>4,663,800</b>	<b>4,064,740</b>
<b>Non-Executive (but holding executive position in subsidiaries):</b>		
Fees	174,000	72,000
Other emoluments	711,020	13,640
	<b>885,020</b>	<b>85,640</b>
<b>Independent Non-Executive:</b>		
Fees	372,000	288,000
Other emoluments	88,840	68,420
	<b>460,840</b>	<b>356,420</b>
Total Directors' remuneration	<b>6,009,660</b>	<b>4,506,800</b>

The number of Directors in each remuneration band for the financial year 2016 is as follows:

Range of Remuneration	Executive Directors	Non-Executive Director	Independent Non-Executive Directors	Total
Below RM100,000	-	-	3	3
RM150,001 to RM200,000	-	-	1	1
RM800,001 to RM850,000	-	1	-	1
RM900,001 to RM950,000	2	-	-	2
RM1,200,001 to RM1,250,000	1	-	-	1
RM1,450,001 to RM1,500,000	1	-	-	1
	<b>4</b>	<b>1</b>	<b>4</b>	<b>9</b>

## Accountability and Audit

### Financial Reporting and Statement of Directors' Responsibility

The Directors are responsible to ensure that the financial statements are drawn up in accordance with the Companies Act, 1965/Companies Act, 2016 (as the case may be) and applicable financial reporting standards in Malaysia.

The Board is responsible for ensuring that the financial statements for each financial year give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and the results of operations, changes in equity and cash flows of the Group and the Company for the financial year.

In preparation of the financial statements, the Board has ensured that:

- i) Suitable accounting policies have been adopted and applied consistently;
- ii) Judgments and statements made are reasonable and prudent; and
- iii) Financial statements have been prepared on a going concern basis.

The Audit Committee assists the Board by overseeing that financial reporting reflects the substance of the business and transactions apart from being compliant with relevant standards and legislation.

The Board is responsible for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and which enable them to ensure the financial statements comply with the Companies Act, 1965/Companies Act, 2016 (as the case may be) and applicable approved accounting standards in Malaysia.

### Relationship with the Auditors

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

### Risk Management Framework and Internal Control

The Group's Statement on Risk Management & Internal Control, which provides an overview of the risk management framework and state of internal control within the Group, is presented on page 37 to page 38 of this Annual Report.

### Internal Audit Function

Details of the Internal Audit Function and activities are as set out in the Audit Committee report on page 36 of this Annual Report.

### Recurrent Related Party Transactions

The Board, through the Audit Committee, reviews all recurrent related party transactions.

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

## Timely and High Quality Disclosure

### Corporate Disclosure Policy

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

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

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

## Shareholders

### Investors and Shareholders Relationship

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

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

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

### Annual General Meeting

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

In the past, the Chairman, at the commencement of the Annual General Meeting, informed shareholders of their right to vote by poll. Poll voting will be carried out for resolutions involving related party transactions as required by the Main Market Listing Requirements of Bursa Securities.

The Board noted that with effect from 1 July 2016, the Main Market Listing Requirements of Bursa Securities provides that all resolutions set out in the notice of general meeting, shall be voted by poll. In addition, an independent Scrutineer must be appointed to validate the votes cast at the meetings. The voting results of the general meeting will be announced in a timely manner via Bursa Securities. Hence, voting for all the resolutions as set out in the forthcoming and future general meetings will be conducted as such.

### Compliance Statement

The Company has complied with the Principles as set out in the MCCG 2012 and the relevant chapter of the Main Market Listing Requirement of Bursa Securities on Corporate Governance to the extent as set out above throughout the financial year ended 31 December 2016.

This Statement on Corporate Governance was approved by the Board of Directors on 31 March 2017.

The Board of Directors (“the Board”) of Muhibbah Engineering (M) Bhd is pleased to present the Audit Committee Report for the financial year ended 31 December 2016.

## Composition and Attendance

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

Names of Committee Members	Designation	No of Committee Meetings Attended
Tan Sri Zakaria bin Abdul Hamid	Chairman (Senior Independent Non-Executive Director)	4/4
Sobri bin Abu	Member (Independent Non-Executive Director)	4/4
Dato’ Mohamad Kamarudin bin Hassan	Member (Independent Non-Executive Director)	4/4

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

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

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

## Summary of Activities in 2016

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

- (i) Financial Reporting & External Audit
  - Reviewed the quarterly financial results as well as the year end financial statements of the Group before recommending them to the Board of Directors for consideration and approval for announcement. The AC deliberated on book orders, budgeted revenue, profitability and cash position;
  - Reviewed the external auditors’ audit plan, scope of work and results of the annual audit for the Group and the Management Letter, including Management’s response; and
  - Convened two (2) meetings with the external auditors without the presence of the Executive Directors and Management to discuss relevant issues and obtain feedback.
- (ii) Internal Audit
  - Reviewed and approved the internal audit plan for the Group proposed by Internal Auditors to ensure adequacy of the scope of coverage;
  - Reviewed the recurrent related party transactions review report prepared by Internal Auditors; and
  - Reviewed the audit and follow-up reports presented by the Internal Auditors which include their findings and recommendations. The AC further deliberated on those findings, Management’s responses and Internal Auditors’ recommendations.

- (iii) Reviewed the recurrent related party transactions arose within the Group to ensure that the amount transacted were within the mandate approved by the shareholders.
- (iv) Reviewed major business issues/risks of projects in the Group as well as material litigation affecting the Group.
- (v) Reviewed the Company's dividend proposal and recommended the same to the Board for approval.

### Internal Audit Function

The Group has an in-house internal audit function namely the Group Internal Audit Department ("GIAD"). GIAD is governed by the Internal Audit Charter approved by the AC. GIAD reports directly to the AC and has direct access to the AC members on all the internal control and audit issues. During the financial year ended 31 December 2016, the works and activities carried out by GIAD include the following:

- Performed a review on the recurrent related party transactions.
- Prepared and presented the audit plan for AC's review and approval. In addition, Internal Auditors discussed and sought the direction of the AC during every AC meeting to ensure that the scope of audits continues to remain relevant taking into consideration the latest business development.

During the year, the scope of audits includes various business processes related to project management, tenders management as well functional departments.

- Prepared audit and review reports and sought Management's response on the issues highlighted. The reports tabled to the AC prioritize the findings, provide ratings to each area audited, include Internal Auditors' recommendations and Management's action plans together with their target dates to address each finding.
- Performed follow-up reviews to determine if Management had implemented the action plans to address the findings highlighted in the previous internal audit reports, the follow-up reports comprise status of Management's implementation on each action plan as well as a summary of it.
- Presented the internal audit, follow-up as well as specific review reports to the AC for their deliberation.
- Facilitated Risk Management Committee meetings and Risk Management Units meetings. The Internal Auditors also participated in the key Management meetings to keep abreast of the evolvement of the risks pertaining to the business environment.
- Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control for the Company's 2016 Annual Report.

The total cost incurred for the internal audit function in respect of the financial year ended 31 December 2016 amounted to approximately RM664,000.

### Terms of Reference

The Audit Committee Terms of Reference is made available on the Company's corporate website at [www.muhibbah.com](http://www.muhibbah.com).

## Board's Responsibilities

The Board, in discharging its responsibilities, is committed to the maintenance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board affirms its overall responsibility for maintaining a sound system of risk management and internal control so as to safeguard the shareholders' interests and the Group's assets. The Board has also received opinion from the Group Managing Director and Group Finance Director that the Group's risk management and internal control system is reasonably adequate and effective in material aspects.

Due to inherent limitations in any risk management and internal control system, such system established by Management is designed to manage rather than to eliminate the risks of failure to achieve the Group's business objectives. Accordingly, the risk management and internal control system can only provide reasonable and not absolute assurance against material error, misstatement or loss.

## Risk Management

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

The RMC is supported by Risk Management Units ("RMUs") set up at the respective business entities. The RMU within each business entity meets on a quarterly basis to review the status of the risks profile and the results of their reviews are documented in the report that comprises risk profile and risk matrix.

The RMC and RMUs are playing their respective roles in the Group's risk management process, established with the aim of providing a continuing and consistent approach in identifying and assessing risks as well as facilitating the review of the adequacy of the related key internal control procedure in mitigating risks. Such risk management process has been in place up to the date of approval of this statement.

## Key Elements of Internal Control

- **Organisation Structure & Authorisation Procedures**  
The Group maintains a formal organisational structure that includes clear delegation of responsibilities and accountability. It sets out the roles and responsibilities, review and approval procedures to enhance the internal control system of the Group's various business units.
- **Group Policies and Procedures**  
Policies, objectives, quality procedures and environmental procedures for key business processes are formalised and documented in quality and environmental manuals. The Corporate QA/QC Department conducts quarterly Internal Quality Audits and checks to ensure that the operational processes are in accordance with the ISO 9001 : 2008.
- **Periodic Management Review of Project Performance**  
The Group has established a process to review performance of selected projects on a periodic basis. The project teams meet on a periodic to examine their progress and performance. In addition, management reports are prepared and tabled to Senior Management for their reviews and deliberations in the periodic meetings attended by the Project Directors, Project Managers and Executive Directors

- **Quality Assurance / Quality Control**  
The Corporate QA/QC Department focuses on Quality Assurance of the construction and fabrication works of the Group. A team of Quality Control Inspectors are posted at various project sites and fabrication yards carrying out quality control activities at sites/yards to ensure that the works performance comply with the quality specifications and safety requirements.
- **Safety, Health and Environment**  
In addition to the site safety audits, the Health, Safety, Environment and Security Department has been conducting continuous programs including induction and training to ensure safety awareness among the staff. The Department also conducts periodic audits and checks to confirm that the operational processes are in accordance with the ISO 14001 : 2004 Environmental Management System.
- **External Audit**  
If the external auditors detect any internal control weakness during the course of their audit, they will highlight such weakness in the Audit Review Memorandum to the Audit Committee for their attention.

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

### **Review of Internal Controls**

The Audit Committee is tasked by the Board with the duty of reviewing and monitoring the effectiveness of the Group's system of internal control. In addition to reviewing the quarterly reports submitted by Management and observations reported by the external auditors, the AC is also supported by the Group Internal Audit Department which performs independent assessments on the adequacy and effectiveness of the internal controls based on an audit plan approved by the AC. The internal audit findings and recommendations are reviewed by the AC on a quarterly basis. A description of the work and activities of the AC can be found in the Audit Committee Report in this Annual Report.

### **Review of this Statement**

The external auditors have reviewed this Statement on Risk Management & Internal Control pursuant to Paragraph 15.23 of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad and in accordance with the scope set out in the Recommended Practice Guide ("RPG") 5 issued by the Malaysian Institute of Accountants for inclusion in the Annual Report for the financial year ended 31 December 2016 and have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and effectiveness of the risk management and internal control system.

### **Conclusion**

The Board is of the view that the Group's system of internal control is reasonably adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognizant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, effect appropriate action plans to further enhance the system of internal control and risk management framework.

# FINANCIAL STATEMENTS

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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
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
Abdul Hamid bin Ibrahim	95,000	-	-	95,000
Mazlan bin Abdul Hamid	2,434,000	-	(2,000)	2,432,000

## Directors' interests (continued)

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

	Number of options over ordinary shares of RM0.50 each			
	At 1.1.2016	Granted	Exercised	At 31.12.2016
<b><u>Muhibbah Engineering (M) Bhd:</u></b>				
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)	-
<b><u>Favelle Favco Berhad (a subsidiary):</u></b>				
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:-

	<b>Number of options over ordinary shares of RM0.50 each</b>			
	<b>Balance at</b>			<b>Balance at</b>
	<b>1.1.2016</b>	<b>Granted</b>	<b>Exercised</b>	<b>31.12.2016</b>
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:

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

## Other statutory information (continued)

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**

Klang

Date: 31 March 2017

.....  
**Mac Chung Jin**

# 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
<b>Assets</b>					
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
<b>Total non-current assets</b>		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
<b>Total current assets</b>		2,816,332	2,425,950	1,623,884	1,224,383
<b>Total assets</b>		4,102,647	3,641,608	2,053,356	1,668,256

		Group		Company	
	Note	2016 RM'000	2015 RM'000 Restated	2016 RM'000	2015 RM'000
<b>Equity</b>					
Share capital	13	241,057	235,297	241,057	235,297
Reserves	14	735,145	603,744	146,233	124,316
<b>Total equity attributable to Owners of the Company</b>		976,202	839,041	387,290	359,613
<b>Non-controlling interests</b>		404,334	344,179	-	-
<b>Total equity</b>		1,380,536	1,183,220	387,290	359,613
<b>Liabilities</b>					
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
<b>Total non-current liabilities</b>		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	-
<b>Total current liabilities</b>		2,578,797	2,338,047	1,605,439	1,287,516
<b>Total liabilities</b>		2,722,111	2,458,388	1,666,066	1,308,643
<b>Total equity and liabilities</b>		4,102,647	3,641,608	2,053,356	1,668,256

The notes on pages 57 to 131 are an integral part of these financial statements.

# Statements of Profit or Loss and Other Comprehensive Income

for the financial year ended 31 December 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000 Restated	2016 RM'000	2015 RM'000 Restated
<b>Revenue</b>	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)
<b>Gross profit</b>		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)
<b>Results from operating activities</b>		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)
<b>Operating profit</b>	20	94,365	92,169	46,577	25,377
Share of profit associates, net of tax		88,181	86,209	-	-
<b>Profit before tax</b>		182,546	178,378	46,577	25,377
Income tax expense	22	(21,591)	(27,844)	(5,079)	(2,147)
<b>Profit for the financial year</b>		160,955	150,534	41,498	23,230
<b>Profit attributable to:</b>					
Owners of the Company		105,501	87,492	41,498	23,230
Non-controlling interests		55,454	63,042	-	-
<b>Profit for the financial year</b>		160,955	150,534	41,498	23,230
<b>Earnings per ordinary share (sen)</b>					
Basic	23	22.19	19.11		
Diluted	23	22.19	18.82		

	Group		Company	
Note	2016 RM'000	2015 RM'000 Restated	2016 RM'000	2015 RM'000 Restated
<b>Profit for the financial year</b>	160,955	150,534	41,498	23,230
<b>Other comprehensive income for the financial year, net of tax</b>				
<b>Item that will not be reclassified subsequently to profit or loss</b>				
Movement in revaluation of property, plant and equipment, net of tax	-	26,317	-	9,079
<b>Item that may be reclassified subsequently to profit or loss</b>				
Foreign currency translation differences for foreign operations	66,020	52,569	45	221
<b>Other comprehensive income for the financial year, net of tax</b>	66,020	78,886	45	9,300
<b>Total comprehensive income for the financial year</b>	226,975	229,420	41,543	32,530
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	153,442	155,558	41,543	32,530
Non-controlling interests	73,533	73,862	-	-
<b>Total comprehensive income for the financial year</b>	226,975	229,420	41,543	32,530

The notes on pages 57 to 131 are an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2016

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

Note 14

-----Note 14-----

-----Attributable to owners of the Company-----/-----Non-distributable-----/ Distributable													
Group	Note	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	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	Total equity RM'000
At 1 January 2016													
As previously stated		235,297	(5,561)	50,990	-	193,629	5,237	6,488	67,850	262,116	816,046	267,753	1,083,799
Prior year adjustments		-	-	-	-	-	-	-	(2,310)	25,305	22,995	76,426	99,421
Restated		235,297	(5,561)	50,990	-	193,629	5,237	6,488	65,540	287,421	839,041	344,179	1,183,220
Other comprehensive income:													
Foreign currency translation differences for foreign operations		-	-	-	-	-	-	-	47,941	-	47,941	18,079	66,020
Profit for the financial year		-	-	-	-	-	-	-	-	105,501	105,501	55,454	160,955
Total comprehensive income		-	-	-	-	-	-	-	47,941	105,501	153,442	73,533	226,975
13													
Share options exercised		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		-	-	-	-	-	-	-	-	(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 57 to 131 are an integral part of these financial statements.



# Statement of Changes in Equity

for the financial year ended 31 December 2016

/-----Non-distributable-----/ Distributable										
Company	Note	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	Total RM'000
At 1 January 2015		215,732	(5,561)	23,126	2,220	25,964	6,306	-	36,573	304,360
Other comprehensive income:										
Foreign currency translation differences for foreign operations		-	-	-	-	-	-	221	-	221
Movement in revaluation of property, plant and equipment, net of tax		-	-	-	-	9,079	-	-	-	9,079
Profit for the financial year		-	-	-	-	-	-	-	23,230	23,230
Total comprehensive income		-	-	-	-	9,079	-	221	23,230	32,530
Share options exercised	13	1,065	-	810	-	-	-	-	-	1,875
Transfer to share premium for share options exercised		-	-	843	-	-	(843)	-	-	-
Warrants exercised	25	18,500	-	23,310	(2,220)	-	-	-	-	39,590
Dividend to owners of the Company		-	-	-	-	-	-	-	(18,742)	(18,742)
Total transactions with owners		19,565	-	24,963	(2,220)	-	(843)	-	(18,742)	22,723
At 31 December 2015		235,297	(5,561)	48,089	-	35,043	5,463	221	41,061	359,613

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

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

-----Non-distributable-----/Distributable										
Company	Note	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	Total RM'000
At 1 January 2016		235,297	(5,561)	48,089	-	35,043	5,463	221	41,061	359,613
Other comprehensive income:										
Foreign currency translation differences for foreign operations		-	-	-	-	-	-	45	-	45
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 notes on pages 57 to 131 are an integral part of these financial statements.



# Statements of Cash Flows for the financial year ended 31 December 2016

	Group		Company	
	2016 RM'000	2015 RM'000 Restated	2016 RM'000	2015 RM'000 Restated
<b>Cash flows from/(for) operating activities</b>				
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)	-	-
<b>Operating profit before changes in working capital</b>	<b>202,811</b>	<b>242,584</b>	<b>42,333</b>	<b>196</b>
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)
<b>Cash generated from/(used in) operations</b>	<b>187,907</b>	<b>74,617</b>	<b>(297,591)</b>	<b>(57,132)</b>
Net taxes paid	(19,454)	(43,418)	(2,378)	(1,899)
<b>Net cash generated from/(used in) operating activities</b>	<b>168,453</b>	<b>31,199</b>	<b>(299,969)</b>	<b>(59,031)</b>

	Group		Company	
	2016 RM'000	2015 RM'000 Restated	2016 RM'000	2015 RM'000 Restated
<b>Cash flows (for)/from investing activities</b>				
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)	-	-
<b>Net cash generated (used in)/from investing activities</b>	<b>(22,617)</b>	<b>8</b>	<b>30,071</b>	<b>23,446</b>
<b>Cash flows (for)/from financing activities</b>				
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)
<b>Net cash (used in)/generated from financing activities</b>	<b>(19,413)</b>	<b>(15,488)</b>	<b>246,238</b>	<b>(107,500)</b>
<b>Exchange differences on translation of the financial statements of foreign operations</b>	<b>42,688</b>	<b>(28,274)</b>	<b>122</b>	<b>45</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>169,111</b>	<b>(12,555)</b>	<b>(23,538)</b>	<b>(143,040)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>562,575</b>	<b>575,130</b>	<b>84,026</b>	<b>227,066</b>
<b>Cash and cash equivalents at end of year</b> (i)	<b>731,686</b>	<b>562,575</b>	<b>60,488</b>	<b>84,026</b>

The notes on pages 57 to 131 are an integral part of these financial statements.

## Statements of Cash Flows for the financial year ended 31 December 2016 (continued)

### (i) Cash and cash equivalents

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

		Group		Company	
	Note	2016 RM'000	2015 RM'000 Restated	2016 RM'000	2015 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 57 to 131 are an integral part of these financial statements.

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

The consolidated financial statements 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.

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:-

## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

<b>MFRSs and/or IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective date</b>
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:	1 January 2018
Classification and Measurement of Share-based Payment Transactions	
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with	1 January 2018*
MFRS 4 Insurance Contracts	
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets	Deferred until
between an Investor and its Associate or Joint Venture	further notice
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts	1 January 2018
with Customers'	
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.	

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.

## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

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

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

### (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 judgments

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

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

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

- recognition of revenue and profit from construction contracts
- valuation of investment properties
- impairment on receivables
- impairment 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.

### (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.

#### (iii) Acquisitions of non-controlling interests

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

## 2. Significant accounting policies

### (a) Basis of consolidation (continued)

#### (iv) *Loss of control*

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

#### (v) *Associates*

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

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

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

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

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

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

## 2. Significant accounting policies (continued)

### (a) Basis of consolidation (continued)

#### (vi) Jointly arrangements

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

Joint arrangements are classified and accounted for as follows:

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

#### (vii) Affiliated company

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

#### (viii) Non-controlling interests

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

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

#### (ix) Transactions eliminated on consolidation

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

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

## 2. Significant accounting policies (continued)

### (b) Foreign currency

#### (i) *Foreign currency transactions*

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

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

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

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

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

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

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

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

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

## 2. Significant accounting policies (continued)

### (c) Financial instruments

#### (i) Initial recognition and measurement

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

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

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

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

The Group and the Company categorise financial instruments as follows:

##### Financial assets

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

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

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

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

#### (b) Loans and receivables

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

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

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

## 2. Significant accounting policies (continued)

### (c) Financial instruments (continued)

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

##### **Financial liabilities**

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

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

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

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

#### (iii) *Regular way purchase or sale of financial assets*

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

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

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

#### (iv) *Derecognition*

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

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

### 2. Significant accounting policies (continued)

#### (d) Property, plant and equipment

##### (i) *Recognition and measurement*

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

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

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

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

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

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

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

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

## 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.

### (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.

## 2. Significant accounting policies (continued)

### (e) Leased assets (continued)

#### (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.

### (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.

#### ***(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.

## 2. Significant accounting policies (continued)

### (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.

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

## 2. Significant accounting policies (continued)

### (k) Impairment (continued)

#### (i) *Financial assets (continued)*

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

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

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

#### (ii) *Other assets*

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

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

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.

## 2. Significant accounting policies (continued)

### (k) Impairment (continued)

#### (ii) Other assets (continued)

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.

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.

## 2. Significant accounting policies (continued)

### (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.

### (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.

## 2. Significant accounting policies (continued)

### (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.

#### (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.

## 2. Significant accounting policies (continued)

### (q) Revenue recognition (continued)

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

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

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

#### (iii) *Rental income*

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

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

#### (iv) *Dividend income*

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

### (r) Interest income

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

### (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.

### (v) Operating segments

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

## 2. Significant accounting policies (continued)

### (w) Fair value measurements

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

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

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

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

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

Level 3: Unobservable inputs for the asset or liability.

The Group 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 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
<b>Cost/Valuation</b>							
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
<b>Representing items at:</b>							
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
<b>Accumulated depreciation and impairment losses</b>							
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
<b>Carrying amounts</b>							
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

### 3. Property, plant and equipment (continued)

Company	Land RM'000	Buildings RM'000	Cranes RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Cost/Valuation</b>						
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
<b>Accumulated depreciation</b>						
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
<b>Carrying amounts</b>						
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	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 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 RM'000	2015 RM'000	2016 RM'000	2015 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 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Freehold land	146,194	144,367	50	50
Long term leasehold land	173,053	175,393	51,296	51,920
	<u>319,247</u>	<u>319,760</u>	<u>51,346</u>	<u>51,970</u>

### 4. Investment properties

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

## 4. Investment properties (continued)

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

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

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

## 5. Investments in subsidiaries

		Company	
	Note	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
		357,499	357,499
Less: Impairment losses		(95,559)	(95,559)
		261,940	261,940
<b>Market value</b>			
Quoted shares in Malaysia		312,354	359,600

(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 %
<b><i>Marine shipbuilding and ship repair segment</i></b>				
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
<b><i>Infrastructure construction segment</i></b>				
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 %
<i>Infrastructure construction segment (continued)</i>				
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
CB International Engineering Sdn. Bhd.	Rental of investment properties and related services and provision of vessel chartering services	Malaysia	100	100

## 5. Investments in subsidiaries (continued)

Company	Principal activities	Country of incorporation	Effective ownership interest	
			2016 %	2015 %
<i>Infrastructure construction segment (continued)</i>				
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
<i>Concession segment</i>				
Muhibbah Airport Services (Labuan) Ltd.#	Investment holding	Labuan	70	70

\* Subsidiaries not audited by Messrs. Crowe Horwath

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

(a) The 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.

## 5. Investments in subsidiaries (continued)

### Non-controlling interests in subsidiaries

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

	Group	
	2016 RM'000	2015 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 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
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:

Company	Principal activities	Country of incorporation	Effective ownership interest	
			2016 %	2015 %
<i>Concession segment</i>				
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
<i>Infrastructure construction segment</i>				
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
<i>Cranes segment</i>				
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 RM'000	2015 RM'000 Restated
<b>Gross amount of the major concession associates</b>		
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
<b>Carrying amount in the consolidated financial statements</b>	<b>416,053</b>	<b>357,817</b>

### Aggregate information of immaterial associates

	Group	
	2016 RM'000	2015 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	
	Note	2016 RM'000	2015 RM'000 Restated	2016 RM'000	2015 RM'000
<b>Non-current</b>					
<b>Trade</b>					
Trade receivable	7.2	-	373	-	-
Less: Allowance for impairment loss		-	-	-	-
		-	373	-	-
<b>Non-trade</b>					
Amount due from a subsidiary	7.1	-	-	-	10,000
Amount due from associates	7.4	6,712	6,431	-	-
		6,712	6,804	-	10,000
<b>Current</b>					
<b>Trade</b>					
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	-	-
		644,743	745,838	627,754	534,404
Less: Allowance for impairment loss		(59,862)	(61,986)	(28,586)	(28,674)
		584,881	683,852	599,168	505,730
<b>Non-trade</b>					
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
		98,915	97,003	326,327	220,445
Less: Allowance for impairment loss		(3,180)	(3,301)	(19,831)	(4,831)
		95,735	93,702	306,496	215,614
Deposits		6,724	11,846	3,382	8,368
Prepayments		16,952	17,248	7,265	6,968
		119,411	122,796	317,143	230,950
		704,292	806,648	916,311	736,680

## 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 RM'000	2015 RM'000 Restated	2016 RM'000	2015 RM'000
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:

	Assets		Liabilities		Net	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Group</b>						
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)
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)	-	-
Net tax (assets)/liabilities	(26,637)	(18,082)	56,696	56,161	30,059	38,079
<b>Company</b>						
Property, plant and equipment	-	-	11,427	11,427	11,427	11,427
Net tax liabilities	-	-	11,427	11,427	11,427	11,427

### 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
	<u>731,537</u>	<u>654,497</u>	<u>431,420</u>	<u>333,905</u>

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

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

### Movement in temporary differences during the financial year

	Property plant and equipment RM'000	Tax losses carry forward RM'000	Unabsorbed capital allowances RM'000	Other items RM'000	Total RM'000
<b>Group</b>					
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
<b>Company</b>					
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 RM'000	2015 RM'000 Restated	2016 RM'000	2015 RM'000
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 Group		Development costs Group	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000 Restated
<b>Cost</b>				
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
At 31 December	<u>11,199</u>	<u>10,804</u>	<u>18,978</u>	<u>18,817</u>
<b>Accumulated impairment/amortisation</b>				
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
At 31 December	<u>-</u>	<u>-</u>	<u>16,332</u>	<u>14,570</u>
<b>Carrying amounts</b>				
At 1 January	10,804	8,828	4,247	13,569
At 31 December	<u>11,199</u>	<u>10,804</u>	<u>2,646</u>	<u>4,247</u>

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).

## 9. Other non-current assets (continued)

### *Title*

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

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

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 RM'000	2015 RM'000	2016 RM'000	2015 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)
	9,422,623	9,164,964	5,087,884	4,083,504
Less: Progress billings	(8,604,089)	(8,865,556)	(4,444,619)	(3,699,676)
	818,534	299,408	643,265	383,828
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)
	818,534	299,408	643,265	383,828

Additions to aggregate costs incurred during the financial year include:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 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 from contract customers in previous financial year for completed projects have been resolved during the financial year.

## 11. Inventories

Group		
	2016 RM'000	2015 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
	248,297	291,585
At net realisable value:		
Cranes	967	1,896
Crane components	16,156	7,226
Raw materials	486	35
	265,906	300,742

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

## 12. Cash and cash equivalents

	Group		Company	
	2016 RM'000	2015 RM'000 Restated	2016 RM'000	2015 RM'000
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 '000	2015 '000	2016 RM'000	2015 RM'000
Ordinary shares of RM0.50 each				
<b>Authorised:</b>				
At 1 January/31 December	1,000,000	1,000,000	500,000	500,000
<b>Issued and fully paid:</b>				
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
At 31 December	482,114	470,593	241,057	235,297

- (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 option reserve is transferred to share premium. When the share options expire, the amount from the share options reserve is transferred to retained earnings.

## 14. Reserves (continued)

### 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.

### 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 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Non-current</b>				
<i><b>Secured</b></i>				
Term loans	23,901	39,214	-	-
<i><b>Unsecured</b></i>				
Term loans	49,200	9,700	49,200	9,700
	<u>73,101</u>	<u>48,914</u>	<u>49,200</u>	<u>9,700</u>
<b>Current</b>				
<i><b>Secured</b></i>				
Term loans	15,312	15,312	-	-
<i><b>Unsecured</b></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	-	-
	<u>532,208</u>	<u>382,510</u>	<u>504,837</u>	<u>336,564</u>
	<u>605,309</u>	<u>431,424</u>	<u>554,037</u>	<u>346,264</u>

## 15. Loans and borrowings (continued)

### Terms and debt repayment schedule

Group	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	3 - 5 years RM'000
<b>2016</b>					
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>
<b>2015</b>					
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)*

Company	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	3 - 5 years RM'000
<b>2016</b>					
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>
<b>2015</b>					
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 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Non-current</b>					
<b>Non-trade</b>					
Advance from minority shareholders	(i)	13,517	15,266	-	-
<b>Current</b>					
<b>Trade</b>					
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
<b>Non-trade</b>					
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 RM'000	2015 RM'000 Restated	2016 RM'000	2015 RM'000
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)

	2016		2015	
	Contract/ Notional amount RM'000	Derivative Assets/ (liabilities) RM'000	Contract/ Notional amount RM'000	Derivative Assets/ (liabilities) RM'000
<b>Group</b>				
Forward foreign currency contracts	1,039	32	-	-
Forward foreign currency contracts	343,674	(13,583)	699,560	(27,110)
<b>Company</b>				
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
	<u>1,918,623</u>	<u>1,707,473</u>	<u>1,065,268</u>	<u>659,622</u>

## 20. Operating profit

	Group		Company	
	2016 RM'000	2015 RM'000 Restated	2016 RM'000	2015 RM'000 Restated
<b>Operating profit is arrived at after charging:</b>				
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 RM'000	2015 RM'000 Restated	2016 RM'000	2015 RM'000 Restated
<b>Operating profit is arrived at after charging: (continued)</b>				
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)	-	-
<b>and after crediting:</b>				
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 RM'000	2015 RM'000	2016 RM'000	2015 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 RM'000	2015 RM'000 Restated	2016 RM'000	2015 RM'000
<b>Current tax expense/(benefit)</b>				
Malaysia - current	24,590	16,854	(3,127)	-
- over provision 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
<b>Deferred tax expense (Note 8)</b>				
Origination of temporary differences	2,491	(899)	-	-
Effect of changes in corporate rate	922	-	-	-
Over provision in prior years	(11,433)	(8)	-	-
	(8,020)	(907)	-	-
Total income tax expense	21,591	27,844	5,079	2,147
<b>Reconciliation of tax expense</b>				
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	182,546	178,378	46,577	25,377
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	-	-
	31,646	28,597	(1,065)	2,088
(Over)/Underprovision in prior years				
- current tax expense	1,378	(745)	6,144	59
- deferred tax expense	(11,433)	(8)	-	-
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 RM'000	2015 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

### *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 RM'000	2015 RM'000 Restated
Profit attributable to owners of the Company	105,501	87,492

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

### *Diluted earnings per share (continued)*

	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	<u>475,463</u>	<u>464,939</u>

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)	<u>22.19</u>	<u>18.82</u>

## 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:

## 24. Employee benefits (continued)

### Share-based payments (continued)

		← 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

### 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
		3,319	-	(2,266)	(1,053)	-	

### Details relating to options exercised during the year

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

## 24. Employee benefits (continued)

### Details relating to options exercised during the year (continued)

	Company		Subsidiary	
	2016 RM	2015 RM	2016 RM	2015 RM
Average share price for the year	2.27	2.20	2.55	2.74

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Expense recognised as share-based payments	-	833	-	-

### 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

## 24. Employee benefits (continued)

### Fair value of share options and assumptions (continued)

	Company		Subsidiary	
	2016	2015	2016	2015
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
<b>2016</b>			
Final per ordinary share of RM0.50 each tax exempt – for the year ended 31 December 2016	5.00	<u>24,004</u>	11 August 2016
<b>2015</b>			
Final per ordinary share of RM0.50 each tax exempt – for the year ended 31 December 2015	4.50	<u>18,742</u>	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.

## 25. Dividend (continued)

### *Dividend per ordinary share*

The calculation of dividend per ordinary share is based on the issued and paid-up share capital (excluding treasury shares) of 480,331,250 (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	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	Restated		Restated		Restated		Restated		Restated		Restated	
<b>Segment profit</b>	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
<b>Net segment assets</b>	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.

	Inside Malaysia		Outside Malaysia		Eliminations		Consolidated	
	2016 RM'000	2015 RM'000 Restated	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000 Restated
<b>Geographical information</b>								
<b>Revenue</b>	2,124,277	1,682,906	657,951	600,619	(863,605)	(576,052)	1,918,623	1,707,473
<b>Total assets</b>	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 RM'000	2015 RM'000	2016 RM'000	2015 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
<b>2016</b>			
<b>Financial assets</b>			
Receivables and deposits	694,052	694,052	-
Cash and cash equivalents	737,605	737,605	-
Derivative assets	32	-	32
	<b>1,431,689</b>	<b>1,431,657</b>	<b>32</b>
<b>Financial liabilities</b>			
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)
	<b>(2,384,445)</b>	<b>(2,370,862)</b>	<b>(13,583)</b>
<b>2015</b>			
<b>Financial assets</b>			
Receivables and deposits	796,204	796,204	-
Cash and cash equivalents	576,944	576,944	-
	<b>1,373,148</b>	<b>1,373,148</b>	<b>-</b>
<b>Financial liabilities</b>			
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)
	<b>(1,975,555)</b>	<b>(1,948,445)</b>	<b>(27,110)</b>
<b>Company</b>			
<b>2016</b>			
<b>Financial assets</b>			
Receivables and deposits	909,046	909,046	-
Cash and cash equivalents	60,825	60,825	-
	<b>969,871</b>	<b>969,871</b>	<b>-</b>
<b>Financial liabilities</b>			
Loan and borrowings	(554,037)	(554,037)	-
Payables and accruals	(490,162)	(490,162)	-
Bills payable	(601,732)	(601,732)	-
Derivative liabilities	(447)	-	(447)
	<b>(1,646,378)</b>	<b>(1,645,931)</b>	<b>(447)</b>

## 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
<b>2015</b>			
<b>Financial assets</b>			
Receivables and deposits	739,712	739,712	-
Cash and cash equivalents	89,090	89,090	-
	<b>828,802</b>	<b>828,802</b>	<b>-</b>
<b>Financial liabilities</b>			
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)
	<b>(1,283,616)</b>	<b>(1,268,554)</b>	<b>(15,062)</b>

### 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 RM'000	2015 RM'000 Restated	2016 RM'000	2015 RM'000 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 RM'000	Individual Impairment RM'000	Net RM'000
<b>2016</b>			
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>
<b>2015</b>			
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 RM'000	2015 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

Company	Gross RM'000	Individual Impairment RM'000	Net RM'000
<b>2016</b>			
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
	<u>627,754</u>	<u>(28,586)</u>	<u>599,168</u>
<b>2015</b>			
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
	<u>534,404</u>	<u>(28,674)</u>	<u>505,730</u>

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

	Company	
	2016 RM'000	2015 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
<b>2016</b>						
Secured borrowings						
- Term loans	2.0 - 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>
<b>2015</b>						
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	2.2	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>

## 28. Financial instruments (continued)

### 28.4 Liquidity risk (continued)

Company	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
<b>2016</b>						
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>
<b>2015</b>						
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	4.3 - 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>

### 28.5 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	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
<b>Financial assets</b>								
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>
<b>Financial liabilities</b>								
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
<b>Financial assets</b>								
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>
<b>Financial liabilities</b>								
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
<b>2016</b>					
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)
<b>Net currency exposure</b>	<b>(80,266)</b>	<b>(11,927)</b>	<b>23,261</b>	<b>6,766</b>	<b>28,638</b>

## 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
<b>2015</b>					
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)
<b>Net currency exposure</b>	<b>(442,310)</b>	<b>(30,884)</b>	<b>(87,888)</b>	<b>7,205</b>	<b>(105,416)</b>

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
<b>2016</b>					
- strengthened by 5%	(3,050)	(453)	883	257	1,088
- weakened by 5%	3,050	453	(883)	(257)	(1,088)
<b>2015</b>					
- strengthened by 5%	(16,587)	(1,158)	(3,295)	270	(3,953)
- weakened by 5%	16,587	1,158	3,295	(270)	3,953

## 28. Financial instruments (continued)

### 28.6 Foreign currency risk (continued)

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

Company	USD RM'000	Euro RM'000	AUD RM'000	SGD RM'000	QAR RM'000
<b>2016</b>					
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)	-	-	-	-
<b>Net currency exposure</b>	<b>(89,911)</b>	<b>22</b>	<b>1,226</b>	<b>(22,687)</b>	<b>45,681</b>

Company	USD RM'000	Euro RM'000	AUD RM'000	SGD RM'000	QAR RM'000
<b>2015</b>					
Financial assets	68,644	24	1,178	275	132,020
Financial liabilities	(80,333)	(8,065)	(9)	(22,534)	(43,742)
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)	-	-	-	-
<b>Net currency exposure</b>	<b>(198,120)</b>	<b>(8,041)</b>	<b>1,169</b>	<b>(22,259)</b>	<b>88,278</b>

## 28. Financial instruments (continued)

### 28.6 Foreign currency risk (continued)

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

#### Effects on profit after taxation

Company	USD RM'000	Euro RM'000	AUD RM'000	SGD RM'000	QAR RM'000
<b>2016</b>					
- strengthened by 5%	(3,416)	1	47	(862)	1,736
- weakened by 5%	<u>3,416</u>	<u>(1)</u>	<u>(47)</u>	<u>862</u>	<u>(1,736)</u>
<b>2015</b>					
- strengthened by 5%	(7,430)	(302)	44	(835)	3,310
- weakened by 5%	<u>7,430</u>	<u>302</u>	<u>(44)</u>	<u>835</u>	<u>(3,310)</u>

### 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
<b>Financial assets</b>				
Quoted shares - long-term	<u>98,663</u>	<u>312,354</u>	<u>98,663</u>	<u>359,600</u>

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

#### Fair value hierarchy

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

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

## 28. Financial instruments (continued)

## 28.7 Fair values (continued)

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>2016</b>				
<b>Financial asset</b>				
Forward exchange contracts	<u>-</u>	<u>32</u>	<u>-</u>	<u>32</u>
<b>Financial liability</b>				
Forward exchange contracts	<u>-</u>	<u>(13,583)</u>	<u>-</u>	<u>(13,583)</u>
<b>2015</b>				
<b>Financial liability</b>				
Forward exchange contracts	<u>-</u>	<u>(27,110)</u>	<u>-</u>	<u>(27,110)</u>
<b>Company</b>				
<b>2016</b>				
<b>Financial liability</b>				
Forward exchange contracts	<u>-</u>	<u>(447)</u>	<u>-</u>	<u>(447)</u>
<b>2015</b>				
<b>Financial liability</b>				
Forward exchange contracts	<u>-</u>	<u>(15,062)</u>	<u>-</u>	<u>(15,062)</u>

## 29. Contingent liabilities - unsecured

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

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).

## 29. Contingent liabilities - unsecured (continued)

### 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).

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

	Company	
	2016 RM'000	2015 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 RM'000	2015 RM'000	2016 RM'000	2015 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)	-	-

## 30. Related parties (continued)

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

The outstanding net amounts due from/(to) subsidiaries and associates and joint ventures as at 31 December 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
<b>Statements of financial position (extract):-</b>			
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
<b>Statements of profit or loss and other comprehensive income (extract):</b>			
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
<b>Statements of cash flows (extract):</b>			
<b>Cash flow from/(for) operating activities</b>			
Development cost charged to cost of sales/impaired	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
<b>Statements of profit or loss and other comprehensive income (extract):</b>		
Revenue	1,707,473	1,604,836
Cost of sales	1,445,509	1,342,872
<b>Statements of cash flows (extract):</b>		
<b>Cash flow from/(for) operating activities</b>		
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 RM'000	2015 RM'000 Restated	2016 RM'000	2015 RM'000
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
	292,576	239,720	59,456	41,061
Total retained profits from associated companies:				
- Realised	210,569	187,469	-	-
- Unrealised	1,076	(279)	-	-
	211,645	187,190		-
Less: Consolidated adjustments	(136,350)	(139,489)	-	-
Total retained profits	367,871	287,421	59,456	41,061

## 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 46 to 132 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 132 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**

## 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 46 to 132 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:



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

## Opinion

We have audited the financial statements of Muhibbah Engineering (M) Bhd., which comprise the statements of financial position as at 31 December 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 46 to 131.

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.

Revenue recognition and contract accounting Refer to Note 19 to the financial statements	
Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue is one of the largest accounts in the financial statements and an important driver of the Group's operating results. We focus on this area as under ISA 240 there is presumption that there are risks of fraud in revenue recognition. There is a risk that Management could adopt accounting policies in such a way as to lead material misstatement in the reported revenue position and resulting profit.	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"><li>• Assessing internal control procedures by flowchart and walkthrough test;</li><li>• Performing test of control;</li><li>• Assessing basis used in determining the budgeted contract costs;</li><li>• Assessing project status that fall under our sample;</li><li>• Verifying progress billings and contract costs incurred;</li><li>• Testing the percentage of completion to ensure contract costs incurred to-date reflects the actual work performed;</li></ul>



## Key Audit Matters (continued)

<b>Revenue recognition and contract accounting</b> Refer to Note 19 to the financial statements	
Key Audit Matter	How our audit addressed the Key Audit Matter
<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> <ul style="list-style-type: none"> <li>(i) assessment of the stage of completion and timing of revenue recognition.</li> <li>(ii) determining cost budgets.</li> <li>(iii) determining project costs to complete.</li> <li>(iv) recognition of variation orders.</li> <li>(v) provision for foreseeable losses and liquidated ascertained damages.</li> </ul> <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 (continued):</p> <ul style="list-style-type: none"> <li>• Reviewing calculation of recognition of revenue, cost and profit to be consistent with the percentage of completion; and</li> <li>• Assessing reasonableness and adequacy of provision for foreseeable loss and liquidated ascertained damages.</li> </ul> <p>No significant issues arose from our work.</p>

<b>Investments in associates</b> Refer to Note 6 to the financial statements	
Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Key Audit Matters in relation to major associate</b></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"> <li>• Performing test on the operating effectiveness of the associate's controls relevant to recognition of revenue;</li> <li>• Performing sales transaction test to ensure the accuracy and validity of revenue recognised; and</li> <li>• Performing sales cut off test to ensure revenue is recognised in the proper accounting period.</li> </ul> <p>No significant issues arose from our work.</p>

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

## Key Audit Matters (continued)

Recoverability of trade receivables Refer to Note 7 to the financial statements	
Key Audit Matter	How our audit addressed the Key Audit Matter
Trade receivables are a major component of the financial position of the Group. Given the 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>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>• Reviewing recoverability of major receivables including but not limited to the review of subsequent collections;</li> <li>• Enquiring management on project/receivables status for major customers;</li> <li>• Reviewing collections and sales trends during financial year of major receivables; and</li> <li>• Reviewing management's basis of estimation on the adequacy of the Group's allowance for impairment loss on trade receivables.</li> </ul> <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
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>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>• Assessing whether there is any indication that an asset may be impaired. If any such indications exists, estimate the recoverable amount of the asset.</li> </ul> <p>No significant issues arose from our work.</p>

## Key Audit Matters (continued)

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"> <li>• Reviewing whether inventories are carried at lower of costs and net realisable value; and</li> <li>• Assessing adequacy of allowance made for slow-moving inventories.</li> </ul> <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"> <li>• Circularising of solicitor confirmation and obtaining legal response;</li> <li>• Reviewing of company legal file; and</li> <li>• Enquiring the management and lawyer on the court case status and their opinions of the litigation claims.</li> </ul> <p>No significant issues arose from our work.</p>

## 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.

## Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

### **Other Reporting Responsibilities**

The supplementary information set out in Note 35 on page 132 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 Number: AF 1018  
Chartered Accountants

Kuala Lumpur

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

## List of Top 10 Properties as at 31 December 2016

No.	Location	Description of Property	Year of Revaluation	Tenure	Land Area	Age of Building	Carrying Value RM'000
1	HS(D) 99546, Lot 104625, Telok Gong, Mukim & District of Klang, Selangor	Office building and factory	2015	Leasehold expiring 2103	148,400 sq. m.	10 years	122,254
2	Hakmilik 75336, Lot 104505, Mukim & District of Klang, Selangor	Office building, factory and warehouse	2015	Leasehold expiring 2106	86,937 sq. m.	20 years	65,898
3	28, Yarrunga Street, Prestons, NSW 2170, Australia	Office building and factory	2012	Freehold	11.6 acres	48 years	49,134
4	Geran # 51011, Lot 31814 & Geran # 51020, Lot 31792, Mukim of Senawang, Seremban, Negeri Sembilan	Factory building with office block	2012	Freehold	68,846 sq. m.	12 years	32,437
5	HS(D) 99547, Lot 104626, Telok Gong, Mukim & District of Klang, Selangor	Factory building and workshop	2015	Leasehold expiring 2103	52,490 sq. m.	7 years	26,521
6	Geran Mukim 17872, Lot 69222, Mukim Kapar, District of Klang, Selangor	Office building and factory	2012	Freehold	18,207 sq. m.	35 years	25,507
7	Ream, Sihanoukville, Cambodia	Vacant land	2012	Freehold	23.97 hectare	NA	25,099
8	Geran # 26559, Lot 9895, Kg. Jawa, Mukim & District of Klang, Selangor	Office building and factory	2012	Freehold	5.0 acres	25 years	17,332
9	7 AL, Nordkranvej 2, 3540, Lyngby DK Denmark	Factory building with office block	2012	Freehold	59,525 sq. m.	47 years	15,611
10	Hakmilik 6322, Lot 129073, Telok Gong, Mukim & District of Klang Selangor	Vacant land	2015	Leasehold expiring 2104	30,889 sq. m.	NA	14,539

## Share Capital

Total number of Issued shares	: 480,331,250* shares
Class of shares	: Ordinary shares
Voting rights	: One (1) vote per ordinary share

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital*
1 – 99	205	3.768	3,380	0.001
100 – 1,000	972	17.868	750,862	0.156
1,001 – 10,000	3,076	56.544	13,826,992	2.879
10,001 – 100,000	895	16.452	28,321,081	5.896
100,001 – 24,016,561	290	5.331	340,827,519	70.957
24,016,562 and above	2	0.037	96,601,416	20.111
<b>Total</b>	<b>5,440</b>	<b>100.000</b>	<b>480,331,250</b>	<b>100.000</b>

**Note:**

\* Excluding a total of 1,783,000 shares purchased by the Company and retained as treasury shares as at 31 March 2017.

### Directors' Shareholdings as per Register of Directors' Shareholdings as at 31 March 2017

Name	Direct Interest	%*	Deemed Interest	%*
Mac Ngan Boon @ Mac Yin Boon	73,501,416 <sup>(a)</sup>	15.302	27,022,500 <sup>(b)</sup>	5.626
Ooi Sen Eng	14,024,066 <sup>(c)</sup>	2.920	-	-
Mac Chung Jin	7,060,000 <sup>(c)</sup>	1.470	50,000 <sup>(b)</sup>	0.010
Lee Poh Kwee	6,046,272 <sup>(d)</sup>	1.259	650,000 <sup>(b)</sup>	0.135
Mazlan bin Abdul Hamid	500,000	0.104	-	-

**Notes:-**

(a) Certain shares are registered under Maybank Securities Nominees (Tempatan) Sdn Bhd, RHB Capital Nominees (Tempatan) Sdn Bhd and EB Nominees (Tempatan) Sendirian Bhd.

(b) Deemed interested by virtue of the shares held by his/her spouse and/or children pursuant to Section 59(11)(c) of the Companies Act, 2016.

(c) Certain shares are registered under Maybank Securities Nominees (Tempatan) Sdn Bhd.

(d) Certain shares are registered under RHB Capital Nominees (Tempatan) Sdn Bhd, Citigroup Nominees (Tempatan) Sdn Bhd and HLB Nominees (Tempatan) Sdn Bhd.

\* Excluding a total of 1,783,000 shares purchased by the Company and retained as treasury shares as at 31 March 2017.

## Shares in related corporation

There is no change in the deemed interest of directors in related companies as disclosed in the Directors' Report for the year ended 31 December 2016 on page 41 of this Annual Report.

## Options in the Company

The share options has expired on 2 August 2016.

## Substantial Shareholders as per Register of Substantial Shareholders as at 31 March 2017

Name	Direct Interest	%*	Deemed Interest	%*
Mac Ngan Boon @ Mac Yin Boon	73,501,416 <sup>(a)</sup>	15.302	-	-
Lembaga Tabung Haji	44,506,500 <sup>(b)</sup>	9.266	-	-

### Notes:-

(a) Certain shares are registered under Maybank Securities Nominees (Tempatan) Sdn Bhd, RHB Capital Nominees (Tempatan) Sdn Bhd and EB Nominees (Tempatan) Sendirian Bhd.

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

\* Excluding a total of 1,783,000 shares purchased by the Company and retained as treasury shares as at 31 March 2017.

**List of 30 Largest Shareholders as at 31 March 2017**

No.	Name	No. of Shares Held	% of Issued Capital*
1	Maybank Securities Nominees (Tempatan) Sdn Bhd Mac Ngan Boon @ Mac Yin Boon	54,141,416	11.272
2	Lembaga Tabung Haji	42,460,000	8.840
3	Universal Capital Resources Sdn Bhd	16,293,600	3.392
4	AMSEC Nominees (Tempatan) Sdn Bhd Amtrustee Berhad For CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI)	16,126,400	3.357
5	Cartaban Nominees (Asing) Sdn Bhd BBH (Lux) SCA For Fidelity Funds Pacific	13,667,200	2.845
6	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mac Ngan Boon @ Mac Yin Boon	12,800,000	2.665
7	Maybank Securities Nominees (Tempatan) Sdn Bhd Ooi Sen Eng	12,500,000	2.602
8	Maybank Securities Nominees (Tempatan) Sdn Bhd Chew Keng Siew	10,217,500	2.127
9	Kumpulan Wang Persaraan (Diperbadankan)	8,070,500	1.680
10	Maybank Securities Nominees (Tempatan) Sdn Bhd Mac Chung Jin	7,060,000	1.470
11	Amanahraya Trustees Berhad Public Islamic Opportunities Fund	6,890,100	1.434
12	Pertubuhan Keselamatan Sosial	6,189,000	1.288
13	HSBC Nominees (Asing) Sdn Bhd Exempt An For JP Morgan Chase Bank, National Association (U.S.A.)	5,659,300	1.178
14	Maybank Securities Nominees (Tempatan) Sdn Bhd Mac Chung Hui	5,405,000	1.125
15	Transasia Assets Sdn Bhd	5,240,000	1.091
16	Citigroup Nominees (Asing) Sdn Bhd Exempt An For Citibank New York (Norges Bank 12)	5,174,200	1.077
17	Cartaban Nominees (Tempatan) Sdn Bhd PAMB For Participating Fund	5,000,000	1.041

## List of 30 Largest Shareholders as at 31 March 2017 (continued)

No.	Name	No. of Shares Held	% of Issued Capital*
18	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Mac Ngan Boon @ Mac Yin Boon (SFC)	4,650,000	0.968
19	Citigroup Nominees (Asing) Sdn Bhd Exempt An For Citibank New York (Norges Bank 9)	4,204,900	0.875
20	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LEEF)	4,151,600	0.864
21	CIMB Commerce Trustee Berhad Public Focus Select Fund	4,099,600	0.853
22	Maybank Securities Nominees (Tempatan) Sdn Bhd Mac Chung Lynn	4,000,000	0.833
23	Amanahraya Trustees Berhad Public Islamic Select Treasures Fund	3,980,000	0.829
24	Citigroup Nominees (Asing) Sdn Bhd CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	3,743,200	0.779
25	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (Par 3)	3,730,000	0.777
26	Amanahraya Trustees Berhad Amanah Saham Nasional	3,691,300	0.768
27	Citigroup Nominees (Asing) Sdn Bhd CBNY For Dimensional Emerging Markets Value Fund	3,448,100	0.718
28	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)	3,402,100	0.708
29	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Commerce Trustee Berhad - Kenanga Growth Fund	3,228,700	0.672
30	Harmony Effective Sdn Bhd	3,163,700	0.659
		<b>282,387,416</b>	<b>58.787</b>

\* Excluding a total of 1,783,000 shares purchased by the Company and retained as treasury shares as at 31 March 2017



# Proxy Form

Number of Shares Held
CDS Account Number

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

of \_\_\_\_\_  
(Full address)

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

\_\_\_\_\_ NRIC No./Passport No. \_\_\_\_\_

of \_\_\_\_\_

OR failing whom, Mr/Ms \_\_\_\_\_ NRIC No./Passport No. \_\_\_\_\_

of \_\_\_\_\_

OR failing whom, the Chairman of the Meeting as \*my/\*our proxy to vote for \*me/\*us and on \*my/\*our behalf at the Forty-Fourth Annual General Meeting of the Company to be held at Concorde Hotel Shah Alam, Concorde II, Level 2, No. 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on **Thursday, 22 June 2017 at 2.45 p.m.** and at any adjournment thereof.

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

Proxy 1	%	Proxy 2	%	100%
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\*My/\*Our proxy(ies) is/are to vote as indicated below :-

Resolution No.	Ordinary Business :	For	Against
1.	To approve the declaration of a first and final tax exempt dividend of 5.50 sen per ordinary share.		
2.	To re-elect Mr Mac Ngan Boon @ Mac Yin Boon as Director of the Company.		
3.	To re-elect Dato' Mohamad Kamarudin bin Hassan as Director of the Company.		
4.	To re-elect En Mazlan bin Abdul Hamid as Director of the Company.		
5.	To re-appoint Messrs Crowe Horwath as the Company's Auditors and to authorise the Directors to fix their remuneration.		
	<b>Special Business :</b>		
6.	To retain Tan Sri Zakaria bin Abdul Hamid as an Independent Non-Executive Director of the Company.		
7.	To retain En Abd Hamid bin Ibrahim as an Independent Non-Executive Director of the Company.		
8.	To authorize the Directors to issue and allot shares pursuant to Section 75 of the Companies Act, 2016.		
9.	To approve the Proposed Renewal of Authority for Share Buy-Back.		
10.	To approve the Proposed Renewal of the Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		

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

Dated this ..... day of ..... 2017

[\* Delete if not applicable]

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

## Notes:

- A member entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. Each proxy appointed, shall represent a minimum of one hundred (100) shares. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his/her shareholdings to be represented by each proxy.
- A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.
- Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The duly completed Proxy Form must be deposited at the Share Registrar's Office, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi 59200 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time set for the holding of the Meeting or any adjournment thereof.
- Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

Affix  
Stamp  
Here

**Muhibbah Engineering (M) Bhd** (12737-K)

**Share Registrar**

**Tricor Investor & Issuing House Services Sdn Bhd**

Unit 32-01, Level 32, Tower A  
Vertical Business Suite, Avenue 3  
Bangsar South, No. 8, Jalan Kerinchi  
59200 Kuala Lumpur, Malaysia



12 May 2017

Dear Shareholders

**MUHIBBAH ENGINEERING (M) BHD**  
**ERRATA TO THE AUDITED FINANCIAL STATEMENT OF THE ANNUAL REPORT 2016**

We wish to inform that there was correction (highlighted in yellow) to page 134 of the Annual Report 2016 as follows:-

**Page 134 – 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)**

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

## Opinion

We have audited the financial statements of Muhibbah Engineering (M) Bhd., which comprise the statements of financial position as at 31 December 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 46 to 131.

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.

Revenue recognition and contract accounting Refer to Note 19 to the financial statements	
Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue is one of the largest accounts in the financial statements and an important driver of the Group's operating results. We focus on this area as under ISA 240 there is presumption that there are risks of fraud in revenue recognition. There is a risk that Management could adopt accounting policies in such a way as to lead material misstatement in the reported revenue position and resulting profit.	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"><li>• Assessing internal control procedures by flowchart and walkthrough test;</li><li>• Performing test of control;</li><li>• Assessing basis used in determining the budgeted contract costs;</li><li>• Assessing project status that fall under our sample;</li><li>• Verifying progress billings and contract costs incurred;</li><li>• Testing the percentage of completion to ensure contract costs incurred to-date reflects the actual work performed;</li></ul>

