ANNUAL REPORT
2018

MUHIBBAH ENGINEERING (M) BHD

Company No.: 12737-K

CORPORATE INFORMATION

Board Of Directors

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

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

Ooi Sen Eng
(Executive Director)

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

Shirleen Lee Poh Kwee
(Group Finance Director)

Sobri bin Abu
(Independent Non-Executive Director)

Abd Hamid bin Ibrahim
(Independent Non-Executive Director)

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

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

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

Audit Committee

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

Company Secretaries

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

Registered Office

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

Auditors

Crowe Malaysia PLT
(Firm No. LLP0018817-LCA & AF 1018)
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
Bangkok Bank
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
Bank Muamalat Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank 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

Aerial View of Sihanouk International Airport, Cambodia

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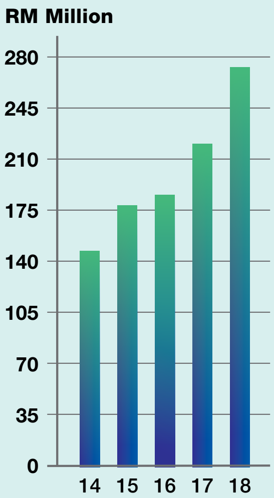
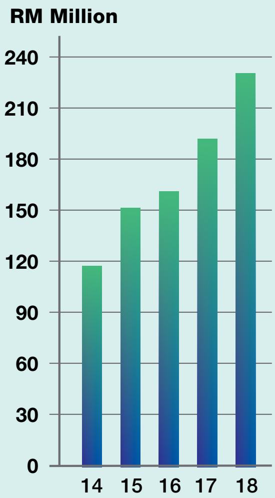
Group Financial Highlights

	2014	2015	2016	2017	2018
Turnover (RM’000)*	2,050,138	2,093,593	2,272,084	2,004,356	**2,077,281**
Profit Before Tax (RM’000)	143,689	178,378	182,546	219,322	**273,829**
Profit After Tax (RM’000)	118,856	150,534	160,955	191,327	**231,549**
Profit After Tax and Non-controlling Interest (RM’000)	81,550	87,492	105,501	131,608	**144,800**
Total Equity Attributable to Owners of the Company (RM’000)	643,979	839,041	976,202	1,038,052	**1,120,435**
Share Capital (RM’000)	215,732	235,297	241,057	241,057	**301,746**
Basic Earnings Per Ordinary Share Attributable to Owners of the Company (Sen)	19.23	19.11	22.19	27.40	**30.12**
Net Assets Per Ordinary Share Attributable to Owners of the Company (RM)	1.50	1.79	2.03	2.16	**2.33**

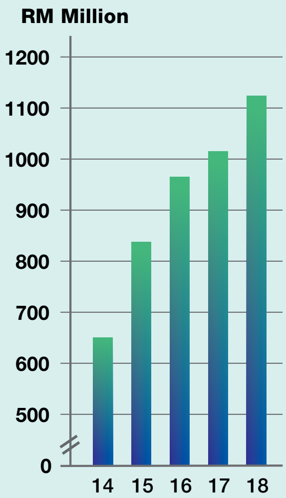
* Group revenue include Group’s share of revenue of associates



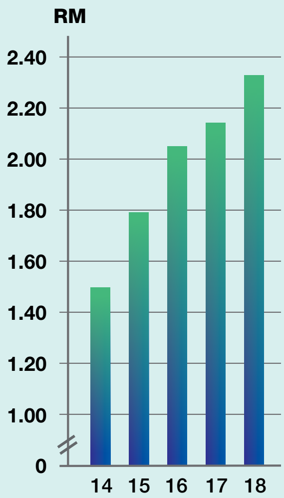
Profit Before Tax



Profit After Tax



Total Equity Attributable to Owners of the Company



Net Assets Per Ordinary Share Attributable to Owners of the Company

Core Divisions as at 30 March 2019

MUHIBBAH ENGINEERING (M) BHD
(12737-K)

CONCESSIONS

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

INFRASTRUCTURE CONSTRUCTION

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

CRANES

- 59.28% FAVELLE FAVCO BERHAD
  - 100% FAVELLE FAVCO CRANES (M) SDN. BHD.
  - 100% FAVELLE FAVCO CRANES PTE. LTD.
  - 100% FAVELLE FAVCO CRANES PTY. LIMITED
  - 100% FAVELLE FAVCO CRANES (USA), INC.
  - 100% KROLL CRANES A/S
  - 100% FES EQUIPMENT SERVICES SDN. BHD.
  - 80% SHANGHAI FAVCO ENGINEERING MACHINERY MANUFACTURING CO. LTD.
  - 70% SEDIA TEGUH SDN. BHD.
  - 70% EXACT AUTOMATION SDN. BHD.
  - 70% EXACT ANALYTICAL SDN. BHD.
  - 70% EXACT OIL & GAS SDN. BHD.

SHIPYARD

- 100% MUHIBBAH MARINE ENGINEERING SDN. BHD.

Only major active companies are included here

Management Discussion and Analysis

Overview of Businesses

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

Since its inception, Muhibbah has established a track record as an international engineering construction company playing an integral role as an integrated solutions provider for maritime, oil and gas, and infrastructure projects in both local and global markets.

The Group owns a Bursa Malaysia Main Market listed crane manufacturing subsidiary, Favelle Favco Berhad ("Favco"), which provides one-stop solutions for specialised offshore oil and gas pedestal cranes as well as tower cranes for the global markets.

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

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

We have grown the Group by making strategic acquisitions and realising organic growth from our existing businesses. We will continue to build our presence in our core businesses to develop a strong and diversified portfolio of assets and leading market positions, both domestically and internationally.

Mission and Strategies

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

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

Market Overview in 2018

2018 marked a historical change in the Malaysian political landscape. The construction sector is now awaiting a fresh catalyst to spur its growth.

The global market is also volatile in the light of the trade tensions between the USA and China.

Amidst these uncertainties, the Group's diverse business portfolios will withstand this business volatility.

Review of Financial Results and Operating Activities

Key Financial Highlights

- Group's revenue which includes revenue of associates increased to RM2.1 billion (2017: RM2.0 billion);

Rapid Effluent Treatment Plant and Treatment Plant Process Unit, Pengerang, Johor, Malaysia

Noise Barrier Enclosures Over High Tension Cable Crossing for KVMRT Line 2

- Group's earnings before interest, amortisation and tax ("EBIDTA") increased to RM415.4 million (2017: RM369.0 million);
- Group's net profit after tax increased by 21.1% to RM231.6 million (2017: RM191.3 million);
- Group's net profit after tax and non-controlling interests increased by 10% to RM144.8 million (2017: RM131.6 million);
- Group's basic earnings per share increased to 30.1 sen (2017: 27.4 sen);
- Group's net assets per share increased to RM2.33 (2017: RM2.16); and
- Group's net gearing was 0.42 times (2017: 0.29 times).

REVENUE INCREASED BY 3.6% TO RM2.1 BILLION

EBIDTA INCREASED BY 12.6% TO RM415.4 MILLION

PROFIT AFTER TAX INCREASED BY 21.1% TO RM231.6 MILLION

Management Discussion and Analysis (continued)

Review of Financial Performance

The Group's profit after tax grew to RM231.6 million in 2018, which is 21.1% higher than RM191.3 million posted in 2017. Net profit after tax and non-controlling interests is also higher at RM144.8 million in 2018, a 10% increase from the previous year. This improved performance is mainly due to the strong performance of our Cambodia airports and diversified business model. We continue to enhance the Group's value by acquiring strategic assets that are synergistic to our core businesses. This is evidenced by the newly acquired Intelligent Automation Group which has also contributed to the Group's results starting from the date of completion of the acquisition during the year 2018.

Dividend Policy and Dividend

The Board recommended a first and final tax exempt dividend of 7.5 sen (2017: 7.0 sen) per ordinary share of RM0.50 each 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 RM36.1 million (2017: RM33.6 million).

From left to right:
1. CIDB'S 5 Star SCORE Rating 2018
2. The Edge Billion Ringgit Club's Awards 2018
3. Matrade's Export Award 2018

Awards and Recognition

On 30 January 2018, the Company received an award from the Malaysia External Trade Development Corporation ("MATRADE") for recognition of the Company's excellence in exports under the services category of a "Large Company" in MATRADE Export Award 2018.

Muhibbah also received an award for the highest accolade of 5-Star SCORE Rating accorded by the Construction Industry Development Board Malaysia for the year 2018 as we have demonstrated overall excellence in the Company's performance and project implementation.

Aerial View of Phnom Penh International Airport, Cambodia

We are also pleased to have been recognised for our efforts in enhancing shareholder value. In December 2018, we were accorded with two (2) awards as the construction sectoral winners in the "Highest Growth in Profit After-Tax Over Three Years" and the "Highest Return on Equity Over Three Years" under the Edge Billion Ringgit Club's Award 2018.

In addition, we were announced as one of the winners by FinanceAsia for its Asia's Best Companies Award in Asia Poll 2019 in the categories of "Best Mid Cap Company" and "Best Investor Relations".

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 2018 and the future prospects of the Group are as follows:-

Concessions Division

In 2018, the Concessions Division which operates three (3) Cambodia Airports has grown well. In tandem with this rapid growth, the new and expanded facilities of the airports help in the growth of our revenue. We have built on our capacities and capabilities and turned the Cambodia airports into ones with the highest passenger growth in this region.

Favelle Favco - Tower Crane for Construction of PNB's KL 118, Malaysia

All the three (3) Cambodia international airports namely Phnom Penh International Airport, Siem Reap International Airport and Sihanouk International Airport saw accelerated growth at an average rate of 20% year-on-year in 2018 (2017: 26%). The Cambodia international airports attained new record surpassing 10 million passengers to 10.6 million passengers in 2018.

Besides the upsurge in passengers, revenue from more cargo movements, ground handling services and non-aeronautical services such as retail business has also experienced growth of 20%, 28% and 20% respectively in 2018.

Over the last few years, our development strategies have been aimed to welcome more airlines of wide range from different markets, open new air connectivity routes and increase frequencies in air traffic.

In tandem with the surge in tourist arrivals, our Concession Division has completed the Sihanouk International Airport's infrastructure enhancement program to enlarge its facilities and handle the growth of passenger arrivals and aircraft movements at Sihanouk International Airport. It includes the full renovation of the existing building and the extension of the current terminal to double up its current capacity. An ongoing expansion of new ground handling facilities at Phnom Penh International Airport is expected to be completed by the third quarter of 2019. Expansion of the new cargo terminal at Phnom Penh International Airport is expected to commence in 2019 and be completed by end of 2020. Actual construction of the extension to the runway in Sihanouk International Airport from 2,500 metres to 3,300 metres will commence in April 2019 and will be completed in year 2020.

Management Discussion and Analysis (continued)

RAPID Temporary Executive Village & RAPID Temporary Management Office, Pengerang, Johor, Malaysia

Construction and Engineering Division

Amongst the notable projects delivered in 2018 is the Civil, Concrete and Buildings for Offsite Areas under Package No.5 Engineering, Procurement, Construction and Commissioning ("EPCC") of Steam Cracker Complex for Refinery and Petrochemicals Integrated Development Project in Pengerang, Johor, Malaysia ("RAPID Project").

The successful completion of the multi-billion US Dollar Catering Facility and infrastructure construction works for Hamad International Airport (formerly known as the New Doha International Airport) in Qatar continue to increase our profile in international jobs and open up new opportunities both overseas and locally.

In February 2018, the Company was awarded a contract by Manateq for the design, construction and erection of a syncrolift and travel lift in Marsa Um Alhoul at Um Alhoul Special Economic Zone, Qatar for a total contract value of Qatari Riyal 143 million (equivalent to approximately RM149 million).

In 2018, Prasarana Malaysia Berhad awarded the Company a contract for the design, supply, delivery, installation, testing and commissioning of noise barriers for Package NBE (E) for the Light Rail Transit Line 3 ("LRT3") worth RM57.6 million. In March 2018, the Company again vide a joint venture, received an award from Prasarana Malaysia Berhad for the design, supply, delivery, installation, testing and commissioning of noise barriers for Package NBE (W) for the LRT3 worth RM32.7 million.

In December 2018, the Company secured two additional contracts worth RM205 million for Engineering, Procurement, Construction, Installation and Commissioning ("EPCIC") projects in Melaka and Myanmar from Regas Terminal (Sg Udang) Sdn Bhd and PC Myanmar (Hong Kong) Limited respectively.

At the start of year 2019, the Company was awarded the contracts for the design, supply, delivery, installation, testing and commissioning of noise barriers for the Sungai Besi - Ulu Kelang Elevated Expressway Project and the Damansara - Shah Alam Elevated Expressway Project by Turnpike Synergy Sdn Bhd for a total contract sum of approximately RM165 million. Turnpike Synergy Sdn Bhd is a wholly-owned subsidiary of Projek Lintasan Kota Holdings Sdn Bhd, which in turn is wholly-owned by Permodalan Nasional Berhad.

These projects along with our track record of undertaking major infrastructure projects will provide compelling credentials for us to grow this division further when Malaysia's economy recovers.

On the other hand, in January 2019, Bintulu Port Authority instructed our 51% Muhibbah Viccana JV to cease the construction of a supply base wharf in the second harbour basin due to the Port Authority's review of its commercial and operational issues. Bintulu Port Authority is in discussions with Muhibbah Viccana JV for a fair compensation for such cessation.

Other ongoing projects including the infrastructure works for Kertih Biopolymer Park, construction of reinforced concrete jetty for Tenaga Nasional Berhad, noise barrier enclosures for Mass Rail Transit ("MRT") Line 2 and LRT3 as well as our Manateq projects in Qatar are making good progress.

As at 30 March 2019, the outstanding secured order book for the construction and engineering division stands at approximately RM1.12 billion.

Crane Division

It was a busy market for the crane rental market. The global crane market has shifted dramatically to the crane rental segment. With this encouraging growth, we continue to penetrate into the crane rental market.

The rental market combined with our entry into the small crane market have borne further fruits. We have secured some large rental contracts. In 2018, we have further increased our tower crane rental fleets. These rental fleets are spread globally, the majority being in Europe. This service has been well received by our customers.

The year of 2018 has been very fruitful for our newly acquired Intelligent Automation Group. Its core business lies in the offshore maintenance contracts which provide systems upgrades, service and manpower supply. With the growing trend towards cleaner air and more environmentally friendly industrial plants, we are riding the wave with several notable projects including the delivery of a Vapour Recovery Unit ("VRU"), the 1st VRU project which complies with the Department of Environment's ("DOE") stringent regulations of Volatile Organic Compound emission limits.

The Intelligent Automation Group will be one of our key strategies in penetrating the industrial process automation market. We expect the crane market to stay stable with a possible upward trend. As at 30 March 2019, the outstanding total secured order book for the Crane and Intelligent Automation division stands at approximately RM563 million.

Exact Automation - Supply and Installation of Wind Turbine Hybrid Solar System

Favelle Favco - Offshore Crane Cosco (Guangdong) Shipyard Co. Ltd

Corporate Development

On 3 July 2018, our Crane subsidiary, Favelle Favco Berhad completed the acquisition of 70% equity interest in each of the four companies namely Exact Automation Sdn Bhd, Sedia Teguh Sdn Bhd, Exact Analytical Sdn Bhd and Exact Oil & Gas Sdn Bhd (the four companies collectively known as "Intelligent Automation Group") which provide design, engineering and maintenance services for automation solution and process analysers and specialised equipment. The completion of these acquisitions have further strengthened our Crane Division. The estimated purchase consideration for the 70% equity interest in the Intelligent Automation Group is approximately RM137.0 million. For the six months ended 31 December 2018, the Intelligent Automation Group reported a total revenue of RM73.0 million and profit before tax of RM21.2 million.

We are committed to growing our business organically and through acquisitions, and the recent addition of Intelligent Automation Group has become an important contributor to the Group's profitability in the long term. We believe that the challenging environment that we are in currently affords suitable acquisition opportunities for us to better align our businesses for greater synergy. We believe this strategy will improve total shareholder returns and help us build a sustainable performance in the long term.

Construction of Jetty and Platform for Senibong Switching Station and Overhead Line from PMU Senibong to Switching Yard Station at Senibong, Johor Bahru

Exact Automation - Design, Supply and Installation of Vapour Recovery System

Syncrolift Project - Piling, Basin Water Depending & Slipway Construction, Qatar

Future Prospects

The developments in Malaysia's political landscape are redefining Malaysia's economic and financial landscapes. 2019 market outlook hinges on the development in the local political, economic and financial landscapes which continue to influence the future prospects of the Malaysian infrastructure construction industry. We expect to see an impact with the China and USA trade negotiations coming to an end and the potential revival of projects.

For 2019, the government is projecting the economy to grow at a rate of 4.9% to be driven mainly by the private sector.

We are building on our track records both in Malaysia and overseas and to nurture global partnerships to further expand our international business in the Philippines, Myanmar and Indonesia.

We believe the rising urbanisation in a youthful demographic profile and rising middle income class in an over 600 million ASEAN population, represents vast market opportunities and strong demand for upgrading and expansion of infrastructure developments, both under EPCC and concession models. This fits well into our short, medium and long term strategic business development master plan.

Acknowledgement and Appreciation

On behalf of the Board of Directors, I would like to take this opportunity to express my appreciation to our shareholders for their support and to our valued clients, financiers and business partners for their unwavering confidence and trust.

We also thank our valued business associates, subcontractors, suppliers and the various government agencies who have given us continuous support all this while. Special mention goes to our employees throughout the Group for another outstanding year in a tough global economy and who continue to give their best for Muhibbah Group as we forge ahead in achieving our vision.

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

Mac Ngan Boon @ Mac Yin Boon
Group Managing Director

Profile of Directors

Tan Sri Zakaria bin Abdul Hamid

Aged 75, Male, Malaysian
- *Chairman*
- *Senior Independent Non-Executive Director*
- *Chairman of the Remuneration Committee and Nominating Committee*
- *Member of the Audit Committee*

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

He obtained a Bachelor of Arts with Honours Degree from the University of Malaya in 1969 and later furthered his studies in 1993 at the Royal College of Defence Studies in London. He started working 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 75, Male, Malaysian
- *Group Managing Director*

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

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

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

Ooi Sen Eng

Aged 77, Male, Malaysian
- *Executive Director*

Mr Ooi Sen Eng obtained his Bachelor of Engineering (Civil) Degree from the University of Malaya in 1966. He was registered with the Board of Engineers (Malaysia) as a Professional Engineer in 1976 and became a member of the Institute of Engineers Malaysia in 1978. In 2015, he achieved the distinction of having been a member of the Instituion of Civil Engineers for 50 years. He gained his early marine engineering construction experience from Zublin AG, a German construction company, where he worked for six (6) years until he co-founded the Company in 1972. He was appointed as Director on 26 May 1973 and was a member of the Remuneration Committee from 21 February 2002 until 2 March 2018.

Mac Chung Jin

Aged 45, 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 53, Female, Malaysian
- *Group Finance Director*

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

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

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

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

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

Sobri bin Abu

Aged 66, Male, Malaysian
- *Independent Non-Executive Director*
- *Chairman of the Audit Committee*
- *Member of the Remuneration Committee and Nominating Committee*

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

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

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

Profile of Directors (continued)

Abd Hamid bin Ibrahim

Aged 70, Male, Malaysian
- *Independent Non-Executive Director*

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

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

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

In April 2004, he was appointed as the PETRONAS representative to the Board of Trustees of Cancer Research Malaysia (CRM). He was conferred an Honorary Membership of Malaysia Gas Association (MGA) in 2014 and was made an Honorary Member and Advisor to Malaysian Oil & Gas Engineering Council (MOGEC) in May 2015. He was also appointed as an Advisor to the Malaysian Oil & Gas Services Council (MOGSC) in April 2018 for his significant contribution to the Association and industry respectively.

Dato' Mohamad Kamarudin bin Hassan

Aged 63, Male, Malaysian
- *Independent Non-Executive Director*
- *Member of the Audit Committee, Remuneration Committee and Nominating Committee*

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

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

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

He is also an Independent Director in three (3) Public Listed Companies, namely, CCM Duopharma Biotech Berhad, ManagePay Systems Berhad and Malaysian Pacific Industries Berhad.

Dato' Sri Khazali bin Haji Ahmad

Aged 64, Male, Malaysian

- *Independent Non-Executive Director*

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

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

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

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

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

Mazlan bin Abdul Hamid

Aged 56, 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.

Profile of Key Senior Management

Mac Chung Hui

Aged 40, Male, Malaysian

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

Mac Chung Hui was appointed as Chief Executive Officer of Favelle Favco Berhad ("FFB") on 5 May 2004. 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 eighteen (18) years.

He has no directorships in 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 67, Male, Malaysian

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

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

Mr Ooi has no directorships in 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**

   None of the Directors have been convicted for offences.

Additional Compliance Information

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

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

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

   The amount of fees payable/paid to the external auditors for the financial year ended 31 December 2018 were as follows:

	Group RM'000	Company RM'000
Audit services	647	206
Non-audit services		
- Tax compliance	68	19
- Financial due diligence and advisory	30	-
	745	225

3. **Material Contracts**

   Save for the recurrent related party transactions disclosed under item 4, there were no material contracts entered into by the Company and its subsidiaries involving the interests of Directors and major shareholders, either still subsisting as at 31 December 2018 or entered into since the end of the previous financial year ended 31 December 2017.

4. **Recurrent Related Party Transactions**

   At the Annual General Meeting held on 26 June 2018, the Company 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 30 April 2018. In accordance with Section 3.1.5 of Practice Note No. 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the details of recurrent related party transactions conducted during the financial year ended 31 December 2018 pursuant to the shareholders' mandate are disclosed as follows:-

Other Information (continued)

Transacting Parties	Related Party	Nature of Transactions	Actual Transaction Value for the Financial Year Ended 31 December 2018 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	1,985
		Purchases, rental of cranes by MEB Group from FFB Group, and the provision of maintenance and services by FFB Group to MEB Group	382
		# Rental of factory and office premises located at Lot 9895, Geran #26559, Kg.Jawa, Mukim of Klang, State of Selangor by MEB Group to FFB Group, measuring 5.0 acres	1,265
		# Rental of office space under Lot 586, 2nd Mile, Jalan Batu Tiga Lama by MEB Group to FFB Group, measuring 4,500 sq. ft.	65
		# Rental of land located at PN 109083 Lot No. 104626 Mukim of Klang, State of Selangor by MEB Group to FFB Group, measuring 36,000 square meters.	2,566
		Shared services expenses/charges by MEB Group to FFB Group which includes 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

Corporate Governance Overview Statement

Introduction

The Board of Directors ("**the Board**") is committed towards ensuring that good corporate governance ("**CG**") 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 Corporate Governance Overview Statement ("**CG Overview Statement**") describes how the Group has applied the principles set out in the Malaysian Code on Corporate Governance 2017 ("**MCCG 2017**") issued by the Securities Commission of Malaysia and except where stated otherwise, its compliance with the recommended practices of the MCCG 2017 for the financial year ended 31 December 2018.

This CG Overview Statement is also prepared in compliance with Paragraph 15.25(1) of the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and should be read together with the CG Report of the Company which is published on the Company's website at www.muhibbah.com.

The Board is pleased to present this CG Overview Statement to provide an overview of the CG practices adopted by the Company in achieving the intended outcomes as set out in the MCCG 2017 with reference to the following three (3) key principles under the stewardship of the Board:-

a) Principle A: Board Leadership and Effectiveness;
b) Principle B: Effective Audit and Risk Management; and
c) Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board of Directors

Duties and Responsibilities of the Board

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

- Oversee the conduct of the Group's businesses and financial performance to determine if the business is being properly managed and provide stewardship in monitoring that 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 review the adequacy of financial information disclosure;
- Review the conduct and performance of major projects to determine whether they are properly managed;
- Assess and review principal risks affecting the Group and supervise the implementation of appropriate systems or processes to manage such risks effectively. Details of the processes are set out in the Statement on Risk Management and Internal Control;
- Ensure there is sound framework for internal controls and risk management;
- Review related party transactions;
- Review the Board Charter, Whistleblower Policy and Code of Ethics;
- Establish and implement succession planning for the Directors and the Group's key senior management for the purpose of business continuity. This includes ensuring implementation of appropriate systems for recruitment, training and retention;
- Review and adopt corporate strategy, business plans, major investment and financing plans; 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 governance of the Group. The functions and the authority delegated by the Board have been defined in the Terms of Reference of the respective committees. These committees are the 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 Charter

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

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

Composition and Balance

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

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

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

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

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, Tan Sri Zakaria bin Abdul Hamid who is a Senior Independent Non-Executive Director leads the Board in overseeing the management while Mac Ngan Boon @ Mac Yin Boon as the Group 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.

Company Secretaries

The Board is supported by the Company Secretaries who are qualified under the Companies Act 2016. The Company Secretaries advise the Board on CG related matters and ensure the Board adheres to the relevant rules and regulatory requirements as well as Board's policies and procedures.

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 the Company Secretary is a matter for the Board as a whole.

Board Meetings

Board meetings are held at regular intervals with additional meetings convened as and when necessary. Board meetings for each financial year are scheduled before the end of the previous financial year so as to enable the Directors to plan their schedules accordingly. 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 the relevant operational strategic matters requiring the Board's approval. The Company Secretary records in the minutes of Board meetings all the deliberations, particularly the issues discussed in reaching that decision. All Directors attended 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 MMLR of Bursa Securities.

Details of the Directors' attendance at the Board meetings held during the financial year under review are as follows:

Names of Directors	Attendance at Meetings in 2018
Tan Sri Zakaria bin Abdul Hamid	4/4
Mac Ngan Boon @ Mac Yin Boon	4/4
Ooi Sen Eng	4/4
Abd Hamid bin Ibrahim	4/4
Sobri bin Abu	4/4
Mac Chung Jin	4/4
Lee Poh Kwee	4/4
Dato' Mohamad Kamarudin bin Hassan	4/4
Mazlan bin Abdul Hamid	4/4
Dato' Sri Khazali bin Haji Ahmad (Appointed on 16 April 2018)	3/3

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

Access to Information and Advice

Due notice is given to the Directors prior to each Board and Board Committee meeting. All Directors are provided with the agenda and Board papers which include minutes of meetings, details of operational, financial, safety and corporate developments and other relevant documents prior to each Board meeting so as to enable the Directors to make well-informed decisions on matters arising at the meetings. It is the primary responsibility of the Chairman of the Board to organise such information necessary for the Board to deal with the agenda and the Board adopts a formal schedule of matters specifically referred to it for decision.

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

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

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

The Code of Conduct is available on the Company's website at www.muhibbah.com.

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

The Whistleblower Policy is available on the Company's website at www.muhibbah.com.

Sustainability
The Board views the commitment to sustainability and environment, social and governance performance as part of its broader responsibility to clients, shareholders, workplace and the communities in which the Group operates. Every business decision that the Group makes pertaining to growth and profitability is consistent with its social and environmental needs for sustainability. The corporate responsibility initiatives undertaken by the Company for the financial year ended 31 December 2018 are disclosed in the Sustainability Statement of this Annual Report.

II. Board Committees

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

a) Audit Committee

The present members of the Audit Committee are as follows:

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

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

The Audit Committee consists exclusively of Independent Non-Executive Directors. The Audit Committee met four (4) times during the year.

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

b) Nominating Committee

The present members of the Nominating Committee are as follows:

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

The Nominating Committee met once during the financial year 2018. In accordance with its Terms of Reference, the Nominating Committee reviewed the Board structure, size and composition in the Board to ensure that the Board has the appropriate mix of skills, experience and other core competencies in fulfilling the relevant requirements or guidelines of Bursa Securities.

The Nominating Committee had carried out the following activities during the financial year under review:-

- Reviewed and assessed the performance of each Independent Director including the requirements under the MMLR of Bursa Securities. 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 and its committees, the performance of individual Directors and Audit Committee members 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;

- Reviewed and discussed the criteria to be used for effective composition of the Board including appointment of new Directors, gender diversity, diversity of ethnicity and age, as well as the proposed measures to be taken to fulfill the recommended practices of MCCG 2017; and

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

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

c) Remuneration Committee

The present members of the Remuneration Committee are as follows:

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

The Remuneration Committee met once during the financial year 2018. In accordance with its Terms of Reference, the Remuneration Committee reviewed the remuneration packages of the Executive Directors in accordance with their performance, contribution and level of responsibilities undertaken for the Board and benchmarked against other companies in similar industries to ensure that the Company's remuneration packages remain competitive to attract and retain high calibre executives to run the Company successfully. Director's 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 were recommended for Board's approval. The individual Non-Executive Directors concerned had abstained from discussing and shall abstain from voting on decisions in respect of their own remuneration packages.

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

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

III. Board Evaluation

The process of assessing Directors is an ongoing responsibility of the entire Board. For the financial year under review, the Board assisted by the Nominating Committee, reviewed the skills and experience of the individual 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 committee assessments as well as an assessment on the independence of Independent Directors and the contribution of each individual Director which are conducted on an annual basis. The evaluation process which is led by the Nominating Committee and supported by the Company Secretary, involve the individual Directors and committee members completing a set of evaluation questionnaires on a yearly basis regarding the processes of the Board and its Committees, their effectiveness and where improvements could be considered by the Company. Based on the outcome of evaluations, the Nominating Committee shall recommend to the Board the areas requiring continuous improvement and form a basis for recommending the directors due for re-election.

The criteria for assessing the independence of an Independent Director includes assessing their respective relationship with the Group and their involvement in any significant transaction with the Group. The Board also undertook a self-assessment in which they assessed their own performance.

IV. Appointment, Re-appointment and Re-election of Directors

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

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

V. Reinforcement of Independence

The Board acknowledges the importance of Independent Non-Executive Directors in bringing objectivity and impartiality in providing unbiased opinion and judgment to ensure that the interests of the Group, shareholders, customers and other stakeholders are taken into account during its decision making process. The Board consists of five (5) Independent Directors who were neither involved in the business transactions nor participated in the day-to-day management of the Group. The Independent Directors satisfy the definition set out in the MMLR of Bursa Securities and the Company meets the requirement prescribed by the MMLR of Bursa Securities to have at least one-third (1/3) of its Board members being Independent Directors, and the MCCG 2017 recommendation to have at least half of the Board comprising Independent Directors.

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

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

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

The Board takes cognisance of Practice 4.2 of the MCCG 2017 that the tenure of an Independent Director should not exceed a cumulative term limit of nine (9) years. Nevertheless, the Board is of the view that the ability of long serving Independent Directors to remain independent and to discharge their duties with integrity and competency should not be measured solely by tenure of service or any pre-determined age.

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

VI. Directors' Training

The Board is cognisant of the added value that the Directors can bring when they are kept up to date with the industry and regulatory development. All the Directors have attended and successfully completed the Mandatory Accreditation Programme as prescribed by Bursa Securities. During the financial year, seminars and training programmes attended include topics relating to corporate governance, risk management, corporate strategy, finance, taxation and new legislations. Training for Directors will be provided continuously so as to ensure that they are kept abreast with the latest developments in relevant laws, regulations 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 included the following:-

Programme title	Organiser
The Annual Report of Tomorrow - Guide To Forward-Looking Information	Bursatra Sdn Bhd
Sustainability Report - Setting The Agenda For Value Creation	Bursatra Sdn Bhd
Risk Management Conference 2018	Malaysian Institute of Accountants
Know The Process, Know Your Rights: Tax Does Not Have to be Taxing	Malaysian Institute of Accountants
Strategic Finance For Decision Makers	Kexxel Group International Events Organizer
MFRS 9 Financial Instruments "Applying It Right the First Time"	Malaysian Institute of Accountants
Labuan IBFC Asset Leasing Symposium 2018 "Meeting the Needs of Transparency and Substance"	Labuan International Business and Financial Centre
KPMG Tax & Business Summit 2018	KPMG Tax Services Sdn Bhd
2019 Budget Tax Conference	Crowe CPE Sdn Bhd
Market Insights Forum 2018 - Riding The Global Wave, Leading Investment	RHB Asset Management
Risk Management Conference 2018	Malaysian Institute of Accountants
Corporate Governance Briefing Sessions: MCCG Reporting & CG Guide	Bursa Malaysia Berhad
Quality Assurance (QA) & Quality Control (QC) & Regulatory Requirements/ Compliance	CCM Duopharma Biotech Berhad
Bursa's Briefing on 2017 MCCG	Malaysian Pacific Industries Berhad

Programme title	Organiser
Enterprise Risk Management (ERM): Driving Organisational Sustainability, Agility and Resilience	CCM Duopharma Biotech Berhad
Corporate Liability Bill & Integrity: What's Your Move?	CCM Duopharma Biotech Berhad
Financial Integrity By PNB	CCM Duopharma Biotech Berhad
Anti-Corruption Summit 2018 "Good Governance And Integrity For Sustainable Business Growth"	Aram Global Sdn Bhd & Transparency International Malaysia
Corporate Liability Under The Malaysian Anti-Corruption Commission (Amendment) Act 2018	PPB Group Berhad

VII. Directors' Remuneration

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

	Group RM'000	Company RM'000
Executive:		
Fees	645	288
Other emoluments	3,888	3,632
	4,533	3,920
Non-Executive (but holding executive position in subsidiaries):		
Fees	186	72
Other emoluments	670	14
	856	86
Independent Non-Executive:		
Fees	492	339
Other emoluments	110	80
	602	419
Total Directors' remuneration	5,991	4,425

The number of Directors in each remuneration band for the financial year ended 31 December 2018 is as follows:

Range of Remuneration	Executive Directors	Non-Independent Non-Executive Director	Independent Non-Executive Directors	Total
Below RM100,000	-	-	2	2
RM100,001 to RM150,000	-	-	2	2
RM200,001 to RM250,000	-	-	1	1
RM850,001 to RM900,000	-	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
	4	1	5	10

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

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

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee ("**AC**") comprises three (3) members who are Independent Non-Executive Directors and is chaired by Encik Sobri bin Abu. All members of the AC possess the required skills and experience to effectively discharge their duties and responsibilities as members of the AC. None of the members were former key audit partners for the Company or the Group in the past two (2) years.

Further details of the AC and its activities are set out in the Audit Committee Report of this Annual Report.

II. Relationship with the Auditors

Through the AC, 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 AC and details of their activities are provided in the Audit Committee Report. Both the internal and external auditors are invited to attend the AC meetings to facilitate the exchange of views on issues requiring attention. The external auditors are also invited to attend meetings on special matters, when necessary. In addition, the AC also meets the external auditors, without the presence of Executive Board members and Management, at least twice a year.

The external auditors have declared that they are independent and do not have any conflict of interest to carry out the audits and provision of non-audit services to the Group.

III. Internal Audit Function

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

IV. Recurrent Related Party Transactions

The Board, through the AC, 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.

V. Risk Management Framework and Internal Control

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

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Corporate Disclosure Policy

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

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

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

II. Communication with Investors and Shareholders

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

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

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

III. Annual General Meeting

The Annual General Meeting ("**AGM**") is an important forum and primary channel where communications with shareholders can be effectively conducted. Shareholders are encouraged to attend and participate at the meeting by raising questions on resolutions proposed and to enquire on the Company's progress and performance. Shareholders who are unable to attend the AGM are allowed to appoint proxy/proxies to attend, participate, speak and vote on their behalf. In line with good CG practices, the notice of the AGM was circulated at least 28 days before the date of AGM to enable shareholders to make the necessary arrangements to attend and make informed voting decisions at the AGM.

The Chairman and Directors are in attendance to respond to shareholders' queries during the meeting. External auditors were also invited to attend the AGM to provide independent clarification on issues relating to the conduct of the audit and Auditors' Report, if any.

In accordance with the MMLR of Bursa Securities, voting at the AGM shall be conducted by poll. All shareholders shall be briefed on the voting procedures by the poll administrator prior to the poll voting and the appointed independent scrutineer shall validate the votes cast and announce the poll results.

Compliance Statement

The Company has complied to a substantial extent, with the principles set out in the MCCG 2017 and the relevant requirements of the MMLR of Bursa Securities on CG to the extent as set out above throughout the financial year ended 31 December 2018.

This CG Overview Statement was approved by the Board on 11 April 2019.

Audit Committee Report

The Board of Directors ("the Board") of Muhibbah Engineering (M) Bhd is pleased to present the Audit Committee Report for the financial year ended 31 December 2018.

Composition and Attendance

Board members who served on the Audit Committee ("AC") during the financial year ended 31 December 2018 and details of their attendance are as follows:

Name of Committee Members	Designation	No of Committee Meetings Attended
Sobri bin Abu	Chairman *(Independent Non-Executive Director)* *(Redesignated as Chairman of AC on 2 March 2018)*	4/4
Tan Sri Zakaria bin Abdul Hamid	Member *(Senior Independent Non-Executive Director)* *(Redesignated as Member of AC on 2 March 2018)*	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's Finance Director and the Group's Internal Audit Manager attended all AC meetings by invitation. A representative of the External Auditors, other Board members and Group's Head of Legal and Contracts also attended some of the meetings upon invitation by the Chairman of the AC.

Summary of Activities in 2018

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) separate meeting sessions with the external auditors without the presence of the Executive Directors and Management to discuss relevant issues and obtain feedbacks.

(ii) Internal Audit
- Reviewed and approved the internal audit plan to ensure the adequacy of its scope of coverage;
- Reviewed the recurrent related party transactions review report;
- Reviewed the internal audit reports and specific review reports presented by the Internal Auditors which comprise internal auditors' recommendations and Management's committed action plans.
- Reviewed the results of follow-up audits performed by the Internal Auditors to monitor the status of Management's implementation of the committed action plans.

Audit Committee Report (continued)

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

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

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

Internal Audit Function

The in-house Group Internal Audit Department ("GIAD") is governed by the Internal Audit Charter that defines the scope, authority, roles and responsibilities of its function. GIAD reports directly to the AC and has unrestricted access to the Executive Directors as well as the Senior Management. As the third line of defence, GIAD performs independent assessment on the adequacy and effectiveness of the Group's system of internal control, risk management and governance processes.

GIAD is headed by Foo Sek Thai who is a member of the Malaysian Institute of Accountants and is a Chartered Member of Institute of Internal Auditors Malaysia. As at 31 December 2018, he was supported by three (3) internal audit staff who possess professional qualifications and/or university degrees. All the internal auditors have each signed a declaration to confirm that they have complied with the code of conduct of Muhibbah Engineering (M) Bhd and are free from any relationships or conflicts of interest which could compromise their independence or impair their objectivity during the course of their audit work. GIAD is guided by the International Professional Practice Framework (IPPF) and the internal audit works use risk based approach.

GIAD performs its work in accordance with the risk-based internal audit plan approved by the AC. For the financial year ended 2018, the scope of review included the following:

- Tender Process
- Project Initiation and Planning
- Administration of Banking Accounts
- Inventory Management.
- Diesel Management
- Procurement
- Contracts Management
- Labour Management
- Recurrent and Related Party Transactions
- General Administration

Results of the audit which included findings, recommendations and management's mitigation action plans were reported to the AC for deliberations. In addition, GIAD carried out the following:

- Facilitated Risk Management Committee meetings and Risk Management Unit meetings for the various business units.
- Participated in Key Management meetings to keep abreast of the evolvement of the risks pertaining to the business environment.
- Reviewed the Statement on Risk Management and Internal Control for the Company's 2018 Annual Report.
- Provided internal audit services and facilitated risk management meetings for the listed subsidiary i.e. Favelle Favco Berhad.

The total cost incurred by GIAD for the financial year ended 31 December 2018 was approximately RM516,000.

Terms of Reference

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

Statement on Risk Management & Internal Control

Introduction

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

Board's Responsibilities

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

Risk Management

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

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

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

Key Elements of Internal Control

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

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

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

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

Statement on Risk Management & Internal Control (continued)

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

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

- Safety, Health and Environment
  In addition to the site safety audits, the Health, Safety and Environment Department has been conducting continuous programs including induction and training to ensure safety awareness among the staff. The Department also conducts periodic audits and checks to confirm that the operational processes conformed to ISO 18001:2007 Occupational Health and Safety Management as well as 14001:2015 Environmental Management Systems.

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

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

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

Review of Statement by External Auditors

As required by Paragraph 15.23 of the Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement on Risk Management and Internal Control, and reported to the Board that nothing has come to their attention that cause them to believe that the Statement on Risk Management and Internal Control, in all material aspects, has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control : Guidelines for Directors of Listed Issuers, or is factually inaccurate. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide 3 ("AAPG3") (formerly known as Recommended Practice Guide ("RPG") 5 (Revised 2015)) issued by the Malaysian Institute of Accountants.

Conclusion

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

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

This statement was approved by the Board on 11 April 2019.

Directors' Responsibility Statement

The Directors are required by the Companies Act 2016 ("the Act") to ensure that the annual financial statements of the Group and the Company are prepared in accordance with the applicable approved accounting statements in Malaysia, the provisions of the Act and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Financial statements have provided a true and fair view of the financial position, financial performance and cash flows of the Group and the Company for the financial year ended 31 December 2018.

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

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

Sustainability Statement

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

1 About This Statement

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

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

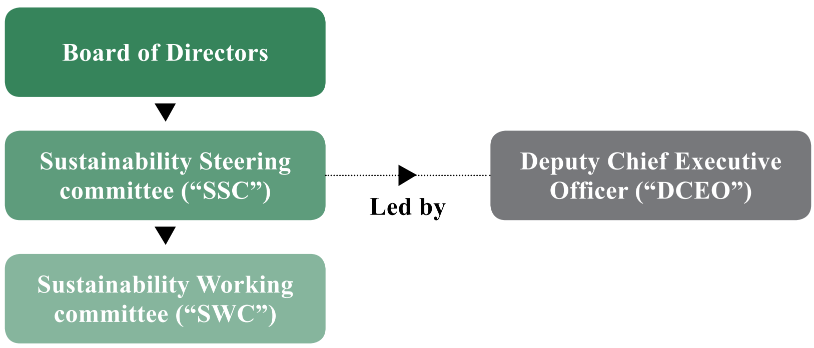
1.1 Statement Scope and Boundary

Our business portfolio comprises 4 core divisions; namely Concessions, Infrastructure Construction, Cranes and Shipyard. The Construction and Engineering division is primarily engaged in infrastructure, civil and structural engineering, marine, oil and gas, shipbuilding, contract works while the Concessions division consists of Cambodia Airports privatisation and road maintenance for the Federal Government of Malaysia. For the purpose of this sustainability statement, we only cover our operation in Malaysia[1].

This statement presents our sustainability performance for the financial year ended 31 December 2018.

2 Sustainability Governance

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



Muhibbah's Sustainability Governance Structure

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

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

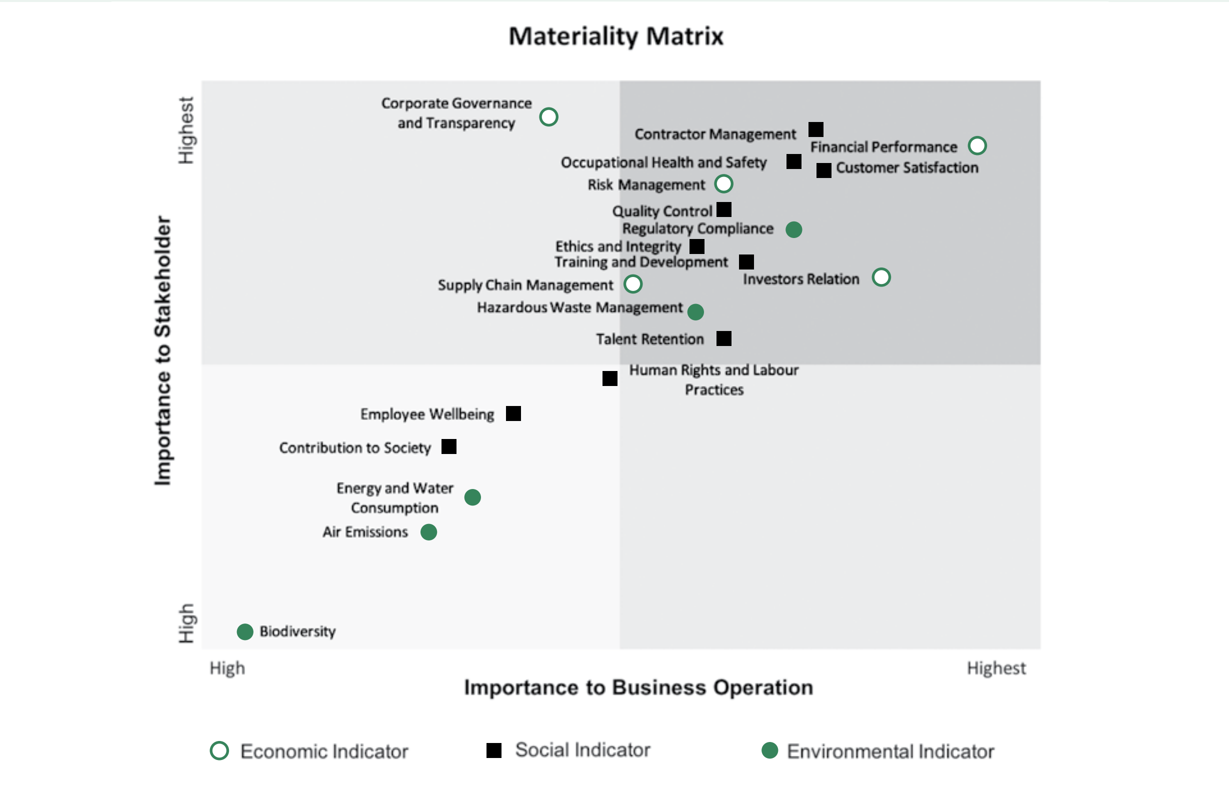
3 Stakeholder Engagement

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

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

4 Materiality Assessment

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



5 Road to Sustainability

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

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

Marketplace

Delivering sustainable return to our shareholders

Workplace

Keeping our people safe at work through proper planning and training

Environment

Optimising usage of natural resources and minimising environmental impacts

Community

Engaging our community through contribution of labour and financial support

5.1 Marketplace

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

5.1.1 Financial Performance

We achieved RM273.8 million profit before tax for the financial year ended 31 December 2018. The Group's historical summary of 5-year economic performance is disclosed in the Group Financial Highlights of this Annual Report.

5.1.2 Quality Assurance and Quality Control

We continue to strengthen our commitment to the pursuit of delivering quality products and services to our clients with our Quality Policy and internationally certified Quality Management Systems. Internal Quality Audits are conducted periodically to ensure compliance with all requirements of the standards listed below by each of our certified subsidiaries.

Standard	Company / Subsidiary
ISO 9001:2015: Quality Management Systems	1. Muhibbah Engineering (M) Bhd 2. Muhibbah Steel Industries Sdn Bhd (MSI) 3. CiTECH Energy Recovery System Malaysia Sdn Bhd (CiTECH) 4. Muhibbah Airline Support Industries Sdn Bhd (MASI) 5. Muhibbah Petrochemical Engineering Sdn Bhd 6. Favelle Favco Cranes (M) Sdn Bhd - Senawang & Telok Gong 7. Muhibbah Marine Engineering Sdn Bhd 8. Muhibbah Engineering Middle East L.L.C
ISO/TS 29001:2010: Quality Management System for product and service supply organizations for the petroleum, petrochemical and natural gas industries.	1. Muhibbah Engineering (M) Bhd 2. Muhibbah Steel Industries Sdn Bhd (MSI) 3. CiTECH Energy Recovery System Malaysia Sdn Bhd 4. Muhibbah Airline Support Industries Sdn Bhd
ASME 'U' Stamp – Boilers and Pressure Vessel Certification	1. CiTECH Energy Recovery System Malaysia Sdn Bhd
NBBI 'R' Stamp – Repairs and alterations on pressure vessels, boilers, and pressure-retaining items.	1. CiTECH Energy Recovery System Malaysia Sdn Bhd

5.1.3 Risk Management

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

Sustainability Statement (continued)

5.2 Workplace

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

5.2.1 Occupational Health and Safety

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

Safety and Health Policy Statement

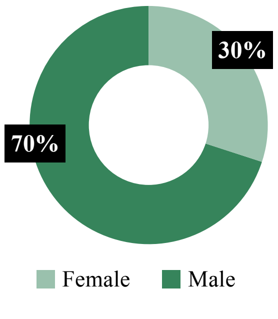
- To treat Safety and Health with the highest priority and demonstrate visible leadership in all of our business activities by providing adequate resources necessary to manage and communicate Safety & Health commitment, expectations and accountability in the same manner as any other critical business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

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

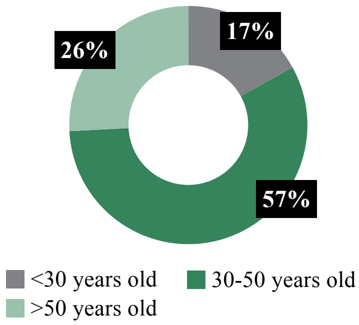
Health and Safety Committees ("HSC") are established within our Group to develop and carry out measures for the protection and safeguard of our employees at their respective workplace. The HSC comprise employee and employer representatives from each department who work in partnerships together on various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

5.2.2 Employee Diversity

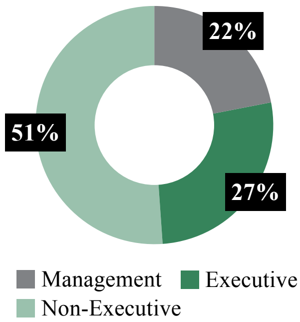
We treat our employees with respect and dignity. Muhibbah appreciates the diversity among our workforce and continues with its endeavours to create a diversified workforce by hiring talented people without any form of discrimination.



(i) Employees Breakdown by Gender



(ii) Employees Breakdown by Age



(iii) Employees Breakdown by Category

(i) Male employees contribute to 70% of the Group's workforce. Our workforce is male-dominated due to the nature of our business operation.

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

(iii) In Muhibbah, management makes up 22% of the employee distribution followed by executive (27%) and non-executive (51%).

5.2.3 Training and Development

We continuously empower our employees through training and development either in-house or externally and focus mainly on safety, human resources management, time management, project management and other relevant competency training.

5.2.4 Talent Retention

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

5.2.5 Ethics and Integrity

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

5.3 Environment

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

Environmental Policy Statement

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

5.3.1 Regulatory Compliance

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

5.3.2 Hazardous Waste Management

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

5.4 Community

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

5.4.1 Contribution to Society

Our CSR Rangers organised the "Spread the Love" activity at Rumah Seri Kenangan, Sg Long, Cheras. Along with activities such as a lucky draw session, karaoke and birthday celebrations, the visit brought cheer and smiles to 160 senior citizens. We have donated light wheelchairs to the home and goodies to all its residents.

In conjunction with the "World Book Day", Muhibbah carried out the "1 Book 1 Hope" initiative at Sekolah Kebangsaan Cyberjaya. To contribute our part in instilling reading habits and enriching minds amongst students, Muhibbah together with our employees donated both new and used books to the school.

We have also organised the "Get Together Fun Day with Kanak-Kanak Orang Asli" at Perkampungan Orang Asli, Pulau Indah, Klang. Muhibbah distributed clothes to the Orang Asli community and organised games and activities for the children aiming to bring them smiles and happiness while cultivating the spirit of volunteerism among our employees and participants with community services.

6 Conclusion

We are cognisant that embedding sustainability effectively across the Group is a journey. This Statement describes our sustainability initiatives and how we managed our material sustainability issues in our operations for financial year ended 31 December 2018. Moving forward, we will continue to build and enhance our initiatives progressively with the ultimate goal of achieving our sustainability vision. ultimate goal of achieving our sustainability vision.

FINANCIAL STATEMENTS

Directors' Report for the financial year ended 31 December 2018

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 2018.

Principal activities

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

Results

	Group RM'000	Company RM'000
Profit attributable to:		
Owners of the Company	144,800	73,384
Non-controlling interests	86,749	-
Profit for the year	231,549	73,384

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review other than those 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 7.00 sen per ordinary share totaling RM33,623,188 in respect of the financial year ended 31 December 2017.

The first and final ordinary tax exempt dividend recommended by the Directors in respect of the financial year ended 31 December 2018 is 7.50 sen per ordinary share totaling RM36,125,194 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 and at the date of this report are:

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

The names of Directors of the Company's subsidiaries are set out in the respective subsidiaries financial statements, where applicable, and the said information is deemed incorporated herein by such reference and made a part hereof.

Directors' interests

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

	Number of ordinary shares			
	At 1.1.2018	Bought	Sold	At 31.12.2018
Muhibbah Engineering (M) Bhd.:				
Mac Ngan Boon @ Mac Yin Boon				
- Direct	73,501,416	-	-	73,501,416
- Indirect	19,962,500	-	-	19,962,500
Ooi Sen Eng	13,924,066	-	-	13,924,066
Mac Chung Jin				
- Direct	6,760,000	-	(100,000)	6,660,000
- Indirect	50,000	-	-	50,000
Lee Poh Kwee				
- Direct	6,046,272	-	-	6,046,272
- Indirect	650,000	-	-	650,000
Mazlan bin Abdul Hamid	500,000	-	-	500,000
Favelle Favco Berhad (a subsidiary):				
Tan Sri Zakaria bin Abdul Hamid	220,000	170,000	(220,000)	170,000
Mac Ngan Boon @ Mac Yin Boon				
- Direct	9,142,913	-	-	9,142,913
- Indirect	4,080,800	-	-	4,080,800
Ooi Sen Eng				
- Direct	1,156,000	-	-	1,156,000
- Indirect	900	-	-	900
Mac Chung Jin	677,000	-	-	677,000
Lee Poh Kwee	1,715,000	-	-	1,715,000
Abd Hamid bin Ibrahim	95,000	-	-	95,000
Mazlan bin Abdul Hamid	2,432,000	-	(155,100)	2,276,900

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 Issuance Scheme ("SIS") are set out below:

	Number of options over ordinary shares			
	At 1.1.2018	Granted	Exercised	At 31.12.2018
Muhibbah Engineering (M) Bhd:				
Mac Ngan Boon @ Mac Yin Boon				
- Direct	3,500,000	-	-	3,500,000
- Indirect	1,250,000	-	-	1,250,000
Ooi Sen Eng	2,700,000	-	-	2,700,000
Mac Chung Jin	2,500,000	-	-	2,500,000
Lee Poh Kwee	2,500,000	-	-	2,500,000
Mazlan bin Abdul Hamid	500,000	-	-	500,000
Favelle Favco Berhad (a subsidiary):				
Mac Ngan Boon @ Mac Yin Boon				
- Direct	1,700,000	-	-	1,700,000
- Indirect	1,500,000	-	-	1,500,000
Lee Poh Kwee	1,200,000	-	-	1,200,000
Mazlan bin Abdul Hamid	1,200,000	-	-	1,200,000

Other than the abovementioned Directors, none of the other Directors holding office at 31 December 2018 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 a benefit included in the aggregate amount of remuneration received or due and receivable by Directors shown in the financial statements, or the fixed salary of a full time employee of the Company or related corporations) 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 SIS of the Company.

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

Issue of shares and debentures

During the financial year,

(a) the Company increased its issued and paid-up share capital from RM241,057,000 to RM301,746,000 by way of:

   (i) an issuance of 1,338,000 new ordinary shares from the exercise of options under the Company's SIS at the exercise prices as disclosed in Note 24 to the financial statements which amounted to RM3,660,000; and

   (ii) in accordance with Section 618(2) of the Companies Act 2016, the amount standing to the credit of the share premium of RM57,029,000 has become part of the Company's share capital.

(b) there were no issues of debentures by the Company.

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 SIS.

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

Other statutory information

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

i) to ascertain that proper action had been taken in relation to the making of allowance for impairment losses on receivables, and satisfied themselves that adequate allowance had been made for impairment losses on receivables, and

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

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

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

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.

Other statutory information (continued)

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 the Group and of the Company 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 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Subsidiaries

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

Auditors' Remuneration

During the financial year, total amount paid to or receivable by the auditors for the Group and the Company as remuneration for their services rendered amounted to RM1,319,000 and RM206,000 respectively.

Indemnity and insurance cost

During the financial year, there is no indemnity given to or professional indemnity insurance effected for Directors, officers or auditors of the Group and of the Company.

Significant events during the financial year

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

Auditors

The auditors, Crowe Malaysia PLT (converted from a conventional partnership, Crowe Malaysia which was previously known as 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	**Ooi Sen Eng**

Klang, Selangor Darul Ehsan

Date: 11 April 2019

Statements of Financial Position as at 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000 (Restated)	Company 2018 RM'000	Company 2017 RM'000
Assets					
Property, plant and equipment	3	903,892	846,906	123,915	135,883
Investment properties	4	224	234	11,770	12,047
Investments in subsidiaries	5	-	-	253,587	253,587
Investments in associates	6	594,822	503,782	8,723	8,723
Receivables, deposits and prepayment	7	4,465	6,129	-	-
Deferred tax assets	8	38,905	39,426	13,573	13,573
Other non-current assets	9	83,933	43,747	9	9
Total non-current assets		1,626,241	1,440,224	411,577	423,822
Receivables, deposits and prepayment	7	570,028	556,510	1,132,624	1,027,794
Contract assets	10	726,345	498,978	200,247	144,439
Inventories	11	257,699	232,185	502	3,860
Derivative assets	18	336	6,467	-	-
Current tax assets		19,756	34,322	-	-
Cash and cash equivalents	12	591,271	626,511	115,803	130,567
Total current assets		2,165,435	1,954,973	1,449,176	1,306,660
Total assets		3,791,676	3,395,197	1,860,753	1,730,482

		Group		Company	
	Note	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
Equity					
Share capital	13	301,746	241,057	301,746	241,057
Reserves	14	818,689	796,995	217,674	335,146
Total equity attributable to:					
Owners of the Company		1,120,435	1,038,052	519,420	576,203
Non-controlling interests		517,902	420,570	-	-
Total equity		1,638,337	1,458,622	519,420	576,203
Liabilities					
Loans and borrowings	15	69,273	91,829	46,500	65,500
Payables and accruals	16	23,045	9,283	-	-
Deferred tax liabilities	8	47,851	47,380	-	-
Total non-current liabilities		140,169	148,492	46,500	65,500
Payables and accruals	16	787,686	651,851	354,141	322,252
Contract liabilities	10	235,874	286,545	10,443	3,123
Bills payable	17	587,734	461,637	571,498	405,504
Loans and borrowings	15	381,748	373,218	358,751	353,200
Current tax liabilities		20,128	14,832	-	4,700
Total current liabilities		2,013,170	1,788,083	1,294,833	1,088,779
Total liabilities		2,153,339	1,936,575	1,341,333	1,154,279
Total equity and liabilities		3,791,676	3,395,197	1,860,753	1,730,482

The notes on pages 61 to 143 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

for the financial year ended 31 December 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	19	1,576,096	1,396,656	565,256	644,207
Cost of sales		(1,294,386)	(1,185,967)	(435,968)	(408,381)
Gross profit		281,710	210,689	129,288	235,826
Other income		15,454	9,536	1,714	4,386
Distribution costs		(23,673)	(18,893)	(11,879)	(7,980)
Administrative expenses		(138,226)	(125,387)	(18,242)	(17,143)
Net gain on impairment financial assets and contract assets		10,442	-	10,075	-
Results from operating activities		145,707	75,945	110,956	215,089
Interest income		10,164	15,087	20,975	33,864
Finance costs		(24,136)	(25,977)	(54,838)	(54,053)
Operating profit	20	131,735	65,055	77,093	194,900
Share of profit associates, net of tax		142,094	154,267	-	-
Profit before tax		273,829	219,322	77,093	194,900
Income tax expense	22	(42,280)	(27,995)	(3,709)	16,231
Profit for the financial year		231,549	191,327	73,384	211,131
Profit for the financial year attributable to:					
Owners of the Company		144,800	131,608	73,384	211,131
Non-controlling interests		86,749	59,719	-	-
Profit for the financial year		231,549	191,327	73,384	211,131
Earnings per ordinary share (sen)					
Basic	23	30.12	27.40		
Diluted	23	29.59	27.21		

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit for the financial year		231,549	191,327	73,384	211,131
Other comprehensive income for the financial year, net of tax					
Item that will not be reclassified subsequently to profit or loss					
Movement in revaluation of property, plant and equipment, net of tax		-	11,644	-	-
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		18,510	(57,410)	992	196
Other comprehensive income/ (expenses) for the financial year, net of tax		18,510	(45,766)	992	196
Total comprehensive income for the financial year		250,059	145,561	74,376	211,327
Total comprehensive income for the financial year attributable to:					
Owners of the Company		160,355	96,733	74,376	211,327
Non-controlling interests		89,704	48,828	-	-
Total comprehensive income for the financial year		250,059	145,561	74,376	211,327

The notes on pages 61 to 143 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2018

		/---Attributable to owners of the Company---										
		/---Non-distributable---/						Distributable				
Group	**Note**	**Share capital RM'000**	**Treasury shares RM'000**	**Share premium RM'000**	**Revaluation reserve RM'000**	**Capital reserve RM'000**	**Share options reserve RM'000**	**Translation reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 1 January 2017 (as previously reported)		241,057	(5,561)	60,488	193,629	5,237	-	113,481	367,871	976,202	404,334	1,380,536
Prior year adjustments	35	-	-	-	(4,959)	-	-	(2,948)	(5,780)	(13,687)	(9,125)	(22,812)
At 1 January 2017 (as restated)		241,057	(5,561)	60,488	188,670	5,237	-	110,533	362,091	962,515	395,209	1,357,724
Other comprehensive income:												
Revaluation of property		-	-	-	8,857	-	-	-	-	8,857	2,787	11,644
Foreign currency translation differences for foreign operations		-	-	-	-	-	-	(43,732)	-	(43,732)	(13,678)	(57,410)
Profit for the financial year		-	-	-	-	-	-	-	131,608	131,608	59,719	191,327
Total comprehensive income		-	-	-	8,857	-	-	(43,732)	131,608	96,733	48,828	145,561
Share-based payment	24	-	-	-	-	-	5,222	-	-	5,222	-	5,222
Acquisition of subsidiary		-	-	-	-	-	-	-	-	-	267	267
Dividend to owners of the Company	25	-	-	-	-	-	-	-	(26,418)	(26,418)	-	(26,418)
Dividend to non-controlling interests		-	-	-	-	-	-	-	-	-	(23,734)	(23,734)
Total transactions with owners		-	-	-	-	-	5,222	-	(26,418)	(21,196)	(23,467)	(44,663)
At 31 December 2017		241,057	(5,561)	60,488	197,527	5,237	5,222	66,801	467,281	1,038,052	420,570	1,458,622
		/---Note 14---							/			

		/---Attributable to owners of the Company---/										
		/---Non-distributable---/							Distributable			
Group	Note	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Revaluation reserve RM'000	Capital reserve RM'000	Share options reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2018 (as previously reported)		241,057	(5,561)	60,488	197,527	5,237	5,222	66,801	467,281	1,038,052	420,570	1,458,622
Adjustment on initial application MFRS 9, net of tax		-	-	-	-	-	-	-	(57,276)	(57,276)	(3,368)	(60,644)
At 1 January 2018 (as restated)		241,057	(5,561)	60,488	197,527	5,237	5,222	66,801	410,005	980,776	417,202	1,397,978
Other comprehensive income:												
Foreign currency translation differences for foreign operations		-	-	-	-	-	-	15,555	-	15,555	2,955	18,510
Profit for the financial year		-	-	-	-	-	-	-	144,800	144,800	86,749	231,549
Total comprehensive income		-	-	-	-	-	-	15,555	144,800	160,355	89,704	250,059
Share option exercised	13	669	-	2,991	-	-	-	-	-	3,660	-	3,660
Share-based payment	24	-	-	-	-	-	9,008	-	-	9,008	2,239	11,247
Dividend to owners of the Company	25	-	-	-	-	-	-	-	(33,693)	(33,693)	-	(33,693)
Dividend to non-controlling interests		-	-	-	-	-	-	-	-	-	(18,394)	(18,394)
Acquisition of subsidiary	34	-	-	-	-	-	-	-	-	-	28,282	28,282
Acquisition of share from non-controlling interests		-	-	-	-	-	-	-	329	329	(1,131)	(802)
Transfer to share capital due to implementation of Companies Act 2016		60,020	-	(63,479)	-	-	-	-	3,459	-	-	-
Total transactions with owners		60,689	-	(60,488)	-	-	9,008	-	(29,905)	(20,696)	10,996	(9,700)
At 31 December 2018		301,746	(5,561)	-	197,527	5,237	14,230	82,356	524,900	1,120,435	517,902	1,638,337
		/---Note 14---/										

The notes on pages 61 to 143 are an integral part of these financial statements.

Statement of Changes in Equity
for the financial year ended 31 December 2018

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

		/---Non-distributable					---/Distributable	
Company	Note	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Revaluation reserve RM'000	Share options reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2018 (as previously reported)		241,057	(5,561)	57,029	35,043	4,004	462	244,169	576,203
Adjustment on initial application of MFRS9, net of tax		-	-	-	-	-	-	(108,092)	(108,092)
At 1 January 2018 (as restated)		241,057	(5,561)	57,029	35,043	4,004	462	136,077	468,111
Other comprehensive income:									
Foreign currency translation differences for foreign operations		-	-	-	-	-	992	-	992
Profit for the financial year		-	-	-	-	-	-	73,384	73,384
Total comprehensive income		-	-	-	-	-	992	73,384	74,376
Share option exercised	13	669	-	2,991	-	-	-	-	3,660
Share-based payment	24	-	-	-	-	6,966	-	-	6,966
Dividend to owners of the Company	25	-	-	-	-	-	-	(33,693)	(33,693)
Transfer to share capital due to implementation of Companies Act 2016		60,020	-	(60,020)	-	-	-	-	-
Total transactions with owners		60,689	-	(57,029)	-	6,966	-	(33,693)	(23,067)
At 31 December 2018		301,746	(5,561)	-	35,043	10,970	1,454	175,768	519,420
		/---Note 14						---/	

The notes on pages 61 to 143 are an integral part of these financial statements.

Statements of Cash Flows for the financial year ended 31 December 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from/(for) operating activities				
Profit before tax	273,829	219,322	77,093	194,900
Adjustments for:				
Allowance for impairment loss on property, plant and equipment	7,690	-	-	-
Amortisation of development costs and intellectual property	993	997	-	-
Depreciation of investment properties	10	10	277	268
Depreciation of property, plant and equipment	70,384	67,944	16,730	16,271
Dividend income	-	-	(132,024)	(100,323)
Finance costs	41,611	45,010	62,611	57,843
Gain on disposal of property, plant and equipment	(16,449)	(773)	(8)	(3,214)
Interest income	(10,164)	(15,087)	(20,975)	(33,864)
Net fair value adjustment on derivative instruments	6,131	(20,018)	-	(447)
Net loss/(gain) on foreign exchange	3,435	19,158	(2,003)	(8,748)
Net impairment loss on investment in associates/subsidiaries	175	-	-	6,901
Net (recovery)/impairment loss on financial asset and receivables	(12,601)	6,679	(10,073)	-
Net impairment loss on other investments	510	34	-	-
Net provision/(reversal) for warranties	7,160	4,900	(797)	1,355
Property, plant and equipment written off	403	173	403	-
Share-based payments	11,247	5,222	4,964	2,518
Share of profit of associates	(142,094)	(154,267)	-	-
Inventories Write-off/(back)	3,977	-	(213)	-
Operating profit/(loss) before changes in working capital	246,247	179,304	(4,015)	133,460
Receivables, deposits and prepayment	(40,313)	134,518	(209,595)	(61,845)
Inventories	9,695	(19,086)	3,571	(3,497)
Payables and accruals	109,112	(372,762)	27,986	(147,652)
Contract assets and contract liabilities	(283,713)	601,347	(50,592)	501,949
Cash generated from/(used in) operations	41,028	523,321	(232,645)	422,415
Net taxes paid	(17,465)	(71,807)	(3,709)	(8,769)
Net cash generated from/(used in) operating activities	23,563	451,514	(236,354)	413,646

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows (for)/from investing activities					
Acquisition of shares from non-controlling interests		(802)	-	-	-
Acquisition of subsidiary net of cash outflow	34	(38,347)	-	-	-
Dividend received from:					
- subsidiaries		-	-	124,464	32,126
- associates		62,206	48,748	7,560	8,132
Interest received		9,496	10,156	1,193	1,361
Proceeds from disposal of property, plant and equipment		20,241	6,978	770	6,718
Purchase of property, plant and equipment		(125,005)	(106,039)	(5,981)	(9,940)
Proceeds from disposal/(purchase) of other non-current assets		619	(9,539)	-	-
Net cash (used in)/generated from investing activities		(71,592)	(49,696)	128,006	38,397
Cash flows (for)/from financing activities					
Dividend paid to owners of the Company		(33,693)	(26,418)	(33,693)	(26,418)
Dividend paid to non-controlling interests		(18,394)	(23,734)	-	-
Interest paid		(40,100)	(44,897)	(28,331)	(23,966)
Proceeds from exercise of share options		3,660	-	3,010	-
Net advances/(repayment) of loans and borrowings		76,928	(403,548)	133,252	(331,565)
Net cash (used in)/generated from financing activities		(11,599)	(498,597)	74,238	(381,949)
Exchange differences on translation of the financial statements of foreign operations		2,283	(10,731)	53	(15)
Net (decrease)/increase in cash and cash equivalents		(57,345)	(107,510)	(34,057)	70,079
Cash and cash equivalents at beginning of the financial year		624,176	731,686	130,567	60,488
Cash and cash equivalents at end of the financial year	(i)	566,831	624,176	96,510	130,567

The notes on pages 61 to 143 are an integral part of these financial statements.

Statements of Cash Flows for the financial year ended 31 December 2018 (continued)

(i) Cash and cash equivalents

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

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits placed with licensed banks	12	157,523	244,740	2,384	9,234
Short-term funds	12	143,023	94,341	650	10,000
Cash and bank balances	12	290,725	287,430	112,769	111,333
Bank overdrafts	15	(24,440)	(2,335)	(19,293)	-
		566,831	624,176	96,510	130,567

The notes on pages 61 to 143 are an integral part of these financial statements.

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates and jointly controlled operations. The financial statements of the Company as at and for the financial year ended 31 December 2018 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. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors on 11 April 2019.

1. Basis of preparation

(a) Statement of compliance

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

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

MFRSs and/or IC Interpretations (Including The Consequential Amendments)
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15 Revenue from Contracts with Customers
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 15: Effective Date of MFRS 15
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'
Amendments to MFRS 140 – Transfers of Investment Property
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. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

MFRS 9 introduces a new classification and measurement requirements for financial assets that reflects the business model in which the financial assets are managed and their cash flow characteristics. MFRS 9 contains 3 principal classification categories for financial assets i.e. measured at amortised cost, fair value through profit or loss, fair value through other comprehensive income and eliminates the previous categories of held to maturity, loans and receivables and available-for-sale financial assets. In addition, MFRS 9 replaces the 'incurred loss' model in MFRS 139 with an 'expected credit loss' model. This new impairment approach is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The impacts on the financial statements upon the initial application of this accounting standard are disclosed in Note 33 to the financial statements.

MFRS 15 requires an entity to recognise revenue to depict the transfer of promised goods or services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services. In addition, more guidance has been added in MFRS 15 to deal with specific scenarios. The impacts on the financial statements upon the initial application of this accounting standard are disclosed in Note 33 to the financial statements.

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

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

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

(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.

1. Basis of preparation (continued)

(c) Functional and presentation currencies

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

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

(d) Use of estimates and judgments

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

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

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

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

2. Significant accounting policies

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

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

(i) financial instruments;
(ii) revenue recognition; and
(iii) impairment losses of financial instruments

As compared to those adopted in previous financial statements. The impacts arising from the changes are disclosed in Note 33.

2. Significant accounting policies (continued)

(a) Basis of consolidation

(i) Subsidiaries

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

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de factor* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

(ii) Business combinations

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

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:
(a) the fair value of the consideration transferred; plus
(b) the recognised amount of any non-controlling interests in the acquiree; plus
(c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
(d) 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 (continued)

(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) 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.

(b) 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 on 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, 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

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

(i) Recognition and initial measurement

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

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contact is not measured at 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.

Previous financial year

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

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

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

The Group and the Company categorise financial instruments as follows: (continued)

Financial assets (continued)

Current financial year (continued)

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

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

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

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

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

(b) Loans and receivables

Loans and receivables category comprised debt instruments that were 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 were subject to impairment assessment.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

The Group and the Company categorise financial instruments as follows: (continued)

Financial liability

Current financial year

The category of financial liability at initial recognition is as follows:

(a) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprised financial liabilities that were derivatives or financial liabilities that were specifically designated into this category upon initial recognition.

Derivatives that were linked to and must be settled by delivery of unquoted equity instruments that did not have a quoted price in an active market for identical instruments whose fair values otherwise could not be reliably measured were measured at cost.

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

(iii) 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 transferred, 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 equity is 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 or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

2. Significant accounting policies (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

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

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

(ii) Subsequent costs

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

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. 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.

Capital work-in-progress included in property and equipment are not depreciated as these assets are not yet available for use.

The depreciable amount is determined after deducting the residual value.

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

(e) Leased assets

(i) Finance lease

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

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

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

(ii) Operating lease

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

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

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

2. Significant accounting policies (continued)

(f) Investment properties

Investment properties carried at cost

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

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

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

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

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

(g) Other non-current assets

(i) Intangible asset

(a) 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.

(b) 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 as incurred.

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

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

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

2. Significant accounting policies (continued)

(g) Other non-current assets (continued)

(i) Intangible asset

(c) 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.

(d) 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.

(e) Amortisation

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

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

(ii) Land held for property development

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

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

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

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

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

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

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

2. Significant accounting policies (continued)

(i) Contract asset/liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments.*

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(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 have an insignificant risk of changes in value with original maturity periods of 3 months or less.

(k) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company elected not to restate the comparatives.

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group and the Company's historical experience and informed credit assessment and including forward-looking information, where available.

2. Significant accounting policies (continued)

(k) Impairment (continued)

(i) Financial assets (continued)

Current financial year (continued)

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company is exposed to credit risk.

The Group and the Company estimates the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assesses whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group and the Company's procedures for recover amount due.

Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and investment in associates) were assessed at each reporting date whether there was 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, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists then impairment loss of the financial asset was estimated.

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

2. Significant accounting policies (continued)

(k) Impairment (continued)

(i) Financial assets (continued)

Previous financial year (continued)

An impairment loss in respect of unquoted equity instrument that was carried at cost was recognised in profit or loss and was 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 was 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 was reversed, to the extent that the asset's carrying amount did 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 was recognised in the profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories, contract assets and deferred tax) 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.

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 unit (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.

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.

2. Significant accounting policies (continued)

(l) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Preference share capital

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

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.

(m) Bonds

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

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

2. Significant accounting policies (continued)

(n) Loans and borrowings

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

(o) Employee benefits

(i) Short term employee benefits

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

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

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

(ii) Share-based payment transactions

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

(p) Provisions

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

(i) Warranties

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

2. Significant accounting policies (continued)

(p) Provisions (continued)

(ii) Contingent liabilities

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

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

(q) Revenue from contracts with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time. The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(i) Engineering, procurement, construction and commissioning

Construction contracts involving engineering, procurement, construction and commissioning comprise multiple deliverables, i.e. preparation of designs, plans and technical specification of equipment, procurement of equipment and materials, erection, commissioning and completion of the facility of an infrastructure project. The deliverables are highly integrated and are therefore recognised as a single performance obligation. Revenue is recognised progressively based on the proportion of construction costs incurred for work performed to date over estimated total construction costs.

(ii) Engineering services and construction work

Construction contracts involving engineering and construction work comprise multiple deliverables which are highly integrated and are therefore recognised as a single performance obligation. Revenue is recognised progressively based on based on the proportion of construction costs incurred for work performed to date over estimated total construction costs.

2. Significant accounting policies (continued)

(q) Revenue from contracts with customers (continued)

(iii) Sale of spare part for crane and industrial information technology equipment

Revenue from sale of spare part for crane is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(iv) Rendering of crane maintenance services and rental service

Revenue from providing crane maintenance services is recognised over time in the period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

(v) Construction crance

Contracts for construction of equipment comprise multiple deliverables which include a significant integration service and are therefore recognised as a single performance obligation. Revenue from construction equipment is recognised over time in the period in which the services are rendered using the input method, determined based the proportion of construction costs incurred for work performed to date over the estimated total construction costs. Transaction price is computed based on the price specified in the contract and adjusted for any variable consideration such as incentives and penalties. Past experience is used to estimate and provide for the variable consideration, using most likely method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

A receivable is recognised when the construction services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. If the construction services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the construction services rendered, a contract liability is recognised.

2. Significant accounting policies (continued)

(q) Revenue from contracts with customers (continued)

(vi) Construction of vessels

The Group builds vessels under long-term construction contracts on both a build-to-order and build-to-stock basis. For build-to-order vessels, it typically commences the construction process only upon securing a firm order from a customer. For build-to-stock vessels, however, it commences the construction of the vessels in anticipation of future or potential orders and seeks to sell the vessels to customers at a later stage when the selling prices are favourable.

The Group previously recognised all construction contracts by reference to the stage of completion of the contract activity at the end of the reporting period when the outcome of a construction contract can be estimated reliably. The Group would qualify for revenue recognition over time if the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; the Group's performance creates or enhances an asset (i.e. work in progress vessel) that the customer controls as the asset is created or enhanced; or the Group's performance does not create an asset with an alternative use to the entity, and the Group has an enforceable right to payment for performance completed to date.

The Group has assessed and determined that the performance obligations for built-to-stock vessels are satisfied at a point in time as none of the criteria for satisfaction of performance obligations over time is met. For built-to-order vessels, in particular, the Group has noted under the terms of the contract that notwithstanding that the Group does not have an alternative use for the vessel under construction, the Group does not have an enforceable right to payment for work completed to date. Accordingly, performance obligations are also satisfied at a point in time.

(vii) Vessel chartering

The service element of the Group's time charter contracts is recognised over time in the period when the services are rendered, since the performance obligation is satisfied over time. When the customer simultaneously receives and consumes the benefits provided by the Group's performance (such as revenues from reimbursements, bunkers and other goods and services provided to customers), related revenues are recognised in the period in which such goods or services are transferred to the customers.

(r) Revenue from other sources and other operating income

(i) Rental income

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

2. Significant accounting policies (continued)

(r) Revenue from other sources and other operating income (continued)

(ii) Dividend income

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

(iii) 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.

(t) Income tax

(i) Current Tax

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

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

2. Significant accounting policies (continued)

(t) Income tax (continued)

(ii) Deferred Tax

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

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

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

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

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

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

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

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

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

(u) Earnings per ordinary share

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

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

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

2. Significant accounting policies (continued)

(v) Operating segments

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

(w) Purchase price allocation

Purchase prices related to business combinations are allocated to the underlying acquired assets and liabilities based on their estimated fair value at the time of acquisition. The determination of fair value required the Group to make assumptions, estimates and judgements regarding future events. The allocation process is inherently subjective and impacts the amount assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impact the Group's reported assets (including goodwill) and liabilities, future net earnings due to the impact on future depreciation and amortisation expense and impairment tests. The fair values of the assets acquired and liabilities assumed under the business combinations made during the current financial year are disclosed in Note 34 to the financial statements.

(x) Fair value measurements

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

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

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

3. Property, plant and equipment

Group	Land RM'000	Buildings RM'000	Drydock and slipway RM'000	Cranes RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost/Valuation							
At 1 January 2017 (as previously reported)	333,748	223,456	45,368	197,131	652,829	6,230	1,458,762
Prior year adjustment (Note 35)	(40,840)	-	-	-	-	-	(40,840)
At 1 January 2017 (as restated)	292,908	223,456	45,368	197,131	652,829	6,230	1,417,922
Additions	-	1,972	-	39,176	64,432	459	106,039
Disposals	-	-	-	(4,579)	(28,967)	-	(33,546)
Written off	-	-	-	-	(27)	(173)	(200)
Exchange differences	(3,361)	(715)	-	1,881	(21,148)	(57)	(23,400)
Revaluation	11,644	-	-	-	-	-	11,644
Transfer	-	-	-	-	52,807	(525)	52,282
Reclassification	-	2,404	-	(53)	310	(2,661)	-
At 31 December 2017/ 1 January 2018	301,191	227,117	45,368	233,556	720,236	3,273	1,530,741
Additions	-	5,875	-	93,452	25,426	252	125,005
Acquisition of subsidiary	-	-	-	-	15,037	-	15,037
Disposals	-	-	-	(7,843)	(7,564)	-	(15,407)
Written off	-	-	-	-	(4,963)	-	(4,963)
Exchange differences	(132)	(41)	-	(1,528)	4,211	10	2,520
Transfer	-	-	-	42	(53)	-	(11)
Reclassification	-	-	-	-	2,594	(3,158)	(564)
At 31 December 2018	301,059	232,951	45,368	317,679	754,924	377	1,652,358
Representing items at:							
Valuation	301,059	232,951	45,368	317,679	754,924	377	1,652,358
Accumulated depreciation and impairment losses							
At 1 January 2017	14,501	75,125	18,167	69,112	480,738	-	657,643
Depreciation for the year	2,314	4,822	1,019	14,156	45,633	-	67,944
Disposals	-	-	-	(2,266)	(25,075)	-	(27,341)
Written off	-	-	-	-	(27)	-	(27)
Exchange differences	-	(253)	-	851	(14,982)	-	(14,384)
Accumulated depreciation	16,815	64,014	19,186	81,317	481,361	-	662,693
Accumulated impairment loss	-	15,680	-	536	4,926	-	21,142
At 31 December 2017/ 1 January 2018	16,815	79,694	19,186	81,853	486,287	-	683,835
Depreciation for the year	2,315	5,218	1,019	14,663	47,169	-	70,384
Disposals	-	-	-	(5,075)	(6,540)	-	(11,615)
Written off	-	-	-	-	(4,560)	-	(4,560)
Exchange differences	-	(58)	-	(635)	3,428	-	2,735
Impairment loss	-	-	-	-	7,690	-	7,690
Transfer	-	-	-	-	(3)	-	(3)
Accumulated depreciation	19,130	69,232	20,205	90,270	520,855	-	719,692
Accumulated impairment loss	-	15,622	-	536	12,616	-	28,774
At 31 December 2018	19,130	84,854	20,205	90,806	533,471	-	748,466
Carrying amounts							
At 1 January 2017 (restated)	278,407	148,331	27,201	128,019	172,091	6,230	760,279
At 31 December 2017/ 1 January 2018	284,376	147,423	26,182	151,703	233,949	3,273	846,906
At 31 December 2018	281,929	148,097	25,163	226,873	221,453	377	903,892

3. Property, plant and equipment (continued)

Company	Land RM'000	Buildings RM'000	Cranes RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost/Valuation						
At 1 January 2017	55,108	6,990	31,141	177,850	5,373	276,462
Additions	-	-	97	9,264	579	9,940
Disposals	-	-	(118)	(25,768)	-	(25,886)
Reclassification/transfer	-	1,754	(53)	310	(3,185)	(1,174)
Exchange differences	-	-	-	(74)	-	(74)
At 31 December 2017/ 1 January 2018	55,108	8,744	31,067	161,582	2,767	259,268
Additions	-	-	93	5,709	179	5,981
Disposals	-	-	(321)	(3,053)	-	(3,374)
Written off	-	-	-	(4,952)	-	(4,952)
Reclassification	-	-	-	2,595	(2,595)	-
Exchange differences	-	-	-	33	-	33
At 31 December 2018	55,108	8,744	30,839	161,914	351	256,956
Accumulated depreciation						
At 1 January 2017	3,762	350	17,380	108,093	-	129,585
Depreciation for the year	624	148	2,237	13,262	-	16,271
Disposals	-	-	(118)	(22,264)	-	(22,382)
Exchange differences	-	-	-	(89)	-	(89)
At 31 December 2017/ 1 January 2018	4,386	498	19,499	99,002	-	123,385
Depreciation for the year	624	175	2,009	13,922	-	16,730
Disposals	-	-	(198)	(2,414)	-	(2,612)
Written off	-	-	-	(4,549)	-	(4,549)
Exchange differences	-	-	-	87	-	87
At 31 December 2018	5,010	673	21,310	106,048	-	133,041
Carrying amounts						
At 1 January 2017	51,346	6,640	13,761	69,757	5,373	146,877
At 31 December 2017/ 1 January 2018	50,722	8,246	11,568	62,580	2,767	135,883
At 31 December 2018	50,098	8,071	9,529	55,866	351	123,915

Notes to the Financial Statements (continued)

3. Property, plant and equipment (continued)

Security

The freehold land, buildings and certain long term leasehold land of the Group with total net book value of RM159,810,000 (2017 - RM162,251,000) 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

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 RM71,946,000 (2017 - RM71,946,000) and Group and Company's leasehold land would have been RM50,449,000 (2017 - RM50,544,000) and RM7,912,000 (2017 - RM8,007,000) respectively.

Land

Included in the carrying amounts of land are:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Freehold land	113,503	113,635	50	50
Long term leasehold land	168,426	170,741	50,048	50,672
	281,929	284,376	50,098	50,722

4. Investment properties

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cost				
At 1 January	629	629	13,993	13,343
Reclassification	-	-	-	650
At 31 December	629	629	13,993	13,993
Accumulated depreciation and impairment loss				
At 1 January	395	385	1,946	1,678
Depreciation for the year	10	10	277	268
At 31 December	405	395	2,223	1,946
Carrying amounts				
At 31 December	224	234	11,770	12,047
Included in the above are:				
Freehold land	94	94	94	94
Buildings	130	140	11,676	11,953
	224	234	11,770	12,047

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Market value of investment properties - aggregated basis	1,089	370	111,367	80,854

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	2018 RM'000	2017 RM'000
Ordinary shares			
Quoted shares - in Malaysia		98,663	98,663
Unquoted shares - at cost		257,384	257,384
		356,047	356,047
Less: Impairment losses		(102,460)	(102,460)
		253,587	253,587
Market value			
Quoted shares in Malaysia		301,854	358,288

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 2018 %	Effective ownership interest 2017 %
Cranes segment				
Favelle Favco Berhad	Investment holding	Malaysia	59.28	59.28
Favelle Favco Cranes (M) Sdn. Bhd.	Manufacturing of cranes	Malaysia	59.28	59.28
Favelle Favco Cranes Pte. Ltd.*	Trading of cranes, spare parts and services	Singapore	59.28	59.28
Favelle Favco Cranes (USA), Inc.*	Manufacturing of cranes	United States of America	59.28	59.28
Favelle Favco Cranes Pty Limited* and its subsidiaries:	Manufacturing of cranes	Australia	59.28	59.28
FF Management Pty. Limited*	Management services	Australia	59.28	59.28
Milperra Blasting and Coating Pty. Limited*	Dormant	Australia	59.28	59.28
Kroll Cranes A/S*	Manufacturing of cranes	Denmark	59.28	59.28
Favelle Favco Cranes International Ltd.	Dormant	Labuan	59.28	59.28
FES Equipment Services Sdn. Bhd.	Hiring and repair of cranes	Malaysia	59.28	59.28
Favelle Favco Winches Pte. Ltd.*	Design, fabrication, trading, service and rental of winches, hydraulic system and material handling equipment	Singapore	59.28	59.28
Favelle Favco Management Services Sdn. Bhd.*	Dormant	Malaysia	59.28	59.28
Shanghai Favco Engineering Machinery Manufacturing Co. Ltd.*	Manufacturing of cranes	China	47.42	47.42

5. Investments in subsidiaries (continued)

Company	Principal activities	Country of incorporation	Effective ownership interest 2018 %	2017 %
Cranes segment (continued)				
Exact Automation Sdn Bhd.^	Trading of industrial information technology and providing integrated industrial automation solutions	Malaysia	41.5	-
Exact Analytical Sdn Bhd.^	Trading of process analysers and providing engineering services	Malaysia	41.5	-
Exact Oil & Gas Sdn Bhd.^	Trading and engineering of specialised equipment used in the oil and gas industry	Malaysia	41.5	-
Sedia Teguh Sdn Bhd.^	Trading of specialised equipment used in the oil and gas industry	Malaysia	41.5	-
Marine shipbuilding and ship repair segment				
Muhibbah Marine Engineering Sdn. Bhd. and its subsidiary:	Shipbuilding, renting of ship, providing ship repair services, trading of marine supplies and provision of other engineering works	Malaysia	100	100
Energy Ocean Ltd.	Trading of motor vessels, spare parts and other services	Labuan	100	100
Infrastructure construction segment				
Juara Lagi Sdn. Bhd.#	Vessel chartering services	Malaysia	100	100
Elelink Sdn. Bhd.* and its subsidiary:	Investment holding	Malaysia	100	100
ITS Konsortium Sdn. Bhd.	Commissioning of intelligent transport system solution	Malaysia	100	60

5. Investments in subsidiaries (continued)

Company	Principal activities	Country of incorporation	Effective ownership interest 2018 %	2017 %
Infrastructure construction segment (continued)				
Muhibbah Petrochemical Engineering Sdn. Bhd.#	Oil, gas, petrochemical engineering and related works	Malaysia	100	100
Muhibbah Engineering (Singapore) Pte. Ltd.*	Civil and structural engineering contract works	Singapore	100	100
MEB Construction Sdn. Bhd.#	Civil and structural engineering contract works	Malaysia	100	100
Muhibbah Steel Industries Sdn. Bhd.*	Structural steel fabrication and related works	Malaysia	100	100
Muhibbah Airline Support Industries Sdn. Bhd.	Manufacturing and services for airline support equipment	Malaysia	100	100
Muhibbah Marine Engineering (Deutschland) GmbH*	Constructing and leasing of marine plants	Germany	95	95
Muhibbah Masteron Cambodia JV Limited*	Investment holding and civil and structural engineering contract works	Cambodia	70	70
Ann Bee (M) Sdn. Bhd.*	Manufacture of aluminium foils and carbonless papers	Malaysia	100	100
Muhibbah Maritime Hub Sdn. Bhd.*	Distribution and marketing of construction materials	Malaysia	100	100
Aspect Saga Sdn. Bhd.* and its subsidiaries:	Investment holding	Malaysia	100	100
IDS Cahaya Sdn. Bhd.*	Investment holding	Malaysia	100	100
IDS Cahaya Ltd.#	Offshore leasing business	Labuan	100	100
Muhibbah Reefers Sdn. Bhd.*	Manufacturing of containers and refrigerator containers	Malaysia	100	100

5. Investments in subsidiaries (continued)

Company	Principal activities	Country of incorporation	Effective ownership interest 2018 %	2017 %
Infrastructure construction segment (continued)				
Khas Jejaka Sdn. Bhd.*	Investment holding	Malaysia	100	100
Inno Marine Services Sdn. Bhd.*#	Marine leasing activities	Malaysia	74	74
Muhibbah International Labuan Ltd.	Offshore leasing and international trade business	Labuan	100	100
Muhibbah Offshore Services Ltd.	Offshore leasing business	Labuan	95	95
Muhibbah-LTAT JV Sdn. Bhd.	Civil, marine and structural engineering contract works	Malaysia	51	51
Citech Energy Recovery System Malaysia Sdn. Bhd.* and its subsidiary:	Manufacture of waste heat recovery units for the oil and gas industry	Malaysia	100	100
Citech Energy Recovery Solutions UK (Ltd)*	Trading of waste heat recovery units, spare parts and other services	United Kingdom	100	100
CB International Engineering Sdn. Bhd.	Rental of investment properties and related services and provision of vessel chartering services	Malaysia	100	100
Muhibbah Construction Pty. Limited.*#	Marine and port construction work	Australia	100	100
Muhibbah Engineering Middle East LLC*#	Civil and structural engineering contract works	Qatar	90	90
Karisma Duta Sdn. Bhd.*#	Dormant	Malaysia	100	100
Karisma Project. Management Inc*#	Dormant	Philippines	100	-
MCI Philippines Corp.*#	Dormant	Philippines	100	-
Muhibbah Oil & Gas Sdn. Bhd.*	Dormant	Malaysia	100	100

5. Investments in subsidiaries (continued)

Company	Principal activities	Country of incorporation	Effective ownership interest 2018 %	2017 %
Infrastructure construction segment (continued)				
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
Muhibbah Myanmar Company Ltd*	Civil and structural engineering contract works	Myanmar	100	-
Muhibbah Airport Management Sdn Bhd*	Dormant	Malaysia	100	-
Active Impressions Sdn Bhd*	Dormant	Malaysia	100	-
Muhibbah Engineering (Cambodia) Co. Ltd .#	Property development and trading in real estates	Cambodia	60	60
Concession segment				
Muhibbah Airport Services (Labuan) Ltd.#	Investment holding	Labuan	70	70

* Subsidiaries not audited by Crowe Malaysia PLT.

\# 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.

^ The subsidiaries are considered a subsidiary although the Company does not own more than 50% of its equity shares because the financing and operating policies are governed by the Board which is controlled by the Company.

5. Investments in subsidiaries (continued)

In the previous financial year, the Company assessed the recoverable amount of investments in subsidiaries due to the net assets position of certain subsidiaries as at the end of the previous reporting period has declined as a consequence of continuing losses incurred. An impairment loss of RM 6.9million was provided on the cost of investments. The recoverable amount of the cash-generating unit was determined using the fair value less costs to sell approach.

Non-controlling interests in subsidiaries

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

	Group	
	2018 RM'000	2017 RM'000
NCI percentage	40.72%	40.72%
Carrying amount of NCI	269,540	263,654
Profit allocated to NCI	20,665	26,593
Dividends paid to NCI	12,170	13,523
Total assets	1,280,845	1,207,441
Total liabilities	590,579	579,213
Revenue	530,742	526,484
Profit for the year	68,970	63,997

6. Investments in associates

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unquoted shares				
- At cost	77,355	77,530	8,723	8,723
- Share of post-acquisition reserves	517,467	426,252	-	-
	594,822	503,782	8,723	8,723

6. Investments in associates (continued)

Details of the associates are as follows:

Company	Principal activities	Country of incorporation	Effective ownership interest 2018 %	Effective ownership interest 2017 %
Concession segment				
Roadcare (M) Sdn. Bhd.*@	Operation and maintenance of roadways and bridges	Malaysia	21	21
Société Concessionnaire de l' Aéroport *#	Operator and concessionaire of airports in Cambodia	Cambodia	21	21
Cambodia Airport Management Services Ltd.*#	Provision of airport management services	Cambodia	21	21
Infrastructure construction segment				
Freyssinet PSC (M) Sdn. Bhd.*@	Civil engineering and construction works	Malaysia	50	50
IDS Darussalam Sdn. Bhd.*#	Ship management services	Malaysia	50	50
IDS Offshore Sdn. Bhd.*#	Ship management services	Malaysia	50	50
Wabag Muhibbah JV Sdn. Bhd.*+	Engineering, procurement, construction and commissioning of effluent treatment plant	Malaysia	30	30
Cranes segment				
Favco Offshores Sdn. Bhd.#	Manufacture, supply, servicing and renting of cranes	Malaysia	17.8	17.8
Favelle Favco Machinery and Equipment L.L.C*#	Trading and rental of construction equipment	United Arab Emirates	29.2	29.2
Favco Heavy Industry (Changshu) Co., Ltd.*#	Supply, renting and servicing of lifting equipment and spare parts	China	29.6	29.6

6. Investments in associates (continued)

* Associates not audited by Crowe Malaysia PLT

Associates of subsidiaries of Muhibbah Engineering (M) Bhd.

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

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

Summary financial information of major associates

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

	Group	
	2018 RM'000	2017 RM'000
Gross amount of the major associates		
Non-current assets	1,415,917	1,326,326
Current assets	1,128,471	802,652
Non-current liabilities	221,877	39,767
Current liabilities	9,804,194	603,376
Revenue	1,699,433	2,056,283
Profit for the year	500,805	557,301
Dividends received	947	48,748
Carrying amount in the consolidated financial statements	578,850	484,751

Aggregate information of immaterial associates

	Group	
	2018 RM'000	2017 RM'000
Aggregate carrying amount	15,972	19,031
Aggregate amount of the group share:		
- Loss for the year	(6,624)	(875)

7. Receivables, deposits and prepayments

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current					
Non-Trade					
Amount due from associates	7.1	6,265	6,129	-	-
Less: Allowance for impairment loss	28.3	(1,800)	-	-	-
		4,465	6,129	-	-
Current					
Trade					
Trade receivables	7.2	434,191	364,640	97,916	95,599
Amount due from subsidiaries	7.3	-	-	851,868	683,158
Amount due from associates	7.1	120,093	140,485	25,041	45,713
		554,284	505,125	974,825	824,470
Less: Allowance for impairment loss	28.3	(84,942)	(63,685)	(93,942)	(26,032)
		469,342	441,440	880,883	798,438
Non-trade					
Amount due from subsidiaries	7.3	-	-	275,092	227,631
Amount due from associates	7.1	29,653	35,050	5,119	2,806
Other receivables		63,421	63,004	11,836	14,116
		93,074	98,054	292,047	244,553
Less: Allowance for impairment loss	28.3	(19,255)	(3,180)	(47,836)	(19,831)
		73,819	94,874	244,211	224,722
Deposits		5,902	7,032	2,715	1,285
Prepayment		20,965	13,164	4,815	3,349
		100,686	115,070	251,741	229,356
		570,028	556,510	1,132,624	1,027,794
Non-current and current		574,493	562,639	1,132,624	1,027,794

7. Receivables, deposits and prepayments (continued)

7.1 Amounts due from associates

The amounts due from associates of the Group and of the Company are unsecured, interest-free and have no fixed terms of repayment, other than an amount due from an associate of RM4,465,000 (2017 - RM6,129,000) which is subject to interest of 1% (2017 - 1%) per annum.

7.2 Trade receivables

Analysis of foreign currency exposure for significant receivables

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Australian Dollar	-	348	-	-
Euro	3,947	191	-	-
Qatari Riyal	37,900	37,166	37,900	37,166
Singapore Dollar	-	91	-	-
US Dollar	58,970	32,886	25,009	26,796

Also included in trade receivables of the Group and of the Company are retention sums of RM75,589,000 (2017 - RM72,185,000) and Nil (2017 - RM72,092,012) respectively.

7.3 Amount due from subsidiaries

The trade receivables due from subsidiaries are subject to the normal credit terms ranging from 30 to 150 days (2017 - 30 to 150 days).

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

8. Deferred tax (assets) and liabilities

Recognised deferred tax (assets) and liabilities

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

	Assets		Liabilities		Net	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Group						
Property, plant and equipment	(5)	-	61,445	58,331	61,440	58,331
Tax losses carry forward	(25,000)	(25,262)	-	-	(25,000)	(25,262)
Other temporary allowances	(31,070)	(29,651)	3,576	4,536	(27,494)	(25,115)
Tax (assets)/liabilities	(56,075)	(54,913)	65,021	62,867	8,946	7,954
Set off of tax	17,170	15,487	(17,170)	(15,487)	-	-
Net tax (assets)/liabilities	(38,905)	(39,426)	47,851	47,380	8,946	7,954
Company						
Property, plant and equipment	-	-	11,427	11,427	11,427	11,427
Tax losses	(25,000)	(25,000)	-	-	(25,000)	(25,000)
Tax (assets)/liabilities	(25,000)	(25,000)	11,427	11,427	(13,573)	(13,573)
Set off of tax	11,427	11,427	(11,427)	(11,427)	-	-
Net tax liabilities	(13,573)	(13,573)	-	-	(13,573)	(13,573)

Unrecognised deferred tax assets

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Accelerated capital allowances	(53,986)	(63,426)	(53,851)	(62,378)
Unabsorbed capital allowances	163,879	109,061	107,451	97,909
Tax losses carry forward	665,531	649,010	390,544	369,447
Other temporary differences	(1,006)	28,742	-	-
	774,418	723,387	444,144	404,978

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

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

Movement in temporary differences during the financial year

	Property plant and equipment RM'000	Tax losses carry forward RM'000	Other temporary differences RM'000	Total RM'000
Group				
As at 1 January 2017	54,733	(827)	(23,847)	30,059
Recognised in profit or loss (Note 22)	3,598	(24,435)	(1,357)	(22,194)
Foreign exchange differences	-	-	89	89
As at 31 December 2017/ 1 January 2018	58,331	(25,262)	(25,115)	7,954
Recognised in profit or loss (Note 22)	3,109	262	(2,057)	1,314
Foreign exchange differences	-	-	(322)	(322)
As at 31 December 2018	61,440	(25,000)	(27,494)	8,946
Company				
As at 1 January 2017/ 31 December 2017/ 1 January 2018/ 31 December 2018	11,427	(25,000)	-	(13,573)

9. Other non-current assets

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Land held for development	7,655	38,370	-	-
Development costs	4,988	4,880	9	9
Intellectual property	280	497	-	-
Goodwill	71,010	-	-	-
	83,933	43,747	9	9

9. Other non-current assets (continued)

	Land held for development Group		Development costs Group	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cost				
At 1 January (as previously reported)	38,370	11,199	21,880	18,979
Prior year adjustment (Note 35)	-	18,028	-	-
At 1 January (as restated)	38,370	29,227	21,880	18,979
Additions	-	7,151	1,190	2,388
Disposal	(6,532)	-	-	-
Transfer from WIP	-	2,963	-	1,790
Exchange difference	(113)	(971)	(306)	(1,277)
Transfer to inventories	(24,070)	-	-	-
At 31 December	7,655	38,370	22,764	21,880
Accumulated impairment/amortisation				
At 1 January	-	-	17,000	16,332
Amortisation charge for the year	-	-	776	780
Exchange difference	-	-	-	(112)
At 31 December	-	-	17,776	17,000
Carrying amounts				
At 1 January (as restated)	38,370	29,227	4,880	2,647
At 31 December	7,655	38,370	4,988	4,880

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 (2017 - 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	
	2018 RM'000	**2017 RM'000**
Cost		
At 1 January / 31 December	1,800	1,800
Accumulated impairment/amortisation		
At 1 January	1,303	1,086
Amortisation charge for the year	217	217
At 31 December	1,520	1,303
Carrying amounts		
At 1 January	497	714
At 31 December	280	497

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.

	Goodwill Group RM'000
Cost	
At 1 January 2018	-
Acquisition through business combination (Note 34)	71,010
At 31 December 2018	71,010
Carrying amounts	
At 31 December 2018	71,010

9. Other non-current assets (continued)

The Group has accessed the recoverable amounts of goodwill allocated and determined that no additional impairment is required. The recoverable amounts of the cash-generating units are determined using the value in use approach, and this is derived from the present value of future cash flows from each cash-generating unit computed based on the projections of financial budgets approved by management covering a period of 5 years. The key assumptions used in the determination of the recoverable amounts are as follows:

	Average gross rate 2018	Average growth rate 2018	Discount rate 2018	Terminal growth rate 2018
Intelligent automation	25%	7%	5%	-

The key assumptions represent management's assessment based on past operating results and management's expectations of market conditions and assessment of future trends derived from both external and internal sources.

Management has determined the average gross profit margin and weighted average growth rate based on past performance and its expectation of market development. The discount rate used are computed based on weighted average cost of capital of the industries that the Group operates in.

10. Contract assets/(liabilities)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Contract Assets				
Contract assets relating to construction contracts	731,888	498,978	202,351	144,439
Allowance for impairment losses (Note 28.3(ii))	(5,543)	-	(2,104)	-
	726,345	498,978	200,247	144,439
Contract liabilities	(235,874)	(286,545)	(10,443)	(3,123)

11. Inventories

	Group	
	2018 RM'000	2017 RM'000
Group		
At cost:		
Raw material	17,685	21,852
Crane components	79,854	70,646
Work-in-progress	117,345	118,093
Manufactured and trading inventories	-	1,245
Land held for sale	24,070	-
	238,954	211,836
At net realisable value:		
Cranes	807	1,396
Crane components	15,820	17,057
Work-in-progress	1,170	1,896
Manufactured and trading inventories	948	-
	257,699	232,185
Company		
At cost:		
Work-in-progress	502	3,860

12. Cash and cash equivalents

The cash and cash equivalents comprised the following:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits placed with licensed banks	157,523	244,740	2,384	9,234
Short-term funds	143,023	94,341	650	10,000
Cash and bank balances	290,725	287,430	112,769	111,333
	591,271	626,511	115,803	130,567

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 2.16% to 5.36% (2017: 2.4% to 3.6%) per annum.

13. Share capital

		Group and Company			
		Number of shares		Amount	
	Note	2018 '000	2017 '000	2018 RM'000	2017 RM'000
Ordinary shares with no Par Value					
Issued and fully paid:					
At 1 January		482,114	482,114	241,057	241,057
Exercise of employee share options	(ii)	1,338	-	3,660	-
Transfer of share premium to share capital due to implementation of Companies Act 2016	(iii)	-	-	57,029	-
At 31 December		483,452	482,114	301,746	241,057

(i) The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

(ii) In current financial year, a total of 1,338,000 (2017 - Nil) new ordinary shares were issued for cash pursuant to the employees' share issuance scheme ("SIS") of the Company. The details of options granted under the Company's share options are disclosed in Note 24.

(iii) In accordance with Section 618 of Companies Act 2016, any amount standing to credit of the share premium account has become part of the Company's share capital.

14. Reserves

Treasury shares

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

The number of treasury shares held is 1,783,000 (2017 - 1,783,000). None of the treasury shares held was sold or cancelled during the financial year ended 31 December 2018.

Share premium

The Company has adopted the transitional provisions set out in Section 618(3) of the Companies Act 2016 ("Act") where the sum standing to the credit of the share premium may be utilised within twenty four months from the commencement date of 31 January 2017 in the manner as allowed for under the Act. Therefore, the Group and the Company has consolidated the share premium into share capital within this transitional period.

Revaluation reserve

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

Capital reserve

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

14. Reserves (continued)

Share options reserve

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

Translation reserve

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

Retained earnings

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

15. Loans and borrowings

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current				
Secured				
Term loans	8,625	7,549	-	-
Hire purchase payables	14,148	18,780	-	-
Unsecured				
Term loans	46,500	65,500	46,500	65,500
	69,273	91,829	46,500	65,500
Current				
Secured				
Term loans	8,369	9,480	-	-
Bank overdrafts	5,147	2,335	-	-
Hire purchase payables	3,791	2,396	-	-
Unsecured				
Term loans	16,458	12,200	16,458	12,200
Bank overdrafts	19,293	-	19,293	-
Revolving credits	325,900	343,900	323,000	341,000
Insurance premium finance	2,790	2,907	-	-
	381,748	373,218	358,751	353,200
Non-current and current	451,021	465,047	405,251	418,700

Notes to the Financial Statements (continued)

15. Loans and borrowings (continued)

Terms and debt repayment schedule

Group	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	3 - 5 years RM'000	Over 5 years RM'000
2018						
Term loans						
- secured	2019-2037	16,994	8,369	900	2,580	5,145
- unsecured	2021	62,958	16,458	28,300	18,200	-
Bank overdrafts						
- secured	-	5,147	5,147	-	-	-
- unsecured	-	19,293	19,293	-	-	-
Revolving credits						
- unsecured	-	325,900	325,900	-	-	-
Insurance premium finance						
- unsecured	-	2,790	2,790	-	-	-
Hire purchase	-	17,939	3,791	3,791	10,357	-
		451,021	381,748	32,991	31,137	5,145
2017						
Term loans						
- secured	2019-2020	17,029	9,480	3,992	3,557	-
- unsecured	2021	77,700	12,200	31,000	34,500	-
Bank overdrafts						
- secured	-	2,335	2,335	-	-	-
Revolving credits						
- unsecured	-	343,900	343,900	-	-	-
Insurance premium finance						
- unsecured	-	2,907	2,907	-	-	-
Hire purchase	-	21,176	2,396	2,864	13,336	2,580
		465,047	373,218	37,856	51,393	2,580

Company	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	3 - 5 years RM'000
2018					
Unsecured					
Term loans	2021	62,958	16,458	28,300	18,200
Bank overdraft	-	19,293	19,293	-	-
Revolving credits	-	323,000	323,000	-	-
		405,251	358,751	28,300	18,200

15. Loans and borrowings (continued)

Terms and debt repayment schedule (continued)

Company	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	3 - 5 years RM'000
2017					
Unsecured					
Term loans	2021	77,700	12,200	31,000	34,500
Revolving credits	-	341,000	341,000	-	-
		418,700	353,200	31,000	34,500

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	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current					
Non-trade					
Advance from minority shareholders	(i)	7,439	9,283	-	-
Payable and accruals		15,606	-	-	-
		23,045	9,283	-	-
Current					
Trade					
Trade payables	(ii)	612,415	473,272	258,760	243,476
Amount due to subsidiaries	(iii)	-	-	61,008	50,882
Amount due to associates	(iv)	-	349	-	-
		612,415	473,621	319,768	294,358
Non-trade					
Amount due to subsidiaries	(iii)	-	-	17,792	14,255
Amount due to associates	(iv)	1,059	7,603	-	-
Provision for warranty costs	(v)	32,685	28,891	331	1,669
Other payables		69,307	68,026	12,030	7,350
Accrued expenses		72,220	73,710	4,220	4,620
		175,271	178,230	34,373	27,894
Total current		787,686	651,851	354,141	322,252
Non-current and current		810,731	661,134	354,141	322,252

16. Payables and accruals (continued)

(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 RM66,334,000 (2017 - RM58,879,222).

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Australian Dollar	1,136	568	-	-
Euro	7,760	3,880	-	-
Qatari Riyal	31,925	34,500	31,925	34,500
Singapore Dollar	993	508	-	-
US Dollar	15,116	9,663	282	4,394
Sterling Pound	410	205	-	-
Japanese Yen	182	91	-	-
Hong Kong Dollar	12	6	-	-
Chinese Renminbi	1,088	544	-	-
TWD	126	-	-	-
Korean Won	476	-	-	-
NZD	35	-	-	-

(iii) The trade payables due to subsidiaries are subject to the normal credit terms ranging from 30 to 60 days (2017 – 30 to 60 days).

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

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

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

17. Bills payable

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

18. Derivative asset

	2018 Contract/ Notional amount RM'000	2018 Derivative Assets RM'000	2017 Contract/ Notional amount RM'000	2017 Derivative Assets RM'000
Group				
Forward foreign currency contracts	71,866	336	157,295	6,467

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.

19. Revenue

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Contract revenue	1,169,490	1,183,393	394,599	522,780
Sale of goods	156,047	131,086	-	-
Services rendered	250,559	82,177	38,633	21,104
Dividend income	-	-	132,024	100,323
	1,576,096	1,396,656	565,256	644,207

Supplementary information on revenue of the Group inclusive of the Group's share of revenue of associates are as follows:

	Group	
	2018 RM'000	2017 RM'000
Revenue of the Group	1,576,096	1,396,656
Share of revenue of associates	501,185	607,700
	2,077,281	2,004,356

20. Operating profit

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Operating profit is arrived at after charging:				
Allowance for impairment loss on property, plant and equipment	7,690	-	-	-
Amortisation of development costs	776	780	-	-
Amortisation of intellectual property	217	217	-	-
Auditors' remuneration:				
- Holding company's auditors				
- statutory audit				
- current year	581	584	200	194
- (over)/under provision in prior years	(7)	65	6	10
- others	-	-	-	10
	574	649	206	214
- other services	20	80	-	-
- Other auditors	725	726	-	-
Depreciation of investment properties	10	10	277	268
Depreciation of property, plant and equipment	70,384	67,944	16,730	16,271
Finance costs				
- borrowings	22,625	25,864	20,558	20,176
- interest expenses arising on financial assets/liabilities measured under MFRS9	1,511	113	34,280	33,877
- contract costs	17,475	19,033	7,773	3,790
	41,611	45,010	62,611	57,843
Net impairment loss on financial assets and contract assets	1,918	-	660	-
Net (recovery)/impairment loss on receivables	(14,519)	6,679	(10,733)	-
Net impairment loss on other investments	510	34	-	-

20. Operating profit (continued)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Operating profit is arrived at after charging: (continued)				
Net impairment loss on investment in subsidiaries	-	-	-	6,901
Net impairment loss on investment in associates	175	-	-	-
Net provision/(reversal) for warranties	7,160	4,900	(797)	1,355
Personnel expenses (including key management personnel)				
- contribution to Employees Provident Fund	13,971	21,794	1,213	1,223
- wages, salaries and others	158,188	165,663	12,334	11,233
Property, plant and equipment written off	403	173	403	-
Rental expenses	63,350	58,330	26,299	32,947
Share-based payments	11,247	5,222	4,964	2,518
Write down/(back) of inventories	3,977	-	(213)	-
Operating profit is arrived at after crediting:				
Gain on disposal of property, plant and equipment	16,449	773	8	3,214
Dividend income	-	-	132,024	100,323
Interest income	9,496	10,156	1,193	1,361
Interest income arising on financial assets/ liabilities measured under MFRS9	668	4,931	19,782	32,503
	10,164	15,087	20,975	33,864
Net fair value adjustment on derivative instruments	(6,131)	20,018	-	447
Net (loss)/gain on foreign exchange	(3,435)	(19,158)	(2,003)	8,748
Rental income on:				
- premises	4,443	605	96	95
- plant and equipment	54,581	16,519	-	-

21. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors of the Company				
- Fees	1,323	1,201	699	648
- Remuneration	4,668	4,583	3,726	3,664
	5,991	5,784	4,425	4,312

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current tax expense/(benefit)				
Malaysia - current	14,062	3,837	-	(5,097)
- under provision in prior year	2,288	21,138	-	6,451
	16,350	24,975	-	1,354
Foreign - current	23,290	26,704	2,367	7,415
- under/(over)provision in prior year	1,326	(1,490)	1,342	-
	24,616	25,214	3,709	7,415
Deferred tax expense (Note 8)				
Origination of temporary differences	(2,327)	3,457	-	-
Under/(Over)provision in prior years	3,641	(25,651)	-	(25,000)
	1,314	(22,194)	-	(25,000)
Total income tax expense	42,280	27,995	3,709	(16,231)
Reconciliation of tax expense				
Profit for the year	273,829	219,322	77,093	194,900
Income tax using Malaysian tax rate at 24% (2017 - 24%)	65,719	52,637	18,502	46,776
Effect of different tax rates in foreign jurisdictions	(12,012)	(3,073)	-	-
Effect of deferred tax benefits not recognised	26,754	45,385	9,574	13,231
Utilisation of deferred tax assets not recognised in previous year	(14,507)	(2,944)	(175)	-
Non-deductible expenses	36,424	81,045	9,954	13,412
Non-taxable income	(63,555)	(106,259)	(32,702)	(41,709)
Double deduction	-	(838)	-	-
Tax incentives	-	(7)	-	-
Tax exempt income	(724)	(853)	-	-
Non-deductible foreign projects expenses	-	17,459	-	13,051
Non-taxable foreign projects income	(5,153)	(50,808)	(5,153)	(39,728)
Withholding tax for foreign projects	2,367	2,704	2,367	(2,715)
Others	(288)	(450)	-	-
	35,025	33,998	2,367	2,318
Under/(Over)provision in prior years				
- current tax expense	3,614	19,648	1,342	6,451
- deferred tax expense	3,641	(25,651)	-	(25,000)
Total income tax expense/(benefit)	42,280	27,995	3,709	(16,231)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017 - 24%) of the estimated assessable profit for the financial year.

23. Earnings per ordinary share (sen)

Basic earnings per share

The calculation of basic earnings per share for the financial year ended 31 December 2018 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2018 RM'000	2017 RM'000
Profit for the financial year attributable to owners of the Company	144,800	131,608

	Group	
	2018	2017
Number of ordinary shares issued at 1 January	480,757	480,331
Effect of shares issued under employee share options	-	-
Total weighted average number of ordinary shares in issue	480,757	480,331

	Group	
	2018	2017
Basic earnings per share (sen)	30.12	27.40

Diluted earnings per share

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

The calculation of diluted earnings per share for the year ended 31 December 2018 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	
	2018 RM'000	2017 RM'000
Profit attributable to owners of the Company	144,800	131,608

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

Diluted earnings per share (continued)

	Group	
	2018	**2017**
Weighted average number of ordinary shares	480,757	480,331
Effect of dilution arising from conversion of remaining employee share options	8,653	3,411
Adjusted weighted average number of ordinary shares at 31 December	489,410	483,742

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	
	2018	**2017**
Diluted earnings per share (sen)	29.59	27.21

24. Employee benefits

Share-based payments

In 2017, an Employees' Share Issuance Scheme ("SIS") was established and approved by the shareholders of the Company at an Extraordinary General Meeting ("EGM") held on 22 June 2017 to the eligible employees including Directors of the Company and its subsidiaries.

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

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

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

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

24. Employee benefits (continued)

Share-based payments (continued)

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

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

The following options were granted under the Option scheme:

Group and Company

SIS

Grant date	Exercise price	At 1.1.2018 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2018 '000	Expiry date
26.7.2017	RM2.25	38,138	-	(1,338)	(948)	35,852	9.7.2022

SIS

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

Subsidiary

SIS

Grant date	Exercise price	At 1.1.2018 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2018 '000	Expiry date
15.9.2017	RM2.35	18,212	-	-	(602)	17,610	9.7.2022

24. Employee benefits (continued)

Share-based payments (continued)

Subsidiary (continued)

SIS

Grant date	Exercise price	At 1.1.2017 ’000	Granted ’000	Exercised ’000	Forfeited ’000	At 31.12.2017 ’000	Expiry date
15.9.2017	RM2.35	-	18,307	-	(95)	18,212	9.7.2022

Details relating to options exercised during the year

	Group	
	2018 RM’000	2017 RM’000
Proceeds received from exercise of share options	3,660	-

	Company		Subsidiary	
	2018 RM	2017 RM	2018 RM	2017 RM
Average share price for the year	2.97	2.72	2.47	2.76

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

	Group		Company	
	2018 RM’000	2017 RM’000	2018 RM’000	2017 RM’000
Expense recognised as share-based payments	11,247	5,222	4,964	2,518

24. Employee benefits (continued)

Fair value of share options and assumptions

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

SIS

	Company	Subsidiary
Fair value at grant date (RM) - Granted in Year 2017	0.55 - 0.84	0.48 - 0.74
Weighted average share price (RM) - Granted in Year 2017	2.50	2.62
Exercise price (RM) - Granted in Year 2017	2.25	2.35
Expected volatility (%) (weighted average volatility)	24.24	15.58
Option life	5 years	5 years
Risk-free interest rate (based on Malaysian Government bonds) (%) - Granted in Year 2017	3.29 – 3.68	3.18 - 3.498
Expected staff turnover (%)	15	10

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

25. Dividend

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

Ordinary dividend	Per share Sen	Total amount RM'000	Date of payment
2018			
Final per ordinary share tax exempt – for the year ended 31 December 2017	7.00	33,693	24 September 2018
2017			
Final per ordinary share tax exempt – for the year ended 31 December 2016	5.50	26,418	20 September 2017

25. Dividend (continued)

Proposed final dividend for the year ended 31 December 2018

The Directors have recommended a first and final ordinary tax exempt dividend of 7.50 sen (2017 - 7.00 sen) per ordinary share totaling RM36,125,194 in respect of the financial year ended 31 December 2018, 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 2018.

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 481,669,250 (2017 - 480,331,250) ordinary shares as at 31 December 2018.

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Segment profit	197,319	113,065	99,149	83,277	1,347	42,041	150,458	120,533	(174,444)	(139,594)	273,829	219,322
Included in the measure of segment profit are:												
Revenue from external customers	967,344	826,270	530,438	524,461	78,314	45,925	-	-	-	-	1,576,096	1,396,656
Group share of revenue of associates	96,585	227,420	14,729	14,611	-	-	389,871	365,669	-	-	501,185	607,700
Group's revenue	1,063,929	1,053,690	545,167	539,072	78,314	45,925	389,871	365,669	-	-	2,077,281	2,004,356
Inter-segment revenue	521,522	474,639	304	2,023	405	69,187	1,438	1,428	(523,669)	(547,277)	-	-
Interest income	46,134	46,691	6,519	7,075	10,749	15,341	-	-	(53,238)	(54,020)	10,164	15,087
Finance costs	(59,113)	(62,453)	(2,602)	(2,024)	(14,608)	(8,397)	-	(156)	52,187	47,053	(24,136)	(25,977)
Share of results of associates	(5,822)	34,348	(2,561)	(803)	-	(72)	150,477	120,794	-	-	142,094	154,267
Net segment assets	503,339	480,470	690,267	628,228	252,086	234,734	535,350	429,634	(342,705)	(314,444)	1,638,337	1,458,622

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Geographical information								
Revenue	1,145,189	1,225,816	954,576	718,117	(523,669)	(547,277)	1,576,096	1,396,656
Group share of associates revenue	172,025	209,412	329,160	398,288	-	-	501,185	607,700
Total revenue	1,317,214	1,435,228	1,283,736	1,116,405	(523,669)	(547,277)	2,077,281	2,004,356
Total assets	3,732,231	3,601,052	1,686,904	1,588,632	(1,627,459)	(1,794,487)	3,791,676	3,395,197

27. Capital commitments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Capital expenditure in respect of purchase of property, plant and equipment: - contracted for	23,833	29,843	5,864	6,067

28. Financial instruments (continued)

28.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 December 2018 categorised as follows:

(a) Amortised cost; and
(b) Mandatorily at fair value through profit or loss - derivatives used for hedging

	Carrying amount RM'000	Amortised cost RM'000	Derivatives used for hedging RM'000
Group			
2018			
Financial assets			
Receivables and deposits	553,528	553,528	-
Cash and cash equivalents	591,271	591,271	-
Derivative assets	336	-	336
	1,145,135	1,144,799	336
Financial liabilities			
Loan and borrowings	(451,021)	(451,021)	-
Payables and accruals	(810,731)	(810,731)	-
Bills payable	(587,734)	(587,734)	-
	(1,849,486)	(1,849,486)	-
Company			
2018			
Financial assets			
Receivables and deposits	1,127,809	1,127,809	-
Cash and cash equivalents	115,803	115,803	-
	1,243,612	1,243,612	-
Financial liabilities			
Loan and borrowings	(405,251)	(405,251)	-
Payables and accruals	(354,141)	(354,141)	-
Bills payable	(571,498)	(571,498)	-
	(1,330,890)	(1,330,890)	-

28. Financial instruments (continued)

28.1 Categories of financial instruments (continued)

The table below provides an analysis of financial instruments as at 31 December 2017 categorised as follows:

(a) Loans and receivables (L&R);
(b) Fair value through profit or loss (FVTPL);
(c) Held for trading (HFT); and
(d) Financial liabilities measured at amortised cost (FL).

	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL - HFT RM'000
Group			
2017			
Financial assets			
Receivables and deposits	549,475	549,475	-
Cash and cash equivalents	626,511	626,511	-
Derivative assets	6,467	-	6,467
	1,182,453	1,175,986	6,467
Financial liabilities			
Loan and borrowings	(465,047)	(465,047)	-
Payables and accruals	(661,134)	(661,134)	-
Bills payable	(461,637)	(461,637)	-
	(1,587,818)	(1,587,818)	-
Company			
2017			
Financial assets			
Receivables and deposits	1,024,445	1,024,445	-
Cash and cash equivalents	130,567	130,567	-
	1,155,012	1,155,012	-
Financial liabilities			
Loan and borrowings	(418,700)	(418,700)	-
Payables and accruals	(322,252)	(322,252)	-
Bills payable	(405,504)	(405,504)	-
	(1,146,456)	(1,146,456)	-

28.2 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. Financial instruments (continued)

28.3 Credit risk

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

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

(i) Exposure of credit risk

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.

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Asia	215,726	30,265	94,583	95,599
Europe	9,419	35,753	-	-
America	4,465	10,373	-	-
Middle East	105,097	67,031	-	-
Australia	23,807	23,877	-	-
	358,514	167,299	94,583	95,599

(ii) Assessment of impairment losses

At each reporting date, the Group assesses whether any of financial assets at amortised cost and contract assets at fair value through other comprehensive income are credit impaired.

The gross carrying amounts of those financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite they are still subject to enforcement activities.

Trade Receivables and Contract Assets

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group considers any receivables having significant balances and more than 90 days overdue are deemed credit impaired.

28. Financial instruments (continued)

28.3 Credit risk (continued)

(ii) Assessment of impairment losses (continued)

The expected loss rates are based on the payment profiles of sales over a period of 12 months from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

For construction contracts, the Group assessed the expected credit loss of each customer individually based on their financial information and past trends of payments as there are only a few customers. All of these customers have low risk of default as they have a strong capacity to meet their debts.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for both trade receivables and contract assets are summarised below:

	Gross amount RM'000	Lifetime loss allowance RM'000	Carrying amount RM'000
Group			
2018			
Trade Receivables			
Not past due	170,954	(470)	170,484
Past due 0 - 90 days	85,411	(623)	84,788
Past due 91 - 180 days	73,044	(4,658)	68,386
Past due more than 180 days	104,782	(69,926)	34,856
	434,191	(75,677)	358,514
Company			
2018			
Trade Receivables			
Not past due	49,549	(116)	49,433
Past due 0 - 90 days	2,483	(31)	2,452
Past due 91 - 180 days	45,428	(3,073)	42,355
Past due more than 180 days	456	(113)	343
	97,916	(3,333)	94,583
Group			
2018			
Contract assets	731,888	(5,543)	726,345
Company			
2018			
Contract assets	202,351	(2,104)	200,247

28. Financial instruments (continued)

28.3 Credit risk (continued)

(ii) Assessment of impairment losses (continued)

In the last financial year, the loss allowance on trade receivables was calculated under MFRS 139. The ageing of trade receivables as at the end of the reporting period was:

	Gross amount RM'000	Individual Impairment RM'000	Carrying amount RM'000
Group			
2017			
Trade Receivables			
Not past due	168,680	-	168,680
Past due 0 - 90 days	49,990	-	49,990
Past due 91 - 180 days	34,379	-	34,379
Past due more than 180 days	111,591	(63,685)	47,906
	364,640	(63,685)	300,955
Company			
2017			
Trade Receivables			
Not past due	71,811	-	71,811
Past due 0 - 90 days	21,517	-	21,517
Past due 91 - 180 days	2,271	-	2,271
Past due more than 180 days	-	-	-
	95,599	-	95,599

Fixed Deposits with Licensed Banks, Cash and Bank Balances

The Group considers these banks and financial institutions have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

28. Financial instruments (continued)

28.3 Credit risk (continued)

(ii) Assessment of impairment losses (continued)

Other Receivables

The Group applies the general approach to measuring expected credit losses for the other receivables. Generally, the Group considers the advances to other receivables have low credit risks.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for the other receivables are summarized below:

	Gross amount RM'000	Lifetime loss allowance RM'000	Carrying amount RM'000
Group			
2018			
Low credit risk	63,421	(2,671)	60,750
Company			
2018			
Low credit risk	8,969	(1,206)	7,763
Credit impaired	2,867	(2,867)	-
	11,836	(4,073)	7,763

Amount Owing By Subsidiaries

The Company considers the amount owing by subsidiaries to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's outstanding balances to be credit impaired when the subsidiary is unlikely to repay its loan or advances to the Company in full.

The Company determines the probability of default for these loans and advances individually using internal information available.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for amount owing by subsidiaries are summarised below:

	Gross amount RM'000	Lifetime loss allowance RM'000	Carrying amount RM'000
Company			
2018			
Low credit risk	1,126,960	(130,377)	996,583

In the last financial year, the loss allowance on amount owing by subsidiaries was calculated under MFRS 139.

28. Financial instruments (continued)

28.3 Credit risk (continued)

(ii) Assessment of impairment losses (continued)

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

	Trade receivables RM'000	Other receivables RM'000	Amount due from associates RM'000	Amount due from subsidiary RM'000	Contract Assets RM'000	Total RM'000
Group						
2018						
Allowance for impairment losses:						
At 1 January:						
- As previously reported	63,685	3,180	-	-	-	66,865
- Effects on adoption of MFRS 9	7,182	2,096	44,373	-	3,625	57,276
- Amount reported under MFRS 9 (2017 – MFRS 139)	70,867	5,276	44,373	-	3,625	124,141
Addition during the financial year	4,810	-	-	-	1,918	6,728
Reversal during the financial year	-	(2,605)	(16,724)	-	-	(19,329)
At 31 December	75,677	2,671	27,649	-	5,543	111,540
Company						
2018						
Allowance for impairment losses:						
At 1 January:						
- As previously reported	-	2,866	-	42,997	-	45,863
- Effects on adoption of MFRS 9	10,301	1,442	7,565	87,340	1,444	108,092
- Amount reported under MFRS 9 (2017 – MFRS 139)	10,301	4,308	7,565	130,337	1,444	153,955
Addition during the financial year	-	-	409	40	660	1,109
Reversal during the financial year	(6,968)	(235)	(3,979)	-	-	(11,182)
At 31 December	3,333	4,073	3,995	130,377	2,104	143,882

28. Financial instruments (continued)

28.3 Credit risk (continued)

(ii) Assessment of impairment losses (continued)

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

	2017 RM'000
Group	
At 1 January	59,862
Impairment loss recognised	16,990
Reversal of impairment loss	(10,311)
Impairment loss has written off against previous allowances	(2,693)
Exchange difference	(163)
At 31 December	63,685
Company	
At 1 January	28,586
Impairment loss has written off against previous allowances	(2,554)
At 31 December	26,032

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

The maximum exposure to credit risk amounted to RM151.8 million (2017 - RM193.6 million) representing the outstanding banking facilities of the subsidiaries as at the end of the financial year.

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

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

28. Financial instruments (continued)

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:

	Effective interest rate %	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
Group				
2018				
Secured borrowings				
- Term loans	1.8 - 5.4	8,369	3,480	5,145
- Bank overdrafts	2.7	5,147	-	-
- Hire purchase	1.8	3,791	14,148	-
Unsecured borrowings				
- Term loans	4.6 - 4.7	16,458	46,500	-
- Bank overdrafts	7.7 - 8.0	19,293	-	-
- Revolving credits	2.9 - 5.8	325,900	-	-
- Insurance premium finance	1.2	2,790	-	-
Unsecured bills payable	2.8 - 4.4	587,734	-	-
Unsecured payables and accruals	-	787,686	23,045	-
		1,757,168	87,173	5,145
2017				
Secured borrowings				
- Term loans	1.8 - 5.5	9,480	7,549	-
- Bank overdrafts	2.8	2,335	-	-
- Hire purchase	1.8	2,396	16,200	2,580
Unsecured borrowings				
- Term loans	4.6 - 4.7	12,200	65,500	-
- Revolving credits	4.1 - 8.2	343,900	-	-
- Insurance premium finance	1.3	2,907	-	-
Unsecured bills payable	2.8 - 6.1	461,637	-	-
Unsecured payables and accruals	-	651,851	-	9,283
		1,486,706	89,249	11,863

28. Financial instruments (continued)

28.4 Liquidity risk (continued)

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: (continued)

	Effective interest rate %	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
Company				
2018				
Unsecured borrowings				
- Term loans	4.6 - 4.7	16,458	46,500	-
- Bank overdrafts	7.7 - 8.0	19,293	-	-
- Revolving credits	3.8 - 4.6	323,000	-	-
Unsecured bills payable	3.8 – 4.4	571,498	-	-
Unsecured payables and accruals	-	354,141	-	-
		1,284,390	46,500	-
2017				
Unsecured borrowings				
- Term loans	4.6 - 4.7	12,200	65,500	-
- Revolving credits	4.1 - 4.9	341,000	-	-
Unsecured bills payable	3.8 - 5.1	405,504	-	-
Unsecured payables and accruals	-	322,252	-	-
		1,080,956	65,500	-

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	2018 Effective interest rate %	2018 Total RM'000	2018 Less than 1 year RM'000	2018 1 - 5 years RM'000	2018 Over 5 years RM'000	2017 Effective interest rate %	2017 Total RM'000	2017 Less than 1 year RM'000	2017 1 – 5 years RM'000	2017 Over 5 years RM'000
Financial assets										
Deposits placed with licensed banks	0.7 - 5.0	157,523	157,523	-	-	0.7 - 5.0	244,740	244,740	-	-
Short-term funds	2.1 - 5.3	143,023	143,023	-	-	2.4 - 3.6	94,341	94,341	-	-
		300,546	300,546	-	-		339,081	339,081	-	-
Financial liabilities										
Secured borrowings										
- Term loans	1.8 - 5.4	16,994	8,369	3,480	5,145	1.85 - 5.5	17,029	9,480	7,549	-
- Bank overdrafts	2.7	5,147	5,147	-	-	2.8	2,335	2,335	-	-
- Hire purchase	1.8	17,939	3,791	14,148	-	1.8	21,176	2,396	16,200	2,580
Unsecured borrowings										
- Term loans	4.6 - 4.7	62,958	16,458	46,500	-	4.6 - 4.7	77,700	12,200	65,500	-
- Bank overdrafts	7.7 - 8.0	19,293	19,293	-	-	-	-	-	-	-
- Revolving credits	2.9 - 5.8	325,900	325,900	-	-	4.1 - 8.2	343,900	343,900	-	-
- Insurance premium finance	1.2	2,790	2,790	-	-	1.3	2,907	2,907	-	-
Unsecured bills payable	2.8 - 4.4	587,734	587,734	-	-	2.8 - 6.1	461,637	461,637	-	-
		1,038,755	969,482	64,128	5,145		926,684	834,855	89,249	2,580

28. Financial instruments (continued)

28.5 Interest rate risk (continued)

Effective interest rates and repricing analysis (continued)

Company	2018 Effective interest rate %	2018 Total RM'000	2018 Less than 1 year RM'000	2018 1 - 5 years RM'000	2017 Effective interest rate %	2017 Total RM'000	2017 Less than 1 year RM'000	2017 1 – 5 years RM'000
Financial assets								
Deposits placed with licensed banks	2.6 - 2.9	2,384	2,384	-	2.6 - 2.9	9,234	9,234	-
Short-term funds	2.4 - 3.6	650	650	-	2.4 - 3.6	10,000	10,000	-
		3,034	3,034	-		19,234	19,234	-
Financial liabilities								
Unsecured borrowings								
- Term loans	4.6 - 4.7	62,958	16,458	46,500	4.6 - 4.7	77,700	12,200	65,500
- Bank overdrafts	7.7 - 8.0	19,293	19,293	-	7.6	-	-	-
- Revolving credits	3.8 - 4.6	323,000	323,000	-	4.1 - 4.9	341,000	341,000	-
Unsecured bills payable	3.8 - 4.4	571,498	571,498	-	3.8 - 5.1	405,504	405,504	-
		976,749	930,249	46,500		824,204	758,704	65,500

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 RM4,913,000 (2017 – RM5,107,000) and RM4,913,000 (2017 – RM6,118,000). A 100 bp decrease would have had an equal but opposite effect on the profit after taxation.

28.6 Foreign currency risk

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

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

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

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

Group	USD RM'000	EURO RM'000	AUD RM'000	DKK RM'000	QAR RM'000
2018					
Financial assets	306,772	7,209	142,400	12,364	131,919
Financial liabilities	(73,389)	(9,422)	(55,224)	(33,837)	(128,183)
Net financial assets/(liabilities)	233,383	(2,213)	87,176	(21,473)	3,736
Less:					
- Net financial liabilities denominated in the respective entities' functional currencies	(144,081)	(796)	(121,878)	(56,818)	20,939
Forward foreign currency contracts (contracted notional principal)	(28,693)	(18,939)	(36)	-	-
	60,609	(21,948)	(34,738)	(78,291)	24,675

28. Financial instruments (continued)

28.6 Foreign currency risk (continued)

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

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

Effects on profit after taxation

Group	USD RM'000	EURO RM'000	AUD RM'000	DKK RM'000	QAR RM'000
2018					
- strengthened by 5%	2,303	(834)	(1,320)	(2,975)	938
- weakened by 5%	(2,303)	834	1,320	2,975	(938)

Group	USD RM'000	EURO RM'000	AUD RM'000	RMB RM'000	SGD RM'000
2017					
- strengthened by 5%	542	(763)	(1,463)	261	1,412
- weakened by 5%	(542)	763	1,463	(261)	(1,412)

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	RMB RM'000	SGD RM'000
2018					
Financial assets	15,037	-	1,086	-	37,899
Financial liabilities	(95,179)	(2)	(1,745)	(37,410)	-
Net financial (liabilities)/assets	(80,142)	(2)	(659)	(37,410)	37,899
Less:					
- Net financial assets/(liabilities) denominated in the respective entities' functional currencies	-	-	-	-	-
Forward foreign currency contracts (contracted notional principal)	-	-	-	-	-
Net currency exposure	(80,142)	(2)	(659)	(37,410)	37,899

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

28. Financial instruments (continued)

28.6 Foreign currency risk (continued)

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	RMB RM'000	SGD RM'000
2018					
- strengthened by 5%	(3,045)	-	(25)	(1,421)	1,440
- weakened by 5%	3,045	-	25	1,421	(1,440)
2017					
- strengthened by 5%	(2,587)	-	(27)	(1,418)	1,412
- weakened by 5%	2,587	-	27	1,418	(1,412)

28.7 Fair value information

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values.

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

Fair value hierarchy

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

28. Financial instruments (continued)

28.7 Fair value information (continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
2018				
Financial asset				
Forward exchange contracts	-	336	-	336
Short-term funds	143,023	-	-	143,023
	143,023	336	-	143,359
2017				
Financial asset				
Forward exchange contracts	-	6,467	-	6,467
Short-term funds	94,341	-	-	94,341
	94,341	6,467	-	100,808

29. Contingent liabilities

Continuing financial support

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

Contingent liabilities – litigation (Group)

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

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

30. Related parties

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

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

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

	Group	
	2018 RM'000	2017 RM'000
Significant transactions with subsidiaries:		
Gross dividend income	(124,464)	(92,197)
Interest income	-	(142)
Purchase of materials and services	213,694	349,190
Rental expense	27,780	30,251
Interest expense	143	-
Rental income	(36)	(36)
Repair and services	(88)	(52)
Sale of property, plant and equipment	(505)	(80)
Shared services	(2,000)	(2,000)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Significant transactions with associates:				
Gross dividend income	(62,206)	(48,748)	(7,100)	(8,125)
Technical assistance fee	(16,353)	(17,342)	(16,353)	(17,342)
Sale of goods	(14,054)	(12,639)	-	-

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 2018 are disclosed in Note 7 and Note 16 respectively.

31. Capital management

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

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

32. Significant events during the financial year

(i) On 3 July 2018, Favelle Favco Bhd, a subsidiary of the Company listed on the main market of Bursa Malaysia Securities Berhad acquired 70% equity interest in Exact Automation Sdn Bhd, Sedia Teguh Sdn Bhd, Exact Analytical Sdn Bhd and Exact Oil & Gas Sdn Bhd at an indicative cash consideration ranging between RM90.7 million to RM142.1 million, subject to amongst others, the relevant profit thresholds to be met over the financial years ended 31 December 2017 to 2019 as well as the terms of the SPA.

(ii) On November 2018, the Company acquired 100% equity interest in Active Impression Sdn. Bhd., a company incorporate and docimiled in Malaysia, for a consideration of RM2.

33. Changes in accounting policies

As mentioned in Note 1 to the financial statements, the Group has adopted MFRS 9 and MFRS 15 during the financial year. The financial impacts upon the adoption of these accounting standards are summarized below:-

Statement of Financial Position

	<---------------- At 1 January 2018	--------------->	
	As Previously Reported RM'000	MFRS 9 Adjustments RM'000	As Restated RM'000
Group			
<u>Current assets</u>			
Trade receivables	230,984	(7,182)	223,802
Other receivables	63,004	(2,096)	60,908
Amount due from associates	140,485	(44,373)	96,112
Amount due from contract customers	498,978	(3,625)	495,353
Company			
<u>Current assets</u>			
Trade receivables	95,599	(10,301)	85,298
Other receivables	14,116	(1,442)	12,674
Amount due from associates	48,519	(7,565)	40,954
Amount due from contract customers	144,439	(1,444)	142,995
Amount due from subsidiaries	683,158	(87,340)	595,818

33. Changes in accounting policies (continued)

Initial Application of MFRS 9

Group

The Group has adopted MFRS 9 without restating any comparatives information (transitional exemption). Therefore, the financial impacts arising from the new classification and measurement of financial instruments, and the new impairment requirements are not reflected in the its consolidated statement of financial position as at 31 December 2017; but are recognised in the opening consolidated statement of financial position on 1 January 2018 (date of initial application of MFRS 9).

Company

There were no material financial impacts upon the transition to MFRS 9 at the date of initial application other than an increase in the loss allowance for amount owing by subsidiaries arising from the change in impairment loss assessment.

Initial Application of MFRS 15

The Group has adopted MFRS 15 with modified retrospective application using the following practical expedients of which the cumulative financial impacts are recognised in the opening consolidated statements of financial position on 1 January 2018 (date of initial application of MFRS 15):

- The Group has chosen to apply MFRS 15 retrospectively only to contracts that were not completed at the date of initial application.

- For completed contracts that have variable consideration, the Group has chosen to use the transaction price at the date the contract was completed rather than estimating variable consideration amounts.

- The Group has chosen to account for the effects of contract modifications that occurred before the date of initial application in aggregate instead of determining each modification individually.

The Group is unable to estimate the effects from the application of the practical expedients above.

34. Acquisitions of a subsidiary and non-controlling interests

On 3 July 2018, the Group completed acquisitions of 70% of Exact Automation Sdn Bhd, Sedia Teguh Sdn Bhd, Exact Analytical Sdn Bhd and Exact Oil & Gas Sdn Bhd respectively (the four (4) companies are collectively referred to as the “Intelligent Automation Group”) which provides design, engineering and maintenance services for integrated automation solutions, process analysers and specialised equipment.

The following summaries the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

34. Acquisitions of a subsidiary and non-controlling interests (continued)

	Group RM'000
Property, Plant and Equipment	15,037
Cash and cash equivalents	67,514
Inventories	7,247
Receivables and other receivables	24,299
Current tax assets	1,807
Trade payables and other payables	(8,593)
Loans and borrowings	(13,038)
Net identifiable assets acquired	94,273
Add: Non-controlling interests, measured at the proportion share of the fair value of the net identifiable assets	(28,282)
Goodwill from the acquisition	71,010
Total purchase consideration	137,001
Less: Cash and bank balances of subsidiaries acquired	(67,513)
Less: Deferred consideration	(31,141)
Total net cash outflow from the acquisition of subsidiaries	38,347

(a) The goodwill is attributable mainly to the control premium paid. In addition, the purchase consideration also included benefits derived from the expected revenue growth of the subsidiary, its future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The goodwill is not deductible for tax purposes.

(b) The acquired subsidiaries have contributed revenue of RM73million and profit after taxation of RM17million to the Group since the date of acquisition.

35. Prior year adjustment ("PYA")

The prior year adjustment arose from the misclassification of the Group's assets. In prior years, certain land held for property development was misclassified as property, plant and equipment. The prior year adjustment has no effect on the Group's profit attributable to shareholders for the financial year ended 31 December 2017.

The above changes in assets classification have been accounted for retrospectively and the effects on prior years have been taken up as prior year adjustments in the financial statements. Accordingly, the following comparative figures have been restated to reflect the effects of the change:

Group	As Previously Reported RM'000	Effect of PYA RM'000	As Restated RM'000
Statements of Financial Position as at 31.12.2017 (Extract):			
Property, plant and equipment	887,746	(40,840)	846,906
Other non-current assets	25,719	18,028	43,747
Reserves	810,682	(13,687)	796,995
Total equity attributable to:			
Owners of the company	1,051,739	(13,687)	1,038,052
Non-Controlling interests	429,695	(9,125)	420,570

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 50 to 143 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2018 and of their financial performance and cash flows for the year then ended.

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

....

Mac Ngan Boon @ Mac Yin Boon
Klang, Selangor Darul Ehsan
Date: 11 April 2019

....

Ooi Sen Eng

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

I, **Lee Poh Kwee**, MIA Membership Number: 8033, 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 50 to 143 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 11 April 2019.

....

Lee Poh Kwee

Before me

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Muhibbah Engineering (M) Bhd., which comprise the statements of financial position as at 31 December 2018 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 for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 50 to 143.

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 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

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

Revenue and profit recognition for construction contracts
Refer to Note 2(q) and Note 19 to the financial statements

Key Audit Matter	How our audit addressed the Key Audit Matter
Construction contract accounting is inherently complex due to the contracting nature of the business, which involves significant judgements. This includes the determination of the total budgeted contract costs to complete the projects and the calculation of percentage of completion which affects the quantum of revenue and profit to be recognised. In estimating the revenue to be recognised, the management considers past experience and work done certified by customers and/or independent third parties, where applicable.	Our audit procedures included, among others: • Read all key contracts and discussed with management to obtain a full understanding of the terms and risks to assess our consideration of whether revenue was appropriately recognised; • Testing the operating effectiveness of internal controls over the completeness, accuracy and timing of revenue recognised in the financial statements; • Assessing the management's assumptions in determining the percentage of completion of projects, estimations of revenue and costs, provisions for foreseeable losses, liquidated and ascertained damages as well as recoverability of billed receivables and costs incurred on variation orders;

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

Key Audit Matters (continued)

<table>
<tr><th colspan="2">Revenue and profit recognition for construction contracts
Refer to Note 2(q) and Note 19 to the financial statements</th></tr>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td>In estimating the total budgeted contract costs to completion, the management considers the completeness and accuracy of its costs estimation, including its obligations to contract variations and claims. The total costs to completion are subject to a number of variables including the accuracy of designs, market conditions in respect of materials and subcontractor cost and construction issues.

An error in the estimated profit on contracts could result in a material variance in the amount of profit or loss recognised to date and therefore also in the current period. The profit recognition on contract includes key judgements over the expected recovery of costs arising from variations and claims and assessment on liquidated and ascertained damages costs, where applicable. In addition, changes in judgements, and the related estimates, as contracts progress, can result in material adjustments to margin, which can be both positive and negative.

The potential outcome for contracts can have an individually and collectively material impact on the financial statements, whether through error or management bias.

We determined this to be a key audit matter due to the complexity and judgemental nature of the budgeting of contract costs to completion, calculation of percentage of completion and the determination of revenue and profit to be recognised.</td><td>Our audit procedures included, among others (continued):

• Assessing the reasonableness of percentage of completion by comparing to certification by external parties;

• Assessing the estimated profit and costs to completion, adjustments for job costing and potential contract losses; and

• Assessing whether the amounts recognised in the financial statements were in line with the Group's accounting policy and relevant accounting standards.</td></tr>
</table>

<table>
<tr><th colspan="2">Investments in associates
Refer to Note 6 to the financial statements</th></tr>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td>Key Audit Matters in relation to major associate

The major associate is audited by a component auditor of the Group. In the context of our audit of the Group's consolidated financial statements, the component auditor has identified revenue recognition amongst others as key audit matter. Revenue is a presumed fraud risk area in the financial statements. Thus, the risk of material misstatement may be high and a good degree of professional scepticism is necessary.

Given the significant risk involved when auditing revenue, we have reviewed the component auditor's workings papers to ensure sufficient audit procedures had been performed to ensure the Company's revenue recognition policy was consistent with the accounting standards and has been applied consistently.</td><td>We have met with the major associate's component auditor and discussed the significant audit risks relating to revenue recognition and audit approach, and have reviewed their workings papers and discussed with them the results of their work.

The procedures performed by the component auditor on revenue included:-

• Performing test on the operating effectiveness of the associate's controls relevant to recognition of revenue;

• Performing sales transaction test to ensure the accuracy and validity of revenue recognised; and

• Performing sales cut off test to ensure revenue is recognised in the proper accounting period.</td></tr>
</table>

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 unfavourable macro economic factors from prolonged weakness in global crude oil prices, the risk of customers becoming insolvent may be high. Accordingly, there is significant judgement involved in the assessment of recoverability of receivables, particularly regarding risk of default and expected credit loss allowance.	Our audit procedures included, among others: • Reviewing recoverability of major receivables including but not limited to the review of subsequent collections; • Enquiring management on project/receivables status for major customers; • Reviewing collections and sales trends during financial year of major receivables; and • Reviewing management's basis of estimation on the adequacy of the Group's expected credit loss allowance on trade receivables.

Net Realisable Value of Inventories under Work-In-Progress
Refer to Note 11 to the financial statements

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

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

Key Audit Matters (continued)

Acquisition accounting for Exact Automation Sdn Bhd, Exact Analytical Sdn Bhd, Exact Oil & Gas Sdn Bhd and Sedia Teguh Sdn Bhd ("Intelligent Automation Group") under MFRS 3 - Business Combinations
Refer to Note 34 to the financial statements

Key Audit Matter	How our audit addressed the Key Audit Matter
The acquisition of Intelligent Automation Group was accounted for as a business combination based on MFRS 3 - Business Combinations ("MFRS 3"). A purchase price allocation exercise was performed by management, assisted by an external expert, and was determined that the fair value of the net identifiable assets for the acquisition is RM38.347 million.	Our audit procedures included, among others: • Evaluating the objectivity, independence and capabilities of the external expert; • Assessing the methodology adopted by management for calculating the fair values, key valuation assumptions and validating the key inputs used; and • Reviewing the adequacy of disclosure of acquisition in the financial statements.

Goodwill impairment
Refer to Note 9 to the financial statements

Key Audit Matter	How our audit addressed the Key Audit Matter
As at 31 December 2018, the Group has goodwill of RM71.010 million for the acquisition of the Intelligent Automation Group. This is an area of focus given the materiality of the Group's goodwill balances and the inherent subjectivity in impairment testing. The judgement in relation to goodwill impairment relates primarily to the assumptions underlying the calculation of the value in use of the business, being the achievability of the long-term business plans.	Our audit procedures included, among others: • Making enquiries and challenging the management on the key assumptions made, including the consistent application of management's methodology, the achievability of the business plans, assumptions in relation to terminal growth in the business at the end of the plan period, and revenue growth, operating margin and discount rates; • Evaluating the reasonableness of the management's estimate of expected future cash flows by taking into consideration the past performance of the Intelligent Automation Group; • Performing sensitivity analysis to assess the impact on the recoverable amount of the cash generating units; and • Reviewing the adequacy of disclosure of goodwill in the financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information induded in the annual report but does not include the financial statements of the Group and of the Company and our auditor's report thereon.

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

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

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

Responsibilities of Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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 skepticism 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.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENT

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

OTHER MATTERS

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

Crowe Malaysia PLT	**Ung Voon Huay**
LLP0018817-LCA&AF1018	03233/09/2020 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur

11 April 2019

List of Top 10 Properties as at 31 December 2018

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.	12 years	118,879
2	Hakmilik 75336, Lot 104505, Mukim & District of Klang, Selangor	Office building, factory and warehouse	2015	Leasehold expiring 2106	86,937 sq. m.	22 years	62,625
3	28, Yarrunga Street, Prestons, NSW 2170, Australia	Office building and factory	2017	Freehold	11.6 acres	50 years	53,218
4	Geran # 51011, Lot 31814 & Geran # 51020, Lot 31792, Mukim of Senawang, Seremban, Negeri Sembilan	Factory building with office block	2017	Freehold	68,846 sq. m.	12 years	39,922
5	Geran Mukim 17872, Lot 69222, Mukim Kapar, District of Klang, Selangor	Office building and factory	2017	Freehold	18,207 sq. m.	36 years	29,132
6	HS(D) 99547, Lot 104626, Telok Gong, Mukim & District of Klang, Selangor	Factory building and workshop	2015	Leasehold expiring 2103	52,490 sq. m.	8 years	25,836
7	Ream, Sihanoukville, Cambodia	Vacant land	2012	Freehold	23.97 hectare	NA	23,430
8	Geran # 26559, Lot 9895, Kg. Jawa, Mukim & District of Klang, Selangor	Office building and factory	2017	Freehold	5.0 acres	26 years	18,066
9	7 AL, Nordkranvej 2, 3540, Lynge DK Denmark	Factory building with office block	2017	Freehold	59,525 sq. m.	49 years	16,029
10	Hakmilik 6322, Lot 129073, Telok Gong, Mukim & District of Klang Selangor	Vacant land	2015	Leasehold expiring 2104	30,889 sq. m.	NA	14,192

Statistics of Shareholdings as at 29 March 2019

Share Capital

Total number of Issued shares	:	481,857,750* shares
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital*
1 – 99	250	5.408	3,322	0.001
100 – 1,000	940	20.333	654,360	0.136
1,001 –10,000	2,464	53.299	10,853,395	2.252
10,001 –100,000	686	14.839	22,683,703	4.707
100,001 – 24,092,886**	281	6.078	360,100,554	74.732
24,092,887 and above ***	2	0.043	87,562,416	18.172
Total	4,623	100.000	481,857,750	100.000

Note:

* *Excluding a total of 1,783,000 shares purchased by the Company and retained as treasury shares as at 29 March 2019*

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

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

Directors' Shareholdings as per Register of Directors' Shareholdings as at 29 March 2019

Name	Direct Interest	%*	Deemed Interest	%*
Mac Ngan Boon @ Mac Yin Boon	73,501,416 (a)	15.254	19,962,500 (a)	4.143
Ooi Sen Eng	13,924,066 (c)	2.890	-	-
Mac Chung Jin	6,660,000 (c)	1.382	50,000 (a)	0.010
Lee Poh Kwee	6,046,272 (d)	1.255	650,000 (a)	0.135
Mazlan bin Abdul Hamid	500,000	0.104	-	-

Notes:-

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

* *Excluding a total of 1,783,000 shares purchased by the Company and retained as treasury shares as at 29 March 2019.*

Statistics of Shareholdings as at 29 March 2019 (continued)

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 2018 on page 45 of this Annual Report.

Options in the Company
There is no change in the employee share options held by the Directors in the Company as disclosed in Directors' Report for the year ended 31 December 2018 on page 46 of this Annual Report.

Substantial Shareholders as per Register of Substantial Shareholders as at 29 March 2019

Name	Direct Interest	%*	Deemed Interest	%*
Mac Ngan Boon @ Mac Yin Boon	73,501,416	15.254	-	-
Lembaga Tabung Haji	33,421,000 [(a)]	6.936	-	-
Fil Limited	41,310,000 [(a)]	8.573	-	-

Notes:-

(a) Based on the notice of interest of substantial shareholders pursuant to Section 141 and Section 138 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 29 March 2019.*

List of 30 Largest Shareholders as at 29 March 2019

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	11.236
2	Lembaga Tabung Haji	33,421,000	6.936
3	Cartaban Nominees (Asing) Sdn Bhd BBH (LUX) SCA For Fidelity Funds Pacific	18,192,500	3.775
4	Universal Capital Resources Sdn Bhd	17,222,700	3.574
5	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mac Ngan Boon @ Mac Yin Boon (551002)	12,800,000	2.656
6	Maybank Securities Nominees (Tempatan) Sdn Bhd Ooi Sen Eng	12,500,000	2.594
7	Maybank Nominees (Tempatan) Sdn Bhd MTrustee Berhad For CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI) (419455)	11,540,100	2.395
8	Kumpulan Wang Persaraan (Diperbadankan)	10,307,200	2.139
9	Maybank Securities Nominees (Tempatan) Sdn Bhd Chew Keng Siew	10,217,500	2.120
10	Cartaban Nominees (Asing) Sdn Bhd BBH (LUX) SCA For Fidelity Funds Asean	7,777,700	1.614
11	Amanahraya Trustees Berhad Public Islamic Opportunities Fund	7,290,100	1.513
12	Maybank Securities Nominees (Tempatan) Sdn Bhd Mac Chung Jin`	6,660,000	1.382
13	Cartaban Nominees (Asing) Sdn Bhd BBH (LUX) SCA For Fidelity Asian Smaller Companies Pool (Fidelity Funds)	6,304,500	1.308
14	HSBC Nominees (Asing) Sdn Bhd JPMCB NA For Vanguard Total International Stock Index Fund	5,659,300	1.174
15	Maybank Securities Nominees (Tempatan) Sdn Bhd Mac Chung Hui	5,405,000	1.122
16	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN For AIA Bhd	4,760,700	0.988

Statistics of Shareholdings as at 29 March 2019 (continued)

List of 30 Largest Shareholders as at 29 March 2019 (continued)

No.	Name	No. of Shares Held	% of Issued Capital*
17	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Mac Ngan Boon @ Mac Yin Boon (SFC)	4,650,000	0.965
18	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (RHBIslamic)	4,345,600	0.902
19	Citigroup Nominees (Asing) Sdn Bhd CBNY For Dimensional Emerging Markets Value Fund	4,228,300	0.877
20	CIMB Group Nominees (Tempatan) Sdn Bhd Yayasan Hasanah (AUR-VCAM)	4,211,000	0.874
21	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (PHEIM)	4,075,350	0.846
22	Maybank Securities Nominees (Tempatan) Sdn Bhd Mac Chung Lynn	4,000,000	0.830
23	Amanahraya Trustees Berhad Public Islamic Select Treasures Fund	3,980,000	0.826
24	Citigroup Nominees (Asing) Sdn Bhd CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	3,839,500	0.797
25	Amanahraya Trustees Berhad PB Islamic Smallcap Fund	3,821,600	0.793
26	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (MIDF ABSR EQ) Amanah Saham Nasional	3,820,300	0.793
27	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For EastSpring Investmentssmall-Cap Fund	3,776,200	0.784
28	Citigroup Nominees (Tempatan) Sdn Bhd Universal Trustee (Malaysia) Berhad For CIMB Islamic Dali Equity Fund	3,708,400	0.770
29	CIMB Commerce Trustee Berhad Public Focus Select Fund CIMB Commerce Trustee Berhad- Kenanga Growth Fund	3,668,400	0.761
30	HSBC Nominees (Asing) Sdn Bhd JPMCB NA For Vanguard Emerging Markets Stock Index Fund	3,557,100	0.738
		279,881,466	58.082

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Forty-Sixth Annual General Meeting of Muhibbah Engineering (M) Bhd will be held at Concorde Hotel Shah Alam, Concorde I, Level 2, No. 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on Wednesday, 12 June 2019 at 2.15 p.m. for the following purposes :-

Agenda

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 and the Reports of the Directors and Auditors thereon. — **Please refer to Explanatory Note 1**

2. To approve the declaration of a first and final tax exempt dividend of 7.50 sen per ordinary share in respect of the financial year ended 31 December 2018. — **Resolution 1**

3. To re-elect the following Directors who retire pursuant to Article 79 of the Constitution of the Company:-

   (i) Tan Sri Zakaria bin Abdul Hamid — **Resolution 2**
   (ii) Mac Chung Jin; and — **Resolution 3**
   (iii) Lee Poh Kwee. — **Resolution 4**

4. To approve the payment of directors' fees and benefits payable up to an amount of RM2,500,000 from 13 June 2019 until the next AGM of the Company. — **Resolution 5**

5. To re-appoint Messrs Crowe Malaysia PLT as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration. — **Resolution 6**

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

6. ## Ordinary Resolution
   Retention of Independent Directors

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

   (i) Tan Sri Zakaria bin Abdul Hamid; and — **Resolution 7**
   (ii) Abd Hamid bin Ibrahim — **Resolution 8**

7. ## Ordinary Resolution

Authority for Directors to issue and allot shares in the Company pursuant to Section 75 of the Companies Act 2016 **Resolution 9**

"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 in force until the conclusion of the next Annual General Meeting of the Company in accordance with Section 76 of the Companies Act 2016."

8. ## Ordinary Resolution

Proposed Renewal of Authority for Share Buy-Back **Resolution 10**

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

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

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

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

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

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

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

whichever occurs first.

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

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

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

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

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

9. ## Ordinary Resolution

Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature **Resolution 11**

"THAT subject to the Main Market Listing Requirements of Bursa Securities, approval be and is hereby given to the Renewal of the Existing Shareholders' Mandate for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in 2.1.2 of the Circular to Shareholders ("Circular") dated 30 April 2019 ("Proposed Shareholders' Mandate") provided that such transactions are undertaken in the ordinary course of business, at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the interests of the minority shareholders of the Company.

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

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

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

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

whichever is the earliest.

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

10. ## Special Resolution

Proposed Adoption of New Constitution of the Company ("Proposed Adoption") **Special Resolution**

"THAT approval be and is hereby given to revoke the existing Memorandum and Articles of Association of the Company in its entirety and in place thereof, a new constitution as set out in the Circular/Statement to Shareholders dated 30 April 2019 be and is hereby adopted as the Constitution of the Company with immediate effect;

AND THAT the Directors of the Company be and are hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Adoption with the full power to assent to any conditions, modification, and/or amendments as may be required by any relevant authorities to give effect to the Proposed Adoption."

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

Notice of Annual General Meeting (continued)

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 59(d) of the Constitution of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Securities, a Record of Depositors as at 4 June 2019 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting or appoint proxies to attend and/or vote on his/her behalf.

Notes :-

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

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

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

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

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

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

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

Explanatory Notes to the Agenda

1. **Audited Financial Statements for the Financial Year Ended 31 December 2018**
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. **Resolution 5: Approval for payment of Directors' fees and benefits to the Non-Executive Directors**
Section 230(1) of the Companies Act, 2016 provides amongst others, that "the fees" of the Directors and "any benefits" payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, shareholders' approval shall be sought at the forthcoming Forty-Sixth Annual General Meeting on the Directors' fees and benefits under Resolution 5. The Director' benefits comprise meeting allowances, travelling allowances and other benefits such as directors' and officers' liability insurance.

3. **Resolutions 7 & 8: Approval pertaining to the Continuation of Terms of Office as Independent Director**
   The Board of Directors has vide the Nominating Committee conducted an assessment of independence of the following directors who have each served as Independent Director for a cumulative term of more than twelve (12) years and recommended them to continue to act as Independent Directors based on the following justifications:

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

   <u>Justifications</u>

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

4. **Resolution 9: Authority for Directors to issue and allot shares in the Company pursuant to Section 75 of the Companies Act, 2016**
   For Resolution 9, Authority for Directors to issue and allot shares in the Company pursuant to Section 75 of the Companies Act, 2016 if passed will give the Directors of the Company from the date of the above meeting, authority to allot and issue ordinary shares from the unissued capital of the Company for such purposes as the Directors consider would be in the interest of the Company. The purposes of this general mandate is for possible fund raising exercise but not limited to further placing of the shares for purpose of funding investment(s), working capital and/or acquisitions at any time to such persons in their absolute discretion without convening a general meeting as it would be both costs and time-consuming to organize a general meeting. This authorization will expire at the conclusion of the next Annual General Meeting of the Company.

   This general mandate is a renewal of the mandate obtained from the shareholders at the Annual General Meeting of the Company held on 26 June 2018. The Company did not exercise the mandate obtained at the last Annual General Meeting and thus no proceeds were raised from the previous mandate.

5. **Resolution 10: Proposed Renewal of Authority for Share Buy-Back**
   For Resolution 10, the detailed information on the Proposed Renewal of Authority for Share Buy-Back Authority is set out in the Statement/Circular to Shareholders dated 30 April 2019 which is despatched together with the Company's Annual Report 2018.

6. **Resolution 11: Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")**
   For Resolution 11, the detailed information on the Proposed Shareholders' Mandate is set out in Statement/Circular to Shareholders dated 30 April 2019 which is despatched together with the Company's Annual Report 2018.

7. **Special Resolution: Proposed Adoption of New Constitution of the Company ("Proposed New Constitution")**
   For Special Resolution, the detailed information on the Proposed New Constitution is set out in Statement/Circular to Shareholders dated 30 April 2019 which is despatched together with the Company's Annual Report 2018.

Notice of Dividend Entitlement and Payment Date

NOTICE IS HEREBY GIVEN THAT a first and final tax exempt Dividend of 7.50 sen per ordinary share in respect of the financial year ended 31 December 2018, if approved by the shareholders at the forthcoming Forty-Sixth Annual General Meeting, will be paid on 29 July 2019 to Depositors whose names appear in the Record of Depositors at the close of business on 17 July 2019.

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

a) Shares transferred into the Depositor's securities account before 4.30 p.m. on 17 July 2019 in respect of ordinary transfers; and

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

BY ORDER OF THE BOARD

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

Selangor Darul Ehsan
30 April 2019

MUHIBBAH ENGINEERING (M) BHD
(12737-K)

Number of Shares Held
CDS Account Number

Proxy Form

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

of ______________________________
(Full address)

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

______________________________ NRIC No./Passport No. ______________

of ______________________________

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

of ______________________________

OR failing whom, the Chairman of the Meeting as *my/*our proxy to vote for *me/*us and on *my/*our behalf at the Forty-Sixth Annual General Meeting of the Company to be held at Concorde Hotel Shah Alam, Concorde I, Level 2, No. 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on **Wednesday, 12 June 2019 at 2.15 p.m.** and at any adjournment thereof.

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

Proxy 1	%	Proxy 2	%	100%

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

Resolution No.	Ordinary Business	For	Against
1.	To approve the declaration of a first and final tax exempt dividend of 7.50 sen per ordinary share.		
2.	To re-elect Tan Sri Zakaria Bin Abdul Hamid as Director of the Company.		
3.	To re-elect Mr Mac Chung Jin as Director of the Company.		
4.	To re-elect Ms Lee Poh Kwee as Director of the Company.		
5.	To approve the payment of Directors' Fees and benefits payable up to an amount of RM2,500,000 from 13 June 2019 until the next Annual General Meeting.		
6.	To re-appoint Messrs Crowe Malaysia PLT as the Company's Auditors and to authorise the Directors to fix their remuneration.		
	Special Business		
7.	To retain Tan Sri Zakaria bin Abdul Hamid as an Independent Non-Executive Director of the Company.		
8.	To retain En Abd Hamid bin Ibrahim as an Independent Non-Executive Director of the Company.		
9.	To authorise the Directors to issue and allot shares pursuant to Section 75 of the Companies Act, 2016.		
10.	To approve the Proposed Renewal of Authority for Share Buy-Back.		
11.	To approve the Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
Special Resolutions	To approve the Proposed and Adoption of the New Constitution of the Company.		

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 2019

[* Delete if not applicable]

....

[Signature/Common Seal of Shareholder(s)]

Notes:

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

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

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

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

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

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

(g) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, 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