

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

**Financial statements for the year  
ended 31 December 2015**

# Muhibbah Engineering (M) Bhd.

(Company No. 12737-K)

(Incorporated in Malaysia)

## and its subsidiaries

### Directors' report for the year ended 31 December 2015

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2015.

### Principal activities

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

### Results

	<b>Group RM'000</b>	<b>Company RM'000</b>
Profit attributable to:		
Owners of the Company	85,601	23,230
Non-controlling interests	51,613	-
Profit for the year	<u>137,214</u>	<u>23,230</u>

### Reserves and provisions

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

### Dividends

Since the end of the previous financial year, the Company paid a first and final ordinary tax exempt dividend of 8% (4.00 sen) per ordinary share of RM0.50 each totalling RM18,742,130 in respect of the financial year ended 31 December 2014.

The first and final ordinary tax exempt dividend recommended by the Directors in respect of the financial year ended 31 December 2015 is 10% (5.00 sen) per ordinary share of RM0.50 each totalling RM23,440,513 and is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

## Directors of the Company

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

Tan Sri Zakaria bin Abdul Hamid  
 Mac Ngan Boon @ Mac Yin Boon  
 Ooi Sen Eng  
 Mac Chung Jin  
 Lee Poh Kwee  
 Abd Hamid bin Ibrahim  
 Sobri bin Abu  
 Dato' Mohamad Kamarudin bin Hassan  
 Mazlan bin Abdul Hamid

## Directors' interests

The direct and indirect interests in the shares and employees' share options of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.1.2015	Allotted	Sold	At 31.12.2015
<u>Muhibbah Engineering (M) Bhd:</u>				
Mac Ngan Boon @ Mac Yin Boon				
- Direct	71,591,416	-	-	71,591,416
- Indirect	19,873,500	233,000	(144,000)	19,962,500
Ooi Sen Eng	13,225,066	-	(200,000)	13,025,066
Mac Chung Jin				
- Direct	5,060,000	-	-	5,060,000
- Indirect	50,000	-	-	50,000
Lee Poh Kwee				
- Direct	4,046,272	-	-	4,046,272
- Indirect	650,000	-	-	650,000
Mazlan bin Abdul Hamid	305,000	-	-	305,000
<u>Favelle Favco Berhad (a subsidiary):</u>				
Tan Sri Zakaria bin Abdul Hamid	220,000	-	-	220,000
Mac Ngan Boon @ Mac Yin Boon				
- Direct	8,492,913	-	-	8,492,913
- Indirect	3,193,800	210,000	-	3,403,800

**Directors' interests (continued)**

	Number of ordinary shares of RM0.50 each			
	At 1.1.2015	Allotted	Sold	At 31.12.2015
<u>Favelle Favco Berhad (a subsidiary):</u> (continued)				
Ooi Sen Eng				
- Direct	1,156,000	-	-	1,156,000
- Indirect	900	-	-	900
Mac Chung Jin	677,000	-	-	677,000
Lee Poh Kwee	1,295,000	-	-	1,295,000
Abd Hamid bin Ibrahim	95,000	-	-	95,000
Mazlan bin Abdul Hamid	2,224,000	210,000	-	2,434,000

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

	Number of options over ordinary shares of RM0.50 each			
	At 1.1.2015	Granted	Exercised	At 31.12.2015
<u>Muhibbah Engineering (M) Bhd:</u>				
Mac Ngan Boon @ Mac Yin Boon:				
- Direct	1,880,000	-	-	1,880,000
- Indirect	233,000	-	(233,000)	-
Ooi Sen Eng	1,700,000	-	-	1,700,000
Mac Chung Jin	2,000,000	-	-	2,000,000
Lee Poh Kwee	2,000,000	-	-	2,000,000
Mazlan bin Abdul Hamid	300,000	-	-	300,000
<u>Favelle Favco Berhad (a subsidiary):</u>				
Mac Ngan Boon @ Mac Yin Boon:				
- Direct	650,000	-	-	650,000
- Indirect	210,000	-	(210,000)	-
Lee Poh Kwee	420,000	-	-	420,000
Mazlan bin Abdul Hamid	210,000	-	(210,000)	-

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

Other than the abovementioned Directors, none of the other Directors holding office at 31 December 2015 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 of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements of the Company or the fixed salary of a full time employee of the Company or of 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 transaction entered into in the ordinary course of business with companies in which certain directors have substantial financial interest as disclosed in Note 30 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate apart from certain Directors' entitlement to subscribe for new ordinary shares of the Company under the Employees' Share Option Scheme.

## Issue of shares and debentures

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

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

## Treasury shares

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

## Options granted over unissued shares

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

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

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

	<b>Number of options over ordinary shares of RM0.50 each</b>			
	<b>Balance at</b>			<b>Balance at</b>
	<b>1.1.2015</b>	<b>Granted</b>	<b>Exercised</b>	<b>31.12.2015</b>
Tan Chin Guan	1,000,000	-	-	1,000,000

## Other statutory information

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

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

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

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

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2015 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.

## Auditors

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

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



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



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

Klang,

Date: 5 April 2016

# Muhibbah Engineering (M) Bhd.

(Company No. 12737-K)

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## and its subsidiaries

### Statements of financial position as at 31 December 2015

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Assets</b>					
Property, plant and equipment	3	784,848	723,289	151,013	144,317
Investment properties	4	255	264	11,930	1,189
Investments in subsidiaries	5	-	-	261,940	247,931
Investments in associates	6	257,351	210,212	8,981	8,424
Receivables, deposits and prepayments	7	6,804	36,539	10,000	10,000
Deferred tax assets	8	18,082	15,447	-	-
Other non-current assets	9	27,882	24,166	9	9
<b>Total non-current assets</b>		<b>1,095,222</b>	<b>1,009,917</b>	<b>443,873</b>	<b>411,870</b>
Receivables, deposits and prepayments	7	827,663	708,701	736,680	524,660
Amount due from contract customers	10	720,077	532,121	397,428	334,525
Inventories	11	300,742	282,335	497	1,606
Current tax assets		21,539	14,167	688	936
Cash and cash equivalents	12	576,944	585,532	89,090	227,300
<b>Total current assets</b>		<b>2,446,965</b>	<b>2,122,856</b>	<b>1,224,383</b>	<b>1,089,027</b>
<b>Total assets</b>		<b>3,542,187</b>	<b>3,132,773</b>	<b>1,668,256</b>	<b>1,500,897</b>



# Statements of financial position as at 31 December 2015

(continued)

	Note	Group		Company	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
<b>Equity</b>					
Share capital	13	235,297	215,732	235,297	215,732
Reserves	14	580,749	428,247	124,316	88,628
<b>Total equity attributable to owners of the Company</b>		816,046	643,979	359,613	304,360
<b>Non-controlling interests</b>		267,753	224,309	-	-
<b>Total equity</b>		1,083,799	868,288	359,613	304,360
<b>Liabilities</b>					
Loans and borrowings	15	48,914	69,267	9,700	14,742
Payables and accruals	16	15,266	15,076	-	-
Deferred tax liabilities	8	56,161	45,615	11,427	8,401
<b>Total non-current liabilities</b>		120,341	129,958	21,127	23,143
Payables and accruals	16	663,421	606,931	402,935	232,310
Amount due to contract customers	10	420,669	321,267	13,600	28
Bills payable	17	838,334	788,447	519,355	606,995
Derivative liabilities	18	27,110	24,890	15,062	2,327
Loans and borrowings	15	382,510	378,775	336,564	331,734
Current tax liabilities		6,003	14,217	-	-
<b>Total current liabilities</b>		2,338,047	2,134,527	1,287,516	1,173,394
<b>Total liabilities</b>		2,458,388	2,264,485	1,308,643	1,196,537
<b>Total equity and liabilities</b>		3,542,187	3,132,773	1,668,256	1,500,897

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

# Muhibbah Engineering (M) Bhd.

(Company No. 12737-K)

(Incorporated in Malaysia)

## and its subsidiaries

### Statements of profit or loss and other comprehensive income for the year ended 31 December 2015

	Note	Group		Company	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	19	1,604,836	1,733,620	631,903	410,602
Cost of sales		(1,342,872)	(1,479,481)	(544,813)	(370,580)
<b>Gross profit</b>		261,964	254,139	87,090	40,022
Other income		36,104	7,485	662	264
Distribution costs		(20,399)	(20,206)	(5,291)	(4,481)
Administrative expenses		(154,053)	(118,382)	(24,744)	(26,249)
<b>Results from operating activities</b>		123,616	123,036	57,717	9,556
Interest income		22,178	17,813	21,855	26,970
Finance costs		(42,905)	(46,353)	(54,195)	(24,212)
<b>Operating profit</b>	20	102,889	94,496	25,377	12,314
Share of profit after tax and non-controlling interest of equity accounted associates		62,169	49,193	-	-
<b>Profit before tax</b>		165,058	143,689	25,377	12,314
Income tax (expense)/benefits	22	(27,844)	(24,833)	(2,147)	7,951
<b>Profit for the year</b>		137,214	118,856	23,230	20,265
<b>Profit attributable to:</b>					
Owners of the Company		85,601	81,550	23,230	20,265
Non-controlling interests		51,613	37,306	-	-
<b>Profit for the year</b>		137,214	118,856	23,230	20,265
<b>Earnings per ordinary share (sen)</b>					
- Basic	23	18.70	19.23		
- Diluted	23	18.41	17.88		

# Statements of profit or loss and other comprehensive income for the year ended 31 December 2015

(continued)

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Profit for the year</b>		137,214	118,856	23,230	20,265
<b>Other comprehensive income for the financial year, net of tax</b>					
<b>Item that will not be reclassified subsequently to profit or loss</b>					
Movement in revaluation of property, plant and equipment, net of tax		26,317	166	9,079	-
<b>Item that may be reclassified subsequently to profit or loss</b>					
Foreign currency translation differences for foreign operations		41,741	9,625	221	-
<b>Other comprehensive income for the year, net of tax</b>		68,058	9,791	9,300	-
<b>Total comprehensive income for the year</b>		205,272	128,647	32,530	20,265
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		155,977	93,223	32,530	20,265
Non-controlling interests		49,295	35,424	-	-
<b>Total comprehensive income for the year</b>		205,272	128,647	32,530	20,265

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

# Muhibbah Engineering (M) Bhd.

(Company No. 12737-K)

(Incorporated in Malaysia)

## and its subsidiaries

### Consolidated statement of changes in equity for the year ended 31 December 2015

Group	Note	/-----Attributable to owners of the Company-----/								Distributable	Non-controlling interests	Total equity	
		/-----Non-distributable-----/											
		Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Warrant reserve RM'000	Revaluation reserve RM'000	Capital reserve RM'000	Share options reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000	RM'000	RM'000
At 1 January 2014		211,214	(5,561)	18,264	2,280	167,285	5,237	9,366	12,145	142,426	562,656	194,456	757,112
Other comprehensive income:													
- Foreign currency translation differences for foreign operations		-	-	-	-	-	-	-	11,573	-	11,573	(1,948)	9,625
- Movement in revaluation of property, plant and equipment, net of tax		-	-	-	-	100	-	-	-	-	100	66	166
Profit for the year		-	-	-	-	-	-	-	-	81,550	81,550	37,306	118,856
Total comprehensive income		-	-	-	-	100	-	-	11,573	81,550	93,223	35,424	128,647
Share-based payment	24	-	-	-	-	-	-	1,545	-	-	1,545	280	1,825
Share option exercised	13	4,018	-	3,054	-	-	-	-	-	-	7,072	2,047	9,119
Transfer to share premium for share option exercised		-	-	3,732	-	-	-	(3,732)	-	-	-	-	-
Warrant exercised		500	-	630	(60)	-	-	-	-	-	1,070	-	1,070
Issue of shares to non-controlling interest		-	-	-	-	-	-	-	-	-	-	(1,872)	(1,872)
Dilution of interest in subsidiary		-	-	-	-	-	-	-	-	(2,500)	(2,500)	2,500	-
Dividend to owners of the Company	25	-	-	-	-	-	-	-	-	(19,087)	(19,087)	-	(19,087)
Dividend to non-controlling interest		-	-	-	-	-	-	-	-	-	-	(8,526)	(8,526)
Total transactions with owners		4,518	-	7,416	(60)	-	-	(2,187)	-	(21,587)	(11,900)	(5,571)	(17,471)
At 31 December 2014		215,732	(5,561)	25,680	2,220	167,385	5,237	7,179	23,718	202,389	643,979	224,309	868,288
/-----Note 14-----/													

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

# Consolidated statement of changes in equity for the year ended 31 December 2015

(continued)

Group	Note	/-----Attributable to owners of the Company-----/							/-----Distributable-----/				
		Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Warrant reserve RM'000	Revaluation reserve RM'000	Capital reserve RM'000	Share options reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2015		215,732	(5,561)	25,680	2,220	167,385	5,237	7,179	23,718	202,389	643,979	224,309	868,288
Other comprehensive income:													
- Foreign currency translation differences for foreign operations		-	-	-	-	-	-	-	44,132	-	44,132	(2,391)	41,741
- Movement in revaluation of property, plant and equipment, net of tax		-	-	-	-	26,244	-	-	-	-	26,244	73	26,317
Profit for the year		-	-	-	-	-	-	-	-	85,601	85,601	51,613	137,214
Total comprehensive income		-	-	-	-	26,244	-	-	44,132	85,601	155,977	49,295	205,272
Share-based payment	24	-	-	-	-	-	-	499	-	-	499	334	833
Share option exercised	13	1,065	-	810	-	-	-	-	-	-	1,875	1,383	3,258
Transfer to share premium for share option exercised		-	-	1,190	-	-	-	(1,190)	-	-	-	-	-
Warrant exercised		18,500	-	23,310	(2,220)	-	-	-	-	-	39,590	-	39,590
Issue of shares to non-controlling interest		-	-	-	-	-	-	-	-	-	-	2,093	2,093
Dilution of interest in subsidiary		-	-	-	-	-	-	-	-	(7,132)	(7,132)	7,132	-
Dividend to owners of the Company	25	-	-	-	-	-	-	-	-	(18,742)	(18,742)	-	(18,742)
Dividend to non-controlling interest		-	-	-	-	-	-	-	-	-	-	(16,793)	(16,793)
Total transactions with owners		19,565	-	25,310	(2,220)	-	-	(691)	-	(25,874)	16,090	(5,851)	10,239
At 31 December 2015		235,297	(5,561)	50,990	-	193,629	5,237	6,488	67,850	262,116	816,046	267,753	1,083,799
/-----Note 14-----/													

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

## Statement of changes in equity for the year ended 31 December 2015

Company	Note	Non-distributable					Distributable	Total	
		Share capital	Treasury shares	Share premium	Warrant reserve	Revaluation reserve	Share options reserve		Retained earnings
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000
At 1 January 2014		211,214	(5,561)	16,260	2,280	25,964	8,366	35,395	293,918
Profit for the year/Total comprehensive income		-	-	-	-	-	-	20,265	20,265
Share-based payment	24	-	-	-	-	-	1,122	-	1,122
Share option exercised	13	4,018	-	3,054	-	-	-	-	7,072
Transfer to share premium for share option exercised		-	-	3,182	-	-	(3,182)	-	-
Warrant exercised		500	-	630	(60)	-	-	-	1,070
Dividend to owners of the Company	25	-	-	-	-	-	-	(19,087)	(19,087)
Total transactions with owners		4,518	-	6,866	(60)	-	(2,060)	(19,087)	(9,823)
At 31 December 2014		215,732	(5,561)	23,126	2,220	25,964	6,306	36,573	304,360
/-----Note 14-----/									

# Statement of changes in equity for the year ended 31 December 2015

(continued)

Company	Note	/-----Non-distributable-----/						Distributable		
		Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Warrant reserve RM'000	Revaluation reserve RM'000	Share options reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2015		215,732	(5,561)	23,126	2,220	25,964	6,306	-	36,573	304,360
Other comprehensive income:										
- Foreign currency translation differences for foreign operations		-	-	-	-	-	-	221	-	221
Movement in revaluation of property, plant and equipment, net of tax		-	-	-	-	9,079	-	-	-	9,079
Profit for the year		-	-	-	-	-	-	-	23,230	23,230
Total comprehensive income		-	-	-	-	9,079	-	221	23,230	32,530
Share option exercised	13	1,065	-	810	-	-	-	-	-	1,875
Transfer to share premium for share option exercised		-	-	843	-	-	(843)	-	-	-
Warrant exercised		18,500	-	23,310	(2,220)	-	-	-	-	39,590
Dividend to owners of the Company	25	-	-	-	-	-	-	-	(18,742)	(18,742)
Total transactions with owners		19,565	-	24,963	(2,220)	-	(843)	-	(18,742)	22,723
At 31 December 2015		235,297	(5,561)	48,089	-	35,043	5,463	221	41,061	359,613
/-----Note 14-----/										

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

# Muhibbah Engineering (M) Bhd.

(Company No. 12737-K)

(Incorporated in Malaysia)

## and its subsidiaries

### Statements of cash flows for the year ended 31 December 2015

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from/(for) operating activities</b>				
Profit before tax	165,058	143,689	25,377	12,314
Adjustments for:				
Amortisation of development costs	1,461	1,093	-	-
Amortisation of intellectual property	217	217	-	-
Bad debts (recovered)/written off	(517)	-	-	181
Depreciation of investment properties	9	12	131	43
Depreciation of property, plant and equipment	63,467	54,487	18,365	16,450
Development costs charged to cost of sales	2,735	-	-	-
Dividend income	-	-	(87,156)	(25,324)
Finance costs	60,507	62,911	65,882	35,983
Loss on re-measurement to fair value of an associate	-	13,705	-	-
(Gain)/Loss on disposal of property, plant and equipment	(9,285)	2,803	(504)	1,204
Interest income	(22,178)	(17,813)	(21,855)	(26,970)
Net fair value adjustment on derivative instruments	2,220	22,707	12,735	1,622
Net impairment loss on investments in subsidiaries	-	-	-	10,430
Net impairment loss/(recovery) on receivables	32,479	18,253	484	(368)
Net impairment loss on other investments	12	12	-	-
Net unrealised gain on foreign exchange	(66,461)	(11,345)	(18,466)	-
Net recovery on property, plant and equipment	-	(399)	-	-
Net (reversal)/provision for warranties	(458)	7,505	(6,005)	5,975
Property, plant and equipment written off	2,338	345	217	-
Share based payments	833	1,825	-	1,122
Share of profit of associates	(62,169)	(49,193)	-	-
Write-off of investment in a subsidiary	-	-	-	3
Write-off of investment in an associate	2	-	-	-
Write-(back)/down of inventories	(172)	2,487	-	-
<b>Operating profit/(loss) before changes in working capital</b>	<b>170,098</b>	<b>253,301</b>	<b>(10,795)</b>	<b>32,665</b>



## Statements of cash flows for the year ended 31 December 2015 (continued)

		Group		Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
<b>Operating profit/(loss) before changes in working capital</b>		170,098	253,301	(10,795)	32,665
Receivables, deposits and prepayments		(37,153)	(93,265)	(203,794)	48,464
Inventories		(17,836)	(78,257)	1,109	(1,606)
Payables and accruals		48,062	52,612	205,679	22,716
Amount due from contract customers		(88,554)	(206,680)	(49,331)	(140,797)
<b>Cash generated from/(used in) operations</b>		74,617	(72,289)	(57,132)	(38,558)
Net taxes paid		(43,418)	(29,150)	(1,899)	(140)
<b>Net cash generated from/(used in) operating activities</b>		31,199	(101,439)	(59,031)	(38,698)
<b>Cash flows from/(for) investing activities</b>					
Acquisition of a subsidiary	5	-	3	-	-
Acquisition of shares from non-controlling interest		-	(1,872)	-	-
Additions to development expenditure		(4,013)	(5,780)	-	-
Dividend received from:					
- subsidiaries		-	-	28,156	13,124
- associates		51,272	36,860	14,000	12,200
Investment in associates		(557)	-	(300)	-
Interest received		6,894	5,772	4,956	3,882
Proceeds from disposal of property, plant and equipment		13,837	9,492	5,628	4,050
Purchase of property, plant and equipment		(66,854)	(54,395)	(28,994)	(21,615)
Purchase of other non-current assets		(571)	-	-	-
<b>Net cash generated from/(used in) investing activities</b>		8	(9,920)	23,446	11,641

## Statements of cash flows for the year ended 31 December 2015 (continued)

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Cash flows (for)/from financing activities</b>					
Dividend paid to owners of the Company		(18,742)	(19,087)	(18,742)	(19,087)
Dividend paid to non-controlling interest		(16,793)	(8,526)	-	-
Interest paid		(54,196)	(38,731)	(37,540)	(26,607)
Proceeds from exercise of share option and warrant		41,465	8,142	41,465	8,142
Proceeds from issuance of shares to non-controlling interests of a subsidiary		3,476	-	-	-
Net advances/(repayment) of loans and borrowings		29,302	327,682	(92,683)	221,673
<b>Net cash (used in)/generated from financing activities</b>		<u>(15,488)</u>	<u>269,480</u>	<u>(107,500)</u>	<u>184,121</u>
<b>Exchange differences on translation of the financial statements of foreign operations</b>		<u>(28,274)</u>	<u>(4,638)</u>	<u>45</u>	<u>-</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(12,555)	153,483	(143,040)	157,064
<b>Cash and cash equivalents at beginning of year</b>		<u>575,130</u>	<u>421,647</u>	<u>227,066</u>	<u>70,002</u>
<b>Cash and cash equivalents at end of year</b>	(i)	<u>562,575</u>	<u>575,130</u>	<u>84,026</u>	<u>227,066</u>

### (i) Cash and cash equivalents

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

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deposits placed with licensed banks	12	121,358	112,389	33,927	15,322
Short-term funds	12	-	187,000	-	187,000
Cash and bank balances	12	455,586	286,143	55,163	24,978
Bank overdrafts	15	(14,369)	(10,402)	(5,064)	(234)
		<u>562,575</u>	<u>575,130</u>	<u>84,026</u>	<u>227,066</u>

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

# **Muhibbah Engineering (M) Bhd.**

(Company No. 12737-K)

(Incorporated in Malaysia)

## **and its subsidiaries**

### **Notes to the financial statements**

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

The consolidated financial statements as at and for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates and jointly controlled operations. The financial statements of the Company as at and for the year ended 31 December 2015 do not include other entities.

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

The financial statements were authorised for issue by the Board of Directors on 5 April 2016.

## **1. Basis of preparation**

### **(a) Statement of compliance**

The financial statements of the Group and of the Company are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

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

#### **MFRSs and IC Interpretations (Including The Consequential Amendments)**

Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions

Annual Improvements to MFRSs 2010 – 2012 Cycle

Annual Improvements to MFRSs 2011 – 2013 Cycle

## 1. Basis of preparation (continued)

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

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

The Group and the Company have not applied in advance the following accounting standards and 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:-

<b>MFRSs and IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective date</b>
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers & Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Defer until further notice
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011): Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101: Presentation of Financial Statements - Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture - Bearer Plants	1 January 2016
Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016

The adoption of the above accounting standards and 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.

## **1. Basis of preparation (continued)**

### **(b) Basis of measurement**

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

### **(c) Functional and presentation currencies**

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

### **(d) Use of estimates and judgements**

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

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

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

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

## **2. Significant accounting policies**

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

## 2. Significant accounting policies (continued)

### (a) Basis of consolidation

#### (i) *Subsidiaries*

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

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

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

#### (ii) *Business combinations*

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

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

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

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

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

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

## 2. Significant accounting policies (continued)

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

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

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

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

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

#### *(v) Associates*

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

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

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

## **2. Significant accounting policies (continued)**

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

#### **(v) *Associates (continued)***

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

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

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

#### **(vi) *Joint arrangements***

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

Joint arrangements are classified and accounted for as follows:

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



## **2. Significant accounting policies (continued)**

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

#### ***(vii) Affiliated company***

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

#### ***(viii) Non-controlling interests***

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

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

#### ***(ix) Transactions eliminated on consolidation***

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

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

## 2. Significant accounting policies (continued)

### (b) Foreign currency

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

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

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

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

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

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

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

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

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

## **2. Significant accounting policies (continued)**

### **(b) Foreign currency (continued)**

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

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

### **(c) Financial instruments**

#### **(i) *Initial recognition and measurement***

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

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

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

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

The Group and the Company categorise financial instruments as follows:

##### **Financial assets**

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

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

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

## 2. Significant accounting policies (continued)

### (c) Financial instruments (continued)

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

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

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

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

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

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

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

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

##### **Financial liabilities**

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

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

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

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

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

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

## **2. Significant accounting policies (continued)**

### **(c) Financial instruments (continued)**

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

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

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

#### ***(iv) Derecognition***

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

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

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

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

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

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

## **2. Significant accounting policies (continued)**

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

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

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

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

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

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

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

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

## 2. Significant accounting policies (continued)

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

#### (ii) *Subsequent costs*

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

#### (iii) *Depreciation*

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

The estimated useful lives are as follows:

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

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

The depreciable amount is determined after deducting the residual value.

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

## **2. Significant accounting policies (continued)**

### **(e) Leased assets**

#### ***(i) Finance lease***

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

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

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

#### ***(ii) Operating lease***

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

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

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



## 2. Significant accounting policies (continued)

### (f) Investment properties

#### *Investment properties carried at cost*

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

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

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

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

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

### (g) Intangible assets

#### *(i) Goodwill*

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

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

## **2. Significant accounting policies (continued)**

### **(g) Intangible assets (continued)**

#### **(ii) *Research and development***

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

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

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

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

#### **(iii) *Intellectual property***

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

#### **(iv) *Subsequent expenditure***

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

#### **(v) *Amortisation***

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

## **2. Significant accounting policies (continued)**

### **(g) Intangible assets (continued)**

#### ***(vi) Development cost***

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

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

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

### **(h) Inventories**

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

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

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

## **2. Significant accounting policies (continued)**

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

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

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

### **(j) Cash and cash equivalents**

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

### **(k) Impairment**

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

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

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

## 2. Significant accounting policies (continued)

### (k) Impairment (continued)

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

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

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

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

#### (ii) *Other assets*

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

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

## **2. Significant accounting policies (continued)**

### **(k) Impairment (continued)**

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

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

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

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

### **(l) Equity instruments**

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

#### ***(i) Issue expenses***

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

#### ***(ii) Ordinary shares***

Ordinary shares are classified as equity.

#### ***(iii) Preference share capital***

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

## 2. Significant accounting policies (continued)

### (l) Equity instruments (continued)

#### (iii) *Preference share capital (continued)*

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

#### (iv) *Repurchase of share capital*

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

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

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

### (m) Bonds

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

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

## **2. Significant accounting policies (continued)**

### **(n) Loans and borrowings**

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

### **(o) Employee benefits**

#### **(i) *Short term employee benefits***

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

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

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

#### **(ii) *Share-based payment transactions***

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

### **(p) Provisions**

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

#### **(i) *Warranties***

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



## **2. Significant accounting policies (continued)**

### **(p) Provisions (continued)**

#### **(ii) *Contingent liabilities***

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

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

### **(q) Revenue recognition**

#### **(i) *Construction contracts***

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

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

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

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

## **2. Significant accounting policies (continued)**

### **(q) Revenue recognition (continued)**

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

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

#### **(iii) *Rental income***

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

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

#### **(iv) *Dividend income***

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

### **(r) Interest income**

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

### **(s) Borrowing costs**

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

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

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

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

## **2. Significant accounting policies (continued)**

### **(t) Income tax**

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

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

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

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

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

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

### **(u) Earnings per share**

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

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

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

## **2. Significant accounting policies (continued)**

### **(v) Operating segments**

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

### **(w) Fair value measurements**

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

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

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

### 3. Property, plant and equipment

<b>Group</b>	<b>Land</b>	<b>Buildings</b>	<b>Drydock and slipway</b>	<b>Cranes</b>	<b>Plant, equipment and motor vehicles</b>	<b>Capital work-in- progress</b>	<b>Total</b>
<b>Cost/Valuation</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2014	287,089	183,575	45,368	153,378	495,834	13,949	1,179,193
Acquisition of a subsidiary	-	-	-	-	51,144	-	51,144
Additions	-	5,432	-	9,694	30,162	9,107	54,395
Disposals	-	-	-	(9,038)	(30,197)	-	(39,235)
Written off	-	-	-	(454)	(6,858)	(271)	(7,583)
Reclassification	-	3,309	-	-	7,522	(10,831)	-
Exchange differences	1,326	(634)	-	(2,249)	9,459	549	8,451
At 31 December 2014/ 1 January 2015	288,415	191,682	45,368	151,331	557,066	12,503	1,246,365
Additions	-	728	-	13,589	40,667	11,870	66,854
Disposals	-	-	-	(3,741)	(11,781)	-	(15,522)
Written off	-	-	-	(3,057)	(1,277)	-	(4,334)
Exchange differences	8,663	3,844	-	3,384	49,403	93	65,387
Revaluation of leasehold land	34,844	-	-	-	-	-	34,844
Transfer	-	-	-	-	-	(399)	(399)
Reclassification	-	23,168	-	4,215	(4,301)	(23,082)	-
At 31 December 2015	331,922	219,422	45,368	165,721	629,777	985	1,393,195
<b>Representing items at:</b>							
Cost	1,560	219,422	45,368	165,721	629,777	985	1,062,833
Valuation	330,362	-	-	-	-	-	330,362
	331,922	219,422	45,368	165,721	629,777	985	1,393,195
<b>Accumulated depreciation and impairment losses</b>							
At 1 January 2014	8,423	59,096	15,110	50,918	334,970	-	468,517
Acquisition of a subsidiary	-	-	-	-	31,283	-	31,283
Depreciation for the year	1,868	2,513	1,019	8,867	40,220	-	54,487
Impairment loss	-	-	-	-	(399)	-	(399)
Disposals	-	-	-	(6,247)	(20,693)	-	(26,940)
Written off	-	-	-	(454)	(6,784)	-	(7,238)
Reclassification	-	-	-	495	(495)	-	-
Exchange differences	-	(713)	-	(1,625)	5,704	-	3,366
Accumulated depreciation	10,291	45,216	16,129	51,418	378,880	-	501,934
Accumulated impairment loss	-	15,680	-	536	4,926	-	21,142
At 31 December 2014/ 1 January 2015	10,291	60,896	16,129	51,954	383,806	-	523,076
Depreciation for the year	1,871	4,680	1,019	7,594	48,303	-	63,467
Disposals	-	-	-	(1,165)	(9,805)	-	(10,970)
Written off	-	-	-	(1,184)	(812)	-	(1,996)
Exchange differences	-	2,096	-	2,476	30,198	-	34,770
Reclassification	-	1,733	-	2,785	(4,518)	-	-
Accumulated depreciation	12,162	53,725	17,148	61,924	442,246	-	587,205
Accumulated impairment loss	-	15,680	-	536	4,926	-	21,142
At 31 December 2015	12,162	69,405	17,148	62,460	447,172	-	608,347

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

<i>Group</i>	<b>Land</b>	<b>Buildings</b>	<b>Drydock and slipway</b>	<b>Cranes</b>	<b>Plant, equipment and motor vehicles</b>	<b>Capital work-in- progress</b>	<b>Total</b>
<i>Carrying amounts</i>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2014	278,666	124,479	30,258	102,460	160,864	13,949	710,676
At 31 December 2014/ 1 January 2015	278,124	130,786	29,239	99,377	173,260	12,503	723,289
At 31 December 2015	319,760	150,017	28,220	103,261	182,605	985	784,848

<i>Company</i>	<b>Land</b>	<b>Buildings</b>	<b>Cranes</b>	<b>Plant, equipment and motor vehicles</b>	<b>Capital work-in- progress</b>	<b>Total</b>
<i>Cost/Valuation</i>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2014	43,003	2,402	22,797	175,777	3,452	247,431
Additions	-	-	1,575	13,922	6,118	21,615
Disposals	-	-	-	(15,817)	-	(15,817)
Written off	-	-	(454)	(6,559)	-	(7,013)
At 31 December 2014/ 1 January 2015	43,003	2,402	23,918	167,323	9,570	246,216
Additions	-	-	1,533	16,656	10,805	28,994
Disposals	-	-	(443)	(6,923)	(3,870)	(11,236)
Written off	-	-	-	(847)	-	(847)
Reclassification	-	4,588	4,215	(3,549)	(16,337)	(11,083)
Revaluation of leasehold land	12,105	-	-	-	-	12,105
Exchange differences	-	-	-	242	-	242
At 31 December 2015	55,108	6,990	29,223	172,902	168	264,391

<i>Accumulated depreciation</i>						
At 1 January 2014	2,231	300	9,934	90,560	-	103,025
Depreciation for the year	454	48	1,518	14,430	-	16,450
Disposals	-	-	-	(10,563)	-	(10,563)
Written off	-	-	(454)	(6,559)	-	(7,013)
At 31 December 2014/ 1 January 2015	2,685	348	10,998	87,868	-	101,899
Depreciation for the year	453	73	1,653	16,186	-	18,365
Disposals	-	-	(305)	(5,807)	-	(6,112)
Written off	-	-	-	(630)	-	(630)
Reclassification	-	(211)	2,785	(2,785)	-	(211)
Exchange differences	-	-	-	67	-	67
At 31 December 2015	3,138	210	15,131	94,899	-	113,378

<i>Carrying amounts</i>						
At 1 January 2014	40,772	2,102	12,863	85,217	3,452	144,406
At 31 December 2014/ 1 January 2015	40,318	2,054	12,920	79,455	9,570	144,317
At 31 December 2015	51,970	6,780	14,092	78,003	168	151,013

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

Depreciation charge for the year is allocated as follows:

		<b>Group</b>		<b>Company</b>	
		<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Operating expenses	20	25,822	35,838	1,665	1,441
Contract costs	10	37,645	18,649	16,700	15,009
		<u>63,467</u>	<u>54,487</u>	<u>18,365</u>	<u>16,450</u>
		=====	=====	=====	=====

#### *Security*

The freehold land, buildings and certain long term leasehold land of the Group with a total carrying amount of RM163,513,000 (2014 - RM177,590,000) have been pledged to certain licensed banks as security for term loan facilities granted to the Group (Note 15).

#### *Assets under hire purchase*

Included in property, plant and equipment of the Group are motor vehicles acquired under hire purchase arrangements with a carrying amount of nil (2014 - RM12,000).

#### *Property, plant and equipment under the revaluation model*

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

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

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January	142,420	144,288	40,268	40,722
Depreciation recognised in profit or loss (realised)	(1,871)	(1,868)	(453)	(454)
Revaluation surpluses recognised in other comprehensive income	34,844	-	12,105	-
At 31 December	<u>175,393</u>	<u>142,420</u>	<u>51,920</u>	<u>40,268</u>

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

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

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

The surpluses arising from the revaluation, net of deferred taxation, have been credited to accumulated in equity under the revaluation reserve.

Had the freehold land and leasehold land been carried under the cost model, the net book value of the Group's freehold land would have been RM40,996,000 (2014 - RM37,330,000) and Group and Company's leasehold land would have been RM53,330,000 (2014 - RM54,322,000) and RM8,196,000 (2014 - RM8,291,000) respectively.

#### ***Land***

Included in the carrying amounts of land are:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Freehold land	144,367	135,704	50	50
Long term leasehold land	175,393	142,420	51,920	40,268
	<u>319,760</u>	<u>278,124</u>	<u>51,970</u>	<u>40,318</u>
	=====	=====	=====	=====



#### 4. Investment properties

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><i>Cost</i></b>				
At 1 January	629	629	2,260	2,260
Reclassification	-	-	11,083	-
	<u>629</u>	<u>629</u>	<u>13,343</u>	<u>2,260</u>
	=====	=====	=====	=====
<b><i>Accumulated depreciation and impairment loss</i></b>				
At 1 January	365	353	1,071	1,028
Depreciation for the year	9	12	131	43
Reclassification	-	-	211	-
	<u>374</u>	<u>365</u>	<u>1,413</u>	<u>1,071</u>
	=====	=====	=====	=====
<b><i>Carrying amounts</i></b>				
At 31 December	255	264	11,930	1,189
	<u>255</u>	<u>264</u>	<u>11,930</u>	<u>1,189</u>
	=====	=====	=====	=====
Included in the above are:				
Freehold land	94	94	94	94
Buildings	161	170	11,836	1,095
	<u>255</u>	<u>264</u>	<u>11,930</u>	<u>1,189</u>
	=====	=====	=====	=====

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 statement of financial position.

#### Market value

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

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Market value of investment properties				
- aggregated basis	396	610	52,520	5,435
	<u>396</u>	<u>610</u>	<u>52,520</u>	<u>5,435</u>
	=====	=====	=====	=====

#### 4. Investment properties (continued)

##### Market value (continued)

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

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

#### 5. Investments in subsidiaries

		Company	
		2015	2014
		RM'000	RM'000
Ordinary shares			
Quoted shares - in Malaysia		98,663	98,663
Unquoted shares - at cost		257,036	243,027
Cumulative redeemable convertible preference shares, at cost	(a)	1,800	1,800
		<hr/>	<hr/>
		357,499	343,490
Less: Impairment losses		(95,559)	(95,559)
		<hr/>	<hr/>
		261,940	247,931
		<hr/>	<hr/>
<b>Market value</b>			
Quoted shares in Malaysia		359,600	360,912
		<hr/>	<hr/>

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

## 5. Investments in subsidiaries (continued)

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

Company	Principal activities	Country of incorporation	Effective ownership interest	
			2015 %	2014 %
<i>Cranes segment</i>				
Favelle Favco Berhad	Investment holding	Malaysia	59.89	60.34
Favelle Favco Cranes (M) Sdn. Bhd.	Manufacturing of cranes	Malaysia	59.89	60.34
Favelle Favco Cranes Pte. Ltd.*	Trading of cranes, spare parts and services	Singapore	59.89	60.34
Favelle Favco Cranes (USA), Inc.*	Manufacturing of cranes	United States of America	59.89	60.34
Favelle Favco Cranes Pty Limited* and its subsidiaries:	Manufacturing of cranes	Australia	59.89	60.34
FF Management Pty. Limited*	Management services	Australia	59.89	60.34
Milperra Blasting and Coating Pty. Limited*	Dormant	Australia	59.89	60.34
Kroll Cranes A/S*	Manufacturing of cranes	Denmark	59.89	60.34
Favelle Favco Cranes International Ltd.	Dormant	Labuan	59.89	60.34
FES Equipment Services Sdn. Bhd.	Hiring and repair of cranes	Malaysia	59.89	60.34
Favelle Favco Winches Pte. Ltd.*	Design, fabrication, trading, service and rental of winches, hydraulic system and material handling equipment	Singapore	59.89	60.34
Favelle Favco Management Services Sdn. Bhd.*	Dormant	Malaysia	59.89	60.34
Shanghai Favco Engineering Machinery Manufacturing Co. Ltd.*	Manufacturing of cranes	China	46.71	46.46

## 5. Investments in subsidiaries (continued)

Company	Principal activities	Country of incorporation	Effective ownership interest	
			2015 %	2014 %
<i>Marine shipbuilding and ship repair segment</i>				
Muhibbah Marine Engineering Sdn. Bhd. and its subsidiary:	Ship building, renting of ship, providing ship repair services, trading of marine supplies and provision of other engineering works	Malaysia	100	100
Energy Ocean Ltd.	Trading of motor vessels, spare parts and other services	Labuan	100	100
<i>Infrastructure construction segment</i>				
Juara Lagi Sdn. Bhd.#	Vessel chartering services	Malaysia	100	100
Elelink Sdn. Bhd.* and its subsidiary:	Investment holding	Malaysia	100	100
ITS Konsortium Sdn. Bhd.	Commissioning of intelligent transport system solution	Malaysia	60	60
Muhibbah Petrochemical Engineering Sdn. Bhd.# and its subsidiary:	Oil, gas, petrochemical engineering and related works	Malaysia	100	90
Eaststar Ltd.^	Dormant	Labuan	-	90
Muhibbah Engineering (Singapore) Pte. Ltd.*	Civil and structural engineering contract works	Singapore	100	100
MEB Construction Sdn. Bhd.#	Civil and structural engineering contract works	Malaysia	100	100
Muhibbah Steel Industries Sdn. Bhd.*	Structural steel fabrication and related works	Malaysia	100	100
Muhibbah Airline Support Industries Sdn. Bhd.	Manufacturing and services for airline support equipment	Malaysia	100	100
Muhibbah Marine Engineering (Deutschland) GmbH*	Constructing and leasing of marine plants	Germany	95	95

## 5. Investments in subsidiaries (continued)

Company	Principal activities	Country of incorporation	Effective ownership interest	
			2015 %	2014 %
Infrastructure construction segment (continued)				
Muhibbah Masteron Cambodia JV Limited	Investment holding and civil and structural engineering contract works	Cambodia	70	70
Ann Bee (M) Sdn. Bhd.*	Manufacture of aluminium foils and carbonless papers	Malaysia	100	100
Muhibbah Maritime Hub Sdn. Bhd.* (formerly known as MEB Marketing Sdn. Bhd.)	Distribution and marketing of construction materials	Malaysia	100	100
Aspect Saga Sdn. Bhd.* and its subsidiaries:	Investment holding	Malaysia	100	100
IDS Cahaya Sdn. Bhd.*	Investment holding	Malaysia	100	100
IDS Cahaya Ltd.#	Offshore leasing business	Labuan	100	100
Muhibbah Reefers Sdn. Bhd.*	Manufacturing of containers and refrigerator containers	Malaysia	100	100
Khas Jejaka Sdn. Bhd.*	Investment holding	Malaysia	100	100
Muhibbah International Labuan Ltd.	Offshore leasing and international trade business	Labuan	100	100
Muhibbah Offshore Services Ltd.	Offshore leasing business	Labuan	95	95
Muhibbah Engineering (Cambodia) Co. Ltd.#	Construction, quarry and trading business	Cambodia	60	60
Muhibbah-LTAT JV Sdn. Bhd.	Civil, marine and structural engineering contract works	Malaysia	51	51
Citech Energy Recovery System Malaysia Sdn. Bhd.* and its subsidiary:	Manufacture of waste heat recovery units for the oil and gas industry	Malaysia	100	100
Citech Energy Recovery Solutions UK (Ltd)*	Trading of waste heat recovery units, spare parts and other services	United Kingdom	100	100

## 5. Investments in subsidiaries (continued)

Company	Principal activities	Country of incorporation	Effective ownership interest	
			2015 %	2014 %
Infrastructure construction segment (continued)				
CB International Engineering Sdn. Bhd.	Rental of investment properties and related services and provision of vessel chartering services	Malaysia	100	100
Muhibbah Construction Pty. Limited.*#	Marine and port construction work	Australia	100	100
Karisma Duta Sdn. Bhd.*#	Dormant	Malaysia	100	100
Muhibbah Oil & Gas Sdn. Bhd.*	Dormant	Malaysia	100	100
Konsortium Muhibbah Eng-LTAT Sdn. Bhd.	Dormant	Malaysia	100	100
Sun Vibrant Sdn. Bhd.*	Dormant	Malaysia	51	51
MEB Equipment Sdn. Bhd.*#	Dormant	Malaysia	100	100
Muhibbah Corporation (L) Ltd.# (formerly known as Advance Vision Ltd.)	Dormant	Labuan	100	100
Cambodia Land Ltd.#	Dormant	Labuan	100	100
Muhibbah Engineering (Philippines) Corporation*#	Civil and structural engineering contract works	Philippines	99.99	99.99
Concession segment				
Muhibbah Airport Services (Labuan) Ltd.#	Investment holding	Labuan	70	70

\* Subsidiaries not audited by Messrs. Crowe Horwath

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

## 5. Investments in subsidiaries (continued)

^ This dormant subsidiary has been liquidated during the financial year.

- (a) The Group's effective interest in Favelle Favco Berhad ("FFB") was diluted from 60.34% to 59.89%, pursuant to the exercise of employees share options by eligible employees of FFB during the year.

### Non-controlling interest in subsidiaries

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

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
NCI percentage	40.11%	39.66%
Carrying amount of NCI	228,922	187,167
Profit allocated to NCI	37,126	31,568
Dividends paid to NCI	10,516	8,526
 Total assets	 1,219,695	 1,134,377
Total liabilities	672,080	674,648
Revenue	792,431	797,895
Profit for the year	93,866	84,012

## 5. Investments in subsidiaries (continued)

### Acquisition of a subsidiary

In the previous financial year, the Group acquired 50% equity interests in IDS Cahaya Sdn. Bhd. IDS Cahaya Sdn. Bhd. was previously an associate of the Group. The fair values of the assets acquired and liabilities assumed were as follows:

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Property, plant and equipment	-	19,200
Investment in associate	-	3,686
Receivables	-	1,252
Cash and bank balances	-	18
Payables	-	(9,590)
Term loan	-	(28,256)
Taxation	-	(2)
	<hr/>	<hr/>
Total liabilities assumed	-	(13,692)
Goodwill on consolidation	-	2
Loss on re-measurement to fair value of an associate	-	13,705
	<hr/>	<hr/>
Total cost of acquisition	-	15
Less: Cash and cash equivalents acquired	-	(18)
	<hr/>	<hr/>
Cash inflow on acquisition of, net of cash acquired	-	(3)
	<hr/>	<hr/>

## 6. Investments in associates

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares				
- At cost	82,168	81,611	8,981	8,424
- Share of post-acquisition reserves	175,183	128,601	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	257,351	210,212	8,981	8,424
	<hr/>	<hr/>	<hr/>	<hr/>



## 6. Investments in associates (continued)

Details of the associates are as follows:

			Effective Ownership interest	
Company	Principal activities	Country of incorporation	2015 %	2014 %
<b>Concession segment</b>				
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
<b>Infrastructure construction segment</b>				
Freyssinet PSC (M) Sdn. Bhd.*@	Civil engineering and construction works	Malaysia	50	50
Inno Marine Services Sdn. Bhd.*#	Marine leasing activities	Malaysia	37.5	37.5
IDS Darussalam Sdn. Bhd.*#	Ship management services	Malaysia	50	50
IDS Offshore Sdn. Bhd.*#	Ship management services	Malaysia	50	50
IDS Darul Ehsan Sdn. Bhd.*^	Dormant	Malaysia	-	50
Wabag Muhibbah JV Sdn. Bhd.*+	Engineering, procurement, construction and commissioning of effluent treatment plant	Malaysia	30	-
Muhibbah Engineering Middle East LLC*	Dormant	Qatar	49	-
<b>Cranes segment</b>				
Favco Offshores Sdn. Bhd.#	Manufacture, supply, servicing and renting of cranes	Malaysia	18.0	18.1
Favelle Favco Machinery and Equipment L.L.C*#	Trading and rental of construction equipment	United Arab Emirates	29.3	29.6
Favco Heavy Industry (Changshu) Co., Ltd.*#	Supply, renting and servicing of lifting equipment and spare parts	China	30.0	30.2

## 6. Investments in associates (continued)

- \* Associates not audited by Messrs. Crowe Horwath
- # Associates of subsidiaries of Muhibbah Engineering (M) Bhd.
- + Financial year ended as at 31 March. Special audit is performed for financial period as at 31 December for consolidated financial statements purpose.
- ^ This dormant associate has been liquidated during the financial year.
- @ The results of the associate are consolidated using management accounts.

### Summary financial information of material associates

Summarised financial information of the concession segment, 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:

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Gross amount of the concession associates</b>		
Non-current assets	1,121,251	745,615
Current assets	451,793	442,069
Non-current liabilities	50,112	58,490
Current liabilities	440,444	319,407
Revenue	1,119,625	855,609
Profit for the year	299,500	238,023
Dividends received	47,772	33,061
<b>Carrying amount in the consolidated financial statements</b>	<b>202,888</b>	<b>158,837</b>

### Aggregate information of immaterial associates

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Aggregate carrying amount	54,463	51,375
Aggregate amount of the group share:		
- Profit for the year	3,188	7,229

## 7. Receivables, deposits and prepayments

		Group		Company	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
<b>Non-current</b>					
<b>Trade</b>					
Trade receivable	7.2	373	38,710	-	-
Less: Allowance for impairment loss		-	(7,051)	-	-
		<u>373</u>	<u>31,659</u>	<u>-</u>	<u>-</u>
<b>Non-trade</b>					
Amount due from a subsidiary	7.1	-	-	10,000	10,000
Amount due from associates	7.4	6,431	4,880	-	-
		<u>6,804</u>	<u>36,539</u>	<u>10,000</u>	<u>10,000</u>
<b>Current</b>					
<b>Trade</b>					
Trade receivables	7.2	335,175	384,849	-	-
Progress billings receivable	7.2	312,173	612,913	239,508	552,554
Amount due from subsidiaries	7.3	-	-	294,896	195,937
Amount due from associates	7.4	62,707	41,863	-	-
Amount due from joint venture		35,783	14,030	-	-
		<u>745,838</u>	<u>1,053,655</u>	<u>534,404</u>	<u>748,491</u>
Less: Allowance for impairment loss		(61,986)	(453,599)	(28,674)	(459,925)
		<u>683,852</u>	<u>600,056</u>	<u>505,730</u>	<u>288,566</u>
<b>Non-trade</b>					
Amount due from subsidiaries	7.3	-	-	194,013	218,563
Amount due from associates	7.4	33,424	31,432	3,081	2,973
Other receivables		84,594	62,542	23,351	16,066
		<u>118,018</u>	<u>93,974</u>	<u>220,445</u>	<u>237,602</u>
Less: Allowance for impairment loss		(3,301)	(10,367)	(4,831)	(12,331)
		<u>114,717</u>	<u>83,607</u>	<u>215,614</u>	<u>225,271</u>
Deposits		11,846	7,259	8,368	3,454
Prepayments		17,248	17,779	6,968	7,369
		<u>143,811</u>	<u>108,645</u>	<u>230,950</u>	<u>236,094</u>
		<u>827,663</u>	<u>708,701</u>	<u>736,680</u>	<u>524,660</u>

## 7. Receivables, deposits and prepayments (continued)

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

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Australian Dollar	16,048	17,029	-	-
Euro	158	12,555	-	-
Qatari Riyal	101,002	90,574	101,002	90,574
Singapore Dollar	38,118	1,203	-	-
Chinese Renminbi	20,448	35,693	-	-
Danish Krone	84,978	57,663	-	-
US Dollar	145,704	140,161	38,298	15,936
Sterling Pound	488	412	-	-
	=====	=====	=====	=====

Also included in trade receivables and progress billings receivable of the Group and of the Company are retention sums of RM64,282,000 (2014 - RM97,047,000) and RM64,189,000 (2014 - RM96,920,000) respectively.

- 7.3 The trade receivables due from subsidiaries are subject to the normal credit terms ranging from 30 to 60 days (2014 – 30 to 60 days).

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

- 7.4 The amounts due from associates of the Group and of the Company are interest free, unsecured and have no fixed terms of repayment, other than an amount due from an associate of RM6,431,000 (2014 – RM4,880,000) which is subject to interest of 1% (2014 – 1%) per annum.

## 8. Deferred tax (assets) and liabilities

### Recognised deferred tax (assets) and liabilities

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

Group	Assets		Liabilities		Net	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Property, plant and equipment	-	-	54,211	48,583	54,211	48,583
Tax losses carry forward	(1,356)	(2,276)	-	-	(1,356)	(2,276)
Unabsorbed capital allowances	(8)	(6)	-	-	(8)	(6)
Other items	(20,280)	(16,342)	5,512	209	(14,768)	(16,133)
Tax (assets)/liabilities	(21,644)	(18,624)	59,723	48,792	38,079	30,168
Set off of tax	3,562	3,177	(3,562)	(3,177)	-	-
Net tax (assets)/liabilities	(18,082)	(15,447)	56,161	45,615	38,079	30,168
<b>Company</b>						
Property, plant and equipment	-	-	11,427	8,401	11,427	8,401
Net tax liabilities	-	-	11,427	8,401	11,427	8,401

### Unrecognised deferred tax assets

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Property, plant and equipment	(74,038)	(77,812)	(60,861)	(66,329)
Other temporary differences	(691)	(793)	-	-
Unabsorbed capital allowances	89,488	68,826	57,909	49,570
Tax losses carry forward	607,002	540,277	395,458	335,230
Provision	24,962	77,448	107	1,878
Foreign exchange losses	7,774	1,745	7,774	1,745
	654,497	609,691	400,387	322,094

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

### Unrecognised deferred tax assets (continued)

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

### Movement in temporary differences during the year

<b>Group</b>	<b>Property plant and equipment RM'000</b>	<b>Tax losses carry forward RM'000</b>	<b>Unabsorbed capital allowances RM'000</b>	<b>Other items RM'000</b>	<b>Total RM'000</b>
As at 1 January 2014	52,283	(3,521)	(2,801)	(3,953)	42,008
Recognised in profit or loss (Note 22)	(3,700)	984	2,795	(11,565)	(11,486)
Reclassification	-	261	-	(261)	-
Exchange differences	-	-	-	(354)	(354)
As at 31 December 2014/ 1 January 2015	48,583	(2,276)	(6)	(16,133)	30,168
Recognised in equity	4,301	-	-	4,410	8,711
Recognised in profit or loss (Note 22)	1,327	920	(2)	(3,152)	(907)
Exchange differences	-	-	-	107	107
As at 31 December 2015	54,211	(1,356)	(8)	(14,768)	38,079

### Company

As at 1 January 2014/ 31 December 2014/ 1 January 2015	8,401	-	-	-	8,401
Recognised in equity	3,026	-	-	-	3,026
As at 31 December 2015	11,427	-	-	-	11,427

## 9. Other non-current assets

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other investments	1,180	621	9	9
Land held for development	10,804	8,828	-	-
Development costs	14,967	13,569	-	-
Intellectual property	931	1,148	-	-
	<u>27,882</u>	<u>24,166</u>	<u>9</u>	<u>9</u>
	=====	=====	=====	=====
	<b>Land held for development</b>		<b>Development costs</b>	
	<b>Group</b>		<b>Group</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><i>Cost</i></b>				
At 1 January	8,828	8,290	29,184	22,933
Additions	-	-	4,013	5,780
Written off/Charged to cost of sales	-	-	(7,479)	-
Exchange difference	1,976	538	3,819	471
	<u>10,804</u>	<u>8,828</u>	<u>29,537</u>	<u>29,184</u>
	=====	=====	=====	=====
<b><i>Accumulated impairment/amortisation</i></b>				
At 1 January	-	-	15,615	14,299
Amortisation charge for the year	-	-	1,461	1,093
Written off	-	-	(4,744)	-
Exchange difference	-	-	2,238	223
	<u>-</u>	<u>-</u>	<u>14,570</u>	<u>15,615</u>
	=====	=====	=====	=====
<b><i>Carrying amounts</i></b>				
At 1 January	8,828	8,290	13,569	8,634
	=====	=====	=====	=====
At 31 December	10,804	8,828	14,967	13,569
	=====	=====	=====	=====

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

Development costs represent internally generated development expenditure by subsidiaries on new or substantially improved projects. It is reasonably anticipated that the development expenditure will be recovered through future commercial activity. The amortisation period of development expenditure ranged from 1 year to 5 years (2014 - 1 year to 5 years).

### *Title*

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

	<b>Intellectual property Group</b>	
	<b>2015 RM'000</b>	<b>2014 RM'000</b>
<b><i>Cost</i></b>		
At 1 January / 31 December 2015	1,800	1,800
<b><i>Accumulated impairment/amortisation</i></b>		
At 1 January	652	435
Amortisation charge for the year	217	217
At 31 December	<u>869</u>	<u>652</u>
<b><i>Carrying amounts</i></b>		
At 1 January	<u>1,148</u>	<u>1,365</u>
At 31 December	<u>931</u>	<u>1,148</u>

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



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

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Aggregate costs incurred to date	9,138,480	8,490,155	4,188,423	4,119,029
Add: Attributable profits less foreseeable losses	26,484	136,238	(104,919)	20,560
	<u>9,164,964</u>	<u>8,626,393</u>	<u>4,083,504</u>	<u>4,139,589</u>
Less: Progress billings	(8,865,556)	(8,415,539)	(3,699,676)	(3,805,092)
	<u>299,408</u>	<u>210,854</u>	<u>383,828</u>	<u>334,497</u>
Represented by:				
Amount due from contract customers	720,077	532,121	397,428	334,525
Amount due to contract customers	(420,669)	(321,267)	(13,600)	(28)
	<u>299,408</u>	<u>210,854</u>	<u>383,828</u>	<u>334,497</u>

Additions to aggregate costs incurred during the year include:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Depreciation of property, plant and equipment	37,645	18,649	16,700	15,009
Finance costs	17,602	16,558	11,687	11,771
Rental expense	24,107	12,978	46,094	40,384
Share-based payments	-	573	-	573
	<u>79,354</u>	<u>48,750</u>	<u>74,481</u>	<u>67,737</u>

- (a) The amount due from contract customers includes an interim amount of RM283 million (2014 – RM271 million) for a completed project. The Company has consulted and engaged an experienced claim consultant to assist the Company to obtain approval for additional claims from the customer. The claim consultant is of the opinion that there are valid grounds for the claims which, inter alia represents works performed in addition to the original scope of the contract and claims that can be recovered in accordance with the law and the terms of the contract and should be approved by the customer.

The directors are of the opinion that the claims are recoverable in due course.

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

- (b) Included in the amount due to contract customer is an amount recorded in a 50% owned foreign venture entity of RM65.08 million (2014 – RM53.83 million) for a completed project based on conservative estimate of likely outcome of variation orders which are pending approval by a government authority.

## 11. Inventories

	<b>Group</b>	
	<b>2015 RM'000</b>	<b>2014 RM'000</b>
At cost:		
Raw materials	13,694	10,571
Crane components	92,266	132,952
Work-in-progress	185,015	126,100
Manufactured and trading inventories	610	2,957
	<hr/>	<hr/>
	291,585	272,580
At net realisable value:		
Cranes	1,896	2,333
Crane components	7,226	7,387
Raw materials	35	35
	<hr/>	<hr/>
	300,742	282,335
	=====	=====
	<b>Company</b>	
	<b>2015 RM'000</b>	<b>2014 RM'000</b>
At cost:		
Work-in-progress	497	1,606
	=====	=====

## 12. Cash and cash equivalents

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Deposits placed with licensed banks	121,358	112,389	33,927	15,322
Short-term funds	-	187,000	-	187,000
Cash and bank balances	455,586	286,143	55,163	24,978
	<u>576,944</u>	<u>585,532</u>	<u>89,090</u>	<u>227,300</u>

Short-term funds represent investment in highly liquid money market, which is readily convertible to a known amount of cash. The effective interest rate is approximately 3.71% in previous financial year.

## 13. Share capital

	Group and Company			
	Number of shares		Amount	
	2015	2014	2015	2014
	'000	'000	RM'000	RM'000
Ordinary shares of RM0.50 each				
<b>Authorised:</b>				
At 1 January/31 December	1,000,000	1,000,000	500,000	500,000
<b>Issued and fully paid:</b>				
At 1 January	431,464	422,428	215,732	211,214
Exercise of ESOS (i)	2,129	8,036	1,065	4,018
Exercise of Warrant	37,000	1,000	18,500	500
At 31 December	<u>470,593</u>	<u>431,464</u>	<u>235,297</u>	<u>215,732</u>

- (i) During the financial year, a total of 2,129,000 (2014 - 8,036,000) new ordinary shares of RM0.50 (2014 - RM0.50) each were issued at RM0.88 (2014 - RM0.88) for cash pursuant to the employees' share options scheme ("ESOS") of the Company. The premium arising from the exercise of ESOS of RM810,000 (2014 - RM3,053,680) has been credited to the share premium account. The details of options granted under the Company's ESOS, which remain outstanding at 31 December 2015, are disclosed in Note 24.

## 14. Reserves

### **Treasury shares**

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

The number of treasury shares held is 1,783,000 (2014 - 1,783,000). None of the treasury shares held was sold or cancelled during the financial year ended 31 December 2015.

### **Share premium**

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

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

### **Revaluation reserve**

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

### **Capital reserve**

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

### **Share option reserve**

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

### **Translation reserve**

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

### **Warrant reserve**

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

## 14. Reserves (continued)

### Single tier tax system

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

## 15. Loans and borrowings

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

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current</b>				
<i><b>Secured</b></i>				
Term loans	39,214	54,525	-	-
<i><b>Unsecured</b></i>				
Term loans	9,700	14,742	9,700	14,742
	<u>48,914</u>	<u>69,267</u>	<u>9,700</u>	<u>14,742</u>
	-----	-----	-----	-----
<b>Current</b>				
<i><b>Secured</b></i>				
Term loans	15,312	16,882	-	-
Bank overdrafts	-	2	-	-
Hire purchase payables	-	14	-	-
	<u>15,312</u>	<u>16,898</u>	<u>-</u>	<u>-</u>
	-----	-----	-----	-----
<i><b>Unsecured</b></i>				
Term loans	5,500	5,500	5,500	5,500
Bank overdrafts	14,369	10,400	5,064	234
Bond	-	70,000	-	70,000
Revolving credits	343,361	271,505	326,000	256,000
Insurance premium finance	3,968	4,472	-	-
	<u>382,510</u>	<u>378,775</u>	<u>336,564</u>	<u>331,734</u>
	-----	-----	-----	-----
	<u><u>431,424</u></u>	<u><u>448,042</u></u>	<u><u>346,264</u></u>	<u><u>346,476</u></u>

## 15. Loans and borrowings (continued)

### *Terms and debt repayment schedule*

<b>Group</b>	<b>Year of maturity</b>	<b>Carrying amount RM'000</b>	<b>Under 1 year RM'000</b>	<b>1 - 2 years RM'000</b>	<b>3 - 5 years RM'000</b>
<b>2015</b>					
Term loans					
- secured	2019 - 2020	54,526	15,312	15,312	23,902
- unsecured	2018	15,200	5,500	5,500	4,200
Bank overdrafts					
- unsecured	-	14,369	14,369	-	-
Revolving credits					
- unsecured	-	343,361	343,361	-	-
Insurance premium finance					
- unsecured	-	3,968	3,968	-	-
		<u>431,424</u>	<u>382,510</u>	<u>20,812</u>	<u>28,102</u>
		=====	=====	=====	=====
<b>2014</b>					
Term loans					
- secured	2015 - 2020	71,407	16,882	15,312	39,213
- unsecured	2018	20,242	5,500	5,500	9,242
Bank overdrafts					
- secured	-	2	2	-	-
- unsecured	-	10,400	10,400	-	-
Revolving credits					
- unsecured	-	271,505	271,505	-	-
Bonds					
- unsecured	2015	70,000	70,000	-	-
Insurance premium finance					
- unsecured	-	4,472	4,472	-	-
Hire purchase payables	2015	14	14	-	-
		<u>448,042</u>	<u>378,775</u>	<u>20,812</u>	<u>48,455</u>
		=====	=====	=====	=====

## 15. Loans and borrowings (continued)

### *Terms and debt repayment schedule (continued)*

<i>Company</i>	<b>Year of maturity</b>	<b>Carrying amount RM'000</b>	<b>Under 1 year RM'000</b>	<b>1 - 2 years RM'000</b>	<b>3 - 5 years RM'000</b>
<b>2015</b>					
Term loans					
- unsecured	2018	15,200	5,500	5,500	4,200
Bank overdrafts					
- unsecured	-	5,064	5,064	-	-
Revolving credits					
- unsecured	-	326,000	326,000	-	-
		<u>346,264</u>	<u>336,564</u>	<u>5,500</u>	<u>4,200</u>
<b>2014</b>					
Term loans					
- unsecured	2018	20,242	5,500	5,500	9,242
Bank overdrafts					
- unsecured	-	234	234	-	-
Revolving credits					
- unsecured	-	256,000	256,000	-	-
Bonds					
- unsecured	2015	70,000	70,000	-	-
		<u>346,476</u>	<u>331,734</u>	<u>5,500</u>	<u>9,242</u>

Hire purchase payables are payable as follows:

<i>Group</i>	<b>Gross 2015 RM'000</b>	<b>Interest 2015 RM'000</b>	<b>Principal 2015 RM'000</b>	<b>Gross 2014 RM'000</b>	<b>Interest 2014 RM'000</b>	<b>Principal 2014 RM'000</b>
Less than one year	-	-	-	15	(1)	14

### *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

		<b>Group</b>		<b>Company</b>	
		<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current</b>					
<b>Non-trade</b>					
Advance from minority shareholders	(i)	15,266	15,076	-	-
		=====	=====	=====	=====
<b>Current</b>					
<b>Trade</b>					
Trade payables	(ii)	532,855	449,797	255,971	161,576
Amount due to subsidiaries	(iii)	-	-	122,304	38,727
Amount due to associates	(iv)	-	346	-	320
		=====	=====	=====	=====
		532,855	450,143	378,275	200,623
		-----	-----	-----	-----
<b>Non-trade</b>					
Amount due to subsidiaries	(iii)	-	-	15,436	16,764
Amount due to associates	(iv)	3,633	1,603	-	-
Provision for warranty costs	(v)	30,094	37,008	746	6,751
Other payables		31,137	59,682	3,696	4,178
Accrued expenses		65,702	58,495	4,782	3,994
		=====	=====	=====	=====
		130,566	156,788	24,660	31,687
		-----	-----	-----	-----
		663,421	606,931	402,935	232,310
		=====	=====	=====	=====

- (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 RM20,072,249 (2014 - RM12,658,375).



## 16. Payables and accruals (continued)

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

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Australian Dollar	53,684	66,436	-	-
Danish Krone	20,229	11,249	-	-
Euro	11,680	13,860	494	-
Qatari Riyal	43,742	54,774	43,742	54,774
Singapore Dollar	2,716	4,722	-	464
US Dollar	53,422	63,913	18,796	17,098
Sterling Pound	565	676	-	-
Japanese Yen	103	71	-	-
Philippine Peso	21	89	-	-
Hong Kong Dollar	9	-	-	-
Chinese Renminbi	10,067	19,997	-	-

- (iii) The trade payables due to subsidiaries are subject to the normal credit terms ranging from 30 to 60 days (2014 – 30 to 60 days).

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

- (iv) The amounts due to associates of the Group and of the Company are interest free, unsecured and have no fixed terms of repayment.
- (v) Provision for warranty costs is made based on historical warranty data and a weighting of all possible outcomes against the associated probability of further costs being incurred on the completed projects where defect liability periods have commenced.

## 17. Bills payable

Bills payable of the Company are supported by a negative pledge executed by the Company and the bills payable of the subsidiaries are guaranteed by the Company. 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 liabilities

Group	2015		2014	
	Contract/ Notional amount RM'000	Derivative liabilities RM'000	Contract/ Notional amount RM'000	Derivative liabilities RM'000
Forward foreign currency contracts	699,560	27,110	827,192	24,890
	=====	=====	=====	=====
<b>Company</b>				
Forward foreign currency contracts	171,929	15,062	66,373	2,327
	=====	=====	=====	=====

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

## 19. Revenue

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Contract revenue	1,425,163	1,583,155	528,087	374,024
Sale of goods	119,756	105,331	-	-
Services rendered	59,917	45,134	16,660	11,254
Dividend income	-	-	87,156	25,324
	=====	=====	=====	=====
	1,604,836	1,733,620	631,903	410,602
	=====	=====	=====	=====

## 20. Operating profit

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<b>Operating profit is arrived at after charging:</b>				
Amortisation of development costs	1,461	1,093	-	-
Amortisation of intellectual property	217	217	-	-
Audit fee - statutory:				
- Current year				
- Holding company's auditors	597	512	175	168
- Others	57	18	38	15
- Other auditors	778	650	8	8
Bad debts (recovered)/written off	(517)	-	-	181
Cost of construction	1,342,872	1,479,481	544,813	370,580
Depreciation of investment properties	9	12	131	43
Depreciation of property, plant and equipment				
- operating expenses	25,822	35,838	1,665	1,441
- contract costs	37,645	18,649	16,700	15,009
	63,467	54,487	18,365	16,450
Development costs charged to cost of sales	2,735	-	-	-
Finance costs				
- borrowings	36,594	22,173	25,853	14,836
- interest expenses arising on financial assets/liabilities measured under MFRS139	6,311	24,180	28,342	9,376
	42,905	46,353	54,195	24,212
- contract costs	17,602	16,558	11,687	11,771
	60,507	62,911	65,882	35,983
Loss on re-measurement to fair value of an associate	-	13,705	-	-
Net fair value adjustment on derivative instruments	2,220	22,707	12,735	1,622
Net impairment loss on investments in subsidiaries	-	-	-	10,430
Net impairment loss/(recovery) on receivables	32,479	18,253	484	(368)
Net impairment loss on other investments	12	12	-	-
Net recovery on property, plant and equipment	-	(399)	-	-
Net (reversal)/provision for warranties	(458)	7,505	(6,005)	5,975
Personnel expenses (including key management personnel)				
- contribution to Employee Provident Fund	14,348	13,967	2,762	2,181
- wages, salaries and others	133,681	123,339	24,437	18,904
Property, plant and equipment written off	2,338	345	217	-

## 20. Operating profit (continued)

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<b>Operating profit is arrived at after charging: (continued)</b>				
Rental expenses on:				
- premises	8,555	8,241	6,335	2,418
- equipment	25,071	18,244	44,800	40,278
Share-based payments	833	1,825	-	1,122
Write(back)/down of inventories	(172)	2,487	-	-
Write-off of investment in a subsidiary	-	-	-	3
Write-off of investment in an associate	2	-	-	-
<b>and after crediting:</b>				
Gain/(Loss) on disposal of property, plant and equipment	9,285	(2,803)	504	(1,204)
Dividend income	-	-	87,156	25,324
Interest income	6,894	5,772	4,956	3,882
Interest income arising on financial assets/ liabilities measured under MFRS139	15,284	12,041	16,899	23,088
	<u>22,178</u>	<u>17,813</u>	<u>21,855</u>	<u>26,970</u>
Net (loss)/gain on foreign exchange				
- realised	(72,486)	590	(10,991)	(889)
- unrealised	66,461	11,345	18,466	-
	<u>(6,025)</u>	<u>11,935</u>	<u>7,475</u>	<u>(889)</u>
Rental income on:				
- premises	152	209	99	158
- equipment	12,317	8,368	-	-

## 21. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Directors of the Company				
- Fees	1,204	1,107	648	668
- Remuneration	4,535	4,376	3,605	3,880
	<u>5,739</u>	<u>5,483</u>	<u>4,253</u>	<u>4,548</u>

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/(benefits)**

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Current tax expense</b>				
Malaysia - current	16,854	39,292	-	336
- overprovision in prior year	542	(430)	26	-
	17,396	38,862	26	336
Foreign - current	12,642	9,408	2,088	-
- overprovision in prior year	(1,287)	(914)	33	-
	11,355	8,494	2,121	-
<b>Deferred tax expense (Note 8)</b>				
Origination of temporary differences	(899)	(2,821)	-	-
Overprovision in prior years	(8)	(8,665)	-	-
	(907)	(11,486)	-	-
<b>Others</b>				
Utilisation of deferred tax assets not recognised in previous year	-	(11,037)	-	(8,287)
<b>Total income tax expense/(benefits)</b>	<u>27,844</u>	<u>24,833</u>	<u>2,147</u>	<u>(7,951)</u>

**22. Income tax expense/(benefits) (continued)**

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Reconciliation of tax expense</b>				
Profit for the year	137,214	118,856	23,230	20,265
Total tax expense/(benefits)	27,844	24,833	2,147	(7,951)
Profit excluding tax	<u>165,058</u>	<u>143,689</u>	<u>25,377</u>	<u>12,314</u>
Income tax using Malaysian tax rate at 25% (2014 - 25%)	41,265	35,922	6,344	3,079
Effect of different tax rates in foreign jurisdictions	(6,090)	(1,972)	-	-
Effect of deferred tax benefits not recognised	26,647	12,183	19,573	4,091
Utilisation of deferred tax assets not recognised in previous year	(15,446)	(15,587)	-	(8,287)
Utilisation of tax losses	(311)	-	-	-
Non-deductible expenses	19,537	26,770	7,387	4,330
Non-taxable income	(29,182)	(13,952)	(25,028)	(12,213)
Double deduction	(390)	(311)	-	-
Tax incentives	(1,147)	(7,491)	-	-
Tax exempt income	(1,240)	(698)	-	-
Non-deductible losses from foreign projects	35	1,049	35	1,049
Non-taxable income from foreign projects	(8,311)	-	(8,311)	-
Withholding tax for foreign projects	2,088	-	2,088	-
Others	1,142	(1,071)	-	-
	<u>28,597</u>	<u>34,842</u>	<u>2,088</u>	<u>(7,951)</u>
(Over)/Underprovision in prior years				
- current tax expense	(745)	(1,344)	59	-
- deferred tax expense	(8)	(8,665)	-	-
Total income tax expense/(benefits)	<u>27,844</u>	<u>24,833</u>	<u>2,147</u>	<u>(7,951)</u>

The statutory tax rate will be reduced to 24% from the current financial year's rate of 25%, effective year of assessment 2016.

## 23. Earnings per ordinary share (sen)

### *Basic earnings per share*

The calculation of basic earnings per share for the financial year ended 31 December 2015 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit attributable to owners of the Company	85,601	81,550
	=====	=====
	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
<i>In thousands units of shares</i>		
Number of ordinary shares issued at 1 January	429,681	420,645
Effect of shares issued under ESOS	1,210	3,185
Effect of shares issued under warrant	26,938	220
	-----	-----
Total weighted average number of ordinary shares in issue	457,829	424,050
	=====	=====
	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
Basic earnings per share (sen)	18.70	19.23
	=====	=====

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

### *Diluted earnings per share*

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

The calculation of diluted earnings per share for the year ended 31 December 2015 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:

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit attributable to owners of the Company	85,601	81,550
	=====	=====
	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
<i>In thousands units of shares</i>		
Weighted average number of ordinary shares	457,829	424,050
Effect of dilution arising from conversion of all:		
- employee share options	7,110	9,514
- warrants	-	22,573
	-----	-----
Adjusted weighted average number of ordinary shares at 31 December	464,939	456,137
	=====	=====

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.

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
Diluted earnings per share (sen)	18.41	17.88
	=====	=====



## 24. Employee benefits

### Share-based payments

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

The main features of the New ESOS Scheme are as follows:

- (i) The maximum number of approved unissued new ordinary shares shall not exceed in aggregate 10% of the issued and paid-up share capital of the Company at any point in time during the duration of the ESOS Scheme;
- (ii) Save for Directors, the eligible employees are those confirmed full time employees of the Group and who have served for a continuous period of at least 1 year;
- (iii) A grantee shall be allowed to exercise the options granted to him/her subject to the following percentage limits based on his/her respective entitlement granted at the discretion of the ESOS Committee:

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

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

The following options were granted under the ESOS schemes:

Grant date	Number of option '000	At 1.1.2015 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2015 '000	Expiry date
29.9.2011	38,170	14,005	-	(2,129)	(10)	11,866	2.8.2016
		=====	=====	=====	=====	=====	

## 24. Employee benefits (continued)

### Share-based payments (continued)

#### Subsidiary

Grant date	Exercise price RM	At 1.1.2015 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2015 '000	Expiry date
28.9.2011	0.80	3,017	-	(1,547)	(12)	1,458	5.7.2016
28.9.2012	1.57	174	-	(49)	-	125	5.7.2016
1.10.2013	2.50	422	-	(5)	(73)	344	5.7.2016
26.9.2014	3.05	562	-	-	(90)	472	5.7.2016
28.9.2015	2.25	-	1,004	(24)	(60)	920	5.7.2016
		<u>4,175</u>	<u>1,004</u>	<u>(1,625)</u>	<u>(235)</u>	<u>3,319</u>	

#### Details relating to options exercised during the year

	Company	
	2015 RM'000	2014 RM'000
Ordinary share capital at par	1,065	4,018
Share premium	810	3,054
Proceeds received from exercise of share options	<u>1,875</u>	<u>7,072</u>

	Company		Subsidiary	
	2015 RM	2014 RM	2015 RM	2014 RM
Average share price for the year	<u>2.20</u>	<u>2.74</u>	<u>2.74</u>	<u>3.37</u>

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Expense recognised as share-based payments	<u>833</u>	<u>1,825</u>	<u>-</u>	<u>1,122</u>

## 24. Employee benefits (continued)

### Fair value of share options and assumptions

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

	Company		Subsidiary	
	2015	2014	2015	2014
Fair value at grant date (RM)				
- Granted in 2011	0.40 - 0.50	0.40 - 0.50	0.34 - 0.42	0.34 - 0.42
- Granted in 2012	-	-	0.49 - 0.67	0.49 - 0.67
- Granted in 2013	-	-	0.83 - 1.01	0.83 - 1.01
- Granted in 2014	-	-	0.69	0.69
- Granted in 2015	-	-	0.46	-
Weighted average share price (RM)				
- Granted in 2011	0.96	0.96	0.88	0.88
- Granted in 2012	-	-	1.74	1.74
- Granted in 2013	-	-	2.75	2.75
- Granted in 2014	-	-	3.36	3.36
- Granted in 2015	-	-	2.46	-
Exercise price (RM)				
- Granted in 2011	0.88	0.88	0.80	0.80
- Granted in 2012	-	-	1.57	1.57
- Granted in 2013	-	-	2.50	2.50
- Granted in 2014	-	-	3.05	3.05
- Granted in 2015	-	-	2.25	-
Expected volatility (%)	51.64	51.64	22.19 - 46.94	22.19 - 46.94
Expected option life (years)	1	2	1	2
Risk free interest rate (%) (based on Malaysia government bonds)				
- Granted in 2011	3.24 - 3.41	3.24 - 3.41	3.23 - 3.41	3.23 - 3.41
- Granted in 2012	-	-	3.06 - 3.24	3.06 - 3.24
- Granted in 2013	-	-	3.21 - 3.38	3.21 - 3.38
- Granted in 2014	-	-	3.35	3.35
- Granted in 2015	-	-	3.18	-
Expected staff turnover (%)	12.00	12.00	10.00	10.00

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

## 25. Dividend

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

Ordinary dividend	Per share Sen	Total amount RM'000	Date of payment
<b>2015</b>			
Final per ordinary share of RM0.50 each tax exempt – for the year ended 31 December 2014	4.00	18,742 =====	11 September 2015
<b>2014</b>			
Final per ordinary share of RM0.50 each tax exempt – for the year ended 31 December 2013	4.50	19,087 =====	22 August 2014

### *Proposed final dividend for the year ended 31 December 2015*

The Directors have recommended a first and final ordinary tax exempt dividend of 10% (5.00 sen) per ordinary share of RM0.50 each totalling RM23,440,513 in respect of the financial year ended 31 December 2015, which will be paid after the financial year end subject to the approval of the shareholders at the forthcoming Annual General Meeting, based on the issued and paid-up share capital (excluding treasury shares) of 468,810,250 ordinary shares of RM0.50 each as at 31 December 2015. The proposed final dividend has not been accounted for in the financial statements of the Group and of the Company as at 31 December 2015.

### *Dividend per ordinary share*

The calculation of dividend per ordinary share is based on the proposed gross final dividend for the financial year ended 31 December 2015 of RM23,440,513 (2014 - RM17,187,250) on the issued and paid-up share capital (excluding treasury shares) of 468,810,250 ordinary shares of RM0.50 each (2014 – 429,681,250 ordinary shares of RM0.50 each) as at 31 December 2015.

## 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 ship building 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		Shipyard and marine		Concession		Eliminations		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Segment profit</b>	71,670	15,913	118,276	101,338	19,757	31,473	59,097	50,108	(103,742)	(55,143)	165,058	143,689
<i>Included in the measure of segment profit are:</i>												
Revenue from external customers	769,819	717,089	786,488	796,130	48,529	220,401	-	-	-	-	1,604,836	1,733,620
Inter-segment revenue	566,764	323,338	5,944	1,765	2,011	2,111	1,334	816	(576,053)	(328,030)	-	-
Interest income	29,222	28,420	15,135	5,186	5,349	1,803	-	-	(27,528)	(17,596)	22,178	17,813
Finance costs	(63,819)	(37,211)	(8,022)	(9,040)	(5,259)	(10,239)	(345)	(359)	34,540	10,496	(42,905)	(46,353)
Share of results of associates	6,532	3,149	(830)	888	(1,714)	(4,715)	58,181	49,871	-	-	62,169	49,193
<b>Net segment assets</b>	454,670	784,923	551,995	459,729	181,841	164,569	199,734	157,297	(304,441)	(698,230)	1,083,799	868,288

## 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 ship building and ship repair segment operates in Malaysia. The airport concession segment is managed in Cambodia and the road maintenance concession works are carried out in the central region of Peninsular Malaysia.

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

Geographical information	Inside Malaysia		Outside Malaysia		Eliminations		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	<u>1,580,269</u>	<u>1,332,992</u>	<u>600,619</u>	<u>728,658</u>	<u>(576,052)</u>	<u>(328,030)</u>	<u>1,604,836</u>	<u>1,733,620</u>
<b>Total assets</b>	<u>3,412,983</u>	<u>2,889,567</u>	<u>1,367,633</u>	<u>1,130,750</u>	<u>(1,238,429)</u>	<u>(887,544)</u>	<u>3,542,187</u>	<u>3,132,773</u>

## 27. Capital commitments

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Capital expenditure in respect of purchase of property, plant and equipment:				
- contracted for	<u>6,067</u>	<u>28,090</u>	<u>6,067</u>	<u>28,090</u>

## 28. Financial instruments

### 28.1 Categories of financial instruments

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

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

## 28. Financial instruments (continued)

### 28.1 Categories of financial instruments (continued)

Group	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL - HFT RM'000
<b>2015</b>			
<b>Financial assets</b>			
Receivables and deposits	817,219	817,219	-
Cash and cash equivalents	576,944	576,944	-
	<u>1,394,163</u>	<u>1,394,163</u>	<u>-</u>
<b>Financial liabilities</b>			
Loan and borrowings	(431,424)	(431,424)	-
Payables and accruals	(678,687)	-	(678,687)
Bills payable	(838,334)	(838,334)	-
Derivative liabilities	(27,110)	-	(27,110)
	<u>(1,975,555)</u>	<u>(1,269,758)</u>	<u>(705,797)</u>
<b>2014</b>			
<b>Financial assets</b>			
Receivables and deposits	727,461	727,461	-
Cash and cash equivalents	585,532	585,532	-
	<u>1,312,993</u>	<u>1,312,993</u>	<u>-</u>
<b>Financial liabilities</b>			
Loan and borrowings	(448,042)	(448,042)	-
Payables and accruals	(622,007)	(622,007)	-
Bills payable	(788,447)	(788,447)	-
Derivative liabilities	(24,890)	-	(24,890)
	<u>(1,883,386)</u>	<u>(1,858,496)</u>	<u>(24,890)</u>
<b>Company</b>			
<b>2015</b>			
<b>Financial assets</b>			
Receivables and deposits	739,712	739,712	-
Cash and cash equivalents	89,090	89,090	-
	<u>828,802</u>	<u>828,802</u>	<u>-</u>
<b>Financial liabilities</b>			
Loan and borrowings	(346,264)	(346,264)	-
Payables and accruals	(402,935)	(402,935)	-
Bills payable	(519,355)	(519,355)	-
Derivative liabilities	(15,062)	-	(15,062)
	<u>(1,283,616)</u>	<u>(1,268,554)</u>	<u>(15,062)</u>



## 28. Financial instruments (continued)

### 28.1 Categories of financial instruments (continued)

Company	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL - HFT RM'000
<b>2014</b>			
<b>Financial assets</b>			
Receivables and deposits	527,291	527,291	-
Cash and cash equivalents	227,300	227,300	-
	<u>754,591</u>	<u>754,591</u>	<u>-</u>
<b>Financial liabilities</b>			
Loan and borrowings	(346,476)	(346,476)	-
Payables and accruals	(232,310)	(232,310)	-
Bills payable	(606,995)	(606,995)	-
Derivative liabilities	(2,327)	-	(2,327)
	<u>(1,188,108)</u>	<u>(1,185,781)</u>	<u>(2,327)</u>

### 28.2 Financial risk management objectives and policies

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

### 28.3 Credit risk

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

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

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

## 28. Financial instruments (continued)

### 28.3 Credit risk (continued)

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

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Asia	397,233	383,734	366,430	182,056
Europe	17,112	35,454	-	-
America	52,529	28,819	38,298	15,936
Middle East	101,037	90,599	101,002	90,574
Australia	116,314	93,109	-	-
	<u>684,225</u>	<u>631,715</u>	<u>505,730</u>	<u>288,566</u>

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

<b>Group</b>	<b>Gross</b>	<b>Individual</b>	<b>Net</b>
	<b>RM'000</b>	<b>Impairment</b>	<b>RM'000</b>
		<b>RM'000</b>	
<b>2015</b>			
Not past due	247,377	-	247,377
Past due 0 – 90 days	116,863	-	116,863
Past due 91 – 180 days	55,317	-	55,317
Past due more than 180 days	326,654	(61,986)	264,668
	<u>746,211</u>	<u>(61,986)</u>	<u>684,225</u>
<b>2014</b>			
Not past due	336,630	-	336,630
Past due 0 – 90 days	159,580	-	159,580
Past due 91 – 180 days	81,819	-	81,819
Past due more than 180 days	514,336	(460,650)	53,686
	<u>1,092,365</u>	<u>(460,650)</u>	<u>631,715</u>

## 28. Financial instruments (continued)

### 28.3 Credit risk (continued)

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

	<b>Group</b>	
	<b>2015 RM'000</b>	<b>2014 RM'000</b>
At 1 January	460,650	443,261
Impairment loss recognised	44,647	21,245
Reversal of impairment loss	(12,168)	(3,325)
Impairment loss written off	(432,645)	-
Exchange difference	1,502	(531)
At 31 December	<u>61,986</u>	<u>460,650</u>

<b>Company</b>	<b>Gross RM'000</b>	<b>Individual Impairment RM'000</b>	<b>Net RM'000</b>
<b>2015</b>			
Not past due	190,572	-	190,572
Past due 0 – 90 days	30,045	-	30,045
Past due 91 – 180 days	45,739	-	45,739
Past due more than 180 days	268,048	(28,674)	239,374
	<u>534,404</u>	<u>(28,674)</u>	<u>505,730</u>
<b>2014</b>			
Not past due	73,004	-	73,004
Past due 0 – 90 days	38,770	-	38,770
Past due 91 – 180 days	49,958	-	49,958
Past due more than 180 days	586,759	(459,925)	126,834
	<u>748,491</u>	<u>(459,925)</u>	<u>288,566</u>

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

	<b>Company</b>	
	<b>2015 RM'000</b>	<b>2014 RM'000</b>
At 1 January	459,925	460,293
Impairment loss recognised	484	132
Reversal of impairment loss	-	(500)
Impairment loss written off	(431,735)	-
At 31 December	<u>28,674</u>	<u>459,925</u>

## 28. Financial instruments (continued)

### 28.3 Credit risk (continued)

The Group's trade receivables as at 31 December 2015 have been assessed for impairment losses. For those trade receivables that are not provided for impairment, the Group is satisfied that recovery of the amounts is possible.

### 28.4 Liquidity risk

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

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

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

Group	Effective interest rate %	Carrying amount RM'000	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
<b>2015</b>						
Secured borrowings						
- Term loans	2.0 - 5.7	54,526	56,871	16,062	40,809	-
Unsecured borrowings						
- Term loans	4.6	15,200	16,202	6,088	10,114	-
- Bank overdrafts	5.3 - 8.5	14,369	14,400	14,400	-	-
- Revolving credits	2.9 - 5.6	343,361	347,531	347,531	-	-
- Insurance premium finance	2.2	3,968	3,998	3,998	-	-
Unsecured bills payable	1.4 - 5.6	838,334	838,334	838,334	-	-
Unsecured payables and accruals	-	648,593	648,593	633,327	-	15,266
		<u>1,918,351</u>	<u>1,925,929</u>	<u>1,859,740</u>	<u>50,923</u>	<u>15,266</u>

## 28. Financial instruments (continued)

### 28.4 Liquidity risk (continued)

<b>Group</b>	<b>Effective</b>	<b>Carrying</b>	<b>Contractual</b>	<b>than</b>	<b>Less</b>	<b>Over</b>
<b>2014</b>	<b>interest rate</b>	<b>amount</b>	<b>cash flows</b>	<b>1 year</b>	<b>1 - 5</b>	<b>5</b>
	<b>%</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>years</b>	<b>years</b>
Secured borrowings						
- Term loans	2.0 - 5.6	71,407	72,624	17,346	55,278	-
- Bank overdrafts	8.1	2	2	2	-	-
- Hire purchase payables	5.7	14	14	14	-	-
Unsecured borrowings						
- Term loans	4.4	20,242	21,917	6,279	15,638	-
- Bank overdrafts	2.8 - 8.5	10,400	10,449	10,449	-	-
- Revolving credits	3.2 - 5.3	271,505	276,708	276,708	-	-
- Bonds	4.7	70,000	71,645	71,645	-	-
- Insurance premium finance	2.2	4,472	4,498	4,498	-	-
Unsecured bills payable	1.7 - 5.1	788,447	788,447	788,447	-	-
Unsecured payables and accruals	-	584,999	584,999	569,923	-	15,076
		<u>1,821,488</u>	<u>1,831,303</u>	<u>1,745,311</u>	<u>70,916</u>	<u>15,076</u>
		=====	=====	=====	=====	=====

<b>Company</b>	<b>Effective</b>	<b>Carrying</b>	<b>Contractual</b>	<b>Less</b>	<b>1 - 5</b>	<b>Over</b>
<b>2015</b>	<b>interest rate</b>	<b>amount</b>	<b>cash flows</b>	<b>than</b>	<b>years</b>	<b>5</b>
	<b>%</b>	<b>RM'000</b>	<b>RM'000</b>	<b>1 year</b>	<b>RM'000</b>	<b>years</b>
Unsecured borrowings						
- Term loans	4.6	15,200	16,202	6,088	10,114	-
- Bank overdrafts	7.6	5,064	5,095	5,095	-	-
- Revolving credits	4.4 - 4.9	326,000	330,142	330,142	-	-
Unsecured bills payable	1.4 - 4.5	519,355	520,462	520,462	-	-
Unsecured payables and accruals	-	402,189	402,189	402,189	-	-
		<u>1,267,808</u>	<u>1,274,090</u>	<u>1,263,976</u>	<u>10,114</u>	<u>-</u>
		=====	=====	=====	=====	=====

<b>2014</b>						
Unsecured borrowings						
- Term loans	4.4	20,242	21,917	6,279	15,638	-
- Bank overdrafts	7.6	234	235	235	-	-
- Revolving credits	4.3 - 5.1	256,000	261,183	261,183	-	-
- Bond	4.7	70,000	71,645	71,645	-	-
Unsecured bills payable	1.7 - 4.8	606,995	617,827	617,827	-	-
Unsecured payables and accruals	-	225,559	225,559	225,559	-	-
		<u>1,179,030</u>	<u>1,198,366</u>	<u>1,182,728</u>	<u>15,638</u>	<u>-</u>
		=====	=====	=====	=====	=====

## **28. Financial instruments (continued)**

### **28.5 Interest rate risk**

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

#### ***Effective interest rates and repricing analysis***

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

## 28. Financial instruments (continued)

### 28.5 Interest rate risk (continued)

#### *Effective interest rates and repricing analysis (continued)*

Group	2015				2014			
	Effective interest rate %	Total RM'000	Less than 1 year RM'000	1 - 5 years RM'000	Effective interest rate %	Total RM'000	Less than 1 year RM'000	1 - 5 years RM'000
<b>Financial assets</b>								
Deposits placed with licensed banks	0.7 - 3.8	121,358	121,358	-	0.7 - 5.6	112,389	112,389	-
Short-term investment	-	-	-	-	3.7	187,000	187,000	-
		<u>121,358</u>	<u>121,358</u>	<u>-</u>		<u>299,389</u>	<u>299,389</u>	<u>-</u>
<b>Financial liabilities</b>								
Secured borrowings								
- Term loans	2.0 - 5.7	54,526	15,312	39,214	2.0 - 5.6	71,407	16,882	54,525
- Bank overdrafts	-	-	-	-	8.1	2	2	-
- Hire purchase payables	-	-	-	-	5.7	14	14	-
Unsecured borrowings								
- Term loans	4.6	15,200	5,500	9,700	4.4	20,242	5,500	14,742
- Bank overdrafts	5.3 - 8.5	14,369	14,369	-	2.8 - 8.5	10,400	10,400	-
- Revolving credits	2.9 - 5.6	343,361	343,361	-	3.2 - 5.3	271,505	271,505	-
- Bonds	-	-	-	-	4.7	70,000	70,000	-
- Insurance premium finance	2.2	3,968	3,968	-	2.2	4,472	4,472	-
Unsecured bills payable	1.4 - 5.6	838,334	838,334	-	1.7 - 5.1	788,447	788,447	-
		<u>1,269,758</u>	<u>1,220,844</u>	<u>48,914</u>		<u>1,236,489</u>	<u>1,167,222</u>	<u>69,267</u>

## 28. Financial instruments (continued)

### 28.5 Interest rate risk (continued)

#### *Effective interest rates and repricing analysis (continued)*

Company	Effective interest rate %	Total RM'000	2015 Less than 1 year RM'000	1 - 5 years RM'000	Effective interest rate %	Total RM'000	2014 Less than 1 year RM'000	1 - 5 years RM'000
<b>Financial assets</b>								
Deposits placed with licensed banks	2.7 - 2.9	33,927	33,927	-	2.8 - 2.9	15,322	15,322	-
Short-term investment	-	-	-	-	3.7	187,000	187,000	-
		<u>33,927</u>	<u>33,927</u>	<u>-</u>		<u>202,322</u>	<u>202,322</u>	<u>-</u>
<b>Financial liabilities</b>								
Unsecured borrowings								
- Term loans	4.6	15,200	5,500	9,700	4.4	20,242	5,500	14,742
- Bank overdrafts	7.6	5,064	5,064	-	7.6	234	234	-
- Revolving credits	4.3 - 4.9	326,000	326,000	-	4.3 - 5.1	256,000	256,000	-
- Bonds	-	-	-	-	4.7	70,000	70,000	-
Unsecured bills payable	1.4 - 4.5	519,355	519,355	-	1.7 - 4.8	606,995	606,995	-
		<u>865,619</u>	<u>855,919</u>	<u>9,700</u>		<u>953,471</u>	<u>938,729</u>	<u>14,742</u>



## 28. Financial instruments (continued)

### 28.5 Interest rate risk (continued)

#### *Interest rate risk sensitivity analysis*

##### Fair value sensitivity analysis for fixed rate instruments

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

##### Cash flow sensitivity analysis for variable rate instruments

If interest rates as at the end of the reporting period increase by 100 basis points (bp) with all other variables being held constant, the Group and the Company's profit after taxation would have decreased by RM9,634,000 (2014 - RM5,509,000) and RM8,468,000 (2014 - RM4,736,000). A 100 bp decrease would have had an equal but opposite effect on the profit after taxation.

### 28.6 Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily US Dollar, Euro, AUD, Chinese Renminbi, SGD, Norwegian Krone and Qatari Riyal.

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

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

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

<b>Group</b>	<b>USD RM'000</b>	<b>Euro RM'000</b>	<b>AUD RM'000</b>	<b>RMB RM'000</b>	<b>SGD RM'000</b>
<b>2015</b>					
Financial assets	220,736	1,961	132,243	80,077	54,634
Financial liabilities	(88,612)	(12,928)	(65,423)	(10,185)	(4,353)
Net financial assets/(liabilities)	132,124	(10,967)	66,820	69,892	50,281
Less: Net financial assets denominated in the respective entities' functional currencies	(6,051)	(387)	(70,168)	(2,853)	(37,045)
Less: Forward foreign currency contracts (contracted notional principal)	(558,391)	(19,530)	(4,317)	-	(103,959)
<b>Net currency exposure</b>	<b>(432,318)</b>	<b>(30,884)</b>	<b>(7,665)</b>	<b>67,039</b>	<b>(90,723)</b>

## 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
<b>2014</b>					
Financial assets	305,485	21,653	72,115	41,353	43,233
Financial liabilities	(77,240)	(13,860)	(70,908)	(19,997)	(6,700)
Net financial assets	228,245	7,793	1,207	21,356	36,533
Less: Net financial assets denominated in the respective entities' functional currencies	(54,660)	(634)	(19,900)	(24,309)	(20,244)
Less: Forward foreign currency contracts (contracted notional principal)	(595,935)	(23,595)	(15,027)	-	(192,634)
<b>Net currency exposure</b>	<b>(422,350)</b>	<b>(16,436)</b>	<b>(33,720)</b>	<b>(2,953)</b>	<b>(176,345)</b>

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

#### Effects on profit after taxation

Group	USD RM'000	Euro RM'000	AUD RM'000	RMB RM'000	SGD RM'000
<b>2015</b>					
- strengthened by 5%	(16,212)	(1,158)	(287)	2,514	(3,402)
- weakened by 5%	16,212	1,158	287	(2,514)	3,402
<b>2014</b>					
- strengthened by 5%	(15,838)	(616)	(1,265)	(111)	(6,613)
- weakened by 5%	15,838	616	1,265	111	6,613

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

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

## 28. Financial instruments (continued)

### 28.6 Foreign currency risk (continued)

Company	USD RM'000	Euro RM'000	AUD RM'000	SGD RM'000	QAR RM'000
<b>2014</b>					
Financial assets	27,671	22	1,073	254	102,239
Financial liabilities	(33,681)	(7,579)	(4)	(21,464)	(54,774)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net financial assets/(liabilities)	(6,010)	(7,557)	1,069	(21,210)	47,465
Less: Net financial assets denominated in the respective entities' functional currencies	-	-	-	-	(47,465)
Less: Forward foreign currency contracts (contracted notional principal)	(68,515)	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net currency exposure</b>	<u>(74,525)</u>	<u>(7,557)</u>	<u>1,069</u>	<u>(21,210)</u>	<u>-</u>

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

#### Effects on profit after taxation

Company	USD RM'000	Euro RM'000	AUD RM'000	SGD RM'000	QAR RM'000
<b>2015</b>					
- strengthened by 5%	(7,430)	(302)	44	(835)	-
- weakened by 5%	7,430	302	(44)	835	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>2014</b>					
- strengthened by 5%	(2,795)	(283)	40	(795)	-
- weakened by 5%	2,795	283	(40)	795	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 28.7 Fair values

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

Company	2015 Carrying amount RM'000	2015 Fair value RM'000	2014 Carrying amount RM'000	2014 Fair value RM'000
<b>Financial assets</b>				
Quoted shares - long-term	98,663	359,600	98,663	360,913
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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

## 28. Financial instruments (continued)

### 28.7 Fair values (continued)

#### *Fair value hierarchy*

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

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

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>2015</b>				
<b>Financial liability</b>				
Forward exchange contracts	(27,110)	-	-	(27,110)
	=====	=====	=====	=====
<b>2014</b>				
<b>Financial liability</b>				
Forward exchange contracts	(24,890)	-	-	(24,890)
	=====	=====	=====	=====
<b>Company</b>				
<b>2015</b>				
<b>Financial liability</b>				
Forward exchange contracts	(15,062)	-	-	(15,062)
	=====	=====	=====	=====
<b>2014</b>				
<b>Financial liability</b>				
Forward exchange contracts	(2,327)	-	-	(2,327)
	=====	=====	=====	=====

## 29. Contingent liabilities - unsecured

	Company	
	2015	2014
	RM'000	RM'000
<b>Corporate guarantees</b>		
Corporate guarantees to licensed banks for credit facilities and bank guarantees utilised by subsidiaries	145,652	165,541
	=====	=====

In the ordinary course of business, the Group and the Company also issue performance guarantees to customers who were awarded contracts to the Group.

### *Continuing financial support*

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

### **Contingent liabilities – litigation (Group)**

**a) *Litigation against the Company, its subsidiary Favelle Favco Berhad (“FFB”) and FFB’s subsidiary Favelle Favco Cranes (USA) Inc. (“FFCUSA”) in the Supreme Court of the State of New York***

The litigation relates to an incident in 2008 involving the collapse of a Favelle Favco crane caused by rigging activity carried out by a third party. The U.S. Occupational Safety & Health Administration (“OSHA”) found that slings (independent of the crane per se) used during the rigging activity tore open causing the said incident. The litigation remains ongoing and it is premature to assess the outcome of the actions at this point in time.

**b) *Litigation against a subsidiary, Favelle Favco Cranes (USA) Inc. in the Supreme Court of the State of New York, County of New York***

Mr. Robert Paranella is claiming against FFCUSA for personal injuries resulting from an accident while descending a ladder on a crane. As advised by the lawyers, the Board of Directors of FFCUSA is of the view that there are no merits to his claims.

**c) *Muhibbah-LTAT JV (the “Joint Venture”) v. Government Of Malaysia***

The JV of which Muhibbah Engineering (M) Bhd and Lembaga Tabung Angkatan Tentera had 51% and 49% interest respectively has completed Naval Base at Teluk Sepangar, Kota Kinabalu, Sabah for Government of Malaysia (“GOM”) in 2007. The JV commenced arbitration proceedings against GOM for remaining claims of approximately RM28 million.

Should the said arbitration be successful, it will have a positive financial impact to the Group.

## 29. Contingent liabilities – unsecured (continued)

### Contingent liabilities – litigation (Group) (continued)

**d) *Herbert Kannegiesser GmbH v Muhibbah Engineering (M) Bhd (“the Company”)***

HKG, a Nominated Subcontractor for Hamad International Airport has filed arbitration proceedings against the Company for an alleged claim of approximately QAR54.6 million. The Company is disputing the claim through counter claims.

**e) *Wiggins Island Coal Export Terminal Pty Ltd (“WICET”)***

Muhibbah Construction Pty Ltd, a wholly owned subsidiary of Muhibbah Engineering (M) Bhd (“the Company”), holding a 50% interest in Monadelphous Muhibbah Marine JV (“MMM”), a joint venture with Monadelphous Engineering Pty Ltd, (a subsidiary of Monadelphous Group Limited), entered into two contracts through MMM for the construction of the approach jetty and ship berth, and shiploader (“The Works”), associated with the Wiggins Island Coal Export Terminal at Gladstone, Queensland for WICET. The Works were fully completed in 2015 with practical completion certification.

WICET has challenged payments approved by Building and Construction Industry Payment Act 2004 (Qld) (“BCIPA”) for MMM’s claims plus variation orders previously approved by WICET totaling approximately AUD130 million. MMM is of the view that the WICET claims are unwarranted and MMM lodged an additional counter claim in excess of AUD200 million against WICET.

## 30. Related parties

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

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

### 30. Related parties (continued)

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

	<b>Company</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Significant transactions with subsidiaries:		
Gross dividend income receivable	(73,156)	(13,124)
Interest income receivable	(2,751)	(3,232)
Progress billings receivable	-	(380)
Purchase of materials and services	276,219	102,092
Rental expense	43,706	37,453
Interest expense	9	40
Purchase of property, plant and equipment	-	1,913
Rental income receivable	(695)	(505)
Repair and services	(4,155)	(5,115)
Sale of property, plant and equipment	(3,870)	-
Share services	(2,000)	(1,900)
	=====	=====

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Significant transactions with associates:				
Gross dividend income receivable	(51,272)	(36,862)	(14,000)	(12,200)
Technical assistance fee receivable	(11,176)	(7,225)	(11,176)	(7,225)
Sale of goods	(17,984)	(35,101)	-	-
	=====	=====	=====	=====

The above transactions have been entered into the natural 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 2015 are disclosed in Note 7 and Note 16 respectively.

The allowance for impairment loss on receivables in respect of the above significant related party transactions with subsidiaries for the financial year ended 31 December 2015 amounted to RM27,997,000 (2014 - RM27,997,000).

## 31. Capital management

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

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

## 32. Comparative figures

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

	<b>Group</b>	
	<b>As Restated RM'000</b>	<b>As Previously Reported RM'000</b>
<b>Statements of cash flows (extract):-</b>		
<b>Cash flow from/(for) operating activities</b>		
Finance costs	62,911	46,353
Bad debts (recovered)/written off	-	9,188
Net unrealised loss/(gain) on foreign exchange	(11,345)	-
Receivables, deposits and prepayments	(93,265)	(113,798)
<b>Cash flow (for)/from financing activities</b>		
Interest paid	(38,731)	(22,173)



## 32. Comparative figures (continued)

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

	<b>Company</b>	
	<b>As Restated</b>	<b>As</b>
	<b>RM'000</b>	<b>Previously</b>
		<b>Reported</b>
		<b>RM'000</b>
<b>Statements of cash flows (extract):-</b>		
<b>Cash flow from/(for) operating activities</b>		
Finance costs	35,983	8,438
Interest income	(26,970)	(3,882)
Receivables, deposits and prepayments	48,464	50,665
<b>Cash flow (for)/from financing activities</b>		
Interest paid	(26,607)	(24,351)
	<hr/>	<hr/>
<b>Statements of profit or loss and other comprehensive income (extract):-</b>		
Administrative expenses	(26,249)	(24,765)
Other expenses	-	(1,484)
	<hr/>	<hr/>

### 33. Realised and unrealised profits/(losses)

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

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total retained profits/(accumulated losses) of Muhibbah Engineering (M) Bhd and its subsidiaries:				
- Realised	127,512	200,716	33,254	44,282
- Unrealised	133,228	(32,529)	7,807	(7,709)
	<u>260,740</u>	<u>168,187</u>	<u>41,061</u>	<u>36,573</u>
Total retained profits/(accumulated losses) from associated companies:				
- Realised	141,144	133,848	-	-
- Unrealised	(279)	(3,878)	-	-
	<u>140,865</u>	<u>129,970</u>	<u>-</u>	<u>-</u>
Less: Consolidated adjustments	(139,489)	(95,768)	-	-
Total retained profits	<u><u>262,116</u></u>	<u><u>202,389</u></u>	<u><u>41,061</u></u>	<u><u>36,573</u></u>

# Muhibbah Engineering (M) Bhd.

(Company No. 12737-K)

(Incorporated in Malaysia)

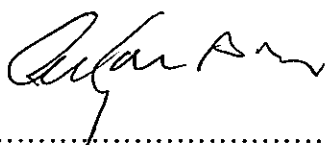
## and its subsidiaries

### Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 7 to 104 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 33 on page 105 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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



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

Klang,

Date: 5 April 2016



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

# Muhibbah Engineering (M) Bhd.

(Company No. 12737-K)

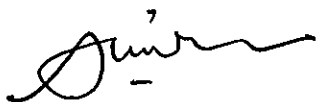
(Incorporated in Malaysia)

## and its subsidiaries

### Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

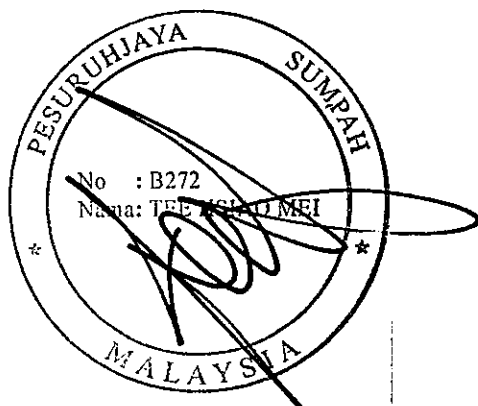
I, Lee Poh Kwee, the Director primarily responsible for the financial management of Muhibbah Engineering (M) Bhd., do solemnly and sincerely declare that the financial statements set out on pages 7 to 105 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Klang on 5 April 2016.



.....  
**Lee Poh Kwee**

Before me:



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



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

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

**Crowe Horwath AF 1018**  
Chartered Accountants  
Member Crowe Horwath International

Kuala Lumpur Office  
Level 16 Tower C, Megan Avenue II  
12 Jalan Yap Kwan Seng  
50450 Kuala Lumpur, Malaysia  
Main +6 03 2788 9999  
Fax +6 03 2788 9998  
[www.crowehorwath.com.my](http://www.crowehorwath.com.my)  
[info@crowehorwath.com.my](mailto:info@crowehorwath.com.my)

### **Report on the Financial Statements**

We have audited the financial statements of Muhibbah Engineering (M) Bhd., which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 104.

#### *Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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

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

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

### *Emphasis of matter*

Without qualifying our opinion, we draw attention to Note 10 to the financial statements, the amount due from contract customers includes an interim amount of RM283 million for a completed project. The Company has consulted and engaged an experienced claim consultant to assist the Company to obtain approval for additional claims from the customer. The claim consultant is of the opinion that there are valid grounds for the claims which, inter alia represents works performed in addition to the original scope of the contract and claims that can be recovered in accordance with the law and the terms of the contract and should therefore be approved by the customer. The directors are of the opinion that the claims are recoverable in due course.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.



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

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

## **Other Reporting Responsibilities**

The supplementary information set out in Note 33 on page 105 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## **Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**Crowe Horwath**  
Firm Number: AF 1018  
Chartered Accountants

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

Kuala Lumpur,

Date: 5 April 2016