THHEAVY ENGINEERING BERHAD

An associate company of Tabung Haji

Delivering Excellence

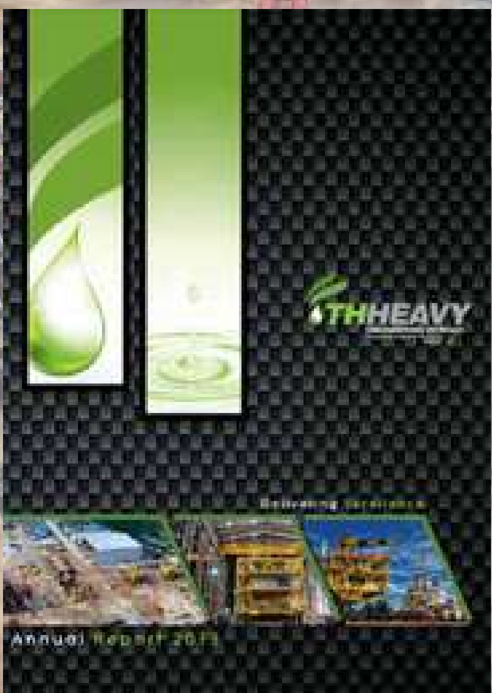
Annual Report 2013

VISION

To be the preferred Engineering and Marine EPCIC Contractor in the Region

MISSION

To provide quality and innovative end-to-end solutions to the satisfaction of all stakeholders



COVER RATIONALE

The group's growing strength is elegantly represented by the black finish of this year's cover which bodes well in highlighting the group's new logo. Since oil is considered as 'black gold', the black finish also represents the richness and potential of TH Heavy Engineering ("TH Heavy") as a main contender in the industry.

The three boxed image significantly represents the various subsidiaries, assets and capabilities of TH Heavy in delivering excellence in all of its business segments to its clients.

The single semi solid form to a more prominent 'oil drop' entity and liquid 'i' has been retained to clearly demonstrate the infinite possibilities and capabilities of TH Heavy as a prominent industry mover.

As water signifies life, the liquid form also symbolizes the group's ability to adapt and take on any form of responsibilities in order to fulfill our clients' requirements and is poised to undertake more demanding and niche projects, while generating a visibly steady flow of income and earnings, thus increasing value to shareholders.

ABOUT TH HEAVY ENGINEERING BERHAD

TH Heavy Engineering Berhad (”TH Heavy”) was listed on Bursa Malaysia in January 2005 after having placed itself in the oil and gas industry since 2002. The main activities of TH Heavy Group are centralised around the heavy engineering industry principally in the fabrication of offshore steel structures and the provision of other related offshore oil and gas engineering services in Malaysia. Through its wholly owned subsidiary, THHE Fabricators Sdn. Bhd. (THFSB), TH Heavy is one of the few PETRONAS licensed major fabricators in Malaysia.

Over the past few years, TH Heavy has managed to secure and complete numerous major offshore facilities fabrication contracts awarded by world renowned oil and gas players such as PETRONAS Carigali, Shell, Talisman, Murphy, ExxonMobil, Newfield and Woodside.

TH Heavy specialises in fabrication of major offshore steel structures like jackets, substructures and topsides including well head platforms, central processing platforms, compression platforms, modules, decks, living quarters, process skids, modular compression skids, booms, inter-platform bridges together with other related engineering packages.

Backed by a string of successfully delivered projects under its credentials, TH Heavy is poised to rejuvenate and reposition itself as an integrated EPCIC contractor that provides a comprehensive list of services based on these principal activities:

- Fabrication, construction and maintenance of offshore structures
- Construction and maintenance of onshore plants
- Offshore and onshore crane manufacturing and servicing
- Marine operations and support services
- Hook-up & commissioning (HUC)
- Engineered packages

CONTENTS

CORPORATE STRUCTURE

THHEAVY ENGINEERING BERHAD
An associate company of Tabung Haji
(634775-D)

100%

O&G WORKS SDN. BHD.
(732045-A)

FLOATECH (L) LTD.
(LL 08400)

THHE OPTIMA SDN. BHD.
(720110-M)

THHE TRAINING SERVICES SDN. BHD.
(730421-K)

FLOATECH (M) SDN. BHD.
(963331-V)

GLOBE WORLD REALTY SDN. BHD.
(721948-A)

70%

THHE FABRICATORS SDN. BHD.
(537178-X)

THHE OFFSHORE SERVICES SDN. BHD.
(1050603-M)

50%

THHE MCDERMOTT PROJECT SERVICES SDN. BHD.
(1045937-T)

THHE MCDERMOTT ENGINEERING SDN. BHD.
(1045954-T)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Datuk Azizan Bin Abd. Rahman
Non-Independent Non-Executive Director / Chairman

Nor Badli Munawir Bin Mohamad Alias Lafti
Managing Director & Chief Executive Officer

Dato' Md. Zahari Bin Md. Zin
Senior Independent Non-Executive Director
(retired on 3 June 2013)

Too Kok Leng
Independent Non-Executive Director

Roslan Bin Mohd. Latif
Independent Non-Executive Director

Dato' Mohamad Norza Bin Haji Zakaria
Independent Non-Executive Director

Dato' Md. Yusop Bin Omar
Independent Non-Executive Director

Dr. Samad Bin Solbai
Independent Non-Executive Director

Nusral Bin Danir
Independent Non-Executive Director
(appointed on 23 August 2013)

AUDIT COMMITTEE

Dato' Mohamad Norza bin Haji Zakaria (Chairman)
Too Kok Leng
Nusral Bin Danir

SECRETARY

Chua Siew Chuan
(MAICSA 0777689)

AUDITORS

KPMG
Chartered Accountants
Level 10, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya, Selangor
Malaysia
Tel : (+603) 7721 3388
Fax : (+603) 7721 3399

REGISTERED OFFICE

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Malaysia
Tel : (+603) 2084 9000
Fax : (+603) 2094 9940

CORPORATE OFFICE

Level 23, Tower B
Menara UOA Bangsar
No. 5, Jalan Bangsar Utama 1
59000 Kuala Lumpur
Malaysia
Tel : (+603) 2787 9000
Fax : (+603) 2787 9001

PRINCIPAL BANKERS

Malayan Banking Berhad
Maybank Islamic Berhad
Asian Finance Bank
Al-Rajhi Bank

SOLICITORS

Noor Amran & Co.
Mohanadass Partnership
Cheang & Ariff
Mah-Kamariyah & Philip Koh
Mohamed Ridza & Co.
Rithauddin & Azlin

SHARE REGISTRAR

Securities Services (Holdings) Sdn. Bhd.
Level 7, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Malaysia
Tel : (+603) 2084 9000
Fax : (+603) 2094 9940

STOCK EXCHANGE LISTING

Listed on the Main Market of Bursa Malaysia
Stock Name : THHEAVY
Stock Code : 7206
ANALYST TICKERS AND CODE
Reuters THHE.KL

BOARD OF DIRECTORS

Roslan Bin Mohd. Latif
Independent Non-Executive Director

Too Kok Leng
Independent Non-Executive Director

Dato' Mohamad Norza Bin Haji Zakaria
Independent Non-Executive Director

Datuk Azizan Bin Abd Rahman
Non-Independent Non-Executive Director / Chairman

** All the members do not have any family relationship with the other Directors and/or major shareholders of the Company. They do not have any conflict of interest towards the Company and has no conviction of any offences, other than traffic offences, if any, within the past ten (10) years.*

Nor Badli Munawir Bin Mohamad Alias Lafti
Managing Director & Chief Executive Officer

Dato' Md. Yusop Bin Omar
Independent Non-Executive Director

Dr. Samad Bin Solbai
Independent Non-Executive Director

Nusral Bin Danir
Independent Non-Executive Director

DIRECTORS' PROFILE

DATUK AZIZAN BIN ABD RAHMAN
Chairman

Datuk Azizan Bin Abd Rahman, a Malaysian, aged 64, was appointed Chairman and Director of the Company on 11 June 2009.

Datuk Azizan obtained his Bachelor of Arts degree from University of Malaya in 1973. He started his career as a Shipping Executive in Harper Gilfillan (M) Sdn. Bhd. He joined MISC in 1975 and served as Branch Manager in Johor and Penang before becoming the Marketing Manager in Kuala Lumpur. In 1981, he then became the Marketing Manager in the Tanker Department and was later attached to Pan Ocean Tankers Ltd. in London as their Chartering Manager.

He joined JF Apex Securities Berhad in 1982 as an Executive Director and launched his career in stock broking industry. He left JF Apex in 1995 to pursue his private business but remained as a Director of Apex Equity Holdings Berhad. He was an active member of the stockbrokers' fraternity and had held the post of Chairman of the Association of Stockbroking Companies of Malaysia from 1994 to 1995. Since then, he has held directorships in Apex Equity Holdings Berhad and TH Plantations Berhad. He is also currently the Chairman of Eastern & Oriental Berhad and Investment Panel of Lembaga Tabung Haji.

NOR BADLI MUNAWIR BIN MOHAMAD ALIAS LAFTI
Managing Director and Chief Executive Officer

En. Nor Badli Munawir Bin Mohamad Alias Lafti, aged 48, a Malaysian, was appointed as the Group Chief Executive Officer of TH Heavy Engineering Berhad on 1 June 2010. He was later redesignated as Managing Director and Chief Executive Officer on 25 May 2012. He holds a Bachelor of Science (B.Sc.) Accounting (Cum Laude) degree from Case Western Reserve University, Cleveland, Ohio, USA and a Master in Business Administration (MBA) degree from the Arkansas State University, Arkansas, USA. Prior to this appointment he was the Group Managing Director & CEO of Lityan Holdings Berhad (now known as "Theta Edge Berhad"), a listed technology and telecommunications subsidiary company of Lembaga Tabung Haji from October 2007 up to June 2010.

Presently, he is the President of Malaysian Offshore Contractors Association ("MOCA") or previously known as OSFAM, a position he has held since June 2012.

En. Badli was also previously the Chief Financial Officer of FPSO Ventures Sdn. Bhd., a joint-venture and subsidiary company of MISC Berhad, the blue-chip energy shipping company's offshore business arm. He was a pioneer member of the management team until September 2006.

Prior to this, En Badli served in the financial services industry for over 10 years where he accumulated significant merchant banking and financial advisory experiences. He was with Arab-Malaysian Merchant Bank Berhad ("AMMB") Corporate Finance Division since 1992. He was later promoted to Assistant General Manager and transferred to the Privatisation & Project Finance Advisory Department in 1995. Prior to AMMB, En Badli started as an Associate Consultant with Arthur Andersen & Co, a leading International public Accounting and Management Consultancy firm. He rose to the rank of Senior Consultant before joining AMMB in 1992.

DIRECTORS' PROFILE (cont'd)

TOO KOK LENG
Independent Non-Executive Director

Mr. Too Kok Leng, a Malaysian, aged 54, was appointed a Director of the Company on 28 January 2008.

He holds a B.A (Hons) in Law and was admitted to the Malaysian Bar in 1983. He started his own practice in 1988 and was practising under the name and style of Rahman, Too & Co. in Seremban and Kuala Lumpur. He specialised in the corporate and banking fields rendering legal advice to several banks and public listed companies.

He is a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

Mr. Too was appointed as an Independent Non-Executive Director of Menang Corporation (M) Berhad on 1 August 1995. He is the Chairman of the Remuneration Committee and is a member of the Audit Committee and Nominating Committee of Menang Corporation (M) Bhd.

ROSLAN BIN MOHD LATIF
Independent Non-Executive Director

En. Roslan Bin Mohd Latif, a Malaysian, aged 59, was appointed to the Board as an Independent Non Executive Director on 11 June 2009.

He holds a Diploma in Business Studies from ITM in 1977 before pursuing a Bachelor and MBA degrees in USA from 1979 to 1983. He attended the Advance Management Program in Denver, Colorado in 1985 and the Advance Masters in Business Practice from the University of South Australia in 2009.

He has more than 30 years working experience in Marketing, Education, Project Management, and training with several organisations namely MARA, PNB, Kontena Nasional, MESB and Klang Valley College.

Roslan also served as an Independent Non-Executive Director of AWC Berhad, Board of Trustee of ALMA Education Foundation and President of ALMA. He is currently the Media Advisor to the Minister of Communication and Multimedia Malaysia.

DIRECTORS' PROFILE (cont'd)

DATO' MOHAMAD NORZA BIN HAJI ZAKARIA
Independent Non-Executive Director

Dato' Mohamad Norza bin Haji Zakaria, a Malaysian, aged 48, was appointed Director of the Company on 24 March 2011.

He holds a Bachelor of Commerce (Major in Accounting) from University of Wollongong, New South Wales, Australia. A qualified Chartered Accountant from Malaysian Institute of Accountant (MIA), Dato' Norza is also a Fellow of Certified Public Accountants (FCPA), CPA Australia.

Dato' Norza started his career in Arthur Anderson & Co. / Hanafiah, Raslan & Mohamad as a Senior Audit Assistant from September 1988 to January 1990 before joining Bank Negara Malaysia as the Executive of Bank Regulation Department in February 1990 until October 1991. Later he became the Senior Executive, Finance & Administration in Gas & Petrochemical Development Division, PETRONAS from November 1991 until April 1994.

He moved up the corporate ladder as the Group Financial Controller in SPK Sentosa Corporation Berhad from May 1994 to March 1995 before he became the Group General Manager of Audit in Mun Loong Berhad from April 1995 to December 1997. From January 1998 to March 2004, Dato' Norza was the CEO at Gabungan Strategik Sdn Bhd.

Dato' Norza's direct contribution in the government sector was when he became the Political Secretary to the Minister of Finance II from April 2004 to March 2008, before becoming the President of Citaglobal Sdn Bhd since April 2008. Dato' Norza is also a Director of Bintulu Port Holdings Berhad since 1 December 2005.

DATO' MD. YUSOP BIN OMAR
Independent Non-Executive Director

Dato' Md. Yusop Bin Omar, a Malaysian, aged 62, was appointed Director of the Company on 25 May 2012. He graduated from University Malaya in 1975 with a Bachelor of Arts and obtained his certificate in Public Administration in 1976. Dato' Md. Yusop served as Administration and Diplomatic Officer in the Government sector for twenty (20) years.

Dato' Md. Yusop was a Director of Asie Sdn. Bhd. from 1994 to 1997 and was Director of Premier Ayer Sdn. Bhd. from 1997 to 2000. He was then appointed as Executive Director of Konsortium Abbas Sdn. Bhd. from 2000 to 2006.

Dato' Md. Yusop is currently the Chairman of Sitamas Environmental Systems Sdn. Bhd., AWS Sdn. Bhd. and Musyarakah Venture Capital Sdn. Bhd. He is also the Director of Politic & Election Studies of Malaysia Leadership & Strategy Foundation.

DIRECTORS' PROFILE (cont'd)

DR. SAMAD BIN SOLBAI

Independent Non-Executive Director

Dr. Samad Solbai is a registered Professional Engineer and an Independent Non-Executive Director of TH Heavy Engineering Bhd. He has a wide, hands-on experience in the fabrication of oil & gas platforms projects. Dr. Samad's employment career included 13 years in academia (including as an Associate Professor and Dean of Mechanical Engineering, Universiti Teknologi Malaysia) and about 20 years in the Oil & Gas Industry. He holds a Ph.D. in Chemical Engineering from the University of Cambridge, M.Eng.Sc. in Materials Engineering from Monash University, B.Eng. (Mechanical) from Caulfield Institute of Technology and Graduate Diploma in Islamic Studies from the International Islamic University, Malaysia. He also attended Advanced Management (Executive Programs) courses at the Wharton School of Business at the University of Pennsylvania and GE's training centre at Crotonville, New York.

Prior to his retirement from full-time employment, Dr. Samad was the CEO of PT. Gunanusa Utama Fabricators, Indonesia from 2005 to 2011. He also held a number of key positions within the oil & gas related companies in Malaysia including 9 years in the Sime Darby Group as Group General Manager of the Oil & Gas Division of Sime Darby Berhad and CEO of Sime Sembcorp Engineering Sdn. Bhd. Dr. Samad was the Group Managing Director of Shapadu Corporation for a brief period of 18 months from mid- 1999.

Dr. Samad is a Fellow of the Institution of Engineers and regularly lectures in Management to engineering graduates aspiring to qualify as Professional Engineers. He has been a member of the academic advisory panels of a number of local universities and was an adjunct Professor in Physics at Universiti Putra Malaysia in 2001. He was also a member of the "Dewan Juri" of the Business Innovation Centre, Jakarta to evaluate innovations by Indonesian Scientists from 2009 to 2011. Dr. Samad is currently a director of a number of private companies in Malaysia including Carrier International (M) Sdn. Bhd. and EIL Asia Pacific Sdn. Bhd.

NUSRAL BIN DANIR

Independent Non-Executive Director

En.Nusral Bin Danir, a Malaysian, aged 57 was appointed to the Board as an Independent Non-Executive Director on 23 August 2013.

He holds a Bachelor of Science in Control Engineering from University of Sussex, United Kingdom in October 1979. He has more than 30 years of working experience particularly in the Exploration & Production Sector, entirely in PETRONAS where he progressed from local outfit right up to Country Chairman. His experience in PETRONAS includes stint abroad namely Algeria and Sudan, overlooking three domestic regions and seven countries (Vietnam, Indonesia, Myanmar, Turkmenistan, Pakistan, Sudan and Uzbekistan).

He was a board member of a number of PETRONAS and joint-venture companies in Malaysia and overseas, including the University Technology Petronas, and other subsidiaries. He has also attended a number of management and leadership programmes.

CHAIRMAN'S STATEMENT

"2013 has been a year of good progress for TH Heavy Group. The growth outlook remains positively consistent in generating sustainable returns to shareholders"

Dear Valued Shareholders,

The year 2013 had been a notable year for the development of TH Heavy Engineering Berhad ("TH Heavy") as our Group marches on to make positive steps towards our business outlook. Throughout the year, we continued to enhance our beliefs and hidden capabilities, reflecting the evolution of the Group's business transformation.

I am also pleased with the Group's achievement in completing the proposed acquisitions/joint venture alliances during the year which had allowed us to expand our existing capabilities in the engineering field and tap the opportunities that lie ahead in the local and global oil and gas (O&G) industry. The union of strength and professionalism between TH Heavy and McDermott International Inc. ("McDermott") allowed us to advance further in the industry through the various supporting services that we will be able to provide our clients. Our vision in becoming the preferred EPCIC contractor are extended by leveraging on McDermott's mature, proven processes and procedures as well as disciplined project execution. This combination of professionalism will promise many new opportunities that are clearly of critical importance to the longer-term prospects of the Group.

We are proud to announce a number of new projects that have been awarded to TH Heavy Group, which includes our first EPCC contract by Murphy Sarawak Oil Company Limited for the EPCC of PERMAS Production (PR-PA) Topsides earlier in April this year and the one-off contract from Lundin Malaysia B.V. awarded at the end of 2013 involving the fabrication of the Wellhead Platform for Block PM307 at the Bertam Field Development Project. With the successes from these new projects from new Clients, we hope to build a strong and reliable brand in the Malaysian offshore fabrication scene.

In a short time frame, the Group has made great strides towards its objectives of building a sustainable fabrication business that is made viable by the ongoing development of its Pulau Indah Fabrication Yard. The ongoing initiatives undertaken on capacity expansion and yard modernization will further build our competitive advantage in utilizing the fabrication yard to its maximum potential, within the already strategic location in the Klang Valley.

The Group is poised to keep pace with the present market growth in what can be expected of a vibrant upstream projects development with expansion of internal capabilities and competencies by the establishment of a commendable track record in project delivery and execution.

QUALITY AND SAFETY

With major ongoing development within the Pulau Indah Fabrication Yard, we continue to enhance and sustain our commendable safety record where we have clocked-in work 18.5 million of man-hours to date without any Lost Time Injuries (LTI), proving our commitment to Quality, Health, Safety and Environment (QHSE). Moreover, we are planning to complete the first session of the Integrated Management System (IMS) and its implementation had allowed us to efficiently deliver our business objectives to meet the ever demanding needs of our Clients.

FINANCIAL PERFORMANCES

As a reflection of the dynamic improvement in the group's activities, the Group generated a total turnover of RM259 million during the financial year ended 2013. This is a 36% improvement as compared to a total turnover of RM190 million in 2012.

The net profit after tax for the Group however decreased to RM1.556 million as compared to RM24.2 million in 2012. The reduction in profit for the year is mainly due to lower realized margin on completed jobs, provisions made on some disputed claims and damages and higher operating costs to support future projects under bidding.

A STRONGER OUTLOOK

With closer synergy between our subsidiaries, associates and business partners, TH Heavy is now enhancing our competitiveness to secure even more projects. Through further investments to expand capacity and improve productivity, I believe the Group will be able to position itself at the top, amongst the industry leaders. We will also gradually seek to venture further abroad in new regions such as Middle East and Thailand, under the Joint Development Areas (JDA).

We continue to reaffirm our standing as an emerging competitor through a growth momentum on our sustainability agenda. TH Heavy is now better positioned to build forward momentum on its growth trajectory with a view of becoming a vital player in the oil and gas industry both local and abroad.

ACKNOWLEDGEMENT

As always, I would not have been able to fulfill my responsibilities as Chairman without the support, contribution and steadfast spirits of my fellow board members, to whom I extend my sincere thanks. I would like to thank Dato' Zahari bin Md.Zin, who resigned from the Board as a Senior Independent Non-Executive Director, for his outstanding contributions. Together with this opportunity, I would like to welcome Encik Nusral Danir to the Board of Directors as an Independent Non-Executive Director, who with his extensive experience and vast O&G industry knowledge will further enhance the quality of strategic discussions at the Board.

On behalf of the Board, I would like to thank our valued shareholders for their continued support, all of our staff and colleagues at TH Heavy Group for their commitment and invaluable contribution and our vendors and partners towards a reasonably good year as we continue to move forward and build on the quick successes to date.

The New Year is one of continuing challenge, austerity and transition- but we are a confident and robust Group that seeks to stay on the front foot and ultimately strive for the best quality of services we can achieve and deliver on time, on budget and safely.

DATUK AZIZAN BIN ABD RAHMAN,
Chairman

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER'S REVIEW

"Our modest achievement in 2013 demonstrates ability to drive TH Heavy Engineering Berhad towards the direction of sustainable growth"

Dear Valued Shareholders,

TH Heavy Engineering Berhad ("TH Heavy") turns the page on a year that was indeed challenging from many aspects as we face 2014 with renewed confidence. The year 2013 ended with steady growth in revenue, paving a path towards positive trajectory to realize a sustainable future. We are deep into our transformation - propelled by disciplined new investments to enhance our capability to position ourselves in becoming the preferred engineering, procurement, construction, installation and commissioning ("EPCIC") contractor in the region.

POISED TOWARDS VISIBILITY AND CREDIBILITY

The year 2013 was our witness to several remarkable corporate milestones that have shifted the industry's perception towards our credibility and capability as a vibrant and credible competitor in the EPCIC value chain. On 21 May 2013, we successfully completed a private placement of 92,797,000 new ordinary shares of RM0.25 each in TH Heavy, representing approximately ten percent (10%) of the issued and paid-up share capital of TH Heavy. With the completion of this private placement, TH Heavy welcomes the Hong Leong Group as one of our new substantial shareholders.

In realizing our mission to offer a "one-stop" EPCIC solution, we have also completed the Joint Venture ("JV") exercise with McDermott International Ltd. ("McDermott") on 1 October 2013 by the acquisition of 30% equity interest in Berlian McDermott Sdn Bhd ("BMD") from McDermott Holdings (M) Sdn Bhd (formerly known as Note Encoder Sdn Bhd) ("MDHSB"), for an indicative cash consideration equivalent to USD25.466 million (RM77.926 million) and the disposal of 30% equity interest in THHE Fabricators Sdn. Bhd. to McDermott Capital Malaysia Sdn Bhd ("MDC") for an indicative equivalent to USD25.466 million (RM77.926 million). TH Heavy subsequently established a further two JV companies, an Engineering company and a Project Management company, on a 50:50 basis with J. Ray McDermott, S.A.

The JVs will enable TH Heavy to jointly bid for various EPCIC contracts in the market and have a direct foothold in the Transportation & Installation business through BMD which owns a highly reliable DB30 derrick lay barge with heavy-lift and pipelay capabilities. The market can certainly expect TH Heavy & McDermott to become a major contender for significant EPCIC market in Malaysia and around the region.

Our decision to further expand our segment by venturing into the Floating Production and Storage Offloading ("FPSO") has not succeeded in bearing any rewards yet, and has been an overhang to our operating costs for the year. Nonetheless, we remain hopeful and confident of deploying our "Deep Producer 1" in view of a serious enquiry, on-going technical and commercial clarification currently under negotiation with a prospective client. An award in the future will imminently create steady cash flows and boost the Group's profitability for the medium to longer term.

Alongside the FPSO, another subsidiary, O&G Works Sdn. Bhd. ("OGW") has been awarded an extension of scope under its License as 'Manufacturer' for Mechanical-Crane-Pedestal by PETRONAS. This award of license qualifies OGW to tender and supply offshore pedestal cranes of various types and lifting capabilities to all Production Sharing Contractors ("PSCs") operating in Malaysia.

In an effort to catapult the Group to a higher level, we have initiated upgrading and development works to increase our Pulau Indah Fabrication Yard's ("Yard") that will increase the yard capacity to 20,000 MT per annum. Upon completion, we will be able to operate the Yard to its full potential and enjoy competitive edge of managing multiple projects with increasing complexity.

DELIVERY AND BUILDING REPUTATION

The satisfaction of seeing project completion after laboring for months is priceless. The fabrication of D12DR-A & LADR-A Substructures and Wellhead Topsides also Betty & D35 Tie-in was handed over to Sarawak Shell Berhad in stages from September 2013 to October 2013. The successful load out and sail away of these structures for oil super major was a celebrated achievement through zero Lost Time Injury ("LTI") and almost zero punch list. We were glad to achieve this to build on TH Heavy's reputation as a competent fabricator and reliable business partner. In April 2013, we successfully completed and loaded out for Aquaterra Energy Ltd, a contract for the fabrication of Wellbay Module for West Desaru Field of Topside, Upper & Lower substructures and Subsea structure.

The moment of triumph was achieved when we managed to secure new projects from other PSCs; the first for the year 2013 was our first EPCC contract for PERMAS Production (PR-PA) Topside for Murphy's Sarawak SK311 Permas Development Project awarded by Murphy Sarawak Oil Company Limited. This project is scheduled to be completed in mid 2014. The second is a one-off contract awarded by Lundin Malaysia B.V. for the fabrication of Wellhead Platform (WHP) for Block PM307 Bertam Field Development Project which is scheduled to be completed in approximately 12 months.

These awards came at a time when the other PSCs are also initiating new bids for their own facilities, and TH Heavy received a good head start. Our revenue backlog remains attractive at around RM400 million and this is sufficient to last us through 2015. I am further encouraged by our tender book, which is at an all time high with over 8 bids in progress and/or awaiting results. The prospects for new work are indeed promising.

ACCOLADES AND RECOGNITION

All the efforts executed did not go unnoticed as we celebrated the award of the prestigious 'MBA Industry Excellence Awards (Oil & Gas) 2013' by the Asean Business Advisory Council Malaysia in collaboration with the Kuala Lumpur Malay Chamber of Commerce on 8 November 2013.

Our deep commitment to superior performance without compromising safety was also recognized by the National Council for Safety and Occupational Health (Ministry of Human Resources); TH Heavy won the award of the prestigious 'National Occupational Safety and Health Excellence Award 2013' – Construction Category on 18 December 2013. This success is tied to our strategy to enrich our client's satisfaction by nurturing a deep commitment by providing value to our stakeholders though maintaining a challenging balance between the needs of our customers and the natural environment.

MAKING SAFETY FIRST

Creating an organizational climate that practices safe behavior, rewards safety performance, records LTI and minimizes environmental and social impact is our upheld value to our stakeholders. Each year, our commitment to quality, health, safety and environment ("QHSE") is evident as we implement proven standards and processes of ISO9001:2008, ISO14001:2004 and OHSAS18001:2007 under the Integrated Management System ("IMS").

Achieving project success means continuously improving safety records and removing health and environmental hazards that could stall production. This guiding value is reflected in the growing accident-free man-hours milestone of 18.5 million man-hours without LTI as at end December 2013. These commendable statistics will offer reassurance to existing as well as prospective clients of our highest standards and impeccable safety culture.

Safety always takes precedence over business at TH Heavy and is one of the important elements in ensuring high productivity and quality in all our operations. Needless to say, we will continue to make safety our top agenda and priority across our entire operations.

OUR JOURNEY CONTINUES

The year has started well, and we view the future with confidence by building momentum behind our growth strategy across the business on even stronger and broader platform.

We continue to nurture our competitiveness to cater for more complex projects by utilizing growth opportunities in the current operating environment that will strengthen our ability to maximize growth and shareholder value. There is still much more that needs to be done.

It is noteworthy that our share price grew healthily during the year in tandem with our balance sheet which has also strengthened and value has been created. With exciting prospects in the making, I must urge shareholders to continue having confidence in the Group and provide support for corporate initiatives to be undertaken by the company in the near future.

In 2013, one of our Senior Independent Non-Executive Director, Dato' Md. Zahari bin Md. Zin retired from our board. On behalf of the entire company, I wish to thank Dato' Md. Zahari for his tremendous service and contributions to TH Heavy over the years. In light of this opportunity, we also would like to welcome Encik Nusral Danir as a newly appointed independent member of the Board. I am confident that his vast experience in the upstream oil and gas industry would greatly benefit the Group as a whole. Our leadership remains proud and committed to build on other future opportunities.

In closing, I would like to thank our investors, clients and vendors, as well as our entire men and women workforce, for their enthusiasm and commitment to TH Heavy. Last but not least, I also would like to convey a special vote of thanks and gratitude to Lembaga Tabung Haji, our major shareholder, for the confidence and unwavering support given to the Board and management to date. Through the disciplined execution of our growth strategy, we achieved reasonable success in year 2013 – and we are confident in our ability to continue to drive profitable growth in year 2014.

NOR BADLI MUNAWIR BIN MOHD ALIAS LAFTI,
Managing Director & Chief Executive Officer

LIST OF EVENTS

QUALITY OBSERVATION CARD PROGRAMME
21 JANUARY 2013

SLIP, TRIP AND FALL PREVENTION CAMPAIGN
21 JANUARY 2013 – 17 FEBRUARY 2013

A DAY WITH MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER
8 FEBRUARY 2013

HEALTH & HYGIENE CAMPAIGN 2013
15 APRIL 2013 – 13 MAY 2013

WORKING AT HEIGHT AWARENESS CAMPAIGN
24 - 27 MAY 2013

9th ANNUAL GENERAL MEETING AND EXTRAORDINARY GENERAL MEETING
3 JUNE 2013

LIST OF EVENTS (cont'd)

The 14th ASIAN OIL, GAS & PETROCHEMICAL ENGINEERING EXHIBITION
5 - 7 JUNE 2013

SHELL SAFETY DAY & 3RD QHSE DAY 2013 MILESTONE (1 MILLION MAN-HOURS ACHIEVEMENT)
19 JUNE 2013

FIRST STEEL CUT CEREMONY FOR PERMAS PRODUCTION (PR-PA) TOPSIDE
5 JULY 2013

MAJLIS IFTAR RAMADHAN BERSAMA KAKITANGAN DAN ANAK YATIM
17 JULY 2013

ROAD SAFETY CAMPAIGN 2013
5 AUGUST 2013

THHE RIANG RIA AIDILFITRI CORPORATE OPEN HOUSE
19 AUGUST 2013

LIST OF EVENTS (cont'd)

YOU SEE YOU ACT (UCUA) CAMPAIGN
23 AUGUST 2013 – 6 SEPTEMBER 2013

HARI RAYA AIDILFITRI CELEBRATION & 3 MILLION MAN-HOURS WITHOUT LTI
5 SEPTEMBER 2013

PERSONAL PROTECTIVE EQUIPMENT (PPE) CAMPAIGN
17 SEPTEMBER 2013 – 4 OCTOBER 2013

COMPLETION DINNER:FABRICATION OF D12DR-A & LADR-A TOPSIDES AND SUBSTRUCTURES
11 OCTOBER 2013

SLIP, TRIP AND FALL PREVENTION CAMPAIGN
14 OCTOBER 2013 – 8 NOVEMBER 2013

FIRST STEEL CUT CEREMONY FOR BLOCK PM 307 BERTAM FIELD DEVELOPMENT PROJECT
10 DECEMBER 2013

PERFORMANCE HIGHLIGHTS

The year under review saw the ramping up of activities with the total group turnover increased by 36% from RM190.27 million in 2012 to RM259.93 million in the current financial year.The group successfully completed during the current financial year the Aquatera Energy Limited and Sarawak Shell Berhad jobs worth approximately RM226.88 million. The Group via its subsidiary secured approximately RM311.83 million worth of new contracts from the offshore fabrication sector. These new contracts are mainly from Murphy Sarawak Oil Co. Ltd and Lundin Malaysia B.V.

With the completion of existing contracts and new contracts being secured during the year, the Group registered an improved turnover of RM259.93 million but posted a lower Net Profit After Tax of RM1.56 million as compared to RM 24.17 million in 2012. The reduction in profit for the year is mainly due to lower realized margin on completed jobs, provisions made on some disputed claims and damages and higher operating costs to support future projects under bidding.

Description	Group (RM'000)	Company (RM'000)
Profit attributable to the Owners of the Company	8,188	54,700
Accumulated profits/(losses) brought forward	12,016	(15,865)
Changes in ownership interests in a subsidiary	20,147	-
Accumulated profits carried forward	40,351	38,835

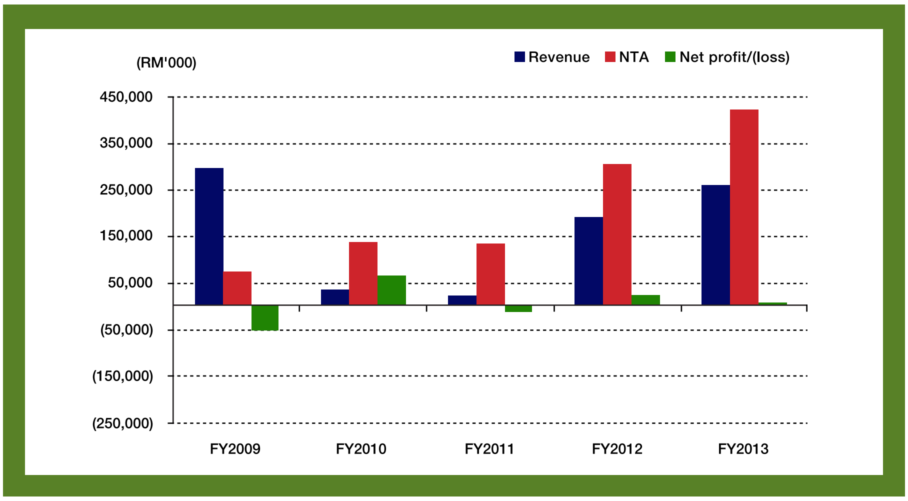
The Group anticipates an improved performance in the financial year ending 31 December 2014.

The Group 5 year financial performance:-

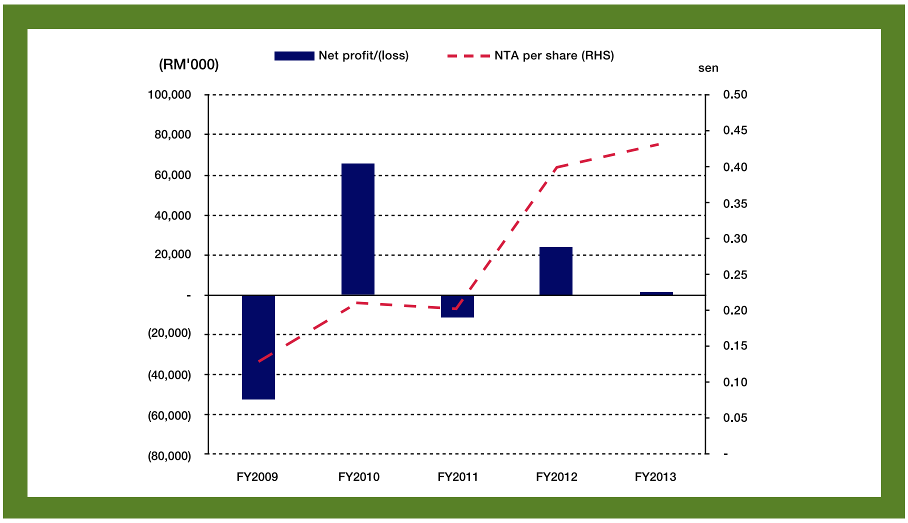
In RM'000 unless otherwise stated	FY2009	FY2010	FY2011	FY2012	FY2013
Revenue	296,968	34,865	22,842	190,374	259,932
Gross profit / (loss)	35,776	(47,747)	13,051	66,810	44,391
Operating cost	86,990	39,012	43,230	36,359	53,099
Net profit / (loss)	(52,720)	65,786	(11,441)	24,172	1,556
NTA	73,703	139,480	134,067	306,743	432,010
NTA per share (sen)	0.13	0.21	0.20	0.40	0.43
EPS Basic (sen)	(9.38)	10.14	(1.73)	3.15	0.83

PERFORMANCE HIGHLIGHTS (cont'd)

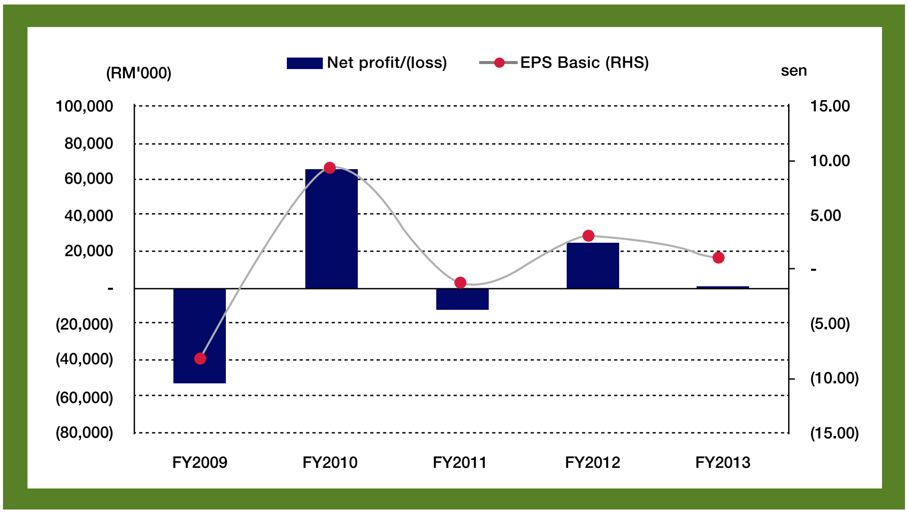
a. Revenue, NTA & Net profit/(loss)



b. NTA per share and Net profit/(loss)



c. EPS and Net profit/(loss)



AUDIT COMMITTEE REPORT

The members of the Audit Committee of TH Heavy Engineering Berhad are pleased to present the report of the Audit Committee for the financial year ended 31 December 2013.

1. MEMBERS

As at the date of this annual report, the members of the Audit Committee who are all Independent Non-Executive Directors are as follows:-

Name	Designation	Appointment / Retirement Date
Dato' Mohamad Norza Bin Haji Zakaria (Chairman)	Independent Non-Executive Director	24 March 2011
Too Kok Leng	Independent Non-Executive Director	28 January 2008
Nusral Bin Danir	Independent Non-Executive Director	23 August 2013
Dato' Md. Zahari Bin Md. Zin	Senior Independent Non-Executive Director	1 September 2004 (Retired on 3 June 2013)

Dato' Mohamad Norza Bin Haji Zakaria, the Audit Committee Chairman holds a Bachelor of Commerce (Major in Accounting) from University of Wollongong, New South Wales, Australia. He a qualified Chartered Accountant of the Malaysian Institute of Accountants ("MIA") and a fellow member of the Certified Public Accountants (FCPA), CPA Australia. In this respect, the Company is in compliance with paragraph 15.10 of Bursa Malaysia Securities Berhad Main Market Listing Requirements.

2. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

The Audit Committee held five (5) meetings during the financial year ended 31 December 2013. The details of the attendance of the meetings are as follows:-

Name	Total Meetings Attended	Percentage (%) of Attendance
Dato' Mohamad Norza Bin Haji Zakaria (Chairman)	5 of 5	100
Too Kok Leng	5 of 5	100
Nusral Bin Danir (Appointed on 23 August 2013)	2 of 2	100
Dato' Md. Zahari Bin Md. Zin (Retired on 3 June 2013)	2 of 2	100

During the five (5) meetings held for the financial year ended 31 December 2013, the Audit Committee carried out the following activities:-

(i) Reviewed the quarterly un-audited financial statements of the Group to recommend to the Board for approval;

(ii) Reviewed the annual audited financial statements of the Company with the external auditors prior to submission to the Board of Directors for their approval. The review was, inter-alia, to ensure compliance with:

- Provision of the Companies Act, 1965;
- Listing Requirements of Bursa Malaysia Securities Berhad;
- Applicable approved accounting standards in Malaysia; and
- Other legal and regulatory requirements.

In the review of the annual audited financial statements, the Audit Committee discussed with Management and the external auditors the accounting principles and standards that were applied and their judgement of the items that may affect the financial statements as well as issues and reservations arising from the statutory audit;

AUDIT COMMITTEE REPORT (CONT'D)

2. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR (CONT'D)

(iii) Reviewed the audit report by the Internal Auditors and monitored the implementation of the audit recommendations in the subsequent meetings to ensure corrective actions were taken in addressing the risk issues reported.

(iv) Approved the Internal Audit Plan for the financial year ended 31 December 2013 and monitored the status and progress of the Internal Audit assignments, including the summary of audit reports issued, audit recommendations provided by Internal Auditors and Management's responses to these recommendations.

(v) Reviewed the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its works.

(vi) Reviewed with the external auditors:

- their audit plan, audit strategy and scope of work for the year; and
- the results of the annual audit, their audit report and management letter together with Management's responses to the findings of the external auditors.

(vii) Reviewed the disclosure statements on compliance of the Malaysian Code on Corporate Governance and the Statement on Risk Management and Internal Control as well as the Directors' Responsibility Statement for inclusion in the Company's Annual Report.

(viii) Discussed the implications of any latest changes and pronouncements on the Company and the Group issued by the statutory and regulatory bodies.

(ix) Reviewed the revised Terms of Reference of the Audit Committee.

3. SUMMARY OF THE TERMS OF REFERENCE

(i) Composition of Members

The Board shall appoint the Audit Committee members from amongst themselves, comprising no fewer than three (3) Directors, all of whom shall be Non-Executive.

In this respect, the Board adopts the definition of "Independent Director" as defined under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

All members of the Audit Committee shall be financially literate and at least one (1) member of the Audit Committee must be:-

(a) a member of the MIA; or

(b) if he is not a member of the MIA, he must have at least three (3) years of working experience and:

(i) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or

(ii) he must be a member of one (1) of the associations of the accountants specified in Part II of the First Schedule of the Accountant Act 1967; or

(c) fulfils such other requirements as prescribed by Bursa Securities.

No alternate Director of the Board shall be appointed as a member of the Audit Committee.

AUDIT COMMITTEE REPORT (CONT'D)

3. SUMMARY OF THE TERMS OF REFERENCE (CONT'D)

(i) Composition of Members (cont'd)

Retirement and Resignation

If a member of the Audit Committee resigns, dies, or for any reason ceases to be a member resulting in non-compliance to the composition criteria as stated in paragraph 3(i) above, the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

(ii) Objectives

The principal objectives of the Audit Committee is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the Audit Committee shall:

- evaluate the quality of the audits performed by the internal and external auditors;
- provide assurance that the financial information presented by Management is relevant, reliable and timely;
- oversee compliance with laws and regulations and observance of a proper code of conduct; and
- determine the quality, adequacy and effectiveness of the Group's control environment.

(iii) Authority

The Audit Committee shall, in accordance with a procedure to be determined by the Board of Directors and at the expense of the Company,

(a) authorised to investigate any activity within its terms of reference, the resources to do so, and full access to information. All employees shall be directed to co-operate as requested by members of the Audit Committee.

(b) have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and the Group.

(c) obtain, at the expense of the Company, other independent professional advice or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

(d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any).

(e) where the Audit Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee shall promptly report such matter to Bursa Securities.

(iv) Duties and Responsibilities

The duties and responsibilities of the Audit Committee are as follows:-

(a) To consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;

(b) To put in place the policy and procedures to assess the suitability and independence of external auditors;

AUDIT COMMITTEE REPORT (CONT'D)

3. SUMMARY OF THE TERMS OF REFERENCE (CONT'D)

(iv) Duties and Responsibilities (cont'd)

(c) To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

(d) To review with the external auditors his evaluation of the system of internal controls and his audit report;

(e) To review the quarterly and year-end financial statements of the Board, focusing particularly on:–

- any change in accounting policies and practices;
- significant adjustments arising from the audit;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements.

(f) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of Management, where necessary);

(g) To review the external auditors' management letter and Management's responses;

(h) To do the following, in relation to the internal audit function:-

- review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
- review any appraisal or assessment of the performance of members of the internal audit function;
- approve any appointment or termination of senior staff members of the internal audit function; and
- take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

(i) To consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of Management integrity;

(j) To report its findings on the financial and management performance, and other material matters to the Board;

(k) To ensure the financial statements are prepared in accordance to the applicable financial reporting standard;

(l) To consider the major findings of internal investigations and Management's responses;

(m) To verify the allocation of employees' share option scheme ("ESOS") in compliance with the criteria as stipulated in the by-laws of ESOS of the Company, if any;

AUDIT COMMITTEE REPORT (CONT'D)

3. SUMMARY OF THE TERMS OF REFERENCE (CONT'D)

(iv) Duties and Responsibilities (cont'd)

(n) To determine the remit of the internal audit function;

(o) To consider other topics as defined by the Board; and

(p) To consider and examine such other matters as the Audit Committee considers appropriate.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS')

There were no options over ordinary shares offered to the Directors and employees during the financial year ended 31 December 2013.

4. INTERNAL AUDIT FUNCTION

The Audit Committee is supported by an in-house Internal Audit Division whose internal audit function is independent of the activities or operations of the Group operating units. The Division reports directly to the Audit Committee and undertakes the audit of the Group's operating sections and departments, including its corporate functions at Head Office. Compliance to the internal control procedures was reviewed and weaknesses were highlighted with appropriate recommendations for improvement.

The principal activity of the Internal Audit Division is to conduct regular and systematic reviews of the key controls and processes within the Group. The Internal Audit Division also conducts investigation and special reviews at the instruction and request of the Audit Committee and the Management respectively. The Internal Audit Division also assessed:

- the Group's compliance to its established policies and procedures, limit of authority, guidelines and statutory requirements;
- reliability and integrity of financial and operational information;
- safeguarding of assets; and
- operational effectiveness and efficiency.

The Company also engaged an external consultant to assist in internal audit function of the Group for the financial year ended 31 December 2013.

The Internal Auditors and the representatives of the external consultant attend the Audit Committee meeting quarterly to present the internal audit findings and makes appropriate recommendations on areas of concern within the Group. Management would provide explanations during the Audit Committee meeting on the findings raised by the Internal Audit, together with the corrective actions plan in resolving the audit findings. In addition, the Internal Audit Division also conducts follow-up audit review to monitor and ensure that all audit recommendations have been effectively implemented.

The cost incurred in undertaking the Internal Audit function for the financial year is approximately RM81,400.00.

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors of TH Heavy Engineering Berhad ("the Company") is supportive of the adoption of the principles and best practices of corporate governance as set out in the Malaysian Code on Corporate Governance 2012 ("the Code") throughout the Group.

The Board will review the existing corporate governance practices through the Group and will undertake appropriate action in embedding the eight (8) principles and twenty-six (26) recommendations laid down in the Code in the existing framework.

The following statement states and affirms the means and manner which the Group has applied the principles and state the extent of compliance to the best practices of the Code during the financial year under review.

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Clear Functions of the Board and Management

The Board provides overall stewardship over the management of the Group. Key matters reserved for the Board's approval include the following:

- strategic, financial and organisational matters for its collective decision;
- key matters such as approval of annual and quarterly results;
- acquisitions and disposals;
- material investments;
- material agreements;
- major capital expenditures;
- budgets and long-term plans; and
- succession planning for top management.

Clear Roles and Responsibilities

The Board amongst others assumes the following duties and responsibilities:

- reviewing, monitoring and approving the overall strategies, direction and policies of the Company and Group;
- overseeing and evaluating the conduct and performance of the Company and Group;
- identifying principal risks and ensuring the implementation of appropriate system to manage risk;
- establish succession planning and review remuneration packages of senior management;
- considering Management's recommendations on key issues including acquisition, disposal, restructuring and significant capital expenditure; and
- reviewing the adequacy and the integrity of the management information and internal controls system of the Company.

The Board has delegated certain functions to several Committees namely:

- The Audit Committee;
- The Nomination Committee;
- The Remuneration Committee; and
- The Executive Committee.

The functions and terms of reference of the respective Committees, as well as the authority delegated by the Board to these Committees have been clearly defined by the Board. The Chairman of the respective Committee reports to the Board on the outcome of the Committee meetings and the minutes will be included in the Board Papers for Board's notification.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

(i) Audit Committee

The Audit Committee is made up of three (3) Non-Executive Directors all of whom are Independent and comprises the following Directors:

Chairman	:	Dato' Mohamad Norza Bin Haji Zakaria (Independent Non-Executive Director)
Members	:	Too Kok Leng (Independent Non-Executive Director)
		Nusral Bin Danir (Independent Non-Executive Director)

The Audit Committee assists and supports the Board in its responsibility to oversee the Company's operations.

The Summary of the terms of reference of the Audit Committee and the activities are set out on pages 24 to 28 of this Annual Report.

(ii) Nomination Committee

The Nomination Committee comprises entirely Independent Non-Executive Directors as follows:

Chairman	:	Roslan Bin Mohd Latif (Independent Non-Executive Director)
Members	:	Dato' Md. Yusop Bin Omar (Independent Non-Executive Director)
		Too Kok Leng (Independent Non-Executive Director)

The Nomination Committee is responsible for reviewing the Board's structure, size and composition regularly, as well as making recommendations to the Board with regard to changes that are deemed necessary. It also recommends the appointment of Directors to Committees of the Board and reviews the required mix of skills, experience, competence and other qualities which Non-Executive Directors should bring to the Board. The Nomination Committee also reviews the succession planning of the Board and as well as reviewing the training programmes for the Board. For this purpose, the Nomination Committee meets at least once a year or at such other times as the Chairman of the Nomination Committee decides.

During the financial year ended 31 December 2013, the Nomination Committee carried out the following activities:

- Discussed the proposed appointment of new Director;
- Discussed the proposed appointment of Chief Financial Officer of the Company;
- Reviewed the revised Terms of Reference; and
- Reviewed the performance of the Audit Committee.

(iii) Remuneration Committee

The Remuneration Committee is made up entirely of Independent Non-Executive Directors, comprising the following members:

Chairman	:	Dato' Md. Yusop Bin Omar (Independent Non-Executive Director)
Members	:	Dr. Samad Bin Solbai (Independent Non-Executive Director)
		Too Kok Leng (Independent Non-Executive Director)

The Remuneration Committee reviews annually the remuneration packages of the Executive Directors and Senior Management and furnishes recommendations to the Board on specific adjustments in remuneration and/or reward payments.

These adjustments are to reflect their respective continuations for the year based on the framework of principles established by the Company.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

(iv) Executive Committee

The Executive Committee comprises the following Directors:-

Chairman	:	Datuk Azizan Bin Abd. Rahman (Non-Independent Non-Executive Director)
Members	:	Dato' Norza Mohamad Bin Haji Zakaria (Independent Non-Executive Director)
		Too Kok Leng (Independent Non-Executive Director)
		Dr. Samad Bin Solbai (Independent Non-Executive Director)
		Nor Badli Munawir Bin Mohamad Alias Lafti (Managing Director & Chief Executive Officer)

The Executive Committee reports to the Board of Directors and meets at least once a month to discuss and review the operations of the Company. In attendance are Chief Financial Officer, Chief Operating Officer, General Manager - Legal and Secretarial Services, General Manager-Corporate Services and relevant heads of departments (if necessary).

Formalised Ethical Standards through Code of Ethics

The Company's Codes of Ethics are set out in the Company's Employee Handbook.

Strategies Promoting Sustainability

The Board promotes good Corporate Governance in the application of sustainability practices throughout the Company, the benefits are believed to translate into better corporate performance. A detailed report on sustainability activities, demonstrating the Company's commitment to the global environmental, social, governance and sustainability agenda, appears in the Corporate Responsibility Statement of this Annual Report.

Access to Information and Advice

The Directors have individual and independent access to the advice and dedicated support services of the Company Secretary in ensuring the effective functioning of the Board. The Directors may seek advice from Management on issues under their respective purview. The Directors may also interact directly with Management, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from them.

In addition, the Board may seek independent professional advice at the Company's expense on specific issues to enable the Board to discharge its duties in relation to matters being deliberated. Individual Directors may also obtain independent professional or other advice in furtherance of their duties, subject to the approval of the Chairman of the Board, depending on the quantum of the fees involved.

Qualified and competent Company Secretary

The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in the discharge of its function. The Company Secretary plays an advisory role to the Board in the discharge of its duties in relation to matters being deliberated.

Board Charter

The Board Charter is currently being drafted and will be posted on the Company's website after the Board's approval. In the course of establishing a Board Charter, the Board recognises the importance to set out the key values and key principles of the Company.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

STRENGTHEN COMPOSITION

Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors

Appointments of the Board and Re-election

The appointments of the Board are the responsibilities of the Nomination Committee, who assesses and recommends to the Board on new appointments.

In accordance with the Articles of Association of the Company, at least one third of the Board shall retire from office at least once in every three (3) years, but shall be eligible for re-election, and that the retiring Director shall retain office until the close of the meeting at which he retires. This is also in compliance with Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Bursa Securities Listing Requirements").

Remuneration Policies and Procedures

The Remuneration Committee's main function is to recommend to the Board, appropriate levels of remuneration for Executive Directors and in framing the Group's remuneration policy. The objectives are to attract and retain Directors of the calibre needed to manage the Group effectively.

The Board as a whole determines the remuneration of Non-Executive and Executive Directors with the interested Directors abstaining from discussions in respect to their remuneration.

The details of the remuneration of the Directors who served during the financial year ended 31 December 2013 are as follows:

Aggregate Remuneration By Category	Executive Directors (RM)	Non-Executive Directors (RM)
Basic salaries, bonuses and EPF	1,019,200.00	-
Fees and allowances	-	761,528.76
Total	1,019,200.00	761,528.76

The numbers of Directors whose total remuneration fall within the respective bands are as follows:

Range of Remuneration	Number of Executive Directors	Number of Non-Executive Directors
RM50.000 & below	-	4
RM150, 001 — RM200, 000	-	4
RM1,000,001 - RM1,050,000	1	-

Note: Successive bands of RM50,000 are not shown entirely as these are not represented.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

REINFORCE INDEPENDENCE

Annual Assessment of Independence

The Board comprises highly reputable and professional persons of calibre, credibility and has the necessary skills and experience to bring an independent judgement. With their combined experience and knowledge, they provide sound advice and impartial judgement for the benefit of the Company, its shareholders and stakeholders.

The Chairmain along with the members of the Board are entrusted with the task of developing, adopting and monitoring overall business strategies and policies. The Independent Non-Executive Directors also contribute to the formulation of policies, providing unbiased and independents views, advice and judgement. They also act to safeguard the interest of the minority shareholders in respect of decisions taken by the Board pertaining to undertaking of the various business initiatives.

The Board assesses the independence of the Independent Non-Executive Directors annually. The Board is satisfied with the level of independence by all the Independent Non-Executive Directors and their ability to act in the best interest of the Company.

Tenure of Independent Directors

In line with the recommendation of the Code, the tenure of an Independent Director of the Company shall not exceed a cumulative term of nine (9) years. An Independent Director may continue to serve the Board subject to the re-designation of the Independent Director as a Non-Independent Director. In the event the Board intends to retain the Independent Director as an Independent Director after serving a cumulative term of nine (9) years, shareholders' approval will be sought.

Separation of Positions of the Chairman and Managing Director

The role of the Non-Independent Non-Executive Chairman and Managing Director & Chief Executive Officer position is distinct and separate to ensure that there is a balance of power and authority. Datuk Azizan Bin Abd. Rahman is the Non-Independent Non-Executive Chairman. The Chairman is responsible for leadership, effectiveness and governance of the Board. Encik Nor Badli Munawir Bin Mohamad Alias Lafti is the Managing Director & Chief Executive Officer and is responsible for day-to-day management of the business and implementation of the Board's policies and decisions.

Composition of the Board

The Company is headed by the Board of Directors who leads and controls the Company. The Board members are equipped with the relevant skills, knowledge and expertise in a wide range of related and unrelated industries and the Board is essential for the effective running of the Company's affairs.

The Board comprises eight (8) Board members, which includes one (1) Non-Independent Non-Executive Director, one (1) Executive Director and six (6) Independent Non-Executive Directors. There is effective check and balance on the Board with three quarter of the Board Members being Independent Non-Executive Directors.

Composition of the Board members reveals their varied background as outlined on pages 10 to 13 of this Annual Report. The Board collectively has a broad range of experience in areas of public services, administration, law, accounting and finance and engineering.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

FOSTER COMMITMENT

Time Commitment

Board meetings are held quarterly with additional meetings held when necessary. The Board met four (4) times during the year under review and all Directors attended more than 50% of the total Board meetings held during the financial year ended 31 December 2013. During these meetings, the Board reviews, amongst others, the Group's quarterly financial results, reports and updates on the Group's operations, minutes of meetings of Board Committees and any other strategic issues relating to the Group's businesses.

All proceedings at the Board meetings are minuted and recorded including the issues discussed and decisions arrived at.

Board of Directors Meetings

	Meeting Attendance	%
Datuk Azizan Bin Abd Rahman	4/4	100
Too Kok Leng	4/4	100
Roslan Bin Mohd Latif	3/4	75
Dato' Mohamad Norza Bin Zakaria	4/4	100
Nor Badli Munawir Bin Mohamad Alias Lafti	4/4	100
Dr. Samad Bin Solbai	4/4	100
Dato' Md Yusop Bin Omar	3/4	75
Nusral Bin Danir (Appointed on 23 August 2013)	2/2	100
Dato' Md Zahari Bin Md. Zain (Retired on 3 June 2013)	2/2	100

Audit Committee Meetings

Directors	No. of Meetings Attended	%
Dato' Mohamad Norza Bin Haji Zakaria (Chairman)	5/5	100
Too Kok Leng	5/5	100
Nusral Bin Danir (Appointed on 23 August 2013)	2/2	100
Dato' Md. Zahari Bin Md. Zin (Retired on 3 June 2013)	2/2	100

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

FOSTER COMMITMENT (CONT'D)

Training

All Directors have successfully completed the Mandatory Accreditation Programme conducted by a body approved by Bursa Malaysia Securities Berhad ("Bursa Securities") and will continue to undergo training and education programmes in order to keep themselves abreast on the various issues facing the changing business environment within which the Company operates and the latest developments in order to discharge their duties and responsibilities more effectively.

Updates on the Companies Act, 1965 and Bursa Securities Listing Requirements were given by the Company Secretary to all Directors to facilitate knowledge enhancement in the areas of the Code and relevant compliance areas.

All Directors have full opportunity to attend seminars, trainings, workshops and conferences to update themselves with the knowledge and skills to contribute and to carry out their roles and duties in line with the Directors' responsibility.

Wherever there is a need, the Board calls for an in-house briefing or talk in relation to a topic or a new legislation or current developments in the regulatory and compliance requirement.

For the financial year ended 31 December 2013, the Directors attended these training programmes:-

1. Khazanah Megatrends Forum
2. Ninth World Islamic Economic Forum
3. Offshore Technology Conference 2013
4. MIA Conference 2013

UPHOLD INTEGRITY IN FINANCIAL REPORTING

Compliance with Applicable Financial Reporting Standards

The Company's financial statements were prepared in accordance with the requirements and the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia. The Board is aware of its responsibilities and the requirements to present a balanced and comprehensive assessment of the Group's financial position, by means of the annual and quarterly report and other published information.

The Audit Committee assists the Board in scrutinising information for disclosure to ensure accuracy, adequacy and completeness. The composition, summary of activities and Summary of terms of reference of the Audit Committee can be found in the Audit Committee Report on pages 24 to 28 of the Annual Report.

The Statement of Directors' Responsibility in respect of the Audited Financial Statements pursuant to paragraph 15.26(a) of Bursa Securities Listing Requirements is set out on page 37 of this Annual Report.

Assessment of Suitability and Independence of External Auditors

The Audit Committee undertakes an annual assessment of the suitability and independence of the external auditors. The Audit Committee, having satisfied with the external auditors' performance will recommend their re-appointment to the Board and seek shareholders' approval during the Annual General Meeting.

The Company has established a professional and transparent relationship with the external auditors, and the external auditors are given access to books and records of the Company at all times.

RECOGNISE AND MANAGE RISKS

Sound Framework to Manage Risks

The Board of Directors also recognises that effective risk management is an integral part of good business management practice. The Board of Directors is committed to implement an effective risk management framework which will allow Management to identify, evaluate and manage risk with defined risk profiles.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

RECOGNISE AND MANAGE RISKS (CONT'D)

Internal Audit Function

The Board has established an internal audit function for the Group to obtain sufficient assurance of regular review and/or appraisal of the effectiveness of the system of internal controls with the Company and the Group.

The overview of the state of internal controls and risk management within the Group is presented in the Statement on Risk Management and Internal Control of pages 39 to 41 of this Annual Report.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policy

The Company recognises the importance of Corporate Disclosure which emphasis on transparent, consistent and coherent communication with investment community and shareholders. The Company seeks to build relationship with its shareholders and potential investors by providing sufficient business, operations and financial information on the Group to enable them to make informed investment decisions.

Leverage on Information Technology for Effective Dissemination of Information

The Company's website incorporates an Investor Relations section which provides all relevant information on the Company and is accessible by the public. The Investors Relation section provide Bursa Securities' announcements, annual reports, investor relation contacts and stock performance of the Company.

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Encourage Shareholders Participation at General Meeting

The Annual General Meeting is a crucial platform where the Company's shareholders meet and exchange views with the Board. Shareholders are notified of the meeting and provided with a copy of the Company's Annual Report twenty-one (21) days before the scheduled meeting.

The Chairman and all other members of the Board will be in attendance to answer all queries that may be raised during the Questions and Answers Session.

Encourage Poll Voting

There will not be any substantive resolution to be put forth shareholders' approval at the forthcoming Annual General Meeting. Nevertheless, the Company would conduct poll voting if demanded by shareholders at the General Meeting.

Effective Communication and Proactive Engagement

The Group's senior management views continuous and frequent interaction with its shareholders and investors as a key component of good Corporate Governance. In line with this, the Group has diligently practised relevant and timely disclosure of material corporate developments as stipulated by disclosure requirements of Bursa Securities Listing Requirements.

Apart from official announcements through Bursa Securities' website, the Group strives to ensure the corporate developments are adequately and correctly conveyed to the general and investing public.

The Company is a corporate member of The Malaysia Investor Relations Association, which is fully sponsored by Bursa Securities. Care is taken to ensure all information being disseminated and conveyed via the Group's website, Bursa Securities' announcements and press interviews are authorised, accurate and timely.

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Companies Act, 1965 ("the Act") requires the Directors to lay before the Company ("TH Heavy Engineering Berhad") at its Annual General Meeting, the financial statements, which includes the consolidated statements consisting of the consolidated statement of financial position and the consolidated statement of comprehensive income of the Company and its subsidiaries ("the Group") for each financial year, made out in accordance with the applicable approved accounting standards and the provisions of the Act. This is also in line with Paragraph 15.26 (a) of Bursa Malaysia Securities Berhad, Main Market Listing Requirements.

The Directors are required to take reasonable steps in ensuring that the consolidated financial statements give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year ended 31 December 2013.

The financial statements of the Company and the Group for the financial year in review are set out on pages 43 to 113 of this Annual Report.

In the preparation of the financial statements, the Directors are satisfied that the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates. The Directors also confirm that all accounting standards which they consider to be applicable have been complied with.

The Directors are required under the Act to ensure that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company, and to cause such records to be kept in such manner as to enable them to be conveniently and properly audited.

ADDITIONAL COMPLIANCE INFORMATION

1. **Share Buy-Back**

   The Company did not enter into any share buy-backs transactions during the financial year ended 31 December 2013.

2. **Options or Convertible Securities**

   On 20 December 2004, the Company issued 237,800,000 warrants pursuant to the Corporate Restructuring Scheme. A total of 26,405 warrants were converted into ordinary shares of RM0.25 each during the financial year ended 31 December 2013.

   There was no issuance of Options or Convertible Securities during the financial year ended 31 December 2013.

3. **Depository Receipt ("DR") Programme**

   The Company did not sponsor any DR programme during the financial year ended 31 December 2013.

4. **Imposition of Sanctions and/or Penalties**

   There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by any regulatory bodies during the financial year ended 31 December 2013.

5. **Non-Audit Fees**

   Non-audit fees incurred during the financial year ended 31 December 2013 amounted to approximately RM2.9 million.

6. **Variation in Results**

   There was no material variation between the audited results for the financial year ended 31 December 2013 and the unaudited results announced by the Company earlier.

7. **Profit Forecast/Projection**

   There was no profit forecast/projection provided by the Company for the financial year 31 December 2013.

8. **Material contracts involving Directors and Major Shareholders' interest**

   There was no material contract entered into by the Company or its subsidiaries involving Directors and Major Shareholders' interest for the financial year ended 31 December 2013.

9. **Recurrent Related Party Transactions of a Revenue or Trading Nature**

   There was no recurrent related party transactions of a revenue or trading nature during the financial year ended 31 December 2013.

10 **Status of Utilisation of proceeds**

   On 17 May 2013, the Company had placed out 92,797,000 new ordinary shares to investors which raised a total proceed of RM41,758,650/-. As at the date of this Annual Report, the Company had utilised RM25,330,457/- for the purpose of working capital.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("the Board") of TH Heavy Engineering Berhad is pleased to present its Statement on Risk Management and Internal Control of the Group for the year ended 31 December 2013 in line with the Listing Requirements of Bursa Securities.

The Board is committed to fulfilling its responsibility of maintaining a sound risk management framework and system of internal control in the Group in accordance with the Malaysian Code on Corporate Governance.

BOARD RESPONSIBILITY

The Board affirms its overall responsibility and is committed to maintain a sound system of internal control and ensure its adequacy and integrity so as to safeguard shareholders' investments and the Group's assets. The Board and Management have implemented an internal control system designed to identify and manage the risks facing the Group in pursuit of its business objectives.

To facilitate its responsibilities, the Board had tasked the Management to identify and assess principal risks faced by the Group and thereafter design, implement and monitor appropriate systems to manage risks. As there are limitations that are inherent in any internal control and risk management systems, the system designed can manage rather than eliminate risks that impact the achievement of the Group's business objectives. Accordingly, it can only provide reasonable but no absolute assurance against material misstatement or loss. The system of internal control covers, inter alia, financial, operational and compliance controls, as well as risk management procedures.

During the financial year under review, there were no material losses incurred as a result of weaknesses in the internal control and the Board is satisfied that the on-going process of regular reviewing, evaluating and monitoring the risk management and internal control systems are reasonably effective and adequate within the Group, except for Berlian McDermott Sdn Bhd which became an associated company of the Group in the later part of the year.

This statement does not include the state of internal control in the associate company, which has not been dealt with as part of the Group.

INTERNAL CONTROL SYSTEM

Independent Audit Committee

The Audit Committee comprises of all Non-Executive Directors, who are also independent of the management. It has an overall responsibility to assist the Board in fulfilling its responsibilities for the financial reporting process, the system of internal control, the audit process and the Group's process for monitoring compliance with laws and regulations.

Internal Audit Department

The Internal Audit Department serves as a corporate resource in support of the Audit Committee to fulfil its responsibilities. As part of its broader effort to ensure its system of checks and balances are operating as designed, the Board has co-sourcing the internal audit functions of the Group to an external firm ("the Internal Auditors"). The Group's Internal Audit and the Internal Auditors' report independently to the Audit Committee on key findings and progress of areas audited to the Audit Committee on a regular basis.

Risk Management

THHE is in the process of implementating a formal enterprise risk management ("ERM") framework to ensure proper management of risks that may impede the achievement of the Group's goals and objectives.

With the ERM Framework in place, management will report regularly to the EXCO and the Board on all major business risks faced by the Group and the adequacy of internal controls to manage those risks. Any significant changes in the business and the external environment which may result in significant risks will be reported accordingly.

The risk management process includes identifying principal business risks in critical areas, assessing the likelihood and impact of material exposures and determining its corresponding risk mitigation and treatment measures is serves as an ongoing process. The said process will accord with the Statement on Internal Control - Guidance for Directors of Public Listed Companies.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

Approval of Major Decisions

All major decisions require the final approval of the Board and are only made after appropriate in-depth studies have been conducted. Matters that require the Board's approval include acceptance and award of major contracts, major investments and financial decisions.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

The other key elements of the Group's system of internal control are as follows:

Clear and Structured Organisational Reporting Lines

The Group has a well-defined organisation structure that is aligned to its business requirements and also to ensure check and balance through segregation of duties. Clear reporting lines and authority limits govern the approval process, driven by Limits of Authority set by the Board. All key strategic, business and investment plans are approved and monitored by the Board. Comprehensive Board papers, which include both financial and non-financial matters such as cash flow forecasts, business strategies, corporate exercise, and any other key matters to consider of the Group, were escalated to the Board for deliberation and approval.

Management Systems, Policies and Procedures

The Group established several management systems to improve its management and operational efficiency. The management systems have been certified to international standards such as ISO 9001:2008 for Quality Management System, ISO 14001:2004 for Environmental Management System and OHSAS 18001:2007 for the Occupational Health and Safety Management System both at the corporate office and business units.

The commitment towards these Management Systems was recognized by the National Council for Safety and Occupational Health (Ministry of Human Resources) with the prestigious award of National Occupational Safety and Health Excellence Award 2013 in the Construction Category on 18 December 2013.

Written Policies and Procedures are established at all levels within the Group as part of the various management systems and customers' requirements compliances. These policies and procedures are reviewed regularly and updated when necessary. Briefings, trainings and awareness programs are provided to stakeholders such as employees, contractors and customers.

Strategic Business Planning, Budgeting and Reporting

The Group's overall strategic business plan that maps out its objectives and business direction was presented by the Management to the Board for their deliberation and clearance. The Management has provided the Board with regular updates on the corporate activities as well as the progress of work activities within the Group. The Management also regularly reviewed with the Board, issues covering, but not restricted to, strategy, performance, resources and standards of business conduct.

Assurance from Management

The Board have received assurance from the Chief Executive Office ("CEO")/ Managing Director ("MD") and Chief Financial Officer ("CFO") that a review on the adequacy and effectiveness of the risk management practices and internal control system has been undertaken and THHE Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of THHE Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

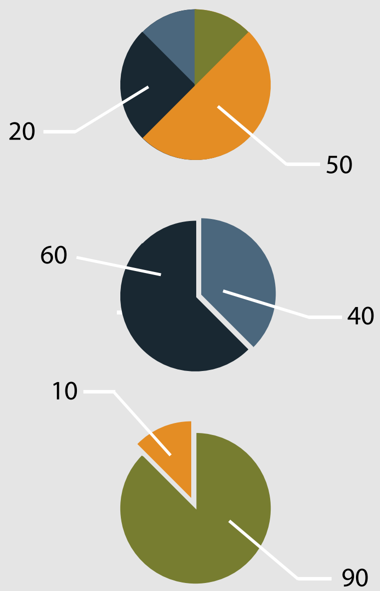
Review of The Statement by External Auditors

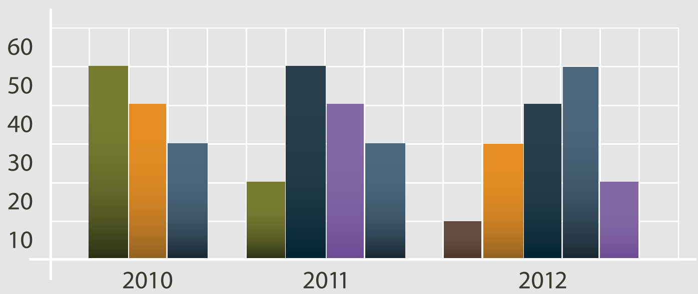
The External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report of the Group for the year ended 31 December 2013 pursuant to the scope set out in Recommended Practice Guide (“RPG”) 5 issued by Malaysian Institute of Accountant (“MIA”) and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of the risk management and internal control system within the Group. RPG 5 does not require the External Auditors to (and they did not) consider whether the Director’s Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group’s risk management and internal control system including the assessment and opinion by the Directors and Management thereon.

Circular resolution was approved on 30 April 2014 to confirm on the statement.

(This page has been intentionally left blank)

FINANCIAL STATEMENTS





DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and provision of management services, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the year attributable to:		
Owners of the Company	8,188,424	54,700,274
Non-controlling interests	(6,632,354)	-
	1,556,070	54,700,274

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

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

DIRECTORS OF THE COMPANY

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

- Datuk Azizan Bin Abd. Rahman (Chairman)
- Dato' Mohamad Norza Bin Haji Zakaria
- Roslan Bin Mohd Latif
- Too Kok Leng
- Nor Badli Munawir Bin Mohamad Alias Lafti
- Dato' Md Yusop Bin Omar
- Dr. Samad Bin Solbai
- Nusral Bin Danir (Appointed on 23.8.2013)
- Dato' Md. Zahari Bin Md. Zin (Retired on 3.6.2013)

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares of RM0.25 each			
	At 1.1.2013	Bought	Sold	At 31.12.2013
Direct interest				
Nor Badli Munawir Bin Mohamad Alias Lafti	1,400,000	-	-	1,400,000

	Number of warrants			
	At 1.1.2013	Bought	Sold	At 31.12.2013
Direct interest				
Roslan Bin Mohd Latif	7,906	-	-	7,906

None of the other Directors holding office at 31 December 2013 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 Directors as shown in the financial statements 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.

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 in or debentures of the Company or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the following shares of RM0.25 each were issued:

Date of issue	Purpose of issue	Class of shares	Number of shares	Terms of issue
17.05.2013	Private Placement	Ordinary Shares of RM0.25 each	92,797,000	Cash
09.07.2013	Conversion of Warrants	Ordinary Shares of RM0.25 each	26,405	Cash

There were no debentures issued during the financial year.

DIRECTORS' REPORT (CONT'D)

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

DETACHABLE WARRANTS 2004/2014

On 20 December 2004, a total of 237,800,000 Detachable Warrants 2004/2014 were issued. The Company has 237,306,966 (2012: 237,333,371) units of unexercised warrants at the end of the financial year.

The salient features of the Detachable Warrants 2004/2014 are disclosed in Note 12 to the financial statements.

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 have been written off and adequate provision made for doubtful debts, 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 the provision for doubtful debts 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.

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, except for those disclosed in the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2013 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.

DIRECTORS' REPORT (CONT'D)

SIGNIFICANT AND SUBSEQUENT EVENTS

Significant and subsequent events are disclosed in Note 28 to the financial statements.

AUDITORS

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

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

Datuk Azizan Bin Abd. Rahman

Nor Badli Munawir Bin Mohamad Alias Lafti

Kuala Lumpur
Date: 30 April 2014

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 6 to 86 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 2013 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 29 on page 87 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:

Datuk Azizan Bin Abd. Rahman

Nor Badli Munawir Bin Mohamad Alias Lafti

Kuala Lumpur
Date: 30 April 2014

STATUTORY DECLARATION
PURSUANT TO SECTION 169 (16) OF THE COMPANIES ACT, 1965

I, Suhaimi Badrul Jamil, the Chief Financial Officer primarily responsible for the financial management of TH Heavy Engineering Berhad, do solemnly and sincerely declare that the financial statements set out on pages 6 to 87 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 above named in Kuala Lumpur in the Federal Territory on 30 April 2014.

Suhaimi Badrul Jamil

Before me:

INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of TH Heavy Engineering Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 86.

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 judgment, including the assessment of the 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 the 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.

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 2013, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT (CONT'D)

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 accounts 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 accounts 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 of the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 29 on page 87 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, 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.

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.

KPMG
Firm Number: AF 0758
Chartered Accountants

Siew Chin Kiang @ Seow Chin Kiang
Approval Number: 2012/11/14(J)
Chartered Accountant

Petaling Jaya

Date: 30 April 2014

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Assets					
Property, plant and equipment	3	492,588,596	147,009,791	1,861,593	1,669,748
Intangible assets	4	55,274	70,998	-	-
Investment in subsidiaries	5	-	-	70,600,006	67,100,006
Investment in associates	6	82,839,072	-	77,926,000	-
Deferred tax assets	7	9,010,951	4,310,951	-	-
Trade receivables	9	-	12,904,413	-	-
Total non-current assets		584,493,893	164,296,153	150,387,599	68,769,754
Inventories	8	5,717,238	830,733	34,385	16,636
Trade and other receivables	9	211,418,614	111,114,074	165,554,592	166,787,957
Prepayments		2,171,188	976,158	547,961	209,734
Cash and cash equivalents	10	86,837,811	47,011,182	38,727,041	21,392,596
Asset classified as held for sale	11	-	289,278,260	-	-
Total current assets		306,144,851	449,210,407	204,863,979	188,406,923
Total assets		890,638,744	613,506,560	355,251,578	257,176,677
Equity					
Share capital		255,199,687	231,993,834	255,199,687	231,993,834
Share premium		57,256,473	38,690,208	57,256,473	38,690,208
Revaluation reserves		28,317,138	28,317,138	-	-
Other reserves		(87,296)	-	-	-
Retained profits/(Accumulated losses)		40,351,508	12,016,102	38,834,793	(15,865,481)
Total equity attributable to owners of the Company	12	381,037,510	311,017,282	351,290,953	254,818,561
Non-controlling interests		51,146,664	-	-	-
Total equity		432,184,174	311,017,282	351,290,953	254,818,561
Liabilities					
Deferred tax liabilities	7	107,860	107,860	-	-
Borrowings	13	272,883,816	192,884	261,426	-
Total non-current liabilities		272,991,676	300,744	261,426	-
Current liabilities					
Trade and other payables	14	154,892,648	102,760,816	1,633,842	2,204,089
Borrowings	13	28,570,246	199,273,691	65,357	-
Current tax liabilities		2,000,000	154,027	2,000,000	154,027
Total current liabilities		185,462,894	302,188,534	3,699,199	2,358,116
Total liabilities		458,454,570	302,489,278	3,960,625	2,358,116
Total equity and liabilities		890,638,744	613,506,560	355,251,578	257,176,677

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Revenue	15	259,932,186	190,374,299	9,002,966	86,823,020
Cost of sales		(215,541,025)	(123,564,662)	-	-
Gross profit		44,391,161	66,809,637	9,002,966	86,823,020
Other income		9,387,854	2,914,602	108,412,746	18,835,241
Administrative expenses		(52,290,898)	(29,627,996)	(10,898,027)	(9,070,055)
Other expenses		(808,369)	(6,730,829)	(49,608,745)	(6,326,198)
Results from operating activities		679,748	33,365,414	56,908,940	90,262,008
Finance costs	16	(6,653,914)	(3,062,916)	(52,483)	(14,002)
Share of profit of equity accounted associate, net of tax	6	5,000,368	-	-	-
(Loss)/Profit before tax	17	(973,798)	30,302,498	56,856,457	90,248,006
Tax expense	19	2,529,868	(6,129,995)	(2,156,183)	(293,385)
Profit for the year		1,556,070	24,172,503	54,700,274	89,954,621
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Revaluation of property, plant and equipment	20	-	28,317,138	-	-
Share of loss of equity accounted associate	6	(87,296)	-	-	-
Other comprehensive income for the year, net of tax		(87,296)	28,317,138	-	-
Total comprehensive income for the year		1,468,774	52,489,641	54,700,274	89,954,621
Profit attributable to:					
Owners of the Company		8,188,424	24,172,503	54,700,274	89,954,621
Non-controlling interests		(6,632,354)	-	-	-
Profit for the year		1,556,070	24,172,503	54,700,274	89,954,621
Total comprehensive income attributable to:					
Owners of the Company		8,101,128	52,489,641	54,700,274	89,954,621
Non-controlling interests		(6,632,354)	-	-	-
Total comprehensive income for the year		1,468,774	52,489,641	54,700,274	89,954,621
Basic earnings per ordinary share (sen)	21	0.83	3.15		
Diluted earnings per ordinary share (sen)	21	0.67	-		

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Attributable to owners of the Company — Non-distributable				Distributable			
	Share capital RM	Share premium RM	Revaluation reserve RM	Other reserve RM	(Accumulated losses)/ Retained profits RM	Total RM	Non-controlling interests RM	Total equity RM
Group								
At 1 January 2012	331,419,763	97,527,749	-	-	(275,394,032)	153,553,480	-	153,553,480
Credit arising from revaluation reserves	-	-	28,317,138	-	-	28,317,138	-	28,317,138
Profit for the year	-	-	-	-	24,172,503	24,172,503	-	24,172,503
Total comprehensive income for the year	-	-	28,317,138	-	24,172,503	52,489,641	-	52,489,641
Contributions by owners of the company								
Credit arising from share premium reduction	-	(97,527,749)	-	-	97,527,749	-	-	-
Credit arising from change in par value	(165,709,882)	-	-	-	165,709,882	-	-	-
Issue of ordinary shares	66,283,953	39,770,371	-	-	-	106,054,324	-	106,054,324
Cost of issuance of shares	-	(1,080,163)	-	-	-	(1,080,163)	-	(1,080,163)
Total transactions with owners of the Company	(99,425,929)	(58,837,541)	-	-	263,237,631	104,974,161	-	104,974,161
At 31 December 2012/1 January 2013	231,993,834	38,690,208	28,317,138	-	12,016,102	311,017,282	-	311,017,282
Total other comprehensive income for the year	-	-	-	(87,296)	-	(87,296)	-	(87,296)
Profit for the year	-	-	-	-	8,188,424	8,188,424	(6,632,354)	1,556,070
Total comprehensive income for the year	-	-	-	(87,296)	8,188,424	8,101,128	(6,632,354)	1,468,774
Contributions by owners of the Company								
Issuance of private placement	23,199,250	18,559,400	-	-	-	41,758,650	-	41,758,650
Conversion of warrants to share	6,603	6,865	-	-	-	13,468	-	13,468
	23,205,853	18,566,265	-	-	-	41,772,118	-	41,772,118
Changes in ownership interests in a subsidiary	-	-	-	-	20,146,982	20,146,982	57,779,018	77,926,000
Total transaction with owners of the Company	23,205,853	18,566,265	-	-	20,146,982	61,919,100	57,779,018	119,698,118
At 31 December 2013	255,199,687	57,256,473	28,317,138	(87,296)	40,351,508	381,037,510	51,146,664	432,184,174
	Note 12	Note 12	Note 12	Note 12				

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	← Attributable to owners of the Company →			
	← Non-distributable →		Distributable	
	Share capital RM	Share premium RM	(Accumulated losses)/ Retained profits RM	Total RM
Company				
At 1 January 2012	331,419,763	97,527,749	(369,057,733)	59,889,779
Profit and comprehensive income for the year	-	-	89,954,621	89,954,621
Contributions by owners of the Company				
Credit arising from share premium reduction	-	(97,527,749)	97,527,749	-
Credit arising from change in par value	(165,709,882)	-	165,709,882	-
Issue of ordinary shares	66,283,953	39,770,371	-	106,054,324
Cost of issuance of shares	-	(1,080,163)	-	(1,080,163)
Total transactions with owners of the Company	(99,425,929)	(58,837,541)	263,237,631	104,974,161
At 31 December 2012/1 January 2013	231,993,834	38,690,208	(15,865,481)	254,818,561
Profit and comprehensive income for the year	-	-	54,700,274	54,700,274
Contributions by owners of the Company				
Issuance of private placement	23,199,250	18,559,400	-	41,758,650
Conversion of warrants to share	6,603	6,865	-	13,468
Total transactions with owners of the Company	23,205,853	18,566,265	-	41,772,118
At 31 December 2013	255,199,687	57,256,473	38,834,793	351,290,953
	Note 12	Note 12	Note 12	

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

		Group		Company	
		2013	2012	2013	2012
	Note	RM	RM	RM	RM
Cash flows from operating activities					
(Loss)/Profit before tax		(973,798)	30,302,498	56,856,457	90,248,006
Adjustments for:					
Amortisation of intangible assets		28,068	13,265	-	-
Bad debts written off		-	27,430	-	27,430
Bad debts recovered		(246,398)	-	(246,398)	-
Deposits written off		-	3,600	-	-
Depreciation of property, plant and equipment		8,867,499	4,488,696	209,648	372,379
Discounts received from third parties		(4,248,564)	(145,218)	-	-
Dividend income	(i)	-	-	-	(78,856,803)
Gain on disposal of property, plant and equipment		-	(7,999)	-	-
Impairment loss on:					
- Other receivables		-	4,723,829	-	3,998,034
Finance costs		6,656,262	3,062,916	52,483	14,002
Finance income		(1,204,797)	(680,529)	(1,180,304)	(624,732)
Inventories written off		290,634	-	-	-
Reversal of impairment loss on:					
- Inventories		(24,063)	-	-	-
- Investment in subsidiary		-	-	(99,000,000)	(15,000,000)
- Trade receivables		(206,805)	-	-	-
- Other receivables		(96,076)	-	(96,076)	-
- Subsidiaries		-	-	-	(2,527,330)
Share of profit of associate		(5,000,368)	-	-	-
Loss on disposal of subsidiary		-	-	49,574,000	-
Waiver of debts to subsidiaries		-	-	-	8,456
Operating profit/(loss) before changes in working capital		**3,841,594**	**41,788,488**	**6,169,810**	**(2,340,558)**

STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Cash flows from operating activities (cont'd)					
Operating profit/(loss) before changes in working capital		3,841,594	41,788,488	6,169,810	(2,340,558)
Changes in working capital:					
Inventories		(5,153,076)	1,740,384	(17,749)	(16,636)
Trade and other receivables and prepayments		(88,045,878)	(100,217,262)	1,237,612	(83,027,457)
Trade and other payables		56,380,396	73,851,982	(570,247)	(37,773,571)
Net cash generated (used in)/ from operations		(32,976,964)	17,163,592	6,819,426	(123,158,222)
Interests received		1,204,797	680,529	1,180,304	624,732
Interests paid		(5,714,048)	(643,053)	(52,483)	(14,002)
Tax paid		(324,159)	(139,358)	(310,210)	(139,358)
Net cash generated (used in)/ from operating activities		(37,810,374)	17,061,710	7,637,037	(122,686,850)
Cash flows from investing activities					
Acquisition of intangible assets		(12,344)	(77,448)	-	-
Acquisition of property, plant and equipment	(ii)	(64,836,354)	(123,434,443)	(69,803)	(17,410)
Acquisition of investment in associate		(77,926,000)	-	(77,926,000)	-
Additional investment in subsidiaries		-	-	(32,000,000)	(99,998)
(Increase)/Decrease in pledged deposits placed with licensed banks, net		25,166,291	9,063,788	10,922,834	20,513,865
Proceeds from disposal of property, plant and equipment		-	8,000	-	-
Proceeds from disposal of subsidiary		77,926,000	-	77,926,000	-
Net cash (used in)/generated from investing activities		(39,682,407)	(114,440,103)	(21,146,969)	20,396,457

STATEMENT OF CASH FLOWS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Cash flows from financing activities					
Proceeds from issuance of shares		41,772,118	106,054,324	41,772,118	106,054,324
Cost of issuance of shares		-	(1,080,163)	-	(1,080,163)
(Repayment)/Drawdown of term loans		(201,300,000)	(20,000,000)	-	-
Proceed from loans and borrowings		302,046,156	20,000,000	-	-
Repayment of finance lease liabilities		(32,573)	(4,453)	(4,907)	-
Net cash generated from financing activities		142,485,701	104,969,708	41,767,211	104,974,161
Net increase in cash and cash equivalents		64,992,920	7,591,315	28,257,279	2,683,768
Cash and cash equivalents at beginning of year		16,616,535	9,025,220	10,013,461	7,329,693
Cash and cash equivalents at end of year	**(iii)**	81,609,455	16,616,535	38,270,740	10,013,461

(i) Non - cash transaction

Investing activities

During the financial year, the Company received dividends from a subsidiary amounting to Nil (2012: RM78,856,803) via offsetting the amount due from the respective subsidiary.

(ii) Acquisition of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM65,168,044 (2012: RM123,659,443) of which RM331,690 (2012: RM225,000) were acquired by means of finance lease.

(iii) Cash and cash equivalents

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

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Cash and bank balances	10	63,938,077	16,616,535	18,265,730	10,013,461
Deposit placed with licensed banks	10	22,899,734	30,394,647	20,461,311	11,379,135
		86,837,811	47,011,182	38,727,041	21,392,596
Less: Pledged deposits		(5,228,356)	(30,394,647)	(456,301)	(11,379,135)
		81,609,455	16,616,535	38,270,740	10,013,461

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

TH Heavy Engineering Berhad is a public limited liability company, incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business
Level 23, Tower B
Menara UOA Bangsar
No. 5, Jalan Bangsar Utama 1
59000 Kuala Lumpur

Registered office
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in an associate.

The Company is principally engaged in investment holding and provision of management services, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements.

The financial statements were authorised for issue by the Board of Directors on 30 April 2014.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirement of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 10, Consolidated Financial Statements: Investment Entities
- Amendments to MFRS 12, Disclosure of Interests in Other Entities: Investment Entities
- Amendments to MFRS 127, Separate Financial Statements (2011): Investment Entities
- Amendments to MFRS 132, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136, Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139, Financial Instruments: Recognition and Measurement – Novation of Derivatives
- and Continuation of Hedge Accounting
- IC Interpretation 21, Levies

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)
- Amendments to MFRS 2, Share-based Payment (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 3, Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
- Amendments to MFRS 8, Operating Segments (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 13, Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
- Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 119, Employee Benefits – Defined Benefit Plans: Employee Contributions
- Amendments to MFRS 124, Related Party Disclosures (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 138, Intangible Assets (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 140, Investment Property (Annual Improvements 2011-2013 Cycle)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- MFRS 9, *Financial Instruments (2009)*
- MFRS 9, *Financial Instruments (2010)*
- MFRS 9, *Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

The Group plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2014 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014.

- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014 and 1 January 2015.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group except as mentioned below :

(i) MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of the 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 uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements, other than those disclosed in the following notes:

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

1. **BASIS OF PREPARATION (CONT'D)**

(d) Use of estimates and judgements (cont'd)

(i) Key sources of estimation uncertainty

Deferred tax assets

Deferred tax assets are recognised for unabsorbed re-investment allowances, unabsorbed capital allowances, unutilised tax losses and other deductible temporary differences to the extent that it is probable that taxable profits will be available against which the unabsorbed re-investment allowances, unutilised tax losses and unabsorbed capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

(ii) Critical judgement made in applying accounting policies

Construction contract

Construction contract accounting requires reliable estimation of the costs to complete the contract and reliable estimate of the stage of contract completion. Using experience gained on each contract and taking into account of the expectation of the time and materials required to complete the contract, management uses budgeting tools to estimate the profitability of the contract at any time.

Construction contract accounting required that variation, claims and incentive payments only be recognised as contract revenue to the extent that it is probable that they will be accepted by the customer. As the approval process often takes some time, a judgement is required to be made of its probability and revenue to be recognised accordingly.

Contingent liabilities

Determination of the treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and experts, internal and external to the Group, for matters in the ordinary course of business.

Impairment loss on receivables

Impairment loss on receivables is determined using a combination of factors, including the overall quality and aging of receivables, continuing credit evaluation of the customers' financial strength and collateral requirements from customers in certain circumstances. The Directors make impairment loss on receivables based on its best estimates at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (C0NT'D)
31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

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

The Group adopted MFRS 10, *Consolidated Financial Statements* in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group 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. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.
- The Group 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. In the previous financial years, the Group did not consider *de facto* power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

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 investments 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 combinations are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(iii) Acquisitions of non-controlling interests

The Group treats 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 influence retained.

(v) Associates

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

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

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

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

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. 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 investments includes transaction costs.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(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.

The Group adopted MFRS 11, Joint Arrangements in the current financial year. As a result, 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 has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method.

In the previous financial years, joint arrangements were classified and accounted for as follows:

- For jointly controlled entity, the Group accounted for its interest using the equity method.

- For jointly controlled asset or jointly controlled operation, the Group and the Company accounted for each its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with other investors.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 11. The adoption of MFRS 11 has no significant impact to the financial statements of the Group.

(vii) 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 the 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 owners of the Company.

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

(viii) 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 investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency

Foreign currency transactions

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

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

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

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

(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 at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(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 a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial Assets (cont'd)

(b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(c) 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.

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(k)(i)).

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 held for trading, including 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 that do not have a quoted price in an active market for identical 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (cont'd)

(iii) Regular way purchase or sale of financial assets

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

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

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

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

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially transferring all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

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

(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.

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 also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from other equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

NOTES TO THE FINANCIAL STATEMENTS (C0NT'D)
31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment (cont'd)

(i) Recognition and measurement (cont'd)

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.

(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 based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

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 for the current and comparative periods are as follows:

	2013	**2012**
• Building	2%	2%
• Furniture, fittings and equipment	10%	10%
• Renovation	10%	10%
• Plant and machineries	6 – 33.33%	6 – 33.33%
• Motor vehicles	20%	20%
• Yard infrastructure	10%	20 - 50%
• Computers	33.33%	33.33%

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 payments 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 an 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.

(f) Intangible assets

(i) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

(ii) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Intangible assets (cont'd)

(iii) Amortisation

Amortisation is based on the cost of an asset less its residual value.

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

- License fees 3 years

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

(g) Inventories

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

The cost of inventories is measured based on the weighted average cost formula, 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 and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

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.

(h) Non-current assets classified as held for sale or distribution to owners

Non-current assets or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution to owners rather than through continuing use, are classified as held for sale or distribution.

Immediately before classification as held for sale or distribution, the assets or components of a disposal group are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets or disposal group are measured at the lower of their carrying amount and fair value less cost of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted associates and joint venture ceases once classified as held for sale or distribution.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 billings 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 trade and other receivables 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 trade and other payables in the statement of financial position.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three month or less and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(k) Impairment

(i) Financial assets

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

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

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

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 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 profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment (cont'd)

(ii) Other assets

The carrying amounts of other assets (except for inventories, amount due from contract customers, deferred tax assets, and non-current assets (or disposal groups) 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 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 units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts 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 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 not redeemable, or is redeemable but only at the Company's option, and any dividends discretionary. Dividends thereon are recognised as distributions within equity.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) 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.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is available.

(n) Provisions

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

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.

(o) Revenue and other income

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Revenue and other income (cont'd)

(ii) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue is recognised when persuasive evidence exists usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(iii) Services

Revenue from manpower services is recognised in profit or loss on the accrued basis based on the services rendered.

(iv) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(v) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(vi) 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.

(p) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) 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, and 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 incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(r) Earnings per ordinary share

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

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.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components. All operating segment’s operating 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 assess its performance, and for which discrete financial information is available.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Contingencies

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 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.

(u) Fair value measurements

From 1 January 2013, the Group adopted MFRS 13, Fair Value Measurement which prescribed that 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 principal 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.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

3. PROPERTY, PLANT AND EQUIPMENT

	Long term leasehold land and buildings RM	Yard infrastructure RM	Plant and machineries RM	Furniture, fittings and equipment RM	Renovation RM	Motor vehicles RM	Computers RM	Capital work-in-progress RM	Total RM
Group									
Cost/Valuation									
At 1 January 2012	-	1,974,750	1,698,175	1,280,949	1,018,594	665,664	4,742,978	270,512,007	281,893,117
Additions	64,477,590	18,516,414	19,131,509	152,362	-	355,337	2,259,978	18,766,253	123,659,443
Revaluation	35,036,410	2,719,777	-	-	-	-	-	-	37,756,187
Elimination of accumulated depreciation on revaluation	(464,002)	(2,256,827)	-	-	-	-	-	-	(2,720,829)
Disposals	-	-	-	-	-	(85,975)	-	-	(85,975)
Transferred to asset held for sale	-	-	-	-	-	-	-	(289,278,260)	(289,278,260)
At 31 December 2012/ 1 January 2013	99,049,998	20,954,114	20,829,684	1,433,311	1,018,594	935,026	7,002,956	-	151,223,683
Additions	2,621,502	3,734,872	27,913,929	1,018,485	-	378,275	1,001,480	28,499,501	65,168,044
Transferred from asset held for sale	-	-	-	-	-	-	-	289,278,260	289,278,260
At 31 December 2013	101,671,500	24,688,986	48,743,613	2,451,796	1,018,594	1,313,301	8,004,436	317,777,761	505,669,987

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Long term leasehold land and buildings RM	Yard infrastructure RM	Plant and machineries RM	Furniture, fittings and equipment RM	Renovation RM	Motor vehicles RM	Computers RM	Capital work-in-progress RM	Total RM
Group									
Accumulated depreciation									
At 1 January 2012	-	266,667	115,399	255,273	115,176	558,695	1,220,789	-	2,531,999
Depreciation for the year	464,002	1,990,160	639,382	138,077	95,713	82,733	1,078,629	-	4,488,696
Disposals	-	-	-	-	-	(85,974)	-	-	(85,974)
Elimination of accumulated depreciation on revaluation	(464,002)	(2,256,827)	-	-	-	-	-	-	(2,720,829)
At 31 December 2012/ 1 January 2013	-	-	754,781	393,350	210,889	555,454	2,299,418	-	4,213,892
Depreciation for the year	2,136,177	2,393,109	2,498,095	236,381	99,517	116,284	1,387,936	-	8,867,499
At 31 December 2013	2,136,177	2,393,109	3,252,876	629,731	310,406	671,738	3,687,354	-	13,081,391
Carrying amounts									
At 31 December 2012/ 1 January 2013	99,049,998	20,954,114	20,074,903	1,039,961	807,705	379,572	4,703,538	-	147,009,791
At 31 December 2013	99,535,323	22,295,877	45,490,737	1,822,065	708,188	641,563	4,317,082	317,777,761	492,588,596

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Furniture, fittings and equipment RM	Renovation RM	Motor vehicles RM	Computers RM	Total RM
Company					
Cost					
At 1 January 2012	1,003,749	1,024,094	326,065	3,612,979	5,966,887
Additions	13,405	-	-	4,005	17,410
Reclassification	5,500	(5,500)	-	-	-
Transfer to a subsidiary company	-	-	-	(3,360,522)	(3,360,522)
At 31 December 2012/1 January 2013	1,022,654	1,018,594	326,065	256,462	2,623,775
Additions	30,318	-	352,275	18,900	401,493
At 31 December 2013	1,052,972	1,018,594	678,340	275,362	3,025,268
Accumulated depreciation					
At 1 January 2012	99,977	121,322	259,564	100,785	581,648
Depreciation for the year	105,579	95,713	38,000	133,087	372,379
At 31 December 2012/1 January 2013	205,556	217,035	297,564	233,872	954,027
Depreciation for the year	76,456	93,371	28,499	11,322	209,648
At 31 December 2013	282,012	310,406	326,063	245,194	1,163,675
Carrying amounts					
At 31 December 2012/1 January 2013	817,098	801,559	28,501	22,590	1,669,748
At 31 December 2013	770,960	708,188	352,277	30,168	1,861,593

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

3.1 Security

The capital work-in-progress is mortgaged for bank facility granted to a subsidiary.

At 31 December 2013, the leasehold land and buildings with a carrying value of RM99,535,323 (2012: RM99,049,998) are charged for a sukuk granted to a subsidiary (Note 13).

The leasehold land and buildings in the prior year were charged for a bridging loan granted to a subsidiary (Note 13).

3.2 Properties under the revaluation model

Leasehold land and buildings and yard infrastructure were revalued based on valuation carried out on 5 December 2012 by Mr. Irhamy Ahmad, an independent registered professional valuer with Irhamy & Co. using the open market valuation method.

Had the leasehold land and buildings and yard infrastructure been carried under the cost model, their carrying amounts would have been RM65,684,086 (2012: RM64,013,588) and RM21,274,866 (2012: RM18,234,337) respectively.

3.3 Assets under finance lease

Included in property, plant and equipment of the Group is the motor vehicles acquired under finance lease agreements with a net carrying amount of RM551,278 (2012: RM252,070).

3.4 Capitalisation of financing cost

Included in the Group's capital work-in-progress are capitalisation of financing costs amounting to RM28,812,758 (2012: RM17,417,648).

3.5 Change in estimates

During the financial year ended 31 December 2013, the Group conducted an operational efficiency review of its yard, which resulted in changes in the expected usage of certain items of the yard infrastructure. Certain yard infrastructure which previously estimated to be two to five years of use, is now expected to remain in use for ten years from the date of purchase. As a result, the expected useful life of these assets increased and their estimated useful values decreased. The effect of these changes on depreciation expenses, recognised in administration expenses, in current and future periods as follows:

Carrying amounts	**2013 RM'000**	**2014 RM'000**	**2015 RM'000**	**2016 RM'000**	**2017 RM'000**	**Later RM'000**
(Decrease)/Increase in depreciation expenses	(2,420)	(2,420)	(2,420)	(2,420)	(2,420)	12,100

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

4. INTANGIBLE ASSETS

Group	*License fees* RM
Cost	
At 1 January 2012	18,873
Additions during the year	77,448
At 31 December 2012/1 January 2013	96,321
Additions during the year	12,344
At 31 December 2013	108,665
Accumulated amortisation	
At 1 January 2012	12,058
Amortisation for the year	13,265
At 31 December 2012/1 January 2013	25,323
Amortisation for the year	28,068
At 31 December 2013	53,391
Carrying amounts	
At 31 December 2012/1 January 2013	70,998
At 31 December 2013	55,274

5. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013 RM	2012 RM
At cost:		
Unquoted shares	301,600,013	397,100,013
Less: Accumulated impairment losses	(231,000,007)	(330,000,007)
	70,600,006	67,100,006

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2013 %	Effective ownership interest 2012 %
THHE Fabricators Sdn. Bhd.	Malaysia	Construction services with EPCIC capability for the oil and gas and related industries	70	100
O & G Works Sdn. Bhd.	Malaysia	Manufacturing and maintenance of offshore cranes	100	100
THHE Offshore Services Sdn. Bhd.*	Malaysia	Hook up, commissioning and topside major maintenance	70	-
Globe World Realty Sdn. Bhd.	Malaysia	Dormant	100	100
THHE Training Services Sdn. Bhd.	Malaysia	Dormant	100	100
THHE Optima Sdn. Bhd.	Malaysia	Dormant	100	100
Ramunia International Services Ltd.*	Hong Kong	Dormant	100	100
Floatech (M) Sdn. Bhd.	Malaysia	Dormant	100	100
Floatech (L) Ltd.	Labuan	Ownership in a FPSO^	100	100

* Not audited by KPMG and were consolidated based on management accounts for the financial year ended 31 December 2013. No audited financial statements are available and the results of the subsidiaries are immaterial to the Group.

^ Floating Production, Storage and Offloading vessel.

5.1 Non-controlling interest in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	THHE Fabricators Sdn. Bhd. RM	Other immaterial subsidiary RM	Total RM
2013			
NCI percentage of ownership interest and voting interest	30%	30%	
Carrying amount of NCI	51,352,860	(206,196)	51,146,664
Loss allocated to NCI	(6,426,158)	(206,196)	(6,632,354)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

5.1 Non-controlling interest in subsidiaries (Cont'd)

	THHE Fabricators Sdn. Bhd. RM	Other immaterial subsidiary RM	Total RM
Summarised financial information before intra-group elimination As at 31 December			
Non-current assets	195,807,535		
Current assets	255,629,962		
Non-current liabilities	(103,236,507)		
Current liabilities	(176,980,891)		
Net assets	171,220,099		
Year ended 31 December			
Revenue	257,007,873		
Profit and total comprehensive income	10,131,516		
Cash flows from operating activities	(68,484,315)		
Cash flows from investing activities	(34,673,197)		
Cash flows from financing activities	141,525,346		
Net increase in cash and cash equivalents	38,367,834		

In 2012, the Group do not have subsidiaries with material non-controlling interests.

6. INVESTMENTS IN ASSOCIATE

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Unquoted shares, at cost	77,926,000	-	77,926,000	-
Share of post acquisition reserves*	4,913,072	-	-	-
	82,839,072	-	77,926,000	-

* Share of post acquisition reserves of the investment in associate is accounted for using management accounts.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

6. INVESTMENTS IN ASSOCIATE (CONT'D)

Details of the material associate are as follows:

Name of entity	Principal place of business/ Country of incorporation	Nature of the relationship	Effective ownership interest and voting interest 2013 %	2012 %
Berlian McDermott (Malaysia) Sdn. Bhd.	Malaysia	To complement the Group's existing fabrication business by participating in the transportation and installation, shallow and deepwater in subsea, umbilical, risers and flow lines market	30	-

The following table summarises the information of the Group's material associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate.

	2013 RM
Group	
Summarised financial information as at 31 December	
Non-current assets	183,422,000
Current assets	269,512,554
Non-current liabilities	(86,158)
Current liabilities	(229,699,009)
Net assets	223,149,387
Year ended 31 December	
Profit from continuing operations	64,928,313
Other comprehensive income	2,831,937
Total comprehensive income	67,760,250
Included in the total comprehensive income is:	
Revenue	1,003,409,416
Reconciliation of net assets to carrying amount as at 31 December	
Group's share of net assets	66,944,816
Goodwill	15,894,256
Carrying amount in the statement of financial position	82,839,072
Year ended 31 December	
Group's share of profit or loss from continuing operations	5,000,368
Group's share of other comprehensive income	(87,296)
Group's share of total comprehensive income	4,913,072

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

7. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2013 RM	2012 RM	2013 RM	2012 RM	2013 RM	2012 RM
Group						
Provision	-	-	(125,605)	(125,605)	(125,605)	(125,605)
Tax loss carry-forward	18,450,000	13,750,000	13,536	13,536	18,463,536	13,763,536
Unabsorbed capital allowances	-	-	4,209	4,209	4,209	4,209
Revaluation of property, plant and equipment	(9,439,049)	(9,439,049)	-	-	(9,439,049)	(9,439,049)
Net deferred tax assets/(liabilities)	9,010,951	4,310,951	(107,860)	(107,860)	8,903,091	4,203,091

Movement in temporary differences during the year

	At 1.1.2012 RM	Recognised in profit or loss (Note 19) RM	Recognised in other comprehensive income RM	At 31.12.2012/ 1.1.2013 RM	Recognised in profit or loss (Note 19) RM	At 31.12.2013 RM
Group						
Property, plant and equipment	(60,129)	60,129	-	-	-	-
Provision	13,630	(139,235)	-	(125,605)	-	(125,605)
Tax loss carry-forward	19,509,966	(5,746,430)	-	13,763,536	4,700,000	18,463,536
Revaluation of property, plant and equipment	-	-	(9,439,049)	(9,439,049)	-	(9,439,049)
Unabsorbed capital allowances	15,283	(11,074)	-	4,209	-	4,209
	19,478,750	(5,836,610)	(9,439,049)	4,203,091	4,700,000	8,903,091

Unrecognised deferred tax assets/(liabilities)

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group	
	2013 RM	2012 RM
Tax loss carry-forward	235,273,000	215,055,000
Provision	7,474,000	7,774,000
Property, plant and equipment	(57,154,000)	(12,960,000)
	185,593,000	209,869,000

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

8. INVENTORIES

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Raw materials and consumables	5,717,238	830,733	34,385	16,636
Recognised in profit or loss:				
Inventories recognised as cost of sales	12,781,616	1,740,384	-	-
Inventories written off	290,634	-	-	-
Reversals of write-down	(24,063)	-	-	-

9. TRADE AND OTHER RECEIVABLES

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Non-current					
Trade receivables		-	12,904,413	-	-
Current					
Trade					
Trade receivables		56,983,255	51,651,932	-	-
Less: Impairment loss	9.1	(2,477,969)	(2,684,774)	-	-
		54,505,286	48,967,158	-	-
Amount due from contract customers	9.2	141,796,454	61,022,893	-	-
		196,301,740	109,990,051	-	-
Non-trade					
Amount due from subsidiaries	9.3	-	-	164,702,096	166,206,521
Other receivables	9.4	9,662,935	9,662,737	4,508,772	4,498,104
Advances		13,948,535	229,252	207,448	131,286
Deposits		903,464	726,170	538,304	450,150
Less: Impairment loss	9.4	(9,398,060)	(9,494,136)	(4,402,028)	(4,498,104)
		15,116,874	1,124,023	165,554,592	166,787,957
		211,418,614	111,114,074	165,554,592	166,787,957

9.1 Bad debts written off against net allowance for impairment losses of the Group's trade receivables amounted to RM206,805 (2012: Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

9. TRADE AND OTHER RECEIVABLES (CONT'D)

9.2 Amount due from contract customers

	Note	2013 RM	2012 RM
Aggregate costs incurred		586,693,009	354,394,180
Add: Attributable profits		142,690,886	98,016,117
		729,383,895	452,410,297
Less: Progress billings		(588,288,735)	(391,446,718)
		141,095,160	60,963,579
Amount due to contract customers	14	701,294	59,314
Amount due from contract customers		141,796,454	61,022,893
Additions to aggregate costs incurred during the financial year include:			
Depreciation		136,513	463,180
Hire of equipment		1,962,133	4,977,381
Loan interest		2,349	174,629

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

Bad debts written off against brought forward allowance for impairment losses of the Company amounted to Nil (2012: RM2,778,100).

9.4 Bad debts written off against brought forward allowance for impairment losses of the Group's and the Company's other receivables amounted to RM96,076 (2012: RM19,039) and RM96,076 (2012: RM1,500) respectively.

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Cash and bank balances	63,938,077	16,616,535	18,265,730	10,013,461
Deposits placed with licensed banks	22,899,734	30,394,647	20,461,311	11,379,135
	86,837,811	47,011,182	38,727,041	21,392,596

Included in the deposits placed with licensed banks of the Group and the Company are RM5,228,356 (2012: RM30,394,647) and RM456,301 (2012: RM11,379,135) respectively which are pledged for bank facilities granted to subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2013

11. ASSETS CLASSIFIED AS HELD FOR SALE

Group	Note	Capitalwork-in-progress RM
Cost		
At 1 January 2012		-
Transferred from property, plant and equipment	3	289,278,260
At 31 December 2012 / 1 January 2013		289,278,260
Transferred to property, plant and equipment	3	(289,278,260)
At 31 December 2013		-

The asset classified as held for sale comprises the capital work-in-progress in relation to the FPSO vessel. The amount was transferred to property, plant and equipment (Note 3) in April 2013 following a change in the Group's management plan to sell the vessel. The FPSO vessel is mortgaged for a bank facility granted to a subsidiary (Note 13).

12. CAPITAL AND RESERVES

(i) Share capital

	Par value RM	Amount RM	Number of shares
Group and Company			
Authorised:			
Ordinary shares			
At 1 January 2012	0.50	800,000,000	1,600,000,000
Changes in par value	0.25	(400,000,000)	-
Increase in shares	0.25	400,000,000	1,600,000,000
At 31 December 2012 / 31 December 2013	0.25	800,000,000	3,200,000,000
Non-redeemable preference shares			
At 1 January 2012	0.50	110,000,000	220,000,000
Credit arising from changes in par value	0.25	(55,000,000)	-
At 31 December 2012 / 31 December 2013	0.25	55,000,000	220,000,000
		855,000,000	3,420,000,000
Issued and fully paid:			
At 1 January 2012	0.50	331,419,763	662,839,526
Credit arising from changes in par value	0.25	(165,709,882)	-
Issue of shares	0.25	66,283,953	265,135,810
At 31 December 2012 /1 January 2013		231,993,834	927,975,336
Issuance of private placement		23,199,250	92,797,000
Conversion of warrants to shares	0.25	6,603	26,405
At 31 December 2013	0.25	255,199,687	1,020,798,741

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

12. CAPITAL AND RESERVES (CONT"D)

(ii) Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

(iii) Detachable Warrants 2004/2014

The outstanding Detachable Warrants 2004/2014 as at 31 December 2013 amounted to 237,306,966 (2012: 237,333,371) units of warrants.

The salient features of the Detachable Warrants 2004/2014 are as follows:

(a) each Warrant entitles the registered holders at any time during the exercise year of ten (10) years from the date of first issue of the Warrants to subscribe for one (1) ordinary share of RM0.25 at an exercise price of RM0.51;

(b) the exercise price and/or the number of the Warrants outstanding may be adjusted in accordance with the provisions set out in the Deed Poll; and

(c) upon expiry of exercise period, any unexercised rights will lapse and cease to be valid for any purposes.

(iv) Revaluation reserves (non-distributable)

The revaluation reserves relates to the revaluation of the Group's leasehold land and buildings and yard infrastructure.

(v) Other reserves (non-distributable)

The other reserves comprises hedging reserves and fair value reserves.

The hedging reserve comprises the effective portion of cumulative net change in the fair value of cash flow hedging related to hedged transactions that have not yet occurred.

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

(vi) Retained earnings

The Finance Act, 2007 introduced a single tier company income tax system with effect from 1 January 2008. As such, the section 108 tax credit carried forward will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

As the transitional period has now expired, the Company will now operate under the single-tier tax system and will be able to distribute all of its retained profits as at 31 December 2013 as single-tier dividends.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

13. BORROWINGS

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Non-current					
Term loan - secured	13.1	33,514,433	-	-	-
Sukuk - secured	13.2	238,938,242	-	-	-
Finance lease liabilities -secured	13.3	431,141	192,884	261,426	-
		272,883,816	192,884	261,426	-
Current					
Term loan - secured	13.1	-	179,246,028	-	-
Bridging loan - secured	13.4	-	20,000,000	-	-
Revolving credit facilities - unsecured	13.5	28,000,000	-	-	-
Trust receipt - secured		481,723	-	-	-
Finance lease liabilities - secured	13.3	88,523	27,663	65,357	-
		28,570,246	199,273,691	65,357	-
		301,454,062	199,466,575	326,783	-

13.1 Term loan - secured

	Group 2013 RM	Group 2012 RM
Secured term loan	33,564,433	181,300,000
Less: Transaction costs	(50,000)	(5,188,983)
	33,514,433	176,111,017
Accreted interest	-	3,135,011
	33,514,433	179,246,028

Term loan of the Group is subject to profit rate at 7.60% (2012: 7.05%) per annum above the lender's costs of fund per annum. The profit rate is capped at 12.00% per annum. The term loan will be repaid via bullet repayment on February 2018. The prior year term loan was repaid during the year.

Security

The current term loan is secured by way of a:

(i) Deed of agreement on the takaful coverage of certain plant and equipment
(ii) Specific debenture over certain plant and equipment
(iii) Corporate guarantee from the Company

The term loan in the prior year was secured by way of a mortgage over the FPSO vessel and deposits placed with licensed banks amounting to RM10,408,834.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

13. BORROWINGS (CONT'D)

13.2 Sukuk - secured

	Group 2013 RM	Group 2012 RM
Secured term loan	240,000,000	-
Less: Transaction costs	(1,187,766)	-
	238,812,234	-
Accreted interest	126,008	-
	238,938,242	-

Sukuk of the Group is subject to profit rate at 7.00% per annum above the lender's costs of fund per annum. The sukuk will be repaid via bullet repayment on August 2016 and September 2016.

Security

The sukuk is secured by way of a mortgage over the FPSO vessel (see Note 3).

13.3 Finance lease liabilities

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Future minimum lease payment	586,967	257,987	366,743	-
Less: Interest expense	(67,303)	(37,440)	(39,960)	-
Present value of minimum lease payment	519,664	220,547	326,783	-
Less than one year	88,523	27,663	59,275	-
Between one and five years	400,343	162,082	267,508	-
More than five years	30,798	30,802	-	-
Present value of minimum lease payment	519,664	220,547	326,783	-

13.4 Bridging loan - secured

	Group 2013 RM	Group 2012 RM
Secured bridging loan	-	20,000,000

Security

The bridging loan was secured by way of a charge over all rights, interest, title and benefits of the Pulau Indah Integrated Fabrication Yard (see Note 3).

13.5 Unsecured revolving credit facilities

The revolving credit bears interest at the rate of 7.60% per annum above the lender's costs of fund per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

14. TRADE AND OTHER PAYABLES

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Trade					
Trade payables		127,749,200	78,749,327	-	-
Amount due to contract customers	9.2	701,294	59,314	-	-
		128,450,494	78,808,641	-	-
Non-trade					
Other payables		22,415,718	17,716,570	863,181	1,458,677
Accrued expenses		4,026,436	6,235,605	770,661	745,412
		26,442,154	23,952,175	1,633,842	2,204,089
		154,892,648	102,760,816	1,633,842	2,204,089

15. REVENUE

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Revenue				
Construction services	256,405,795	181,849,800	-	-
Offshore crane works	3,526,391	8,524,499	-	-
Management fee	-	-	9,002,966	7,966,217
Dividend income	-	-	-	78,856,803
	259,932,186	190,374,299	9,002,966	86,823,020

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

16. FINANCE COSTS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Finance cost of financial liabilities that are not at fair value through profit or loss:				
- term loan	13,690,818	16,409,697	-	-
- sukuk	4,265,887	-	-	-
- bridging loan	-	164,384	-	-
- other borrowings	12,446	174,629	-	-
	17,969,151	16,748,710	-	-
- others	82,221	304,040	52,483	14,002
	18,051,372	17,052,750	52,483	14,002
Recognised in profit or loss:				
- finance costs	6,653,914	3,062,916	52,483	14,002
- cost of sales	2,348	174,629	-	-
	6,656,262	3,237,545	52,483	14,002
Capitalised on qualifying assets:				
- property, plant and equipment	11,395,110	13,815,205	-	-
	18,051,372	17,052,750	52,483	14,002

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

17. (LOSS)/PROFIT BEFORE TAX

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
(Loss)/Profit before tax is arrived at after charging:				
Amortisation of intangible assets	28,068	13,265	-	-
Auditors' remuneration				
- Statutory audit				
Auditors of the Company	250,000	135,000	105,000	60,000
- Other services				
Auditors of the Company	45,000	78,000	-	78,000
Bad debts written off	-	27,430	-	27,430
Deposits written off	-	3,600	-	-
Depreciation on property, plant and equipment	8,867,499	4,488,696	209,648	372,379
Discount given to third party	-	79,508	-	-
Impairment loss on:				
- Other receivables	-	4,723,829	-	3,998,034
Inventories written off	290,634	-	-	-
Personnel expenses including key management personnel:				
- Salaries, wages and others	39,879,213	17,862,473	4,804,493	3,721,556
- Contributions to Employees' Provident Fund	4,490,147	2,142,705	574,106	505,534
Realised loss on foreign exchange	-	-	5,275	-
Rental of computers	197,652	153,282	-	-
Rental of office	1,163,750	1,155,000	458,973	462,389
Rental of photocopiers and equipment	198,199	113,806	58,594	28,750
Rental of storage	-	8,946	-	8,946
Rental of motor vehicle	15,688	9,629	-	6,239
Rental expense	-	840,000	-	-
Waiver debts	-	-	-	8,456
Loss on disposal of subsidiary	-	-	49,574,000	-
and after crediting:				
Bad debts recovered	246,398	-	246,398	614,468
Discount received from third party	4,248,564	145,218	-	-
Gain on disposal of property, plant and equipment	-	7,999	-	-
Interest income of financial asset that are not at fair value through profit or loss:				
- cash and cash equivalents	1,204,797	680,529	1,180,304	624,732
Realised gain on foreign exchange	390,679	-	-	-
Rental income	-	15,759	-	6,068
Reversal of impairment loss on:				
- Inventories	24,063	-	-	-
- Investment in subsidiaries	-	-	99,000,000	15,000,000
- Trade receivables	206,805	-	-	-
- Other receivables	96,076	-	96,076	-
- Subsidiaries	-	-	-	2,527,330

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

18. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Directors				
Fees				
- Current year	252,329	295,000	252,329	295,000
- Underprovision in prior year	-	30,205	-	30,205
Contributions to Employees' Provident Fund ("EPF")	161,952	147,204	109,200	133,200
Remuneration	1,349,508	1,227,493	910,000	1,110,620
	1,763,789	1,699,902	1,271,529	1,569,025
Other key management personnel				
- Short-term employee benefits	3,538,407	2,239,045	1,870,977	1,378,025
- Contributions to EPF	421,764	273,452	222,684	170,312
	5,723,960	4,212,399	3,365,190	3,117,362
Estimated monetary value of benefit-in-kind	610,193	258,273	550,397	241,802

Other key management personnel comprise persons other than the Directors of the Company and subsidiaries, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

19. TAX EXPENSE

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Tax expense				
Current year	2,000,000	-	2,000,000	-
Underprovision in prior period/year	170,132	293,385	156,183	293,385
Deferred tax expense				
Origination and reversal of temporary differences	(4,700,000)	6,756,221	-	-
Overprovision in prior year	-	(919,611)	-	-
	(2,529,868)	6,129,995	2,156,183	293,385
Share of tax of equity-accounted associate	45	-	-	-
Total tax expense	(2,529,823)	6,129,995	2,156,183	293,385
Reconciliation of tax expense				
Profit for the year	1,556,070	24,172,503	54,700,274	89,954,621
Total tax expense	(2,529,823)	6,129,995	2,156,183	293,385
(Loss)/Profit excluding tax	(973,753)	30,302,498	56,856,457	90,248,006
Income tax calculated using Malaysian tax rates of 25%	(243,438)	7,575,624	14,214,114	22,562,002
Non-deductible expenses	3,823,325	3,586,336	10,989,243	1,917,030
Tax-exempt income	(1,335,678)	(123,409)	(22,835,619)	(24,096,034)
Tax savings from utilisation of capital allowances	-	(383,080)	-	(382,998)
Changes in unrecognised temporary differences	(4,944,164)	(3,899,250)	(367,738)	-
Under/(Over) provision in prior year	170,132	(626,226)	156,183	293,385
	(2,529,823)	6,129,995	2,156,183	293,385

20. OTHER COMPREHENSIVE INCOME

	Group		
	Before tax RM	Tax expense RM	Net of tax RM
2013			
Items that will not be reclassified subsequently to profit or loss			
Share of loss of equity-accounted associate	(87,296)	-	(87,296)
2012			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment	37,756,187	(9,439,049)	28,317,138

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

21. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2013 was based on the profit attributable to ordinary shareholders of RM8,188,424 (2012: RM24,172,503) and a weighted average number of ordinary shares outstanding during the year of 985,191,698 (2012: 767,441,051).

Weighted average number of ordinary shares

	Group	
	2013 RM	2012 RM
Issued ordinary shares at the beginning of year	767,441,051	662,839,526
Effect of rights issue	-	104,601,525
Issuance of shares	217,737,915	-
Conversion of warrants to shares	12,732	-
Weighted average number of ordinary shares in issue	985,191,698	767,441,051
Basic earnings per ordinary share (sen)	0.83	3.15

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2013 was based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows :

	Group
	2013 RM
Weighted average number of ordinary shares at 31 December (basic)	985,191,698
Effect of conversion of warrants	237,306,966
Weighted average number of ordinary shares in issue	1,222,498,664
Basic earnings per ordinary share (sen)	0.67

There is no dilution in the earnings per share of the Company in the prior year as the average market values of the warrants were lower than the exercise price. Accordingly, there was no assumed full conversion of the warrants to merit adjusting for an increase in the number of ordinary shares which could result in a dilution of the Company's earnings per share.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

22. OPERATING SEGMENTS

The Group has three (3) reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer (the chief operating decision maker) reviews internal management reports at least on a quarterly basis. The following summary describes the operations of the Group's reportable segments:

- Investment holding, management services and others
- Construction services with engineering, procurement, construction, installation and commissioning capability
- Offshore crane works

Performance is measured based on segment profit before tax, finance costs, depreciation and amortisation, as included in the internal management reports that are reviewed by the Chief Executive Officer, the chief operating decision maker.

Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Chief Executive Officer. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

The total of segment liabilities is measured based on all liabilities of a segment in the internal management report that are reviewed by the Chief Executive Officer.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

Geographical segment

There is no geographical information as the Group is predominantly operating in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

22. OPERATING SEGMENTS (CONT'D)

	Construction services RM	Offshore crane works RM	Others RM	Elimination RM	Total RM
Group					
2013					
Segment profit/(loss)					
Total revenue	257,007,873	20,288,557	9,002,966	(26,367,210)	259,932,186
Total cost	(214,565,722)	(18,204,546)	-	17,229,243	(215,541,025)
Other income	5,495,058	617,556	110,011,867	(106,736,627)	9,387,854
Administrative expenses	(41,706,715)	(4,675,663)	(15,046,486)	9,137,966	(52,290,898)
Other expenses	(751,957)	(7,302)	(49,623,110)	49,574,000	(808,369)
Finance costs	(36,868)	(3,461)	(14,350,212)	7,736,627	(6,653,914)
Share of profit associates	-	-	-	5,000,368	5,000,368
Tax expenses	4,689,847	(3,796)	(2,156,183)		2,529,868
	10,131,516	(1,988,655)	37,838,842		1,556,070
Segment assets	451,437,497	15,727,120	657,195,820	(233,721,693)	890,638,744
Segment liabilities	280,217,398	13,937,903	332,486,337	(168,187,068)	458,454,570

	Construction services RM	Offshore crane works RM	Others RM	Elimination RM	Total RM
Group					
2012					
Segment profit					
Total revenue	185,663,938	9,521,019	86,823,020	(91,633,678)	190,374,299
Total cost	(122,507,887)	(5,867,432)	-	4,810,657	(123,564,662)
Other income	1,101,373	20,138	24,968,913	(23,175,822)	2,914,602
Administrative expenses	(21,507,153)	(3,447,256)	(12,639,805)	7,966,218	(29,627,996)
Other expenses	(412,665)	(422)	(6,326,198)	8,456	(6,730,829)
Finance costs	(458,667)	(1,014)	(2,603,235)	-	(3,062,916)
Tax expenses	(5,750,000)	(86,610)	(293,385)	-	(6,129,995)
	36,128,939	138,423	89,929,310		24,172,503
Segment assets	294,220,337	9,922,003	546,556,948	(237,192,728)	613,506,560
Segment liabilities	163,131,754	8,144,128	301,458,424	(170,245,028)	302,489,278

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2013

22. OPERATING SEGMENTS (CONT'D)

Major customers

Revenue of approximately RM244,135,103 (2012: RM137,816,000) representing 94% (2012: 72%) of the Group revenue is derived from three (3) external customers (2012: two (2) external customers) from the following segments:

	2013 RM	2012 RM	Segment
Customer A	-	56,231,000	Construction services
Customer B	90,128,470	81,585,000	Construction services
Customer C	137,462,021	-	Construction services
Customer D	16,544,612	-	Construction services
	244,135,103	137,816,000	

23. FINANCIAL INSTRUMENTS

23.1 Categories of financial instruments

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

(a) Loans and receivables (L&R); and
(b) Financial liabilities measured at amortised cost (FL).

	Carrying amount RM	L&R (FL) RM
2013		
Group		
Financial assets		
Trade and other receivables	211,418,614	211,418,614
Cash and cash equivalents	86,837,811	86,837,811
	298,256,425	298,256,425
Financial liabilities		
Loans and borrowings	(301,454,062)	(301,454,062)
Trade and other payables	(154,892,648)	(154,892,648)
	(456,346,710)	(456,346,710)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

23. FINANCIAL INSTRUMENTS (CONT'D)

23.1 Categories of financial instruments (Cont'd)

	Carrying amount RM	L&R (FL) RM
2012		
Group		
Financial assets		
Trade and other receivables	124,018,487	124,018,487
Cash and cash equivalents	47,011,182	47,011,182
	171,029,669	171,029,669
Financial liabilities		
Loans and borrowings	(199,466,575)	(199,466,575)
Trade and other payables	(102,760,816)	(102,760,816)
	(302,227,391)	(302,227,391)
2013		
Company		
Financial assets		
Trade and other receivables	165,554,592	165,554,592
Cash and cash equivalents	38,727,041	38,727,041
	204,281,633	204,281,633
Financial liabilities		
Loans and borrowings	(326,783)	(326,783)
Trade and other payables	(1,633,842)	(1,633,842)
	1,960,625	1,960,625
2012		
Company		
Financial assets		
Trade and other receivables	166,787,957	166,787,957
Cash and cash equivalents	21,392,596	21,392,596
	188,180,553	188,180,553
Financial liabilities		
Trade and other payables	(2,204,089)	(2,204,089)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

23. FINANCIAL INSTRUMENTS (CONT'D)

23.1 Categories of financial instruments (Cont'd)

Net gains and losses arising from financial instruments

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Net (losses)/gains arising on:				
Loans and receivables	1,754,076	(4,153,838)	9,259,405	(2,794,720)
Financial liabilities measured at amortised cost	(6,265,579)	(3,076,568)	(57,758)	(7,934)
	(4,511,503)	(7,230,406)	9,201,647	(2,802,654)

23.2 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

23.3 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

The Group's exposure to credit risk arises from its receivables. The management has an informal credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. 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.

As at the end of reporting period, approximately 80% (2012: 80%) of the Group's trade receivables are from three (3) major customers (2012: three (3) customer) with good credit history with the Group. The maximum exposure to credit risk is represented by the carrying amount in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

23. FINANCIAL INSTRUMENTS (CONT'D)

23.3 Credit risk (Cont'd)

Receivables (cont'd)

Impairment losses

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

	Gross RM	Individual impairment RM	Net RM
Group			
2013			
Not past due	33,586,964	-	33,586,964
Past due 1 - 30 days	300,132	-	300,132
Past due 31 - 120 days	5,053,574	-	5,053,574
Past due more than 120 days	18,042,585	(2,477,969)	15,564,616
	56,983,255	(2,477,969)	54,505,286
2012			
Not past due	43,135,676	-	43,135,676
Past due 1 - 30 days	758,500	-	758,500
Past due 31 - 120 days	13,200,838	-	13,200,838
Past due more than 120 days	7,461,331	(2,684,774)	4,776,557
	64,556,345	(2,684,774)	61,871,571

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

	Group 2013 RM	2012 RM
At 1 January/1 November	2,684,774	2,684,774
Impairment loss reversed	(206,805)	-
At 31 December	2,477,969	2,684,774

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the trade receivables directly.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

23. FINANCIAL INSTRUMENTS (CONT'D)

23.3 Credit risk (Cont'd)

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

The amounts due from subsidiaries are repayable on demand.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable.

23.4 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

23. FINANCIAL INSTRUMENTS (CONT'D)

23.4 Liquidity risk (Cont'd)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting year based on undiscounted contractual payments:

	Carrying amount RM	Contractual profit rate %	Contractual cash flows RM	Under 1 year RM	1-2 years RM	2-5 years RM	More than 5 years RM
Group							
2013							
Finance lease liabilities	519,664	2.40-2.50	583,823	111,648	111,648	328,787	31,740
Secured term loan	33,514,433	7.60*	49,063,404	2,774,799	2,774,799	43,513,806	-
Sukuk	238,938,242	7.00	285,791,667	16,800,000	16,800,000	252,191,667	-
Revolving credit	28,000,000	7.60	29,064,000	29,064,000	-	-	-
Trust receipt	481,723	7.00	490,153	490,153	-	-	-
Trade and other payables	154,892,648	-	154,892,648	154,892,648	-	-	-
Group							
2012							
Finance lease liabilities	220,547	2.50	257,987	37,764	37,764	113,292	69,167
Secured term loan	179,246,028	7.05*	190,886,238	190,886,238	-	-	-
Secured bridging loan	20,000,000	6.00	20,424,109	20,424,109	-	-	-
Trade and other payables	102,760,816	-	102,760,816	-	-	-	-
Company							
2013							
Finance lease liabilities	326,783	2.40	363,263	73,884	73,884	215,495	-
Trade and other payables	1,633,842	-	1,633,842	-	-	-	-
Company							
2012							
Trade and other payables	2,204,089	-	2,204,089	-	-	-	-

* Profit rate is capped at 12% per annum

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

23. FINANCIAL INSTRUMENTS (CONT'D)

23.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

23.5.1 Currency risk

Risk management objectives, policies and processes for managing the risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD").

The Group manages material foreign exchange exposure risk as and when it arises either by passing on these risks to vendors in the price negotiations or whenever it is not possible to do so, by entering into a foreign exchange contract to hedge such exposure.

Exposure to foreign currency risk

The exposure to currency risk of Group entities is not material and hence, sensitivity analysis is not presented.

23.5.2 Interest rate risk

The Group's fixed rate instruments are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Other receivables and payables are not significantly exposed to interest rate risk.

Exposure to interest rate risk

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Fixed rate instruments				
Deposits placed with licensed banks	22,899,734	30,394,647	20,461,311	11,379,135
Finance lease liabilities	(519,664)	(220,547)	(326,783)	-
Secured bridging loan	-	(20,000,000)	-	-
Sukuk	(238,938,242)	-	-	-
Revolving credit	(28,000,000)	-	-	-
Trust Receipt	(481,723)	-	-	-
	(245,039,895)	10,174,100	20,134,528	11,379,135
Floating rate instrument				
Secured term loan	(33,514,433)	(179,246,028)	-	-

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

23. FINANCIAL INSTRUMENTS (CONT'D)

23.5 Market risk (cont'd)

23.5.2 Interest rate risk (cont'd)

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points ("bp") in interest rates at the end of the reporting period would have increased (decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Group Profit or loss	
	50 bp increase RM'000	50 bp decrease RM'000
2013		
Floating rate instruments	(125)	125
Cash flow sensitivity (net)	(125)	125
2012		
Floating rate instruments	(672)	672
Cash flow sensitivity (net)	(672)	672

23.6 Fair values information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted prices in active market and the fair value cannot be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

23. **FINANCIAL INSTRUMENTS (CONT'D)**

23.6 **Fair values information (cont'd)**

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position

Group 2013	Fair value of financial instruments carried at fair value Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Fair value of financial instruments not carried at fair value Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Total fair value RM	Carrying amount RM
Financial liabilities										
Term loan-secured	-	-	-	-	-	-	(26,523,563)	(26,523,563)	(26,523,563)	(33,514,433)
Sukuk-secured	-	-	-	-	-	-	(198,125,159)	(198,125,159)	(198,125,159)	(238,938,242)
Finance lease liabilities	-	-	-	-	-	-	(482,141)	(482,141)	(482,141)	(519,664)

Group 2012	Fair value of financial instruments carried at fair value Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Fair value of financial instruments not carried at fair value Total RM	Total fair value RM	Carrying amount RM
Financial assets							
Trade Receivable	-	-	12,904,413	12,904,413	-	12,904,413	12,904,413
Financial liabilities							
Finance lease liabilities	-	-	-	-	(199,522)	(199,522)	(220,547)

* Comparative figures have not been analysed by levels, by virtue of transitional provision given in Appendix C2 of MFRS 13.

Group 2013	Fair value of financial instruments carried at fair value Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Fair value of financial instruments not carried at fair value Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Total fair value RM	Carrying amount RM
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	(305,312)	(305,312)	(305,312)	(326,783)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

23. FINANCIAL INSTRUMENTS (CONT'D)

23.6 Fair values information (cont'd)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entry can assess at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. The market rate of interest is determined by reference to similar borrowing arrangements and lease agreements.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2012: No transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The valuation techniques in determining the fair values disclosed in Level 3 for the financial instruments not carried at fair value is discounted cash flow.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

24. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulation requirement.

The debt-to-equity ratio were as follow:

	Note	Group 2013 RM	Group 2012 RM
Total borrowings	13	301,454,062	199,466,575
Less: Cash and cash equivalents	10	(86,837,811)	(47,011,182)
Net debt		214,616,251	152,455,393
Total equity		432,184,174	311,017,282
Debt-to-equity ratio		0.50	0.49

There were no changes in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up capital (excluding treasury shares) and such shareholder's equity is not less than RM40 million. The Company has complied with this requirement.

25. CAPITAL COMMITMENTS

	2013 RM	2012 RM
Group		
Property, plant and equipment		
Authorised and contracted for	29,960,000	56,630,000
Authorised but not contracted for	20,000,000	20,000,000
	49,960,000	76,630,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

26. CONTINGENCIES

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	Group	
	2013 RM	2012 RM
Litigation (unsecured)		
Being claims from third parties in dispute	4,632,778	4,632,778

Save as disclosed below, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has or will have a material effect on the financial position on the business, and the Directors are not aware of any proceedings, pending or threatened, against the Group and/or any of the Group's subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the position or business of the Group:

Litigation

(a) A wholly-owned subsidiary of the Company instituted a suit against Global Fabricators Sdn. Bhd. ("GFSB") and a counter claim of RM4,632,778 (2012: RM4,632,778) was brought by GFSB for work done on the Melor and Kumang projects. A stay application was filed as the respective contracts have an arbitration agreement and GFSB agreed to resolve the disputes by way of Arbitration. A Notice of Arbitration was served to the wholly-owned subsidiary in March 2013. In response to the notice of arbitration its wholly-owned subsidiary has nominated an arbitrator and proposed consolidation of both arbitrations. To date, no arbitrator has been appointed as yet and the arbitration proceedings is still pending.

The Group's solicitors are of the opinion that the wholly-owned subsidiary has a fair chance of successfully defending the counterclaim brought by GFSB during the arbitration proceedings.

(b) In 2012, a wholly-owned subsidiary instituted a suit against PFC Engineering Sdn. Bhd. ("PFCE") in the High Court of Kuala Lumpur for unpaid monies amounting to RM12,698,400 pursuant to the Fabrication Facilities Agreement dated 28 May 2009. A counter claim of RM1,319,680 was brought by PFCE in this suit.

The matter is fixed for trial on 4th to 12th December, 2014.The Group's solicitors are of the view that the Group has a fair chance of successfully defending the counterclaim brought by PFCE during the court proceedings.

(c) In 2012, a wholly-owned subsidiary instituted a suit against PFCE in the High Court of Kuala Lumpur for losses and expenses suffered in respect of works carried out involving several fabrication contracts awarded initially but later novated to PFCE. The claim is for the sum of RM17,389,898. A counter claim of RM5,415,680 was brought by PFCE in this suit.

The matter is fixed for trial on 4th to 12th December, 2014. The Group's solicitors are of the view that the Group has a fair chance of successfully defending the counterclaim brought by PFCE during the court proceedings.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

27. RELATED PARTIES

Identity of 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.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Company has a related party relationship with its subsidiaries (Note 5).

The significant related party transactions of the Company, other than key management personnel compensation which is disclosed in Note 18, are as follows:

	Transaction amounts	
	2013 RM	2012 RM
Subsidiaries		
Dividend income	-	78,856,803
Interest income	7,736,627	-
Management fees	9,002,966	7,966,217
Transfer of property plant and equipment to a subsidiary	-	(3,360,522)
Advances to subsidiaries	(164,702,096)	(205,636,017)

Significant related party balances related to the above transactions are disclosed in Note 9.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

28. SIGNIFICANT AND SUBSEQUENT EVENTS

(a) Acquisition of THHE Offshore Services Sdn. Bhd. ("THHEOS")

On 10 September 2013, the Company had entered into a Joint Venture Agreement ("JVA") with Coral Intoil Sdn. Bhd. ("CISB") to carry out hook-up and commissioning ("HUC") projects. The Company and CISB have on even date subscribed for 700 and 300 ordinary share of RM1.00 representing 70% and 30% of the total issue and paid up share capital respectively of THHEOS.

(b) Acquisition of Berlian McDermott Sdn. Bhd. ("BMD") and disposal of a subsidiary, THHE Fabricators Sdn. Bhd. ("THF")

On 1 October 2013, AmInvestment Bank Berhad on behalf of the Board announced that:

(i) All the Conditions Precedent in respect of the THF Sales and Purchase Agreement ("SPA") and BMD SPA had on 30 September 2013 been fulfilled or mutually waived by the respective parties.

(ii) Pursuant to the provisions of the THF SPA and BMD SPA, the respective parties had on 1 October 2013 duly executed the BMD JVA, THF JVA, Engineering JVA and Project Management Team ("PMT") JVA in respect of the Proposed Joint Venture ("JV") of BMD, Proposed JV of THF, Proposed Engineering JV and Proposed PMT JV respectively.

(iii) The disposal consideration of the RM77,926,000 (approximately USD25,466,000) due from McDermott Capital Malaysia Sdn. Bhd. ("MDCM") to the Company pursuant to the THF SPA have been set off against the purchase consideration payable by THHE to MDHSB under the BMD SPA which is a similar amount of RM77,926,000 (approximately USD25,466,000).

(c) Disposal of Shares in Floatech (L) Ltd

On 18 February 2014, the Company entered into a Share Sale Agreement ("SSA") with Globalmariner Offshore Services Sdn. Bhd. ("GMOS") to dispose of 2,000,000 ordinary shares of USD1.00 each in the capital of Floatech (L) Ltd ("Floatech"), representing 20% of the equity interest to GMOS, for a total cash consideration of USD13,126,000 (approximately RM43,315,800).

Upon completion of the Proposed Disposal, Floatech becomes an 80% subsidiary of the Company.

On 10 April 2014, Conditions Precedent pertaining to the SSA has been fulfilled and deemed completed on even date.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2013

29. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFIT OR LOSSES

The breakdown of the retained profits/(accumulated losses) of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Total (accumulated losses)/retained profits of the Company and its subsidiaries:				
- realised	(158,812,372)	(236,778,354)	38,834,793	(15,865,481)
- unrealised	(18,342,140)	13,642,140	-	-
	(177,154,512)	(223,136,214)	38,834,793	(15,865,481)
Add: Consolidation adjustments	217,506,020	235,152,316	-	-
Total retained profits/(accumulated losses)	40,351,508	12,016,102	38,834,793	(15,865,481)

The determination of realised and unrealised profits is based on 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 Malaysian Institute of Accountants on 20 December 2010.

LIST OF PROPERTIES

TH Heavy Engineering Berhad
The Properties of the group as at 31 December 2013 are as follows:

Title/ Location	Description and Existing Use	Land Area/ Built-Up Area	Approximate Age of Building	Tenure	Audited Net Book Value at 31.12.2013	Date of Acquisition
Pulau Indah Integrated Fabrication Yard HS(D) 70909, PT No. 90866 Section 1, Mukim and District of Klang, State of Selangor	Heavy Engineering/ Offshore Oil and Gas Fabrication Facility	56.79 acres	14 years	Leasehold (99 years)	99,535,323	10 August 2012

ANALYSIS OF SHAREHOLDINGS
AS AT 11 APRIL 2014

SHARE CAPITAL

Authorised share capital	: RM855,000,000.00 divided into 3,200,000,000 Ordinary Shares of RM0.25 each; and 220,000,000 Irredeemable Convertible Preference Shares of RM0.25 each
Issued and paid up share capital	: RM255,199,777.00
Class of shares	: Ordinary Shares of RM0.25 each
Total number of shares issued	: 1,020,799,108 Ordinary Shares of RM0.25 each
Number of shareholders	: 24,078 (Ordinary Shares)
Voting rights	: One vote per Ordinary Share held

(A) Ordinary Shares of RM0.25 Each

DISTRIBUTION SCHEDULE OF SHAREHOLDERS
(based on the Record of Depositors as at 11 April 2014)

SIZE OF HOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES HELD	% OF ISSUED CAPITAL
1 - 99	6,040	25.09	436,874	0.04
100 – 1,000	8,165	33.91	2,917,532	0.29
1,001 - 10,000	6,000	24.92	31,852,782	3.12
10,001 – 100,000	3,179	13.20	108,324,026	10.61
100,001 – 51,039,954 (*)	692	2.87	513,357,787	50.29
51,039,955 and above (**)	2	0.01	363,910,107	35.65
Total	**24,078**	**100.00**	**1,020,799,108**	**100.00**

Remark: *   *Less than 5% of issued shares holdings*
**   *- 5% and above of issued shares holdings*

DIRECTORS' INTEREST IN SHARES
(based on the Register of Directors' Shareholdings as at 11 April 2014)

Ordinary Shares of RM0.25 each

Name of Directors	No. of shares beneficially held				
	Nationality	Direct	%	Indirect	%
Datuk Azizan Bin Abd. Rahman	Malaysian	0	0.00	0	0.00
Nusral Bin Danir	Malaysian	0	0.00	0	0.00
Too Kok Leng	Malaysian	0	0.00	0	0.00
Roslan Bin Mohd. Latif	Malaysian	0	0.00	0	0.00
Dato' Mohamad Norza Bin Haji Zakaria	Malaysian	0	0.00	0	0.00
Dato' Md. Yusop Bin Omar	Malaysian	0	0.00	0	0.00
Dr. Samad Bin Solbai	Malaysian	0	0.00	0	0.00
Nor Badli Munawir Bin Mohamad Alias Lafti	Malaysian	1,400,000	0.14	0	0.00

ANALYSIS OF SHAREHOLDINGS (CONT'D)
AS AT 11 APRIL 2014

LIST OF THIRTY (30) LARGEST ORDINARY SHARES ACCOUNTS HOLDERS

NO.	NAME	NO. OF SHARES BENEFICIALLY HELD	%
1	LEMBAGA TABUNG HAJI	298,952,107	29.29
2	ASSETS NOMINEES (ASING) SDN BHD GUOLINE CAPITAL LIMITED	64,958,000	6.36
3	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR QUEK KON SEAN	27,839,000	2.73
4	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ABDUL RAHMAN BIN MOHAMED SHARIFF	24,000,000	2.35
5	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION	22,459,100	2.20
6	ABD RAHMAN BIN SOLTAN	11,506,800	1.13
7	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR POH SOON SIM	10,000,000	0.98
8	HLB NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CADOGAN ESTATES LIMITED	9,993,860	0.98
9	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DYNAC SDN BHD	9,700,000	0.95
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR RHB-OSK CAPITAL FUND	9,000,000	0.88
11	HLB NOMINEES (ASING) SDN BHD IBHA UNIVERSAL LTD.	8,000,000	0.78
12	HLB NOMINEES (ASING) SDN BHD QUOVUS MANAGEMENT LTD.	8,000,000	0.78
13	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	6,942,200	0.68
14	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	6,433,100	0.63
15	MAYBANK NOMINEES (TEMPATAN) SDN BHD SYARIKAT TAKAFUL MALAYSIA BERHAD	6,416,000	0.63

ANALYSIS OF SHAREHOLDINGS (CONT'D)
AS AT 11 APRIL 2014

LIST OF THIRTY (30) LARGEST ORDINARY SHARES ACCOUNTS HOLDERS

NO.	NAME	NO. OF SHARES BENEFICIALLY HELD	%
16	MADHAVANKUTTY A/L KUMARAN	6,351,000	0.62
17	CHIN CHIN SEONG	6,230,000	0.61
18	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SECTOR SELECT FUND	5,933,000	0.58
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD SYARIKAT TAKAFUL MALAYSIA BERHAD	5,758,000	0.56
20	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	5,396,534	0.53
21	CIMSEC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR CIMB TRUSTEE BERHAD	5,000,000	0.49
22	LEONG YOU TONG	5,000,000	0.49
23	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AHMAD ZAINI BIN A JAMIL	4,819,700	0.47
24	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE	4,760,344	0.47
25	MAYBANK NOMINEES (ASING) SDN BHD DBS BANK FOR KOH ALAN	4,490,000	0.44
26	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR CIMB-PRINCIPAL BALANCED INCOME FUND	4,439,600	0.43
27	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD TA ISLAMIC FUND	4,437,000	0.43
28	CITIGROUP NOMINEES (TEMPATAN) SDN BHD ALLIANZ LIFE INSURANCE MALAYSIA BERHAD	4,416,000	0.43
29	AMSEC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH ALAN	3,500,000	0.34
30	ANNIE LOO YEAN LAY	3,500,000	0.34
	TOTAL	**598,231,345**	**58.60**

ANALYSIS OF SHAREHOLDINGS (CONT'D)
AS AT 11 APRIL 2014

(B) WARRANTS

Type of Securities	: Warrant 2004/2014
No. of Warrants issued and not exercised	: 237,306,599
Voting Rights	: One (1) vote per warrant holder on a show of hand or one (1) vote per warrant on a poll in respect of a meeting of Warrant holders.
No. of Warrant holders	: 4,149

DISTRIBUTION SCHEDULE OF WARRANTS HOLDERS
(based on the Register of Depositories as at 11 April 2014)

SIZE OF WARRANTS HOLDINGS	NO. OF WARRANTS HOLDERS	% OF WARRANTS HOLDERS	NO. OF WARRANTS HELD	% OF ISSUED WARRANTS
1 - 99	1,204	29.02	58,495	0.02
100 – 1,000	838	20.20	248,744	0.10
1,001 - 10,000	785	18.92	5,152,846	2.17
10,001 – 100,000	1,036	24.97	40,576,300	17.10
100,001 - 11,865,328 (*)	285	6.87	141,333,814	59.56
11,865,329 and above (**)	1	0.02	49,936,400	21.04
Total	4,149	**100.00**	237,306,599	**100.00**

Remark: * *Less than 5% of issued warrants holdings*
** *5% and above of issued warrants holdings*

DIRECTORS' WARRANTS HOLDINGS
(based on the Register of Directors' Shareholdings as at 11 April 2014)

Name of Directors	No. of warrants beneficially held				
	Nationality	Direct	%	Indirect	%
Dato' Azizan Bin Abd. Rahman	Malaysian	0	0.00	0	0.00
Nusral Bin Danir	Malaysian	0	0.00	0	0.00
Dato' Mohamad Norza Bin Haji Zakaria	Malaysian	0	0.00	0	0.00
Roslan Bin Mohd. Latif	Malaysian	7,906	0.00	0	0.00
Too Kok Leng	Malaysian	0	0.00	0	0.00
Dato' Md. Yusop Bin Omar	Malaysian	0	0.00	0	0.00
Dr. Samad Bin Solbai	Malaysian	0	0.00	0	0.00
Nor Badli Munawir Bin Mohamad Alias Lafti	Malaysian	0	0.00	0	0.00
TOTAL		**7,906**	**0.00**	**0**	**0.00**

ANALYSIS OF SHAREHOLDINGS (CONT'D)
AS AT 11 APRIL 2014

LIST OF THIRTY (30) LARGEST WARRANTS ACCOUNTS HOLDERS

NO.	NAME	NO. OF WARRANTS BENEFICIALLY HELD	%
1	LEMBAGA TABUNG HAJI	49,936,400	21.04
2	CHIN CHIN SEONG	8,420,000	3.55
3	MAYBANK NOMINEES (ASING) SDN BHD DBS BANK FOR KOH ALAN	6,850,000	2.89
4	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR SI THO YOKE MENG	6,000,000	2.53
5	AMSEC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH ALAN	4,370,700	1.84
6	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SAIFUL AZMAN AZLI BIN ABDUL AZIZ @ MOHD	3,450,000	1.45
7	WONG CHEE THONG	3,375,297	1.42
8	CHUA SIEW WAH	3,066,700	1.29
9	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TANG HONG CHEONG	3,000,000	1.26
10	ANG LENG	2,579,800	1.09
11	CHUA SIEW WAH	2,420,000	1.02
12	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ZULKIFLI BIN ISMAIL	1,750,000	0.74
13	TAN CHIN LIN	1,700,000	0.72
14	LOO CHAI LAI	1,650,000	0.70
15	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHOW YING CHOON	1,500,000	0.63
16	KU LIAN SIN	1,334,000	0.56
17	LEONG YOU TONG	1,300,000	0.55
18	LAU WAI CHOONG	1,200,000	0.51
19	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHAI BENG	1,150,000	0.48
20	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHD AZMAN BIN YAACOB	1,150,000	0.48

ANALYSIS OF SHAREHOLDINGS (CONT'D)
AS AT 11 APRIL 2014

LIST OF THIRTY (30) LARGEST WARRANTS ACCOUNTS HOLDERS

NO.	NAME	NO. OF WARRANTS BENEFICIALLY HELD	%
21	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIA GUAN SENG	1,100,000	0.46
22	YAP CHONG KEOW	1,100,000	0.46
23	YEW CHIN WAH	1,100,000	0.46
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG SIEW CHAN	1,088,000	0.46
25	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHAI BENG	1,030,000	0.43
26	AFFIN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HONG KING SIANG	1,007,874	0.42
27	CHIN MAY YONG	1,000,000	0.42
28	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHE ABDULLAH @ RASHIDI BIN CHE OMAR	1,000,000	0.42
29	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAW TECK PENG	1,000,000	0.42
30	OOI SHANG YAO	1,000,000	0.42
	TOTAL	**116,628,771**	**49.15**

ANALYSIS OF SHAREHOLDINGS (CONT'D)
AS AT 11 APRIL 2014

SUBSTANTIAL SHAREHOLDERS
(based on the Register of Substantial Shareholdings as at 11 April 2014)

Ordinary Shares of RM0.25 each

Name of Substantial Shareholders	No. of shares beneficially held			
	Direct	%	Indirect	%
Lembaga Tabung Haji	298,952,107	29.29	0	0.00
GuoLine Capital Assets Limited	0	0.00	64,958,000[2]	6.36
Davos Investment Holdings Private Limited	0	0.00	64,958,000[2]	6.36
Kwek Leng Kee	0	0.00	64,958,000[2]	6.36
Quek Leng Chye	0	0.00	64,958,000[2]	6.36
Hong Realty (Private) Limited	0	0.00	64,958,000[2]	6.36
Hong Leong Investment Holdings Pte Ltd	0	0.00	64,958,000[2]	6.36
Kwek Holdings Pte Ltd	0	0.00	64,958,000[2]	6.36
Kwek Leng Beng	0	0.00	64,958,000[2]	6.36
GuoLine Capital Limited	64,958,000	6.36	0	0.00
Hong Leong Company (Malaysia) Berhad	0	0.00	64,958,000[2]	6.36
HL Holdings Sdn Bhd	0	0.00	64,958,000[2]	6.36
Tan Sri Quek Leng Chan	0	0.00	92,797,000[1]	9.09

Note:
1 Deemed interested through GuoLine Capital Limited and Mr. Quek Kon Sean
2 Deemed interested through GuoLine Capital Limited

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the **TENTH ANNUAL GENERAL MEETING** of the Company will be held at Banquet Hall, Level 1, Main Lobby, Kuala Lumpur Golf and Country Club (KLGCC), No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Wednesday, 11 June 2014 at 10:00 a.m. or at any adjournment thereof for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2013 together with the Reports of the Directors' and the Auditors' thereon.

2. To approve the payment of Directors' Fees for the financial year ended 31 December 2013. *(Resolution 1)*

3. To re-elect Dato' Mohamad Norza Bin Haji Zakaria who is retiring pursuant to Article 95 of the Company's Articles of Association, and being eligible, has offered himself for re-election. *(Resolution 2)*

4. To re-elect Mr. Too Kok Leng who is retiring pursuant to Article 95 of the Company's Articles of Association, and being eligible, has offered himself for re-election. *(Resolution 3)*

5 To re-elect Encik Nusral Bin Danir who is retiring pursuant to Article 101 of the Company's Articles of Association, and being eligible, has offered himself for re-election. *(Resolution 4)*

6. To re-appoint Messrs. KPMG as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. *(Resolution 5)*

7. As Special Business

   To consider and, if thought fit, with or without any modification, to pass the following Ordinary Resolution:-

   ORDINARY RESOLUTION *(Resolution 6)*
   - AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

   "THAT subject to Section 132D of the Companies Act, 1965 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

8. To transact any other ordinary business for which due notice has been given.

BY ORDER OF THE BOARD
CHUA SIEW CHUAN (MAICSA 0777689)
Company Secretary

Kuala Lumpur
Dated: 20 May 2014

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Explanatory Note to Special Business:

Resolution 6

The Company wishes to renew the mandate on the authority to issue shares pursuant to Section 132D of the Companies Act, 1965 at the Tenth Annual General Meeting ("AGM") of the Company (hereinafter referred to as the "General Mandate").

The Company had been granted a general mandate by its shareholders at the Ninth AGM of the Company held on 3 June 2013 (hereinafter referred to as the "Previous Mandate").

As at the date of this notice, the Company had placed out 92,797,000 new ordinary shares to investors which raised a total proceed of RM41,758,650/-. As at the date of this notice, the Company had utilised RM25,330,457/- for the purpose of working capital.

The purpose to seek the General Mandate is to enable the Directors of the Company to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting as it would be both time and cost-consuming to organise a general meeting. This authority unless revoked or varied by the Company in general meeting, will expire at the next AGM. The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/ or acquisitions.

Notes: In respect of deposited securities, only members whose names appear in the Record of Depositors on 4 June 2014 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.

A member shall be entitled to appoint more than one proxy to attend and vote at the same meeting subject always to a maximum of two (2) proxies at each meeting. A proxy may but need not be a member of the Company and the provision of Sections 149(1)(a), (b), (c) and (d) of the Companies Act, 1965 shall not apply to the Company.

Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

A member entitled to attend and vote at the meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the meeting shall have the same rights as the member to speak at the meeting.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.

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

The instrument appointing a proxy must be deposited at the Company's Registered Office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time appointed of holding the above meeting and at any adjournment thereof.

THHEAVY ENGINEERING BERHAD
An associate company of Tabung Haji
(634775-D)

PROXY FORM

CDS Account Number :
Number of shares held :

*I/We, (full name in capital letters) ………

of (full address) ………………………………………………………………………………………………… being a *member/members

of TH HEAVY ENGINEERING BERHAD ("the Company"), hereby appoint (full name in capital letters) ……………………………………

……… of (full

address) ………

or failing *him/her, (full name in capital letters) ………………………………………………………………………………………………

of (full address) ……

or failing *him/her, the *CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us and on *my/our behalf at the Tenth Annual General Meeting of the Company to be held at Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Wednesday, 11 June 2014 at 10:00 a.m. and at any adjournment thereof.

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

First Proxy (1)……………%

Second Proxy (2)……………..%

Please indicate with an "X" in the spaces provided below as to how you wish your votes to be casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at *his/her discretion.

NO.	RESOLUTIONS	FOR	AGAINST
1.	Directors' Fees for the financial year ended 31 December 2013.		
2.	Re-election of Dato' Mohamad Norza Bin Haji Zakaria		
3.	Re-election of Mr. Too Kok Leng		
4.	Re-election of Encik Nusral Bin Danir		
5.	Re-appointment of Auditors		
6.	Special Business – Ordinary Resolution – Authority to Issue Shares		

* Strike out whichever not applicable

As witness my/our hand(s) this .... day of ...., 2014.

……………………………………………………………
Signature of Member/Common Seal

Notes:-

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 4 June 2014 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.

2. A member shall be entitled to appoint more than one proxy to attend and vote at the same meeting subject always to a maximum of two (2) proxies at each meeting. A proxy may but need not be a member of the Company and the provision of Sections 149(1)(a), (b), (c) and (d) of the Companies Act, 1965 shall not apply to the Company.

3. Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

4. A member entitled to attend and vote at the meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the meeting shall have the same rights as the member to speak at the meeting.

5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.

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

7. To be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or notarially certified copy of such power of authority, must be deposited at the Company's Registered Office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time appointed of holding the above meeting and at any adjournment thereof.

AFFIX STAMP

To:

TH HEAVY ENGINEERING BERHAD (634775-D)
Level 7, Menara Milenium, Jalan Damanlela
Pusat Bandar Damansara, Damansara Heights
50490 Kuala Lumpur

Level 23, Tower B, Menara UOA Bangsar,
No.5 Jalan Bangsar Utama 1, 59000 Kuala Lumpur

Tel : (+603)-2787 9000
Fax : (+603)-2787 9001
www.thhe.com.my

THHEAVY
ENGINEERING BERHAD