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

Shaping Strength in the Face of Adversity

ANNUAL REPORT 2017

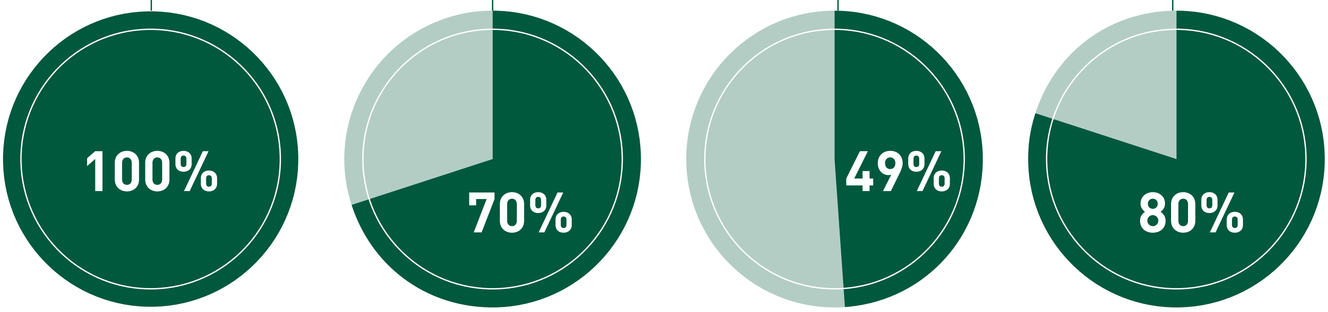
SHAPING STRENGTH IN THE FACE OF ADVERSITY

In the uncertainty of the oil and gas market, TH Heavy will continue to stay focus on its capabilities and demonstrate to rise to the industry challenges by focusing on its strength and maximizing asset performance. The cover design reflects the ability of TH Heavy to recover from crisis, to sustain and manage its operations under adverse conditions, showing strength in adversity by delivering new wave of business strategies.

WHAT'S INSIDE

CORPORATE STRUCTURE

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



100%

O&G WORKS SDN. BHD. (730245-A)

THHE OPTIMA SDN. BHD. (720110-M)

THHE TRAINING SERVICES SDN. BHD. (730241-K)

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

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

THHE FABRICATORS SDN. BHD. (537178-X)

70%

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

49%

THHE DESTINI SDN. BHD. (1188632-X)

80%

FLOATECH (L) LTD. (LL08400)

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATUK SERI JOHAN BIN ABDULLAH
Non-Independent Non-Executive Director/Chairman

DATO' HJ. GHAZALI BIN AWANG
Non-Independent Non-Executive Director

DATUK HAJAH ROZAIDA BINTI OMAR
Non-Independent Non-Executive Director

MR. TOO KOK LENG
Independent Non-Executive Director

EN. ROSLAN BIN MOHD LATIF
Independent Non-Executive Director

DR. IR. SAMAD BIN SOLBAI
Independent Non-Executive Director

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

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 26, Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur
Malaysia
Tel : (+603) 2787 9000
Fax : (+603) 2787 9001

PRINCIPAL BANKERS

Malayan Banking Berhad
Maybank Islamic Berhad
Asian Finance Bank Berhad
Al-Rajhi Bank Berhad
Affin Islamic Bank Berhad
Kuwait Finance House (M) Berhad
Bank Islam Berhad

SECRETARIES

Chua Siew Chuan
(MAICSA 0777689)

Tan Ley Theng
(MAICSA 7030358)

AUDITORS

Deloitte PLT (LLP0010145-LCA)
Chartered Accountants
Level 16, Menara LGB
1, Jalan Wan Kadir
Taman Tun Dr. Ismail
60000 Kuala Lumpur
Malaysia
Tel : (+603) 7610 8888
Fax : (+603) 7726 8986

SOLICITORS

Noor Amran & Co.
Mah-Kamariyah & Philip Koh
Izral Partnership
Towers & Hamlins

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 Main Market of
Bursa Malaysia Securities Berhad
Stock Name : THHEAVY
Stock Code : 7206

ANALYST TICKERS AND CODE
Reuters THHE.KL

DIRECTORS' PROFILES

DATUK SERI JOHAN BIN ABDULLAH

Non-Independent
Non-Executive
Director / Chairman

AGE 62

Datuk Seri Johan Bin Abdullah was appointed as Chairman of the Company on 7 October 2015.

Datuk Seri Johan holds Master in Business Administration (Finance) from Morehead State University, USA, a Bachelor in Business Administration (Finance) from Eastern Michigan University, USA and a Diploma in Banking from University Teknologi MARA, Shah Alam.

He has served in various companies including Kuala Lumpur Stock Exchange, Listing Division (now known as Bursa Malaysia Securities Berhad) in 1987, Bumiputra Merchant Bankers Berhad, Corporate Finance in 1989 and Damansara Realty Berhad as General Manager, Corporate Planning in 1995. He then rejoined Bursa Malaysia Securities Berhad in 1999 and took up various senior positions including that of Deputy Chief Regulatory Officer, Group Regulation. He later joined BIMB Holdings Berhad as Group Managing Director/Chief Executive Officer in May 2008 and served the group for more than six (6) years.

Datuk Seri Johan is currently the Group Managing Director and Chief Executive Officer ("GMD and CEO") of Lembaga Tabung Haji ("LTH") a position he has held since mid-2016. Prior to his current position, he was the Deputy GMD and CEO of LTH since 2015.

He is currently the Chairman of Deru Semangat Sdn. Bhd., Trurich Resources Sdn. Bhd. and Premia Cards Sdn. Bhd. and sits on the Board of TH Plantations Berhad, TH Properties Sdn. Bhd., TH Hotel & Residence Sdn. Bhd., Malakoff Corporation Berhad, Glomac Berhad and Yayasan Tabung Haji.

Datuk Seri Johan attended six (6) out of seven (7) Board Meetings held during the financial year ended 31 December 2017.

DATO' HJ. GHAZALI BIN AWANG

Non-Independent
Non-Executive Director

AGE 71

Dato' Hj. Ghazali Bin Awang was appointed as a Director of the Company on 27 August 2015.

He has extensive experience in corporate finance and the oil and gas industry, having held positions such as Chief Accountant and Senior Manager Finance & Administration in Amanah Saham Nasional Berhad, Permodalan Nasional Berhad and Shell Malaysia. He served as Director and Executive Director of Finance of Guthrie group of companies.

Dato' Hj. Ghazali is also currently Director of Heitech Padu Berhad and BIMB Investment Management Berhad. Dato' Hj. Ghazali read for a Bachelor of Commerce degree from the University of Newcastle, Australia and Masters in Religious Studies, Institute Agama Islam Negeri, Imam Bonjol, Padang, Indonesia. He is also a qualified Chartered Accountant, being a member of the Institute of Chartered Accountants in Australia and Institute of Accountants Malaysia.

Dato' Hj. Ghazali is a member of the Audit Committee and attended six (6) out of seven (7) Board Meetings held during the financial year ended 31 December 2017.

DIRECTORS' PROFILES

DR. IR. SAMAD BIN SOLBAI

Independent Non-Executive Director

AGE 67

Dr. Ir. Samad Bin Solbai was appointed to the Board on 25 May 2012.

He is a registered Professional Engineer and Fellow of the Institution of Engineers, Malaysia. He has a wide, hands-on experience in the fabrication of oil and gas platforms projects. Dr. Ir. Samad's employment career included 13 years in academia (including as an Associate Professor and Dean of Mechanical Engineering, Universiti Teknologi Malaysia) and more than 20 years in the Oil and 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 had 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. Ir. Samad was the Chief Executive Officer of PT. Gunanusa Utama Fabricators, Indonesia from 2005 to 2011. He also held a number of key positions in oil and gas related companies including nine years in the Sime Darby Group as Group General Manager of the Oil and Gas Division of Sime Darby Berhad and CEO of Sime Sembcorp Engineering Sdn. Bhd. Dr. Ir. Samad was the Group Managing Director of Shapadu Corporation for a brief period of 18 months from mid-1999.

Dr. Ir. Samad is currently a Director of a number of private companies in Malaysia including THHE Fabricators Sdn. Bhd. and Li-Zainal Sdn. Bhd.

Dr. Ir. Samad is also an active motivational speaker and regularly gives lectures on Fundamentals of Management to young engineers, organised by the Board of Engineers, Malaysia.

Dr. Ir. Samad is a Member of the Audit Committee and the Remuneration Committee. He is also the Chairman of the Risk and Investment Committee. Dr. Ir. Samad attended all seven (7) Board Meetings held during the financial year ended 31 December 2017.

DIRECTORS' PROFILES

EN. ROSLAN BIN MOHD LATIF

Independent Non-Executive Director

AGE 63

Encik Roslan Bin Mohd Latif was appointed to the Board on 11 June 2009.

He obtained a Diploma in Business Studies from Institute Teknologi Mara in 1977 before pursuing BSc Marketing from Southern Illinois University in 1981 and a Master of Business Administration from GSU Chicago in 1983. He completed the Advance Masters in Business Policy from University of South Australia in 2009, attended the Advance Management Program from Denver Colorado in 1985 and the Harvard ASEAN Senior Management Development Program in 2014.

Encik Roslan has more than 35 years of working experience in Marketing, Education, Training and Project Management with several organisations namely Majlis Amanah Rakyat, Permodalan Nasional Berhad, Kontena Nasional, Maintenance Engineering Sdn. Bhd., Klang Valley College and Global Fabricators Sdn. Bhd.

He sat as an Independent Non Executive Director in AWC Berhad from 2007 to 2015. He spent 7 years as Special Officer to the Minister of Information, Minister of Youth and Sports and the last post as the Media Advisor to the Minister of Communication and Multimedia. He was the founding Director of ALMA Education Foundation and currently sits on the Board of Trustees of Yayasan Kumpulan Utusan.

Encik Roslan is the Chairman of the Nomination Committee and a member of Risk and Investment Committee.

He attended all seven (7) Board Meetings held during the financial year ended 31 December 2017.

DATUK HAJAH ROZAIDA BINTI OMAR

Non-Independent Non-Executive Director

AGE 55

Datuk Hajah Rozaida Binti Omar was appointed as a Director of the Company on 4 February 2016.

She is currently the Group Chief Financial Officer of Lembaga Tabung Haji. She is also a Director of Syarikat Takaful Malaysia Berhad, Pelikan International Corporation Berhad and BIMB Holdings Berhad.

Datuk Hajah Rozaida obtained her certificate A-Level from Birkenhead College, United Kingdom in 1982 and London School of Accountancy in 1986. She is a Fellow of the Association of Chartered Certified Accountants (ACCA) UK.

Datuk Hajah Rozaida started her career as a Financial Accountant in FELDA in 1986 and was a Credit Manager at Citibank Berhad. She then joined Guthrie Trading Sdn. Bhd. as a Finance Manager from 1992-1993, before joining Glaxo SmithKline Consumer Healthcare Sdn. Bhd. as Finance Director from 1994-2003.

Datuk Hajah Rozaida attended six (6) out of seven (7) Board Meetings held during the financial year ended 31 December 2017.

DIRECTORS' PROFILES

MR. TOO KOK LENG

Independent Non-Executive Director

AGE 59

Mr. Too Kok Leng was appointed as 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 the Chairman of the Audit Committee, a member of the Nomination Committee, Remuneration Committee and the Risk and the Investment Committee of the Company.

Mr. Too is currently the Group Managing Director/ Group Chief Executive Officer as well as a Director, of Menang Corporation (M) Berhad.

He attended five (5) out of seven (7) Board Meetings held during the financial year ended 31 December 2017.

DATO' INDERA DR. HAJI MD. YUSOP BIN OMAR

Independent Non-Executive Director

AGE 66

Dato' Indera Dr. Haji Md. Yusop Bin Omar was appointed as a Director of the Company on 25 May 2012.

He was graduated from University of Malaya in 1975 with a Bachelor of Arts and obtained his certificate in Public Administration in 1976.

Dato' Indera Haji Md. Yusop served as Administration and Diplomatic Officer in the Government sector for twenty (20) years.

He 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' Indera Haji Md. Yusop is also Director of TH Plantations Berhad since 2015 and Musyarakah Venture Capital Sdn. Bhd. He is also the Director of Politic & Election Studies of Malaysia Leadership & Strategy Foundation (YKSM) and CEO of DAMAI (Dewan Amal Islami) under the Chairmanship of Minister in the Prime Minister's Department.

Dato' Indera Haji Md. Yusop is the Chairman of Remuneration Committee and a member of the Nomination Committee. He attended a six (6) out of seven (7) Board Meetings held during the financial year ended 31 December 2017.

Save as disclosed, none of Director has:-

1. any family relationship with any Director and/or major shareholder of the Company
2. any conflict of interest with the Company
3. any directorship in public companies and listed issuers; and
4. any conviction for offences within the past five (5) years other than traffic offences and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2017.

SENIOR MANAGEMENT TEAM PROFILES

SUHAIMI BIN BADRUL JAMIL

Chief Executive Officer cum
Chief Financial Officer

AGE 56

Encik Suhaimi Bin Badrul Jamil, was appointed as Chief Executive Officer ("CEO") of THHE Group on 1 September 2016. Prior to his appointment as CEO, he was appointed as Chief Financial Officer on 1 December 2013, a position which he holds until now.

Encik Suhaimi obtained a Bachelor of Economics (with specialisation in accounting) from the Australian National University in 1985, a Graduate Diploma in Accounting from the Australian National University, Australia in 1986 and a Master of Business Administration from Deakin University, Australia in 2004. Encik Suhaimi is a qualified Chartered Accountant being a member of The Malaysian Institute of Accountants and a Fellow CPA Australia.

Encik Suhaimi started his career with HRM Arthur Andersen, Chartered Accountants in the audit and financial consulting department. He left to join the corporate world and went on to be appointed as a Group Financial Controller, Group General Manager and finally as a Group Executive Director for a Malaysian conglomerate whose activities included property development, transportation, insurance and banking, plantation, construction, manufacturing and investment holdings.

He then went on to start his own business and has been involved in various start-ups covering diverse areas including education, international trading, agriculture, manufacturing, mining and private equity. Apart from this, he was also a Special Administrator for Danaharta, regularly consults various companies in areas of corporate finance, corporate restructuring, risk management, turnaround management, cross border investments in South East Asia, mergers and acquisitions and strategic management and leadership.

He held various board directorships in public listed companies as well as licensed financial institutions. Currently, he is an Independent Non-Executive Director of Protasco Berhad. Among the companies in which he was a board member were MEMS Technology Berhad as Chairman of the Board, Petra Energy Berhad, Credit Corporation (M) Berhad, MIMB Investment Bank Berhad, Gadek Capital Berhad, SPK-Sentosa Corporation Berhad, Intrakota Consolidated Berhad, eB Capital Berhad and SJ Kumpulan Berhad. He was also an Executive Director with Ferrier Hodgson MH and Baker Tilly MH.

SENIOR MANAGEMENT TEAM PROFILES

AZIZUL HANAFEE BIN MOHD ZAIN

Senior General Manager,

Ship Building & Ship Repair

AGE 49

Prior to joining THHE Group, **Encik Azizul Hanafee Bin Mohd Zain** served with Labuan Shipyard & Engineering Sdn. Bhd. as Chief Operating Officer. Encik Azizul started his career as Planning & Estimating Engineer at Malaysia Marine & Heavy Engineering (MMHE) and then continued to serve Boustead Naval Shipyard Sdn. Bhd. and Boustead Penang Shipyard Sdn. Bhd. for 17 years holding various positions from Chief Operating Officer, General Manager and Project Manager. He was also a Director of a JV company between Boustead and MTU Services Malaysia.

ROSHIDI BIN MAT SAAD

General Manager,

Group Human Resource

AGE 50

Encik Roshidi Bin Mat Saad, joined THHE Group as Manager, Human Resource and Administration on 2 July 2010. On 2 March 2012, he was appointed as Head, Human Resource and Administration and on 4 February 2014, he was appointed as General Manager, Group Human Resource. Encik Roshidi holds a Bachelor of Business Administration (Majoring in Human Capital) from the University of Cardiff. He also holds several local certifications which include the Diploma and Certificate in Human Resource Management (MIHRM), Safety, Health & Environment (NIOSH) and the National Examination Board in Occupational Safety and Health (NEBOSH). Prior to joining THHE Group, he served Utama Merchant Bank Bhd, Malaysia Shipyard, Shapadu Engineering, Ramunia Holding Berhad, FPSO ventures, and Labuan Shipyard and Engineering Sdn. Bhd. in numerous positions in Human Resource Management.

TUAN HJ. ZAINALABIDIN BIN ISMAIL

General Manager,

Legal & Secretarial Services

AGE 62

Tuan Hj. Zainalabidin Bin Ismail joined THHE Group on 1 November 2016 as General Manager, Legal & Secretarial Services. He holds a Master of Laws and Bachelor of Laws from University of London. Tuan Hj. Zainalabidin started his career as a Law Lecturer at Institut Teknologi Mara. Shortly later he joined PETRONAS and served with the PETRONAS Group of Companies for 35 years, holding various positions from Legal Officer to Company Secretary, Senior Legal Counsel and General Manager, Legal. Prior to joining THHE Group, he was Senior Consultant at Azmi & Associates and General Manager, Operations at Prudenz Corporate House Sdn. Bhd.

SENIOR MANAGEMENT TEAM PROFILES

ABDUL MALIK BIN ABDUL RAHIM

General Manager,

Finance

AGE 38

Encik Abdul Malik Bin Abdul Rahim, joined THHE Group as Senior Manager, Finance on 8 December 2014. On 1 June 2016, he was appointed as General Manager, Finance. Encik Abdul Malik is a qualified Chartered Accountant, being a member of Malaysian Institute of Accountants ('MIA') and Malaysian Institute of Certified Public Accountant ("MICPA"). Encik Abdul Malik holds a Bachelor of Accountancy from Universiti Teknologi Mara. He started his professional career in 2004 with KPMG as an Audit Associates. In 2010, he joined Chemicals Company of Malaysia Berhad as a Group Finance Manager. He then joined Scomi Group Bhd Group Finance, before joining THHE Group.

MUHAMMAD SUFFIAN BIN SALLEH

Head of Quality, Health, Safety & Environment

AGE 49

Encik Muhammad Suffian Bin Salleh, joined the THHE Group on 13 January 2006 as Senior Executive, Quality Assurance/Quality Control. On 1 May 2011, he was appointed as Head of Quality, Health, Safety and Environment ("QHSE"). Encik Muhammad Suffian holds an Advance Diploma in Welding Technology and has 25 years' experience in QHSE. He holds a NEBOSH IGC and also certified a CQI & IRCA Lead Assessor/Auditor for ISO 9001:2015, ISO 14001:2015 & OHSAS 18001. Prior to joining the THHE Group, he served with Bureau Veritas Sdn. Bhd. as Certification Authority Surveyor. He has also served Germanisher Llyod (M) as a Certification Authority Representative for various Talisman projects. He had also been seconded to Petronas Carigali Sdn. Bhd., OGP Technical Services Sdn. Bhd., Sime Sembcorp Engineering Sdn. Bhd. as Certification Agency Surveyor, Project QHSE Engineer, Piping/Mechanical Inspector, Quality Assurance/Quality Control Inspector and Project Management Team.

KAMARUZAMAN BIN MOHD TAHIR

General Manager,

O&G Works Sdn. Bhd.

AGE 46

Encik Kamaruzaman Bin Mohd Tahir, joined THHE Group on 20 May 2008 as Operations Manager. On 1 November 2013, he was appointed as General Manager of O&G Works Sdn. Bhd. Encik Kamaruzaman holds a Bachelor in Mechanical Engineering from University Technology Malaysia, Skudai. He has 26 years' experience in the oil and gas industry and 3 years in civil construction. Prior to joining THHE Group, he served with Rocon Equipment Sdn. Bhd. (1996-1997) and IMPSA (M) Sdn. Bhd. (1997-2008) until 2008, where he held the position of Erection Yard Manager.

SENIOR MANAGEMENT TEAM PROFILES

ISMAIL BIN HASSAN

Senior Project Manager

AGE 55

Encik Ismail Bin Hassan, joined THHE Group on 15 January 2014 as Senior Project Manager. On 4 October 2016, he was assigned as Person In-charge for Pulau Indah Yard operations. Encik Ismail holds a Bachelor in Civil Engineering from Old Dominion University, Virginia, USA. He has 26 years' experience in the oil and gas industry and 3 years in civil construction. Prior to joining THHE Group, he served with Sime Darby Engineering (SDE) for 18 years, where he held the position of Engineering Manager and later as Senior Project Manager. He also served with Malaysia Marine and Heavy Engineering (MMHE) for 6 years with his last position as Head of Installation and Offshore Services.

Save as disclosed, none of the Senior Management Team member has:-

1. any family relationship with any Director and/or major shareholder of the Company;
2. any conflict of interest with the Company;
3. any directorship in public companies and listed issuers; and
4. any conviction for offences within the past five (5) years other than traffic offences and has not been imposed any penalty by the relevant regulatory bodies during the financial year ended 31 December 2017.

LIST OF EVENTS/ CORPORATE SOCIAL RESPONSIBILITY

2017

21 – 25 MAR 2017

LANGKAWI INTERNATIONAL MARITIME & AEROSPACE 2017 (LIMA'17)

TH Heavy Engineering Berhad participated as exhibitor in the prestigious exhibition 'Langkawi International Maritime & Aerospace 2017'.

25 MAY 2017

13TH ANNUAL GENERAL MEETING

TH Heavy Engineering Berhad's 13th Annual General Meeting was held at Tropicana Golf Club.

21 JUNE 2017

ROAD SAFETY AWARENESS CAMPAIGN 2017

Road Safety Campaign was organized at Pulau Indah Yard with the purpose of promoting road safety awareness among employee in the organisation.

15 DEC 2017

COURT CONVENED CREDITORS MEETING

TH Heavy Engineering Berhad's Court Convened Creditors Meetings were held at Menara Weld, Kuala Lumpur.

20 DEC 2017

KEEL LAYING CEREMONY

Keel Laying Ceremony for 3 units of Offshore Patrol Vessels ("OPVs") for the Malaysian Maritime Enforcement Agency were held in THHE Fabricators Sdn. Bhd.'s Pulau Indah Yard. The ceremony was launched by the Director General of Maritime Malaysia, Yang Berbahagia Laksamana Maritim Dato' Sri Zulkifili bin Abu Bakar.

MANAGEMENT DISCUSSION AND ANALYSIS

The financial year under review continued to be a very challenging year for the Company and its subsidiaries ("Group") as the big players in the oil and gas industry remain cautious about upstream investment. The oil and gas industry entered 2017 with great amount of uncertainties, although crude prices have risen from an average of US$44 in 2016 to US$54 in 2017.

One thing for sure, analysts keep reminding us, the heady days of US$114 are gone forever. In fact, companies are learning to live with low oil prices for the long haul. Hence, the modest uptick in the upstream capital expenditures set aside for 2018 by oil majors globally.

This cautious optimism of the oil majors may have some impact on our traditional core oil and gas ("O&G") related business activities.

FINANCIAL PERFORMANCE

As compared to 2016, the Group's revenues have decreased from RM17.8 million to RM5.4 million, registering close to 69.7 per cent drop. This is mainly due to the completion of prior year projects as well as the decrease in the number of on-going projects. The income is mainly derived from the supply of manpower for the Kinabalu NAG Phase II Development Project. Furthermore, the current year tax after losses has narrowed from RM439.6 million in 2016 to RM120.2 million in current year, mainly due to lower recognition of impairment losses on property, plant and equipment, as well as unrealised foreign exchange gain.

PROPOSED REGULARISATION PLAN

On 28 April 2017, the Company announced that it has become an affected listed issuer pursuant to the Practice Note 17 ("**PN17**") of the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad ("**Bursa Malaysia**") where the auditors had expressed a disclaimer of opinion on the going concern assumption in the Company's audited financial statements for the financial year ended 31 December 2016. As an affected issuer, the Company is required to submit a Regularisation Plan within 12 months from 28 April 2017 to Bursa Malaysia for approval. The Company is currently formulating a Proposed Regularisation Plan which mainly comprises the following: (i) Proposed Novation of contract for the Provision of EPCIC and Leasing for Layang FPSO Facilities awarded by JX Nippon Oil & Gas Exploration (Malaysia) Limited ("the JX Nippon Contract") to Yinson Energy Sdn. Bhd. ("YESB"), (ii) Scheme of Arrangements, (iii) Proposed capital reconstruction exercise involving the conversion of existing Irredeemable Convertible Preference Shares-i ("ICPS-i") and a capital reduction and amalgamation exercise for which the quantum has not been finalised, and, (iv) Proposed disposal of certain non-core assets.

The Company and its three (3) subsidiaries namely THHE Fabricators Sdn. Bhd., ("**THFSB**"), THHE Offshore Services Sdn. Bhd. ("**THEOS**") and O&G Works Sdn. Bhd. ("**OGW**") ("**Scheme Companies**") during the year had each formulated a Scheme of Arrangement ("**Scheme(s)**") with their respective Scheme Creditors.

On 15 December 2017 the Company secured an overwhelming support from its Scheme Creditors under the Scheme at its Court Convened Creditors Meetings ("CCMs") with all the Company's secured creditors supporting the Scheme and 94.5 per cent (95.4%) of the unsecured creditors backing it. Earlier on 14 December 2017, the respective scheme creditors of THFSB and OGW approved their respective Scheme at CCMs. The Schemes were subsequently approved by the High Court on 6 February 2018 and with the requisite lodgement of the relevant Court Order with the Companies Commission of Malaysia, the Schemes for the Company, THFSB and OGW ("Approved Scheme Companies") are now effective by virtue of Section 366(5) of the Companies Act 2016. Pursuant to the Approved Scheme Companies' Schemes, all pending litigation proceedings including all winding-up petitions against the Approved Scheme Companies are to be withdrawn or terminated as the debts are deemed to have been compromised under the respective Schemes. Pursuant to these respective Schemes, the total debt due and owing to the respective Scheme Creditors will be reduced and the remaining outstanding balance to be settled by way of cash settlement, issuance of new ICPS-i in the Company, term out of the existing facility and any remaining amount owing to the

MANAGEMENT DISCUSSION AND ANALYSIS

> **The year under review also saw one of the Group's associate company, THHE Destini Sdn. Bhd. (TDSB), a joint venture company between THHE Fabricators Sdn. Bhd. and Destini Shipbuilding and Engineering Sdn. Bhd., progressing the construction of 3 units of Offshore Patrol Vessels (OPVs) for the Malaysian Maritime Enforcement Agency which was awarded on 18 January 2017.**
>
> **Suhaimi Badrul Jamil**
> Chief Executive Officer cum Chief Financial Officer

respective Scheme Creditors after the aforesaid shall be completely waived.

On 15 February 2018 at an Extraordinary General Meeting, the Shareholders of the Company approved the proposed novation of the JX Nippon Contract to YESB for a cash consideration of RM374.0 million ("Proposed Novation"). The Proposed Novation is an integral part of the Company's Proposed Regularisation plan and the proceeds from the Proposed Novation will be utilised mainly to repay the Scheme Creditors in accordance with the terms of the respective Schemes. The Company is now in the final stages of completing the Proposed Novation.

BUSINESS STRATEGIES

Future plan for the FPSO Layang Vessel

After the completion of the Proposed Novation and other components of the Proposed Regularisation Plan, the Group will limit our involvement in the FPSO business beyond our exposure to the prospects of the revival of the FPSO Layang Vessel in view of the capital intensive nature of the FPSO business. Our Group is seeking strategic partner(s) to embark on the revival of FPSO Layang Vessel to fulfil potential charter contracts, failing which the FPSO Layang Vessel, will be disposed to the highest bidder in its current state, subject to the necessary prior consent and approvals of any relevant authorities, parties and/or persons being obtained.

Future plan for ship building, ship repair and related business

As a nation, Malaysia has been actively involved in shipbuilding and ship repair for commercial and defense activities. The Group intends to seize the ship building and maintenance, repair and overhaul ("**MRO**") opportunities for small to medium sized-vessels in Malaysia by fulfilling the fleet modernisation and MRO requirements of maritime agencies of the Government of Malaysia, such as the Malaysian Maritime Enforcement Agency ("**MMEA**") the Marine Department of Malaysia, the Royal Malaysian Customs, the Eastern Sabah Security Command and the Royal Malaysian Navy.

In line with this, the Group, via the Company's wholly-owned subsidiary, THFSB, has successfully secured the necessary licenses from the Ministry of Finance Malaysia to provide shipbuilding and MRO services for Government vessels, specifically a Class AA Shipbuilding license for the construction of ships displacing more than 600 metric tons and a Class C license for MRO of ships displacing less than 400 metric tons. The Group is optimistic of our prospects in the area of shipbuilding, MRO and related services as our engineering experience, facilities and tooling used in the fabrication of offshore structures for the oil and gas industry is fairly adaptable to these sectors.

REVIEW OF OPERATING ACTIVITIES

On-Going Projects During The Year

The financial year under review also saw one of the Group's associate company, THHE Destini Sdn. Bhd. ("**TDSB**"), a 49% joint venture company between our wholly-owned subsidiary THFSB and Destini Shipbuilding and Engineering Sdn. Bhd., progressing the construction of three (3) units of Offshore Patrol Vessels ("**OPV(s)**") for the MMEA which was awarded on 18 January 2017.

Under the OPV contract, TDSB is to undertake the Supply, Delivery, Testing

MANAGEMENT DISCUSSION AND ANALYSIS

and Commissioning of the 3 OPVs complete with Fittings and Accessories for a contract value of RM738.9 million. The Group's Pulau Indah Yard is equipped with the necessary equipment and facilities to undertake medium-scale shipbuilding. The Group's load-out jetty dimension in Pulau Indah Yard is 70 meters in length with a draft at zero tide of approximately 3.5 meters, while the Group's fabrication yard's capacity is 10,000 metric tons per annum, with a load out capacity of 2,500 metric tons. Under the OPV Contract, 2 slipways will be constructed for the launching of the OPVs.

The OPV contract is expected to contribute positively to the earnings and net assets per share of the Group for the financial years ending 31 December 2018 through 31 December 2020.

Another subsidiary of the Group, OGW, mainly involved in minor fabrication, crane manufacturing and repairs, is progressing several small projects won in 2017.

Quality And Safety

The Group has always given Quality, Health, Safety & Environment a very high priority. In this regard, the Group clocked 26,262,902 man-hours of work without any Lost Time Injury ("**LTI**") from 2012 to December 2017. This is a testament to the Group's standard of care.

RISKS

The less than positive developments in the oil and gas industry worldwide have caused some turmoil, bringing along with it a 12-year low in crude prices. The international benchmark crude, Brent, averaged USD 55, making capital investments in upstream projects very difficult for operators. The Group is not immune to these capital expenditure cuts by the operators as this will have some impact on our O&G related activities. However, with the Group's diversification in 2016 into the Shipbuilding and Ship Repair ("**SBSR**") business, the risk of the downturn in the O&G sector is somewhat mitigated.

Subject to the timely and successful formulation and implementation of the key components of the Proposed Regularisation Plan, the Group is cautiously optimistic of its business prospects.

MOVING FORWARD

The Schemes and the Proposed Novation will enable the Group to substantially restructure our Group's liabilities, so as to enable the Group to begin on a clean slate post restructuring. Further, the Group will no longer be exposed to the significant overhanging contingent liability position of USD18.6 million pursuant to the JX Nippon Contract following the completion of the Proposed Novation.

The next 12 months of 2018 is expected to remain equally challenging for the O&G industry as the oil producers in Malaysia and elsewhere continue on a cautious optimism mode. Should the crude oil prices stay low for long, then the Group must remain flexible and consider all possible new revenue sources including further concerted efforts to deepen its involvement in the SBSR business. With that end in mind, the Group has emplaced a business strategy and plan to carve out its niche in the SBSR business as laid out in Malaysia's SBSR Strategy Plan 2020. In the meantime, the Group is continuing its transformation journey by making the organisation robust and cost-effective in a climate of continuing uncertainty.

Group's Revenues

RM5.4 **MILLION**

2016: RM17.8 million

Overwhelming support for the Scheme of Arrangement

94.5%

of the unsecured creditors backing the scheme, with all the Company's secured creditors supporting it.

The Group clocked

26,262,902

man-hours of work without any Lost Time Injury (LTI) from 2012 to December 2017.

SUSTAINABILITY STATEMENT

The Group recognises the growing importance of sustainability in our business value and through this statement we outline our strategic approach to sustainability. The Group's sustainability practice focuses on sustainable business growth, environmental stewardship, and social responsibility.

With numerous years in the oil and gas business and now slowly migrating to the SBSR industry, the Group has multiple stakeholders. This important group of stakeholders play a critical role in our business. While the stakeholders are numerous, we as a Group value them individually as distinct and important to our long-term sustainability.

The Group has designed a Stakeholder Engagement Process to engage with the various interest groups to uncover their expectations. At the end of the process, we strive to strike a balance between the material needs of the Group and the expectations of our stakeholders. A process that we at the Group have found useful to uncover the expectations of our stakeholders is a depicted below:

STAKEHOLDER ENGAGEMENT

STAKEHOLDERS	METHOD OF ENGAGEMENT	STAKEHOLDERS' CONCERNS	OUR RESPONSE
Shareholders and Investors	- Annual General Meeting - Extraordinary General Meeting - Corporate Website - Annual Report	- Financial Returns - Value of Investment	- Quarterly Financial Report - Press Release - Announcement
Employees	- Employee Survey - Training - Event - Drill - Town Hall Meetings	- Safety at Workplace - Career Development - Benefits - Equal Opportunity	- Career Development - Safe Environment
Client	- Client Satisfaction Survey - Client Feedback - Client Visit - Trade Exhibition	- Pricing - Delivery - Quality - Sustainability	- Reasonable Pricing and Reliability - Quality and Sustainable Processes
Suppliers	- Suppliers Survey - Supplier Meetings - Supplier Audits	- Cost Efficiencies - Compliance with Sustainability Matters - Quality Product	- Reliability and Quality - Retention - Collaboration Opportunities
Government	- Compliance with Government Legislative Framework	- Regulatory Disclosure - Accountability - Access to Premise and Records	- Certifications - Compliance with Regulations - Transparency
Communities	- Meeting with Local Communities	- Provision of Jobs and Internship to Graduates - Local Employment - Environmental Impacts	- Internship - Skim Latihan 1 Malaysia (SL1M) - Environmental Responsibilities

SUSTAINABILITY STATEMENT

SUSTAINABLE BUSINESS GROWTH

The Group has always made sustainability an integral part of its business growth. In pursuing our business growth, we take into consideration both short-term and long-term issues that may affect our business model. We believe the business ecosystem is about creating synergies across the Group in terms of generating revenue, employment and developing vendors.

Environmental Stewardship

The Group has emplaced prudent practices both in the office and at its yard that are eco-friendly and adhere to stringent environmental standards.

The Group strictly adheres to all legal requirements with regards to the environment, be it statutory or regulations. The Group is accredited with ISO 14001 and OHSAS 18001 since April 2012. In April 2018 the Group successfully transited to the latest ISO14001 version.

The Group has emplaced environment-friendly practices such as green logistics, minimal electricity usage, and low water consumption so as to minimise emissions and prevent pollution. In addition to this, the Group adheres to strict DOE regulations on waste disposal and other practices that promote sustainability of the environment.

SOCIAL RESPONSIBILITY

We believe that the success of the Group is a result of the contribution of people - employees, shareholders, customers, vendors and the communities that we do business with. We believe that a business can only be successful if it conducts its business in a socially responsible manner.

It is the Group's policy to hire the right talent given the specialised nature of its oil and gas fabrication as well as SBSR business. For the period under review, the group had 95 employees, 28.8% of whom are women and the remaining 71.2% men. The Group has over years - as can be seen in the table provided - increased its gender equality numbers to reach the current percentage.

The Group is committed to ensuring the well-being of its employees by emplacing policies that reflect the nation's labour standards. The Group believes that a trained workforce will be of benefit for its employees and the Group. As an example of the Group's commitment to train its employees, a number of training programmes were undertaken during the year under review.

The Group places great emphasis on professional development of its employees and as such it provides a multitude of opportunities to pursue technical, administrative and management programmes for all levels of its workforce.

Some of the training programmes are as listed below:

Training & Development Programme for employee

Business Communication Training

Able to communicate more effectively in areas such as telephone conversations and face to face discussion.

Develop a reader-friendly style, with particular attention to the needs and expectation of colleagues, management and customers.

Able to use writing skill confidently and wisely to enhance clarity, information flow, grammatical accuracy and consistency.

Naval Architecture For Non Naval Architect

Participants are able to explain the Naval Architecture Terms and perform basic Hydro statistic and stability calculations.

Able to discuss the process of building ships and identify areas of expectation during construction stage.

Able to explain the Main Marine Engineering Systems installed in a ship.

Environmental Quality Clean Air Regulation 2014

Participants can learn about the untold and unfold of the Guided Self Regulation or is it Guided Scoped Rifle.

Able to know Legal interpretation of the Environmental Quality Regulation 2014.

Able to identify the premise's legal emission standard.

Identify legal liability of companies and their competent persons.

SUSTAINABILITY STATEMENT

KPMG Tax Services Sdn. Bhd.

Understand the common GST errors and mistakes made and its implications.

Able to identify and mitigate unnecessary common errors and mistakes.

Insights on potential "grey" GST issues.

Valuation of Mergers and Acquisitions ("M & A")

Able to assess and identify appropriate tools to evaluate M&As.

Measure the value creation in M&A exercises.

Determine the corporate motivation, benefits and risks arising from a M&A exercises.

Determine the optimum strategy to enhance both market value and strategic value.

Workshop: Detecting GST Weaknesses by Analyzing GST Audit File (GAF)

Able to learn about GST Codes.

Latest GST Audit File.

Understanding the 5 Record Elements in GAF.

Able to analyze GAF using Pivot Table , generate report, generate Tax Code Matrix, generate reports based on specific criteria.

The communities that reside where the Group's activities are conducted are crucial to its business success. The community is the source of both social and human capital for the Group's business. Driven by this, we take pride in engaging with them through activities such as community programmes and sports events.

WORKFORCE MANAGEMENT

	2014	2015	2016	2017
Total Number	566	365	121	**95**
Turnover Rate	-	35.51%	66.85%	**21.49%**

PERCENTAGE OF EMPLOYEES BY GENDER

	2014	2015	2016	2017
Female	23.88%	23.56%	25.62%	**28.80%**
Male	76.12%	76.44%	74.38%	**71.20%**

NUMBER OF STAFF BY CATEGORY

	2014	2015	2016	2017
Management	68	47	33	**29**
Executive	261	174	60	**44**
Non-Executive	237	144	28	**22**

PERCENTAGE OF JOB TYPE

	2014	2015	2016	2017
Permanent	8.13%	10.14%	14%	**14.40%**
Contract	91.87%	89.86%	86%	**85.60%**

PERCENTAGE EMPLOYEE BY GROUP

	2014	2015	2016	2017
<20	-	-	-	**-**
21-30	42.79%	35.89%	18.48%	**19.58%**
31-40	34.95%	39.45%	48.73%	**43.29%**
41-50	15.19%	16.17%	16.8%	**18.58%**
51-60	6.36%	8.49%	15.18%	**17.52%**
>61	0.71%	-	0.81%	**1.03%**

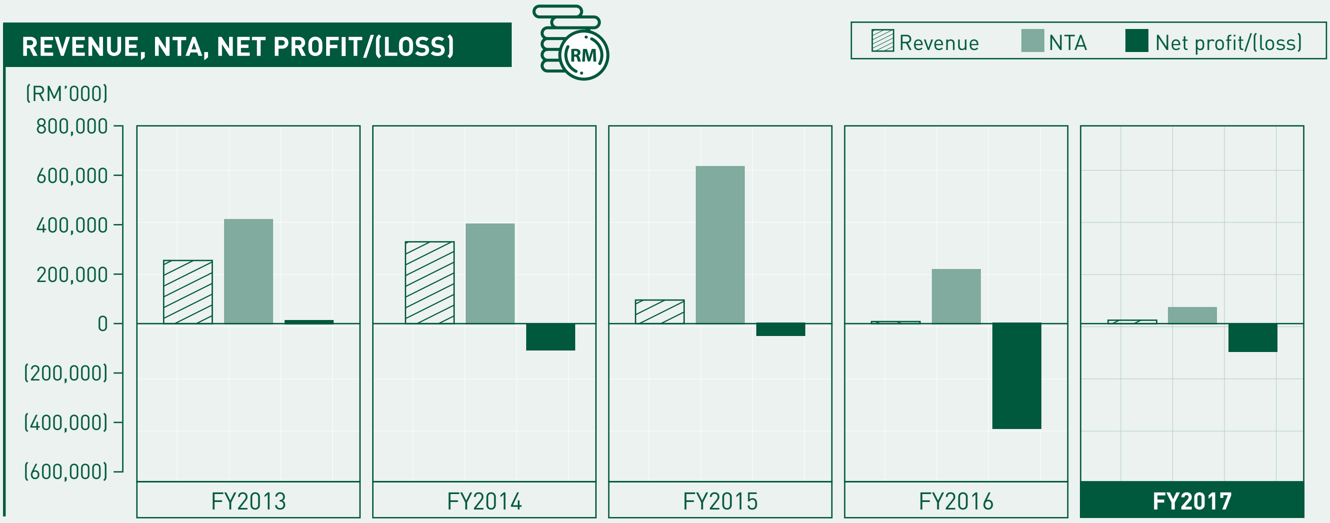
PERFORMANCE HIGHLIGHTS

DESCRIPTION	GROUP RM '000	COMPANY RM '000
Loss for the year attributable to:		
Owners of the Company	(103,497)	26,599
Non-controlling interests	(16,731)	-
Loss for the year	(120,228)	26,599

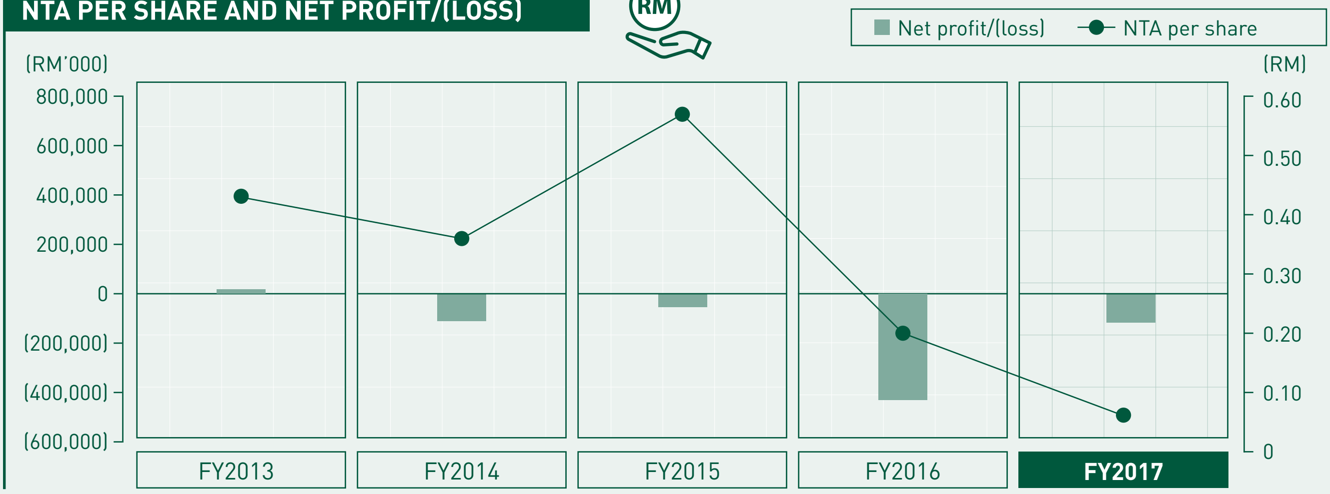
DESCRIPTION	2013	2014	2015	2016	2017
Revenue (RM'000)	259,932	334,124	100,500	17,775	**5,397**
Gross profit/(loss) (RM'000)	44,391	(30,342)	(6,351)	(18,532)	**(6,588)**
Operating cost (RM'000)	53,099	89,619	85,707	404,857	**140,995**
Net profit/(loss) (RM'000)	1,556	(113,906)	(54,323)	(439,640)	**(120,228)**
NTA (RM'000)	423,010	404,222	636,254	221,212	**70,494**
NTA per share (RM)	0.43	0.36	0.57	0.20	**0.06**
EPS Basic (sen)	0.83	(7.60)	(4.05)	(32.63)	**(9.23)**

PERFORMANCE HIGHLIGHTS

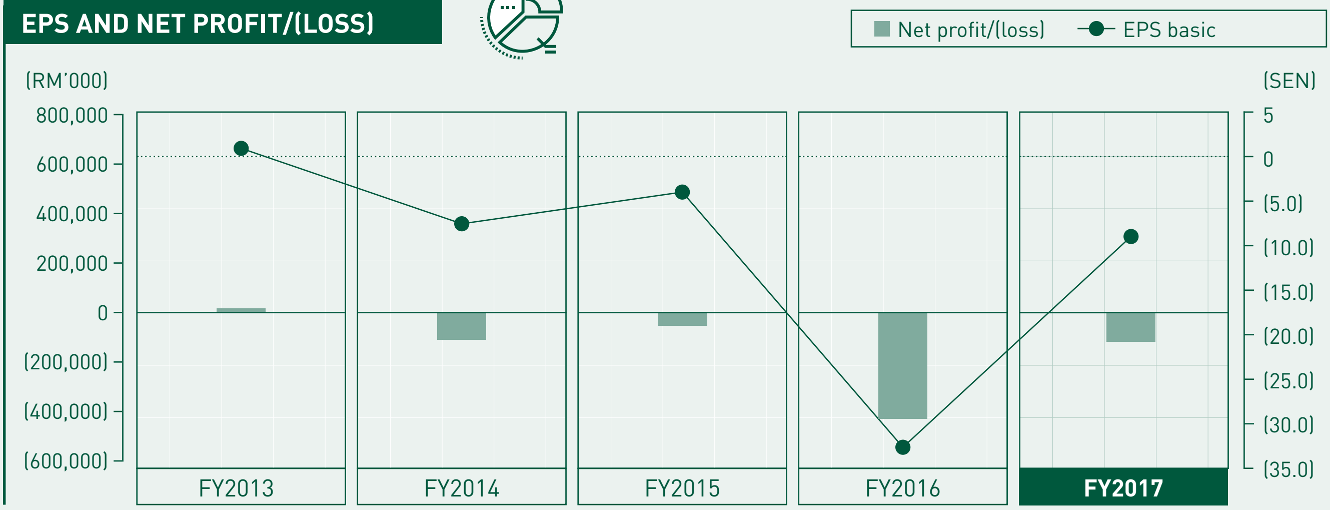
REVENUE, NTA, NET PROFIT/(LOSS)



NTA PER SHARE AND NET PROFIT/(LOSS)



EPS AND NET PROFIT/(LOSS)



AUDIT COMMITTEE REPORT

1. COMPOSITION

Chairman

Mr. Too Kok Leng	Independent Non-Executive Director

Members

Dato' Hj. Ghazali Bin Awang	Non-Independent Non-Executive Director
Dr. Ir. Samad Bin Solbai	Independent Non-Executive Director

2. TERMS OF REFERENCE

The Terms of Reference of the Audit Committee is available for viewing at the Company's website at www.thhe.com.my.

3. ATTENDANCE AT MEETINGS

The Audit Committee held six (6) meetings during the financial year ended 31 December 2017 ("FYE 2017"). The details of the attendance of each Audit Committee member are as follows:-

Member	Attendance
Mr. Too Kok Leng	6/6
Dr. Ir. Samad Bin Solbai	6/6
Dato' Hj. Ghazali Bin Awang	6/6

The Chief Executive Officer cum Chief Financial Officer was invited to all Audit Committee Meetings to facilitate direct communications and to provide clarification on financial reports. Minutes of each meeting were recorded and tabled for confirmation at the next Audit Committee Meeting and subsequently presented to the Board for notation.

The Chairman of the Audit Committee briefed the Board on matters of significant concern discussed during the Audit Committee Meetings held prior to the Board Meeting. The applicable recommendations of the Audit Committee were presented by the Audit Committee's Chairman at subsequent Board Meeting for the Board's approval.

4. SUMMARY OF WORK OF THE AUDIT COMMITTEE

In discharging its functions and duties, the Audit Committee carried out the following work during the FYE 2017:-

a) **Financial Reporting**

- Reviewed the quarterly reports on consolidated results of the Company and its subsidiaries ("Group") for the following periods prior to making recommendation to the Board for approval of the same as follows:-

Date of Meeting	Financial Period
22 February 2017	Fourth quarter ended 31 December 2016
25 May 2017	First quarter ended 31 March 2017
21 August 2017	Second quarter ended 30 June 2017
23 November 2017	Third quarter ended 30 September 2017

AUDIT COMMITTEE REPORT

The above review is to ensure that the Group quarterly financial reporting and disclosures present a true and fair view of the Group's financial position and performance and are in compliance with the applicable Malaysia Financial Reporting Standards and International Accounting Standards as well as applicable disclosure provisions of the MMLR.

b) Annual Audited Financial Statements

- Reviewed the audited financial statements of the Group for the financial year ended 31 December 2016 ("FYE 2016") with the external auditors prior to submission to the Board of Directors for their approval. The review was, inter-alia, to ensure compliance with:

  - requirements of the Companies Act 2016;
  - MMLR of Bursa Malaysia;
  - applicable approved accounting standards in Malaysia; and
  - other legal and regulatory requirements.

  In the review of the audited financial statements, the Audit Committee discussed with the 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.

c) External Audit

- Reviewed the Audit Review Memorandum prepared by the external auditors for the FYE 2016 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.
- Reviewed the audit fees proposed by the external auditors in respect of the scope of work required for FYE 2016 and recommended the same for approval by the Board.
- Assessed the independence and effectiveness of the external auditors and recommended to the Board the re-appointment of the external auditors for the ensuing year.
- Conducted one (1) private session with the external auditors without the presence of the Chief Executive Officer cum Chief Financial Officer and Management staff to discuss issues of concern to the Audit Committee or to the external auditors arising from the annual statutory audit.
- Reviewed the Audit Planning Report for FYE 2017 and the audit strategy and scope of work for the year.

d) Internal Audit Function

- Considered and recommended the appointment of AFTAAS Corporate Advisory Services Sdn. Bhd. ("AFTAAS") as the internal auditors of the Group.
- Reviewed and approved the Internal Audit Plan for the Group in respect of FYE 2017.
- Reviewed the Internal Audit Reports for FYE 2017 and deliberated the audit findings and mitigation action plans as proposed by the internal auditors.
- Reviewed and monitored the implementation status of Management-agreed action plan arising from the Internal Audit Reports for FYE 2017.

AUDIT COMMITTEE REPORT

e) **Other Matters**

- Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control and Management Discussion and Analysis to be incorporated in the Annual Report 2016.

- Considered and deliberated on the written reply to the queries raised by the Securities Commission Malaysia in respect of the Company's Audited Financial Statements for the FYE 2016.

5. SUITABILITY AND INDEPENDENCE OF EXTERNAL AUDITORS

During FYE 2017, the external auditors were invited to attend Audit Committee Meetings to discuss their audit plan, audit findings and the Company's financial statements. The Audit Committee also met with the external auditors additionally whenever it deemed necessary. In addition, the external auditors were invited to attend the Annual General Meeting of the Company and were available to answer shareholders' queries on the conduct of the statutory audit and the preparation and contents of the annual report.

During FYE 2017, the Audit Committee had conducted an annual assessment of the suitability and independence of the external auditors. The Audit Committee was satisfied with the performance, quality of communication, sufficiency and allocation of resources provided by Messrs. Deloitte PLT and recommended the re-appointment of Messrs. Deloitte PLT for the FYE 2017 for the Board's approval.

6. INTERNAL AUDIT FUNCTION

The internal audit function of the Group is supported by an outsourced independent professional service provider, AFTAAS, to assist the Audit Committee as well as the Board in discharging their responsibilities by providing independent, objective assurance and advisory services that seek to add value and improve the Group's operations. The Audit Committee acknowledges that an independent and adequately resourced internal audit function is essential in obtaining the assurance it requires regarding the effectiveness and adequacy of the internal control systems of the Group.

The internal auditors perform their work in accordance with the principles of the international internal auditing standards covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders on the audit concerns. In order to ensure that the audit focus is on relevant and appropriate risk areas, the internal audit plan was developed in consultation with management taking into consideration the Group's risk profile. The proposed internal audit plan will then be presented to the Audit Committee for deliberation and approval before internal audit reviews are carried out.

The Audit Committee approves the risk-based internal audit plan of the Group. Upon completion of the audits, the internal auditors closely monitored the implementation progress of their audit recommendations in order to obtain assurance that all major risk and control concerns have been duly addressed by the Management.

The outsourced internal audit function is led by Encik Mohd Afrizan Husain as a Partner. He is a member of the Malaysian Institute of Accountant (MIA), Association of Chartered Certified Accountants (ACCA), Malaysian Institute of Certified Public Accountant (MICPA), CPA Australia, Certified Information Systems Auditor and ISACA. The outsourced internal audit assignment is supported by an internal audit team with relevant qualifications and Associates who are members of the Institute of Internal Auditor Malaysia (IIAM).

AUDIT COMMITTEE REPORT

The internal auditors report directly to the Audit Committee and undertake the internal audit of the Group's operating sections and departments according to its Internal Audit Plan in respect of FYE 2017 which was approved by the Audit Committee.

The internal audit function provides the Board with reasonable assurance of the effectiveness of the system of internal control in the Group.

Summary of Work of Internal Audit Function

During the FYE 2017, internal audit activities have been carried out in accordance with the approved Internal Audit Plan. The internal auditors conducted the internal audit visits based on the approved Internal Audit Plan and any significant changes to the Internal Audit Plan will be referred to the Audit Committee for approval prior to the commencement of the internal audit.

During the financial year under review, AFTAAS carried out internal audit review on the following audit areas of THHE Fabricators Sdn. Bhd. and O&G Works Sdn. Bhd.:

Subsidiaries	Audit Areas
THHE Fabricators Sdn. Bhd.	• Policies and Procedures • Fixed Asset Management • Inventory Management
O&G Works Sdn. Bhd.	• Policies and Procedures • Fixed Asset Management • Inventory Management

AFTAAS communicated to the Audit Committee on the internal control rating of both audited subsidiaries based on the internal control system established by the Management in relation to the audit areas.

The Audit Committee was briefed on the audit findings which require follow-up actions by the Management, responses from the Management on the recommended corrective actions, the status of implementation and targeted implementation timeframe. Areas of improvement were highlighted and corrective actions were monitored to ensure that they were taken within the required timeframe.

The total cost incurred for the outsourced internal audit function of the Group and in house internal audit personnel in respect of the FYE 2017 amounted to RM53,279.85.

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors of TH Heavy Engineering Berhad ("Board") is committed towards upholding the principles and recommendations stipulated in the Malaysian Code on Corporate Governance ("MCCG").

The following Corporate Governance Overview Statement discloses and affirms the manner and the extent in which the Group has applied the principles and complied with the recommendations set out in the MCCG and governance standards prescribed in the MMLR throughout the financial year ended 31 December 2017 ("FYE 2017").

The detailed explanation on the application of the corporate governance practices are reported under Corporate Governance Report which is available on the Company's website at www.thhe.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Roles of the Board

The Board's pivotal role is to lead and establish the Group's vision, strategic direction, key policies and framework, including the management of the succession planning process of the Group and the appointment of key senior management. In view thereof, the Board's roles and responsibilities include but are not limited to the following:

- 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;
- establishing succession planning and reviewing 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 control systems of the Company.

The Board is guided by the Board Charter, which clearly sets out the roles and responsibilities of the Board, and list of matters reserved for the Board's attention, as well as board procedures and processes. The Board Charter of the Company is available on the Company's website at www.thhe.com.my. The Board acknowledges the importance of spelling out the key values, principles and ethos of the Company in view that all the policies and strategy development are derived from these considerations.

The Board will perform periodic review of the Board Charter to ensure they remain consistent with the Board's objectives, current laws/regulations and good governance practices in compliance with the MCCG.

Roles of the Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer cum Chief Financial Officer remain separate and distinct. The Chairman of the Board is a Non-Independent and Non-Executive Director. The Chairman plays an important leadership within the Group and is responsible for:-

- setting the agenda for meetings of the Board and focus on strategic direction and performance;
- maintaining on-going dialogue and relationship of trust with and between the Directors and Management;
- ensuring that clear and relevant information is provided to Directors in a timely manner; and
- ensuring sufficient time is allowed for the discussion of complex or critical issues.

STATEMENT OF CORPORATE GOVERNANCE

The Board delegates the authority and responsibility of managing the day-to-day affairs of the Group to the Chief Executive Officer, and through him and subject to his oversight, to other Senior Management. The Chief Executive Officer is responsible for the vision and strategic directions of the Group as well as initiating innovative ideas to create competitive edge and development of business and corporate strategies. This is to ensure there is an appropriate balance of roles, responsibilities and accountability at the Board level.

The Independent Directors provide unbiased views and impartiality to the Board discussions and decision making and ensure that the interests of all shareholders are fairly represented at Board deliberations. Annual assessment is carried out on the Independent Directors by the Nomination Committee. The Board is satisfied with the level of commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company.

The Board has delegated certain functions to following Board Committees:

- the Audit Committee;
- the Nomination Committee;
- the Remuneration Committee; and
- the Risk & Investment 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.

Composition of the Committees

(i) Audit Committee

The Audit Committee is made up of three (3) Non-Executive Directors the majority of whom are Independent.

Chairman : Mr. Too Kok Leng (Independent Non-Executive Director)
Members : Dr. Ir. Samad Bin Solbai (Independent Non-Executive Director)
Dato' Hj. Ghazali Bin Awang (Non-Independent Non-Executive Director)

The principal objective of the Audit Committee is to assist the Board in discharging its statutory duties and responsibilities relating to financial reporting process and internal controls of the Group.

The terms of reference of the Audit Committee is available for reference on the Company's website at www.thhe.com.my.

(ii) Nomination Committee

The Nomination Committee comprises entirely of Independent Non-Executive Directors.

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

The terms of reference of the Nomination Committee is available on the Company's website at www.thhe.com.my.

STATEMENT OF CORPORATE GOVERNANCE

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 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.

The Nomination Committee is tasked to oversee the selection process and assessment of Directors for the Board with the objective of securing the best composition to meet the diverse objectives of the Company. In its selection process, the Nomination Committee follows a set of criteria and expectations based upon the competencies, commitment, experience and integrity of the candidates. In the selection process, the Nomination Committee and the Board does not set any target on gender, ethnicity or age diversity but endeavour to include any member who will improve the Board's overall compositional balance.

The Nomination Committee held three (3) meetings during the financial year ended 31 December 2017 with full attendance of all its members, to deliberate the following matters:-

- recommendation to the Board on the re-election of Directors who will retire at the forthcoming Annual General Meeting of the Company;
- assessment and evaluation of the performance of the Board of Directors as a whole;
- reviewed and assessed the performance of all individual Directors;
- reviewed independence of the Independent Directors;
- recommendation to the Board on the retention of Independent Directors who have served the Company for more than nine (9) years;
- reviewed the terms of office and performance of the Audit Committee and each of its members; and
- reviewed the proposed appointment of new Independent Director.

Following the annual review, the Nomination Committee agreed that the Board as a whole, the Board Committees and each individual Director had performed effectively and the overall composition of the Board is appropriate and well balanced in terms of size, mix of skills and experience. The Independent Directors had also fulfilled their independent role in corporate accountability through their objective participation in the Board deliberations during the Board meetings. In addition, the Nomination Committee obtained an annual declaration of independence from the Independent Directors confirming their independent status pursuant to the MMLR.

The Nomination Committee also deliberated on the contract renewal of Encik Suhaimi Badrul Jamil as the Chief Executive Officer cum Chief Financial Officer of the Company for another two (2) years from 1 December 2017 to 30 November 2019, and thereafter furnished their recommendation to the Board for approval.

(iii) Remuneration Committee

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

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

During the financial year under review, the Remuneration Committee took note of the progress of the overhead cost reduction and staff rationalisation exercise adopted Group wide.

STATEMENT OF CORPORATE GOVERNANCE

The Board had endorsed the Remuneration Committee's view that it would be in the best interest of the Group to retain the services of Encik Suhaimi Badrul Jamil as the Chief Executive Officer cum Chief Financial Officer of the Company for another two (2) years from 1 December 2017 to 30 November 2019, at a remuneration package reflecting the responsibility and complexity of the role performed by him. Such extension would help ensure the stability in leadership that is important for the Group's continuity, and also show support for, and the confidence that the Board has in, Encik Suhaimi Badrul Jamil in his leadership and role as Chief Executive Officer cum Chief Financial Officer, to further expand the Group's activities and profit growth.

(iv) Risk & Investment Committee

The Risk & Investment Committee comprises (3) members who are Independent Non-Executive Directors:

Chairman	:	Dr. Ir. Samad Bin Solbai (Independent Non-Executive Director)
Members	:	Encik Roslan Bin Mohd Latif (Independent Non-Executive Director)
		Mr. Too Kok Leng (Independent Non-Executive Director)

The Risk & Investment Committee reviews risk management reports periodically, detailing the adequacy and overall effectiveness of risk management, its implementation by Management of any recommendation and confirms that appropriate actions have been taken.

Code of Conduct and Implementation

The Group's Code of Ethics are set out in the Company's Employee Handbook and available in the Company's website at www.thhe.com.my. Provisions in the Code of Ethics ensure compliance with law and regulations and amongst others cites provisions on professional conduct, confidentiality, gifts and favours as well as conflict of interest.

In line with the Whistle-blower Protection Act 2010, a Whistle-blowing Policy has been established to allow employees, stakeholders, contractors and any individuals to disclose any misconduct or malpractice on a confidential basis so as to allow appropriate remedial action to be taken. The policy is also to reinforce the Group's commitment to its policies and values and to develop a culture of openness, accountability and integrity within the Group.

Any report will be channelled to the Whistle-blower Committee and will be investigated by an investigation team. The policy can be viewed on the Company's portal at www.thhe.com.my.

The Company is currently in the process of updating the Group's Codes of Ethics and Whistle-blowing policy and both will be tabled to the Board in due course.

Access to Information and Advice

The Directors have individual and independent access to the advice and dedicated support services of the Company Secretaries 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.

STATEMENT OF CORPORATE GOVERNANCE

The agenda for the Board Meetings is drawn upon consultation between the Chairman, the Chief Executive Officer and the Company Secretaries. In order to allow Directors to have appropriate review of the Board Papers, Board Papers are distributed to all Board Members three (3) working days prior to the Board Meeting. A comprehensive Board Paper pack comprises of objective, background of the subject matter, issues, risks, recommendation and other relevant information for the Board to make an informed decision. The Board Paper pack also consists of previous minutes of Board meetings, comprehensive reports from subsidiary companies and summary of Directors' dealings, Bursa announcements and circular resolutions passed by the Directors since the last Board meeting.

Qualified and competent Company Secretaries

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

The Board is regularly updated by the Company Secretaries on new changes to the statutory and regulatory requirements and the resultant implications to the Company and the Board in discharging their duties and responsibilities. On a quarterly basis, the Company Secretaries notify the Directors and principal officers on the closed periods for dealing in the Company's securities based on the targeted dates of announcements of the quarterly results.

The Company Secretaries attend Board and Board Committee meetings and ensure the meetings are properly convened and deliberations at those meetings are well captured and minuted. All Directors have access to the advice and services of the Company Secretaries in carrying out their duties.

Board Charter

The Board Charter provides guidance to the Board in the fulfilment of its roles, duties and responsibilities which are in line with the principles of good corporate governance.

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

STRENGTHEN COMPOSITION

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

Appointments of the Board and Re-election

The appointments to the Board are the responsibility of the Nomination Committee, who assesses and makes its recommendation to the Board on new appointments.

In accordance with the Articles of Association ("Articles") of the Company, all Directors appointed by the Board either to fill a casual vacancy or as an additional Director to the existing Board are subject to re-election by the shareholders at the Annual General Meeting ("AGM") of the Company following their appointment. The Articles also provide that at least one-third (1/3) of the Board including the Managing Director shall retire from office at least once every three (3) years, and that the retiring Director shall retain office until the close of the AGM at which he retires. This is also in compliance with the MMLR of Bursa Malaysia.

STATEMENT OF CORPORATE GOVERNANCE

Criteria for Board assessment

Remuneration Policies and Procedures

The Remuneration Committee shall recommend to the Board on the remuneration and entitlements of all Directors (including the Non-Executive Directors) and the Board will decide on the recommendations of the Remuneration Committee. The approval for Directors' remuneration rests with the Board as a whole with the Directors abstaining from voting and deliberating on decisions in respect of their own remuneration.

The Company does not have a remuneration policy for Directors and Senior Management in place.

Though the Company is in the process of drawing up a remuneration framework for the Directors and Senior Management, the Directors' fees and meeting allowances have been reviewed by the Remuneration Committee and the Board, thereafter, recommends to the shareholders for approval.

Non-Executive Director

Details of the Non-Executive Director's remuneration are provided below:

	Directors' Fees Per Annum (RM)	Meeting Allowance Per Meeting (RM)
Board of Directors		
i) Chairman	80,000	1,000
ii) Non-Executive Director	60,000	1,000
Audit Committee, Nomination Committee, Remuneration Committee, Risk and Investment Committee		
i) Chairman		500
ii) Members		500
Active Subsidiaries Companies		
i) Chairman	40,000	750
ii) Members	30,000	750

Executive Director

The basic salaries of the Executive Directors are fixed for the duration of their contracts. The Remuneration Committee will review and deliberate and recommend to the Board for approval on any revision to the basic salaries. The revision will be based among others, individual performance and key performance indicators and independent sources on the rates of salary of similar position in other companies within the industry.

For the FYE 2017, there is no Executive Director on the Board of the Company.

STATEMENT OF CORPORATE GOVERNANCE

The details of the remuneration of the Directors who served during the FYE 2017 are as follows:

Received from the Company

NO.	NAME OF DIRECTORS	MEETING ALLOWANCE (RM)	DIRECTOR'S FEE (RM)	TOTAL (RM)
1	Datuk Seri Johan Bin Abdullah - *Chairman*	6,000.00	80,000.00	86,000.00
2	Dato' Indera Dr. Hj. Md. Yusop Bin Omar	8,500.00	60,000.00	68,500.00
3	Dato' Hj. Ghazali Bin Awang	9,000.00	60,000.00	69,000.00
4	Dr. Ir. Samad Bin Solbai	12,000.00	60,000.00	72,000.00
5	En. Roslan Bin Mohd Latif	9,500.00	60,000.00	69,500.00
6	Mr. Too Kok Leng	11,500.00	60,000.00	71,500.00
7	Datuk Hajah Rozaida Binti Omar	6,000.00	60,000.00	66,000.00

Received on Group Basis

NO.	NAME OF DIRECTORS	ENTITY	MEETING ALLOWANCE (RM)	DIRECTOR'S FEE (RM)	TOTAL (RM)
1	Datuk Seri Johan Bin Abdullah - *Chairman*	THHE	6,000.00	80,000.00	86,000.00
2	Dato' Indera Dr. Hj. Md. Yusop Bin Omar	THHE	8,500.00	60,000.00	68,500.00
3	Dato' Hj. Ghazali Bin Awang	THHE	9,000.00	60,000.00	69,000.00
4	Dr. Ir. Samad Bin Solbai	THHE	12,000.00	60,000.00	112,750.00
		THHE Fab *(Chairman)*	750.00	40,000.00	
5	En. Roslan Bin Mohd Latif	THHE	9,500.00	60,000.00	69,500.00
6	Mr. Too Kok Leng	THHE	11,500.00	60,000.00	102,250.00
		THHE Fab	750.00	30,000.00	
7	Datuk Hajah Rozaida Binti Omar	THHE	6,000.00	60,000.00	66,000.00

STATEMENT OF CORPORATE GOVERNANCE

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

Received from the Company

Range of Remuneration	Number of Executive Directors	Number of Non-Executive Directors
RM50.000 & below	-	-
RM50,001-RM100,000	-	7
RM100,001-RM150,000	-	-

Received On Group Basis

Range of Remuneration	Number of Executive Directors	Number of Non-Executive Directors
RM50.000 & below	-	-
RM50,001-RM100,000	-	5
RM100,001-RM150,000	-	2

REINFORCE INDEPENDENCE

Annual Assessment of Independence

The Board comprises highly reputable and professional persons of calibre and credibility and have 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 Chairman 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, through the Nomination Committee, assesses the independence of its Independent Directors annually, using the Board and Board Committee Effectiveness Assessment questionnaire. The assessment takes into account the individual Director's ability to exercise independent judgement to enhance the Board's accountability. The Independent Directors of the Company fulfilled the criteria of "Independence". They act independently of management and are not involved in any other relationship with the Group that may impair their independent judgment and decision making.

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

The Board takes cognisant that Practice 4.2 of MCCG recommends that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to his re-designation as a non-independent director. In the event such director is to be retained as an independent director, the Board must first justify and seek annual shareholders' approval. If the Board continues to retain the independent director after the twelfth (12) year, annual shareholders' approval must be sought through a two-tier voting process to retain the said director as an independent director.

STATEMENT OF CORPORATE GOVERNANCE

Presently, Mr. Too Kok Leng, the Independent Non-Executive Director of the Company, has served on the Board in an independent capacity for more than nine (9) years. Encik Roslan Bin Mohd Latif, who was appointed as Independent Non-Executive Director of the Company on 11 June 2009, would on 11 June 2018, have served in that capacity for a cumulative term of nine (9) years. Accordingly, prior approval should be obtained from the shareholders at the forthcoming Fourteenth Annual General Meeting of the Company, to enable him to continue in office as an Independent Non-Executive Director of the Company, before he reaches the nine (9) years term limit on 11 June 2018.

The Nomination Committee and the Board have determined at the annual assessment carried out that Mr. Too Kok Leng and Encik Roslan Bin Mohd Latif remain objective and independent in expressing their views and in participating in deliberations and decision making of the Board and Board Committees. Mr. Too Kok Leng and Encik Roslan Bin Mohd Latif also have a thorough understanding of the business of the Group. The length of their services on the Board do not in any way interfere with their exercise of independent judgment and ability to act in the best interests of the Company.

The Board holds the view that a Director's independence cannot be determined arbitrarily with reference to a set period of time. There are significant advantages to be gained from a long-serving Independent Director who has many years of experience with incumbent knowledge of the Company and the Group's activities and corporate history and has provided invaluable contributions to the Board in his role as an Independent Non-Executive Director.

Encik Roslan Bin Mohd Latif as the Chairman and Mr. Too Kok Leng as a member of the Nomination Committee, have abstained from any deliberations or voting pertaining to their own independence at the Nomination Committee and Board levels.

The Board as a whole, is satisfied with the skills, contribution and independent judgment that Mr. Too Kok Leng and Encik Roslan Bin Mohd Latif bring to the Board. In view thereof, the Board recommends and supports their retention as Independent Non-Executive Directors of the Company, subject to shareholders' approval at the forthcoming Fourteenth Annual General Meeting of the Company.

Positions of Chairman and Chief Executive Officer

In line with Practice 1.3 of MCCG, the roles of Board Chairman and the Chief Executive Officer are held by two different individuals.

Datuk Seri Johan Bin Abdullah is the Non-Independent Non-Executive Chairman.

The Chairman is responsible for leadership, effectiveness and governance of the Board. Encik Suhaimi Badrul Jamil is the Chief Executive Officer and is responsible for day-to-day management of the business and implementation of the Board's policies and decisions.

Board Composition and Balance

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.

As at the date of this Statement, the Board consists of seven (7) members comprising three (3) Non-Independent Non-Executive Directors, and four (4) Independent Non-Executive Directors.

The number of Independent Directors complies with the MMLR of Bursa Malaysia, which states that at least three (3) members or one-third (1/3) of the Board shall be Independent Directors. They also fulfil the criteria of independence as defined in the MMLR of Bursa Malaysia. Their presence provides a check and balance in the discharge of the Board's function. The Independent Directors' views carry significant weight in all Board deliberations and decision-making. All Independent Directors act independently of Management and do not participate in any business dealings. Neither are they involved in any other relationship with the Group that may impair their independent judgement and decision-making. In the coming years, the Board will embark on performing yearly assessments of its Independent Directors.

STATEMENT OF CORPORATE GOVERNANCE

The Independent Directors are able to exercise strong independent judgement and provide independent views and advice to all Board deliberations. The Board believes that its current Board composition provides the appropriate balance in terms of skills, knowledge and experience to promote the interests of all shareholders and to govern the Group effectively. It also represents the ownership structure of the Company fairly, with appropriate representations of minority interests through the Independent Directors.

The composition of the Board members reveals their varied background as outlined in the Directors' Profile 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.

Gender, Ethnicity and Age Group Diversity Policies

The Board is cognisant of the recommendation of MCCG on gender diversity policies and targets and the measures taken to meet the targets. The Board does not have a specific policy on gender, ethnicity and age group for candidates to be appointed to the Board and does not have specific policy on setting target for female candidates in the workforce. Currently, there is one (1) female representative on the Board.

The Board believes that there is no detriment to the Company in not adopting a formal gender, ethnicity and age group diversity policy as the Company is committed to provide fair and equal opportunities and nurturing diversity within the Company. In identifying suitable candidates for appointment to the Board, the Nomination Committee will consider candidates based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Company and with due regard for the benefits of diversity on the Board.

Annual Assessment of Board Effectiveness

The Nomination Committee conducted an annual assessment of the Board's effectiveness as a whole and the contribution of each individual Directors in respect of the FYE 2017 using customised questionnaires to be completed by the Directors. The results of the self-assessment by Directors and the Board's effectiveness as a whole as compiled by the Company Secretaries were tabled to the Nomination Committee and the Board for review.

The Board is satisfied with the results of the annual assessment and that the current size and composition of the Board is appropriate and well-balanced with the right mix of skills with the Board composition comprising individuals of high calibre, credibility and with the necessary skills and qualifications to enable the Board to discharge its responsibilities effectively.

FOSTER COMMITMENT

Time Commitment

Board meetings are held quarterly with additional meetings held when necessary. The Board met seven (7) times during the FYE 2017. 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.

In the interval between Board meetings, any matter requiring urgent Board decision and/or approvals will be sought via circular resolutions which are supported by all the relevant information and explanations required for an informed decision to be made.

STATEMENT OF CORPORATE GOVERNANCE

Details of the attendance of each Director during the financial year ended 31 December 2017 are as follows:-

Director	Designation	Meeting Attendance	%
Datuk Seri Johan Bin Abdullah	Non-Independent Non-Executive Director / Chairman	6/7	86
Dato' Hj. Ghazali Bin Awang	Non-Independent Non-Executive Director	6/7	86
Mr. Too Kok Leng	Independent Non-Executive Director	5/7	71
Dr. Ir. Samad Bin Solbai	Independent Non-Executive Director	7/7	100
Dato' Indera Dr. Hj. Md. Yusop Bin Omar	Independent Non-Executive Director	6/7	86
En. Roslan Bin Mohd Latif	Independent Non-Executive Director	7/7	100
Datuk Hajah Rozaida Binti Omar	Non-Independent Non-Executive Director	6/7	86

Training

All Directors have successfully completed the Mandatory Accreditation Programme conducted by a body approved by Bursa Malaysia 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 2016 and MMLR were given by the Company Secretaries 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 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 FYE 2017, the Directors attended these training programmes:-

- Multaqa Pendidikan & Sosial, Majlis Perundingan Islam (MPI) – JAKIM
- An Evening with Sir Michael Barber – Khazanah Nasional
- KWAP Connects 2017 Networking & Corporate Luncheon – KWAP
- Transformation Workshop Roland Berger
- Fintech Training
- Update on Malaysian Code of Corporate Governance 2017 and the Main Market Listing Requirement of Bursa Malaysia – Malakoff Corporation Berhad
- MIA International Accountants Conference 2017 – Malaysian Institute of Accountants
- Leading In A Volatile, Uncertain, Complex, Ambiguous (VUCA) World – Bursa Malaysia
- Islamic Finance Conference – Malaysian Institute of Accountants
- ACCA Malaysia Annual Conference 2017 – ACCA Malaysia
- Seminar on Companies Act

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

The Audit Committee is established to provide independent oversight of the Company's internal and external audit functions, financial reporting and internal control system, and to ensure checks and balances within the Company. The Chairman of the Audit Committee is not the Chairman of the Board.

The composition and summary of work of the Audit Committee are set out in the Audit Committee Report of this Annual Report.

Financial Reporting

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 quarterly results and annual financial statement are reviewed by the Audit Committee and recommend to the Board for approval before public release via Bursa Malaysia's website.

The Statement of Responsibility by Directors in respect of the preparation of the annual audited financial statements is set out in 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 been 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.

Risk Management and Internal Control

The Board acknowledges its responsibility for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. The Board is committed to implementing an effective risk management framework which will allow Management to identify, evaluate and manage risk with defined risk profiles. In achieving this, the Board ensures that principal risks in the Group are identified, measured and managed with appropriate internal control system, and that the effectiveness, adequacy and integrity of the internal control system are reviewed on an ongoing basis.

Through the internal audit function, the Board is able 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.

Details of the risk management and internal control system and framework of the Group is presented in the Statement on Risk Management and Internal Control of this Annual Report.

STATEMENT OF CORPORATE GOVERNANCE

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

Communication with Stakeholders

The Company recognises the importance of the corporate disclosure which emphasises 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.

The Company is guided by the Corporate Disclosure Guide issued by Bursa Malaysia with the consultation of the Company Secretaries, advisers and/or other service providers.

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

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 MMLR.

Apart from official announcements through Bursa Malaysia's 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 Malaysia. Care is taken to ensure all information being disseminated and conveyed via the Group's website, Bursa Malaysia's announcements and press interviews are authorised, accurate and timely.

Conduct of General Meeting

The Annual General Meeting ("AGM") is the principal forum for dialogue with individual shareholders and investors, gathering views and answering questions on all issues relevant to Group's business activities and prospects. The Board encourages full participation by shareholders at every General Meeting of the Company and every opportunity is given to the shareholders to raise questions on any item in the agenda or the Group's operation in general.

Notice of the AGM and annual reports are sent out to the shareholders at least twenty-one (21) days before the date of meeting. Each item of special business included in the notice of the AGM will be accompanied by an explanatory statement on the effects of the proposed resolution. Last year's AGM was held on 25 May 2017 and the Notice convening the AGM was sent to shareholders on 28 April 2017.

In line with Practice 12.1 of MCCG, the notice convening the Fourteenth AGM is given to the shareholders at least twenty-eight (28) days before the AGM, which gives shareholders sufficient time to prepare themselves to attend the AGM or to appoint proxy to attend and vote on their behalf.

STATEMENT OF CORPORATE GOVERNANCE

Poll Voting

Pursuant to Paragraph 8.29A of the MMLR, any resolution set out in the Notice of any General Meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any General Meeting must be voted by poll. Hence, voting for all resolutions as set out in the notices of forthcoming and future General Meetings will be conducted as such. An independent scrutineer will be appointed to validate the votes cast at the General Meetings.

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors are required under the requirements of the Companies Act 2016 ("**Act**") to prepare financial statements which includes the consolidated statement consisting of the consolidated statement of financial position and the consolidated statement of comprehensive income of the Company and its subsidiaries ("**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 MMLR.

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 Company and the Group as at the end of the financial year ended 31 December 2017.

In the preparation of the consolidated financial statements, the Directors have ensured that:

- appropriate accounting policies have been adopted and applied consistently;
- the statements are supported by reasonable and prudent judgement and estimates;
- a going concern basis has been adopted unless it is in appropriate to assume that the Group will continue its business; and
- all applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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. Audit and Non-Audit Services

The amount of audit and non-audit fees paid and payable to the External Auditors and their affiliates by the Company and its subsidiaries ("Group") during the financial year ended 31 December 2017 ("FYE 2017") are as below:

	Group RM	Company RM
Audit services rendered	232,500.00	100,000.00
Non-Audit services rendered		
- Review of the Statement on Risk Management and Internal Control	5,000.00	5,000.00
- Reporting Accountant	26,500.00	26,500.00
- Taxation fee	48,000.00	9,000.00
- Preparation of tax memo on stamp duty implication on novation arrangement	16,000.00	16,000.00
- Preparation of tax memo on corporate income tax implication on novation arrangement	27,000.00	27,000.00
- Preparation of tax memo on Goods and Services Tax ("GST") implication on novation arrangement	18,000.00	18,000.00
- Preparation of tax memo on due diligence exercise	15,000.00	15,000.00
- Fee for appeal to Ministry of Finance in respect of waiver of GST	12,000.00	12,000.00
Total:	**400,000.00**	**228,500.00**

2. Material Contracts involving the Interests of the Directors, Chief Executive or Major Shareholders

There was no material contract entered into by the Company or its subsidiaries involving the interests of the Directors, Chief Executive who is not a director or Major Shareholders in the financial year ended FYE 2017.

3. Recurrent Related Party Transactions of a Revenue or Trading Nature

There were no material recurrent related party transactions of a revenue or trading nature during the FYE 2017 other than those disclosed in Note 30 to the Audited Consolidated Financial Statements of the Group. Those recurrent related party transactions did not exceed the threshold prescribed under Paragraph 10.09(1) of the MMLR.

4. Status of Utilisation of Proceeds

There were no corporate exercises undertaken by the Company for fund raising during the FYE 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("**Board**") of TH Heavy Engineering Berhad is committed to maintaining a sound risk management framework and system of internal control in the Company and its subsidiaries ("**Group**") in accordance with the Malaysian Code on Corporate Governance.

The Board is pleased to present its Statement on Risk Management and Internal Control of the Group for the financial year ended 31 December 2017 ("FYE 2017") which is made pursuant to Paragraph 15.26(b) of the MMLR and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. This Statement outlines the nature and scope of risk management and internal control of the Group and covers all of the Group's operation except for an associated company.

BOARD RESPONSIBILITY

The Board affirms its overall responsibility and is committed to maintaining a sound system of internal control to ensure its adequacy and integrity so as to safeguard shareholders' investment and the Group's asset. 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 Risk & Investment Committee ("**RIC**") to identify and assess the principal risks faced by the Group and thereafter design, implement and monitor appropriate internal control to manage risks.

The composition of the RIC is as follows:-

Name	Membership	Directorate
Dr. Ir. Samad Bin Solbai	Chairman	Independent Non-Executive Director
Mr. Too Kok Leng	Member	Independent Non-Executive Director
En. Roslan Bin Mohd Latif	Member	Independent Non-Executive Director

As there are limitations that are inherent in any internal control and risk management systems, the system put in place can only manage rather than eliminate risks that impact the achievement of the Group's business objective. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system of the internal control covers, inter alia, financial, operation and regulatory compliance controls.

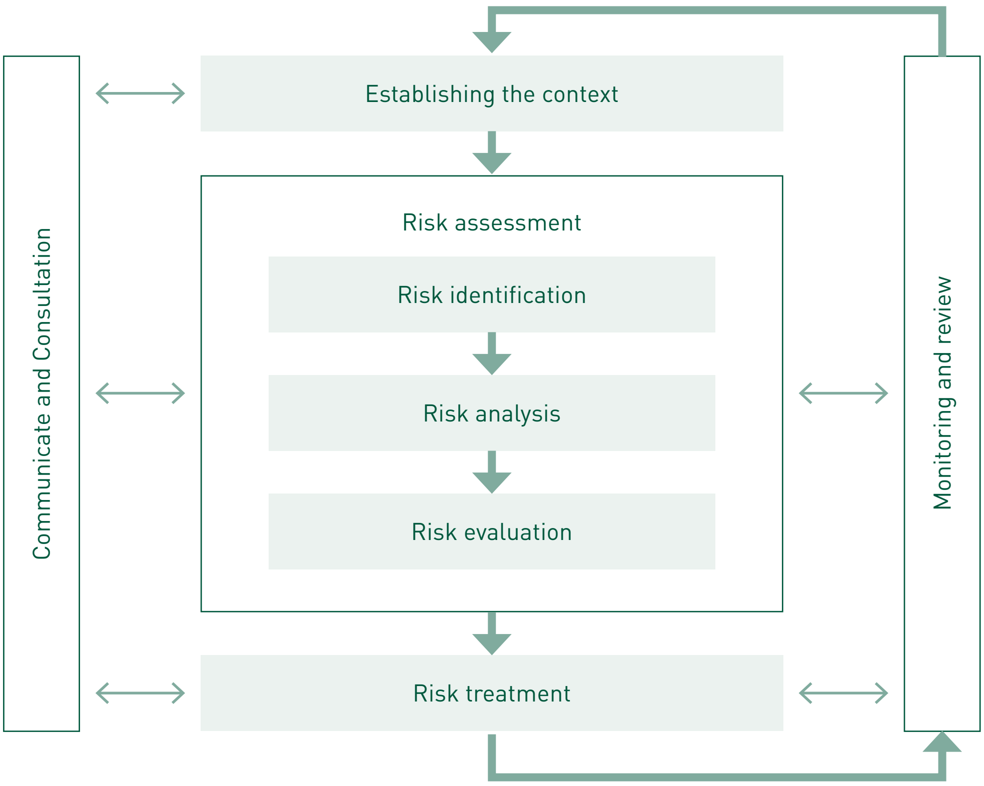
During the financial year under review, there were no material losses incurred as a result of weakness in the internal control and the Board is satisfied that on-going process of quarterly reviewing, evaluating and monitoring the risk management framework and internal control systems are reasonably effective and adequate within the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT FRAMEWORK

Risk Management Framework

The Group has implemented an Enterprise Risk Management ("**ERM**") Framework to ensure proper management of risks that may impede the achievement of the Group's goals and objectives. The Group's risk assessment process is depicted as follows:



With ERM Framework in place, the Management-level Risk Committee ("**MRC**") will report to the RIC and the RIC will in turn report to the Board on all major business risks faced by the Group and the adequacy of internal controls to manage risks. Members of the MRC mainly comprise top level management personnel including the Chief Executive Officer cum Chief Financial Officer, General Manager of Legal and Secretarial Services, General Manager of Finance and heads of departments. The RIC will assist the Board in discharging its responsibilities in relation to risk management within the Group. Any significant changes in the business and the external environment which may result in significant risks will be reported accordingly.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The key aspects of the risk management process are:-

- Risk Owners and Risk Champions which mainly comprise heads of department and project managers, who are accountable for all risks assumed under their respective subsidiaries, projects, and departments. They undertake to update their risk profiles from the previous update and incorporate any new risk, review the risk profiles, ratings and update the management action plans;
- RIC will identify and communicate to the Board on critical risks that the Group faces and management action plans to manage the risks;
- RIC will review risk management reports, overviewing the overall effectiveness of risk management, risk mitigation by management, and any recommendations and confirm that appropriate actions have been taken; and
- the stewardship of the Board will provide overall risk management oversight for the Group and determine its strategies and initiatives in managing the risks and mitigate potential losses.

Approval of Major Investment Decisions

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

KEY FEATURES OF INTERNAL CONTROL SYSTEM

Internal Audit Function

The internal audit function of the Group is supported by an outsourced independent professional service provider, AFTAAS Corporate Advisory Services Sdn. Bhd. ("**AFTAAS**").

AFTAAS was appointed by the Board upon the recommendation of the Audit Committee on 28 February 2017, to provide internal audit services for the Group. The Audit Committee had considered the competency, as well as the cost effectiveness of AFTAAS in making its recommendation to the Board for the appointment of AFTAAS.

AFTAAS assists the Audit Committee in discharging their duties and to provide assurance to Management and the Board that all internal controls are in place, adequate, and functioning effectively within the acceptance limits and expectations.

The purpose, authority and responsibility of AFTAAS as well as the nature of assurance and consultancy activities provided to the Group are clearly express in its Letter of Engagement. AFTAAS is independent from the business operation and management of the Group and reports directly to the Audit Committee.

AFTAAS strives to provide the means for the Group to accomplish its control objectives by introducing a systematic and disciplined approach in evaluating and improving the effectiveness of risk management, internal control and control governance. During the FYE 2017, AFTAAS has tabled the internal audit plan covering four audit areas and implemented the plan accordingly.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The key internal audit activities that add value to the Group can be summarised as follows:

1. Review the operational activities and verify that the principal objectives are aligned to the overall Group's objectives.
2. Identify all auditable activities and relevant risk factors and assesses their significance.
3. Perform research and gather information that is accurate, factual and complete.
4. Analyse and examine the effectiveness and efficiency of operations.
5. Provide assurance on compliance with statutory requirements, laws, Group policies and guidelines.

Other Key Elements of Internal Control System

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

Clear and Structure 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 set by the Board govern the approval process. All key strategic, business and investment plans are approved and monitored by the Board. Board papers, which include both financial and non-financial matters such as cash flow forecasts, business strategies, corporate exercises, and any other key matters are presented to the Board for deliberation and approval.

Management Systems, Policies and Procedures

The Group established integrated management systems to improve its management and operational efficiency. The management systems have been accredited by international standards such as ISO 9001:2015 for Quality Management System, ISO 14001:2015 for environmental Management System and OHSAS 18001:2007 for the Occupational Health and Safety Management System both at the corporate office and business units.

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 quarterly and updated as and 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 approval. The Management has provided the Board with quarterly updates on the corporate activities as well as the progress of work activities within the Group. The Management also reviewed with the Board, on a quarterly basis, issues covering, but not restricted to, strategy, performance, resources and standards of business conduct.

Assurance from Management

The Board has received assurance from the Chief Executive Office cum Chief Financial Officer that a review on the adequacy and effectiveness of the risk management practices and internal control system has been undertaken and the 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 the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Review of the Statement by External Auditors

The External Auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the FYE 2017. Their review was performed in accordance with Audit and Assurance Practice Guide (AAPG) 3 (Revised) issued by Malaysian Institute of Accountant.

AAPG 3 (Revised) does not require the External Auditors to consider whether this Statement covers all risks and control, 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. Based on their procedures performed, the External Auditors have reported to the Board that nothing has come to their attention that cause them to believe 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.

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors of **TH HEAVY ENGINEERING BERHAD** hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and provision of management services, whilst the principal activities and other information of the subsidiaries and associate are as stated in Notes 7 and 8 to the financial statements, respectively.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	Group RM	Company RM
(Loss)/Profit for the year attributable to:		
Owners of the Company	(103,496,961)	26,599,463
Non-controlling interests	(16,730,809)	-
	(120,227,770)	26,599,463

In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividend in respect of the current financial year.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

DIRECTORS OF THE COMPANY

The Directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Datuk Seri Johan Bin Abdullah (Chairman)
Dato' Hj. Ghazali Bin Awang
Datuk Hajah Rozaida Binti Omar
Dato' Indera Dr. Hj. Md Yusop Bin Omar
En. Roslan Bin Mohd Latif
Dr. Ir. Samad Bin Solbai *
Mr. Too Kok Leng *

** Directors of the Company and subsidiaries.*

The names of the directors of the subsidiaries of the Company since the beginning of the financial year are disclosed in Note 7 to the financial statements.

DIRECTORS' INTERESTS IN SHARES

None of the Directors in office at the end of the financial year held shares or had beneficial interest in the shares of the Company or its related companies during or at the beginning and end of the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in Note 21 to the financial statements or being fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any 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.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby Directors of the Company might 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 issued and paid-up ordinary share capital of the Company increased by way of conversion of 160,700 Irredeemable Convertible Preference Shares-i of RM0.25 each to ordinary shares of RM0.25 each.

The new ordinary shares rank pari passu in all respects with the existing ordinary shares.

There were no debentures issued during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any party during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that no known bad debts had been written off and that adequate allowances had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

As at 31 December 2017, the current liabilities of the Group had exceeded the current assets by RM925,014,411 mainly as a result of losses incurred during the current and prior financial years and the suspension of the conversion works on the Floating, Production, Storage and Offloading ("FPSO") vessel during the previous year. The current liabilities of the Group arose from trade and other payables and borrowings.

- During the financial year and as disclosed in Note 31 to the financial statements, the Company announced that it has become an affected listed issuer pursuant to the amended Practice Note 17 ("PN17") of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). As an affected issuer, the Company is required to submit a Regularisation Plan within 12 months from 28 April 2017 to Bursa Malaysia for approval. The Company is currently formulating and implementing a Proposed Regularisation Plan which will mainly comprise, among others, the following: (i) Proposed Novation of the JX Nippon Contract to Yinson Energy Sdn. Bhd. ("YESB"), (ii) Scheme of Arrangements, (iii) Proposed capital reconstruction exercise involving the conversion of existing Irredeemable Convertible Preference Shares-i ("ICPS-i") and a capital reduction and amalgamation exercise for which the quantum has not been finalised.

- As disclosed in Note 28 to the financial statements, the Company and its three subsidiaries namely THHE Fabricators Sdn. Bhd., ("THFSB"), THHE Offshore Services Sdn. Bhd. ("THEOS") and O&G Works Sdn. Bhd. ("OGW") ("Scheme Companies") were served with various legal notices and winding up petitions by their respective creditors in the prior year. These winding up petitions, if successful would cause the winding up of the Scheme Companies. However, during the year, the Scheme Companies had each formulated a Scheme of Arrangement ("Scheme") with their respective Scheme Creditors.

  The respective Scheme Creditors approved the Company's Scheme and that of THFSB and OGW ("Approved Scheme Companies") at Court Convened Creditors Meetings held in December 2017 and the same were subsequently approved by the High Court on 6 February 2018. With the requisite lodgement of the relevant Court Order with the Registrar, the Schemes for the Approved Scheme Companies are now effective by virtue of Section 366(5) of the Companies Act 2016. Pursuant to the Approved Scheme Companies' Schemes, all pending litigation proceedings including all winding up petitions against the Approved Scheme Companies are to be withdrawn or terminated as the debts are deemed to have been compromised under the Schemes. Pursuant to these Schemes, the total debt due and owing to the Scheme Creditors will be reduced and the remaining outstanding balance to be settled by way of cash settlement, issuance of new ICPS-i in the Company and term out of the existing facility. Any remaining amount owing to the Scheme Creditors after the aforesaid shall be completely waived.

  The ability of the Approved Scheme Companies to discharge their liabilities and obligations with their Scheme Creditors is dependent upon the successful implementation and completion of certain key components of the Proposed Regularisation Plan.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

OTHER STATUTORY INFORMATION (CONT'D)

- As part of the Proposed Regularisation Plan, the Company proposes to novate the Contract for the Provision of EPCIC and Leasing for Layang FPSO Facilities awarded by JX Nippon Oil & Gas Exploration (Malaysia) Limited ("JX Nippon Contract") to YESB ("the Proposed Novation"). As disclosed in Note 31(d) to the financial statements, on 15 February 2018, at an Extraordinary General Meeting, the Shareholders of the Company have approved the Proposed Novation. Proceeds from the Proposed Novation will be utilised mainly to repay the Scheme Creditors in accordance with the terms of the respective Schemes.

  Consequent upon the Proposed Novation, included in property, plant and equipment of the Group as of 31 December 2017 is an amount of RM745,649,725 pertaining to the Capital work-in-progress for the FPSO Layang Project, which is subject to impairment review. Accordingly, the Group engaged an independent valuer to determine the recoverable amount of the FPSO Layang vessel. The Valuer's Report states an indicative range of fair market value less cost of disposal between USD18.0 million to USD23.0 million (RM73.1 million to RM93.4 million equivalent); and estimated scrap value between USD10.0 million to USD15.0 million (RM40.6 million to RM60.9 million equivalent). The shortfall between the carrying value and recoverable amount was not impaired by the Group in view that the Proposed Novation has yet to be completed as at year end.

- As disclosed in Note 29 to the financial statements, the contingent liabilities arising from the failure to deliver on time the FPSO Layang project in previous year to the customer, might cause a default by virtue of which the customer may claim liquidated ascertained damages ("LAD") from the Company. However, upon completion of the Proposed Novation, the customer will waive the LAD and release the Company of its liabilities and obligations under the JX Nippon Contract. The novation will be deemed completed upon the parties satisfying all conditions precedent as stipulated in the Proposed Novation agreement which includes the payment of the proceeds of the Proposed Novation by YESB to the Company. As at the date of this report, the Proposed Novation is pending completion of all the conditions precedent.

The combination of the conditions highlighted above indicate material uncertainties that may cast significant doubt over the ability of the Group and of the Company to continue as going concern. However, the financial statements of the Group and of the Company have been prepared on a going-concern basis.

Other than as stated in the preceding paragraph, at the date of this report, the Directors are not aware of any circumstances:

(i) which would require the writing off of bad debts or render the amount of allowances for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent, or

(ii) which would render the values 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 secures the liabilities of any other person, and

(ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

OTHER STATUTORY INFORMATION (CONT'D)

No contingent or other liability 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, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year other than as mentioned in Note 31 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains Directors' and Officers' liability insurance throughout the year, which provides appropriate insurance cover for the Directors and Officers of the Company.

AUDITORS' REMUNERATION

The amount paid as remuneration of the auditors for the financial year ended 31 December 2017 is as disclosed in Note 20 to the financial statements.

AUDITORS

The auditors, Messrs Deloitte PLT, have indicated their willingness to continue in office.

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

DATUK SERI JOHAN BIN ABDULLAH

MR. TOO KOK LENG

Kuala Lumpur,
27 April 2018

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TH HEAVY ENGINEERING BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Disclaimer of Opinion

We were engaged to audit the financial statements of **TH HEAVY ENGINEERING BERHAD**, which comprise the statements of financial position of the Group and of the Company as at 31 December 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 55 to 140.

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We do not express an opinion on the accompanying financial statements of the Group and of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. As disclosed in Note 2 to the financial statements, the financial statements of the Group and of the Company have been prepared on the assumption that the Group and the Company will continue as going concern. The application of the going concern basis is based on the assumption that the Group and the Company will be able to realise their assets and settle their liabilities in the normal course of business.

    1.1 As at 31 December 2017, the current liabilities of the Group had exceeded the current assets by RM925,014,411 mainly as a result of losses incurred during the current and prior financial years and the suspension of the conversion works on the Floating, Production, Storage and Offloading ("FPSO") vessel during the previous year. The current liabilities of the Group arose from trade and other payables and borrowings.

    1.2 During the year and as disclosed in Note 31 to the financial statements, the Company announced that it has become an affected listed issuer pursuant to the amended Practice Note 17 ("PN17") of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). As an affected issuer, the Company is required to submit a Regularisation Plan within 12 months from 28 April 2017 to Bursa Malaysia for approval. The Company is currently formulating and implementing a Proposed Regularisation Plan which will mainly comprise the following: (i) Proposed Novation of the JX Nippon Contract to Yinson Energy Sdn. Bhd. ("YESB"), (ii) Scheme of Arrangements, (iii) Proposed capital reconstruction exercise involving the conversion of existing Irredeemable Convertible Preference Shares-i ("ICPS-i") and a capital reduction and amalgamation exercise for which the quantum has not been finalised.

    1.3 As disclosed in Note 28 to the financial statements, the Company and its three subsidiaries namely THHE Fabricators Sdn. Bhd., ("THFSB"), THHE Offshore Services Sdn. Bhd. ("THEOS") and O&G Works Sdn. Bhd. ("OGW") ("Scheme Companies") were served with various legal notices and winding up petitions by their respective creditors in the prior year. These winding up petitions, if successful would cause the winding up of the Scheme Companies. However, during the year, the Scheme Companies had each formulated a Scheme of Arrangement ("Scheme") with their respective Scheme Creditors.

    The respective Scheme Creditors approved the Company's Scheme and that of THFSB and OGW ("Approved Scheme Companies") at Court Convened Creditors Meetings held in December 2017 and the same were subsequently approved by the High Court on 6 February 2018. With the requisite lodgement of the relevant Court Order with the Registrar, the Schemes for the Approved Scheme Companies are now effective by virtue of Section 366(5) of the Companies Act 2016. Pursuant to the Approved Scheme Companies' Schemes, all pending litigation proceedings including all winding up petitions are to be withdrawn or terminated as the debts are deemed to have been compromised under the Schemes. Pursuant to these Schemes, the total debt due and owing to the Scheme Creditors will be reduced and the remaining outstanding balance to be settled by way of cash settlement, issuance of new ICPS-i in the Company and term out of the existing facility. Any remaining amount owing to the Scheme Creditors after the aforesaid shall be completely waived.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TH HEAVY ENGINEERING BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Basis for Disclaimer of Opinion (Cont'd)

1.3 The ability of the Approved Scheme Companies to discharge their liabilities and obligations pursuant to these Schemes is dependent upon the successful implementation and completion of the key components of the Proposed Regularisation Plan.

Presently, some of the key components of the Proposed Regularisation Plan are still being implemented. Therefore, we are unable to ascertain the outcome and timing of the completion of the entire Proposed Regularisation Plan.

1.4 As part of the Proposed Regularisation Plan, the Company proposes to novate the Contract for the Provision of EPCIC and Leasing for Layang FPSO Facilities awarded by JX Nippon Oil & Gas Exploration (Malaysia) Limited ("JX Nippon Contract") to YESB ("the Proposed Novation"). As disclosed in Note 31(d) to the financial statements, on 15 February 2018 at an Extraordinary General Meeting, the Shareholders of the Company have approved the Proposed Novation. Proceeds from the Proposed Novation will be utilised mainly to repay the Scheme Creditors in accordance with the terms of the respective Schemes.

Consequent upon the Proposed Novation, the FPSO Layang vessel is subject to impairment review. Accordingly, the Group engaged an independent valuer to determine the recoverable amount of the FPSO Layang vessel. The Valuer's Report states an indicative range of fair market value less cost of disposal between USD18.0 million to USD23.0 million (RM73.1 million to RM93.4 million equivalent); and estimated scrap value between USD10.0 million to USD15.0 million (RM40.6 million to RM60.9 million equivalent). The shortfall between the carrying value and recoverable amount on the basis of fair value or scrap value was not recognised as impairment loss by the Group in view that the Proposed Novation has yet to be completed as at year end.

As such, we are unable to ascertain whether the carrying value of the FPSO Layang vessel included in the Capital work-in-progress as at 31 December 2017 at RM745,649,725 is fairly stated.

1.5 As disclosed in Note 29 to the financial statements, the contingent liabilities arising from the failure to deliver the FPSO Layang vessel in previous year to the customer, might cause a default by virtue of which the customer may claim liquidated ascertained damages ("LAD") from the Company. However, upon completion of the Proposed Novation, the customer will waive the LAD and release the Company of its liabilities and obligations under the JX Nippon Contract. The Proposed Novation will be deemed completed upon the parties satisfying all conditions precedent as stipulated in the proposed novation agreement which includes the payment of the proceeds of the Proposed Novation by YESB to the Company. As at the date of this report, the Proposed Novation is pending completion of all the condition precedent.

The abovementioned events and conditions indicate the existence of multiple uncertainties which cast significant doubt about the ability of the Group and of the Company to continue as a going concern.

The ability of the Group and of the Company to carry on as going concern, amongst others, is dependent upon the following:

i. the timely and successful formulation and implementation of the key components of the Proposed Regularisation Plan; and
ii. the ability of the Group and the Company to achieve sustainable and viable operations with adequate cash flows generate from their operating activities.

In the event that these are not forthcoming, the Group and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business. Accordingly, the financial statements of the Group and of the Company may require adjustment to restate the carrying amounts of the assets to their recoverable amounts and to provide further liabilities that may arise.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TH HEAVY ENGINEERING BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Basis for Disclaimer of Opinion (Cont'd)

We are unable to ascertain the ability of the Group and of the Company to achieve sustainable and viable operations to generate adequate cash flows from their operating activities and the timely and successful formulation and implementation of the entire Proposed Regularisation Plan.

2. As disclosed in Note 10 to the financial statements, amounts due from a contract customer of RM38,671,373 (2016: RM63,836,014) represents uncertified claims for costs incurred on the variation of works performed for a project. The Group has engaged an independent consultant to verify the claims made in respect of the said variation of work in the prior year. During the financial year, the Group has recognised an additional impairment loss of RM25,000,000. The Directors are of the opinion that the remaining uncertified claims are recoverable. As the said claims have been long outstanding, we are unable to ascertain the recoverability of the said amount due from the contract customer.

3. As disclosed in Note 7 to the financial statements, the investment in subsidiaries of the Company as at 31 December 2017 amounted to RM228,366,700. In view of the adverse financial performance and financial condition of the subsidiaries, there are indications of impairment on the carrying amount of investments in subsidiaries. However, the recoverable amounts of the investment in subsidiaries have not been reliably estimated at this stage pending the timely and successful formulation and implementation of the Proposed Regularisation Plan.

   We are unable to ascertain whether the carrying amount of the investment in subsidiaries as at 31 December 2017 is fairly stated in the financial statements of the Company as the recoverable amounts have not been reliably assessed by the Company in accordance with MFRS 136: Impairment of Assets. Therefore, we could not determine the effect of adjustments, if any, on the financial position of the Company as at 31 December 2017 or on its financial performance for the year then ended.

4. As disclosed in Note 10 to the financial statements, included in amount due from subsidiaries is an amount of RM809,669,364 due from a subsidiary, which owned the FPSO Layang vessel. As disclosed in Note 2 to the financial statements, as part of the Proposed Regularisation Plan, the Company proposes to novate the JX Nippon Contract, and consequently, the said subsidiary will become dormant. As such, there is objective evidence of impairment of the amount due from the said subsidiary. However, the recoverable amount of the amount owing by the said subsidiary has not been reliably determined at this stage pending the formulation and implementation of the Proposed Regularisation Plan.

   We are unable to ascertain the appropriateness of the carrying amount of the amount owing due from the said subsidiary as at 31 December 2017 as the recoverable amount has not been reliably assessed by the Company in accordance with MFRS 139: Financial Instruments: Recognition and Measurement. Therefore, we could not determine the effect of adjustments, if any, on the financial position of the Company as at 31 December 2017 or on its financial performance for the year then ended.

5. As disclosed in Note 32 to the financial statements, certain matters stated were unresolved since the preceding financial year in respect of the disclaimer of opinion on the financial statements for the financial year ended 31 December 2016. We were unable to determine whether adjustments to the opening accumulated losses might be necessary. Our opinion on the current year's financial statements is also modified because of the possible effects of these matters on the comparability of the current financial year's figures and corresponding figures.

Independence and Other Ethical Responsibilities

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TH HEAVY ENGINEERING BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Group and of the Company's financial statements in accordance with approved standards on auditing in Malaysia and International Standards on Auditing and to issue an auditors' report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we also report that the audit reports of certain subsidiaries contained a disclaimer of opinion as disclosed in Note 7 to the financial statements.

Other Matter

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

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

SITI HAJAR BINTI OSMAN
Partner - 03061/04/2019 J
Chartered Accountant

27 April 2018

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	5	960,623,106	960,946,704	925,060	1,649,806
Intangible assets	6	-	455,217	-	-
Investments in subsidiaries	7	-	-	228,366,700	228,366,700
Investment in associate	8	326,740	367,500	-	-
Deferred tax assets	15	1,875,978	1,875,978	-	-
Total Non-Current Assets		962,825,824	963,645,399	229,291,760	230,016,506
Current Assets					
Inventories	9	314,625	7,481,081	-	-
Trade and other receivables	10	44,237,601	94,564,261	818,590,002	749,139,701
Tax recoverable		490,965	791,764	490,965	791,764
Prepaid expenses		352,319	492,037	54,175	62,578
Cash, bank balances and deposits	11	17,313,790	33,551,437	394,578	1,220,957
Total Current Assets		62,709,300	136,880,580	819,529,720	751,215,000
TOTAL ASSETS		1,025,535,124	1,100,525,979	1,048,821,480	981,231,506

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
EQUITY AND LIABILITIES					
Capital and Reserves					
Ordinary shares	12	280,309,472	280,269,297	280,309,472	280,269,297
Irredeemable Convertible Preference Shares-i	13	274,959,825	275,000,000	274,959,825	275,000,000
Reserves	14	(484,774,934)	(334,057,101)	90,417,290	63,817,828
Total equity attributable to owners of the Company		70,494,363	221,212,196	645,686,587	619,087,125
Non-controlling Interests	7.1	(62,974,106)	(46,243,297)	-	-
Total Equity		7,520,257	174,968,899	645,686,587	619,087,125
Non-Current Liabilities					
Borrowings	16	30,291,156	55,617,414	198,142	324,274
Total Non-Current Liabilities		30,291,156	55,617,414	198,142	324,274
Current Liabilities					
Trade and other payables	17	664,990,899	550,532,097	360,998,998	301,196,905
Borrowings	16	322,732,812	319,407,569	41,937,753	60,623,202
Total Current Liabilities		987,723,711	869,939,666	402,936,751	361,820,107
Total Liabilities		1,018,014,867	925,557,080	403,134,893	362,144,381
TOTAL EQUITY AND LIABILITIES		1,025,535,124	1,100,525,979	1,048,821,480	981,231,506

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	2017	2016	2017	2016
		RM	RM	RM	RM
Revenue	18	5,396,890	17,775,317	6,596,627	9,722,975
Cost of sales		(11,984,754)	(36,307,912)	-	-
Gross (loss)/profit		(6,587,864)	(18,532,595)	6,596,627	9,722,975
Other income		33,463,957	6,549,452	36,369,519	2,423,255
Administrative expenses		(53,038,392)	(47,169,112)	(14,708,368)	(10,752,619)
Other expenses		(69,925,433)	(357,688,187)	(300,919)	(52,363,114)
Results from operating activities		(96,087,732)	(416,840,442)	27,956,859	(50,969,503)
Finance costs	19	(23,789,657)	(22,038,664)	(1,047,776)	(511,818)
Share of loss of equity-accounted associate, net of tax	8	(40,760)	(13,136,217)	-	-
(Loss)/Profit before tax	20	(119,918,149)	(452,015,323)	26,909,083	(51,481,321)
Tax (expenses)/credit	22	(309,621)	12,374,809	(309,621)	-
(Loss)/Profit for the year		(120,227,770)	(439,640,514)	26,599,462	(51,481,321)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Other comprehensive (loss)/ income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Currency translation differences		(47,220,872)	3,256,100	-	-
Total other comprehensive (loss)/ income for the year, net of tax		(47,220,872)	3,256,100	-	-
Total comprehensive (loss)/ income for the year		(167,448,642)	(436,384,414)	26,599,462	(51,481,321)
(Loss)/Profit attributable to:					
Owners of the Company		(103,496,961)	(365,813,574)	26,599,462	(51,481,321)
Non-controlling interests	7.1	(16,730,809)	(73,826,940)	-	-
(Loss)/Profit for the year		(120,227,770)	(439,640,514)	26,599,462	(51,481,321)
Total comprehensive (loss)/ income attributable to:					
Owners of the Company		(150,717,833)	(362,557,474)	26,599,462	(51,481,321)
Non-controlling interests		(16,730,809)	(73,826,940)	-	-
Total comprehensive (loss)/ income for the year		(167,448,642)	(436,384,414)	26,599,462	(51,481,321)
Basic loss per ordinary share (sen)	23	(9.23)	(32.63)		
Diluted loss per ordinary share (sen)	23	(4.66)	(16.47)		

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

Group	Ordinary shares RM	Irredeemable Convertible Preference Shares-i RM	Share premium RM	Revaluation reserve RM	Currency translation reserve RM	Accumulated losses RM	Attributable to equity holders of the Company RM	Non-controlling interests RM	Total equity RM
At 1 January 2016	280,269,297	275,000,000	95,028,660	28,317,138	20,369,236	(62,249,245)	636,735,086	27,583,643	664,318,729
Other comprehensive income/(loss)									
- Foreign currency translation differences of subsidiary	-	-	-	-	3,256,100	-	3,256,100	-	3,256,100
- Loss for the year	-	-	-	-	-	(365,813,574)	(365,813,574)	(73,826,940)	(439,640,514)
Total comprehensive income/(loss) for the year	-	-	-	-	3,256,100	(365,813,574)	(362,557,474)	(73,826,940)	(436,384,414)
Realisation of revaluation reserves	-	-	-	(5,128,387)	-	5,128,387	-	-	-
Changes in ownership interests in a subsidiary (Note 7)	-	-	-	-	-	(71,730,000)	(71,730,000)	-	(71,730,000)
Disposal of investment in associates	-	-	-	-	(20,506,069)	-	(20,506,069)	-	(20,506,069)
Deferred tax on revaluation	-	-	-	(10,284,973)	-	-	(10,284,973)	-	(10,284,973)
Revaluation increase	-	-	-	49,555,626	-	-	49,555,626	-	49,555,626
Total transactions with owners of the Company	-	-	-	34,142,266	(20,506,069)	(66,601,613)	(52,965,416)	-	(52,965,416)
At 31 December 2016	280,269,297	275,000,000	95,028,660	62,459,404	3,119,267	(494,664,432)	221,212,196	(46,243,297)	174,968,899

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

Group	Ordinary shares RM Note 12	Irredeemable Convertible Preference Shares-i RM Note 13	Share premium RM	Revaluation reserve RM	Currency translation reserve RM	Accumulated losses RM	Attributable to equity holders of the Company RM	Non-controlling interests RM	Total equity RM
At 1 January 2017	280,269,297	275,000,000	95,028,660	62,459,404	3,119,267	(494,664,432)	221,212,196	(46,243,297)	174,968,899
Other comprehensive income/(loss)									
- Foreign currency translation differences of subsidiary	-	-	-	-	(47,220,872)	-	(47,220,872)	-	(47,220,872)
- Loss for the year	-	-	-	-	-	(103,496,961)	(103,496,961)	(16,730,809)	(120,227,770)
Total comprehensive loss for the year	-	-	-	-	(47,220,872)	(103,496,961)	(150,717,833)	(16,730,809)	(167,448,642)
Conversion of shares	40,175	(40,175)	-	-	-	-	-	-	-
Realisation of revaluation reserves	-	-	-	(5,318,825)	-	5,318,825	-	-	-
Total transactions with owners of the Company	40,175	(40,175)	-	(5,318,825)	-	5,318,825	-	-	-
At 31 December 2017	280,309,472	274,959,825	95,028,660	57,140,579	(44,101,605)	(592,842,568)	70,494,363	(62,974,106)	7,520,257

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

Company	Ordinary shares RM Note 12	Irredeemable convertible preference shares-i RM Note 13	Non distributable reserve - Share premium RM	Distributable reserve - Retained profits/ (Accumulated losses) RM	Total equity RM
At 1 January 2016	280,269,297	275,000,000	95,028,660	20,270,489	670,568,446
Total comprehensive loss for the year	-	-	-	(51,481,321)	(51,481,321)
At 31 December 2016/ 1 January 2017	280,269,297	275,000,000	95,028,660	(31,210,832)	619,087,125
Conversion of shares	40,175	(40,175)	-	-	-
Total comprehensive income for the year	-	-	-	26,599,462	26,599,462
At 31 December 2017	280,309,472	274,959,825	95,028,660	(4,611,370)	645,686,587

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
(Loss)/Profit before tax	(119,918,149)	(452,015,323)	26,909,083	(51,481,321)
Adjustments for:				
Impairment loss on intangible assets	429,137	-	-	-
Amortisation of intangible assets	26,080	26,052	-	-
Impairment loss on trade receivables	9,966,789	13,237,142	-	-
Impairment loss on amount due from contract customers	29,731,373	35,428,683	-	-
Depreciation of property, plant and equipment	26,644,188	17,836,291	724,746	804,528
Impairment loss on property, plant and equipment	19,321,843	259,106,338	-	-
Property, plant and equipment written off	50,407	939,222	-	-
Finance costs	23,789,657	22,835,414	1,047,776	511,818
Finance income	(183,991)	(748,637)	(122,772)	(241,098)
Inventories written off	-	2,710,737	-	-
Inventories written down to net realisable value	4,646,243	-	-	-
Allowance for inventory obsolescence	1,779,038	158,002	-	-
Unrealised (gain)/loss on foreign exchange (net)	(18,144,032)	11,164,811	(35,801,648)	23,188,016
Loss on disposal of associate	-	35,793,685	-	29,055,921
Share of loss of associate	40,760	13,136,217	-	-
Operating (Loss)/Profit Before Changes in Working Capital	(21,820,657)	(40,391,366)	(7,242,815)	1,837,864
Changes in working capital:				
Inventories	741,175	(643,321)	-	-
Trade and other receivables	10,746,573	37,933,165	(69,441,895)	(171,431,923)
Trade and other payables	43,228,642	86,142,209	95,897,803	152,116,979
Net Cash Generated From/(Used In) Operations	32,895,733	83,040,687	19,213,093	(17,477,080)
Tax refunded	18,928	-	18,928	-
Tax paid	(27,750)	(346,253)	(27,750)	(346,062)
Net Cash From/(Used In) Operating Activities	32,886,911	82,694,434	19,204,271	(17,823,142)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Group		Company	
		2017	2016	2017	2016
		RM	RM	RM	RM
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Interest received		183,991	748,637	122,772	241,098
Acquisition of property, plant and equipment	*(i)*	-	-	-	(8,190)
Additional investments in subsidiaries		-	-	-	(8,000,000)
Additional investments in associate		-	(367,500)	-	-
Net Cash Generated From/(Used In) Investing Activities		183,991	381,137	122,772	(7,767,092)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Interests paid	16	(495,669)	(22,835,414)	(25,591)	(511,818)
(Repayment of)/Proceeds from borrowings, net	16	(25,000,000)	(31,499,496)	(20,000,000)	507,296
Repayment of finance lease liabilities	16	(205,926)	(202,620)	(127,831)	(149,075)
Decrease in deposits placed with licensed bank		13,809,757	17,919,580	84	2,486,953
Net Cash (Used In)/From Financing Activities		(11,891,838)	(36,617,950)	(20,153,338)	2,333,356
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		21,179,064	46,457,621	(826,295)	(23,256,878)
Effect of translation of foreign currency		(23,606,954)	(73,105,828)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		4,875,500	31,523,707	1,185,910	24,442,788
CASH AND CASH EQUIVALENTS AT END OF YEAR	*(ii)*	2,447,610	4,875,500	359,615	1,185,910

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

(i) Acquisition of property, plant and equipment

During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM115,408,895 (2016: RM158,971,781) and RM Nil (2016: RM8,190) which were satisfied as follows:

		Group		Company	
	Note	2017	2016	2017	2016
		RM	RM	RM	RM
Total additions		(115,408,895)	158,971,781	-	8,190
Less:					
Interest capitalised	5.4	-	(2,980,622)	-	-
Payables		(115,408,895)	(155,991,159)	-	-
Cash paid		-	-	-	8,190

(ii) Cash and cash equivalents

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

		Group		Company	
	Note	2017	2016	2017	2016
		RM	RM	RM	RM
Cash and bank balances	11	2,447,610	4,875,500	359,615	1,185,910
Deposits placed with licensed banks	11	14,866,180	28,675,937	34,963	35,047
		17,313,790	33,551,437	394,578	1,220,957
Less:					
Deposits pledged with licensed banks	11	(14,866,180)	(28,675,937)	(34,963)	(35,047)
		2,447,610	4,875,500	359,615	1,185,910

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The Company is principally engaged in investment holding and provision of management services, whilst the principal activities of the subsidiaries and associate are as stated in Notes 7 and 8 respectively. There have been no significant changes in the nature of these activities during the financial year.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2017 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 registered office of the Company is located at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur.

The principal place of business of the Company is located at Level 26, Menara Bank Islam, No. 22 Jalan Perak, 50450 Kuala Lumpur.

These financial statements of the Group and of the Company were authorised by the Board of Directors for issuance on 27 April 2018.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

As at 31 December 2017, the current liabilities of the Group had exceeded the current assets by RM925,014,411 mainly as a result of losses incurred during the current and prior financial years and the suspension of the conversion works on the Floating, Production, Storage and Offloading ("FPSO") vessel during the previous year. The current liabilities of the Group arose from trade and other payables and borrowings.

- During the financial year and as disclosed in Note 31, the Company announced that it has become an affected listed issuer pursuant to the amended Practice Note 17 ("PN17") of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("BMSB"). As an affected listed issuer, the Company is required to submit a Regularisation Plan within 12 months from 28 April 2017 to Bursa Malaysia for approval. The Company is currently formulating and implementing a Proposed Regularisation Plan which mainly comprise the following: (i) Proposed Novation of the JX Nippon Contract to Yinson Energy Sdn. Bhd. ("YESB"), (ii) Scheme of Arrangements, (iii) Proposed capital reconstruction exercise involving the conversion of existing Irredeemable Convertible Preference Shares-i ("ICPS-i")and a capital reduction and amalgamation exercise for which the quantum has not been finalised and (iv) Proposed disposal of certain non-core assets.

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

- As disclosed in Note 28, the Company and its three subsidiaries namely THHE Fabricators Sdn. Bhd., ("THFSB"), THHE Offshore Services Sdn. Bhd. ("THEOS") and O&G Works Sdn. Bhd. ("OGW") ("Scheme Companies") were served with various legal notices and winding up petitions by their respective Scheme Creditors in the prior year. These winding up petitions, if successful would cause the winding up of the Scheme Companies. However, during the year, the Scheme Companies had each formulated a Scheme of Arrangement ("Scheme") with their respective Scheme Creditors.

  The respective Scheme Creditors approved the Company's Scheme and that of THFSB and OGW ("Approved Scheme Companies") at the respective Court Convened Creditors Meetings held in December 2017 and the same were subsequently approved by the High Court on 6 February 2018. With the requisite lodgement of the relevant Court Order with the Registrar, the Approved Scheme Companies' Schemes are now effective by virtue of Section 366(5) of the Companies Act 2016. Pursuant to the Approved Scheme Companies' Schemes, all pending litigation proceedings including all winding up petitions are to be withdrawn or terminated as the debts are deemed to have been compromised under the Schemes. Pursuant to these Schemes, the total debt due and owing to the Scheme Creditors will be reduced and the remaining outstanding balance to be settled by way of cash settlement, issuance of new ICPS-i in the Company and term out of the existing facility. Any remaining amount owing to the Scheme Creditors after the above shall be completely waived.

  The ability of the Approved Scheme Companies to discharge their liabilities and obligations to their Scheme Creditors is dependent upon the successful implementation and completion of certain key component of the Proposed Regularisation Plan.

- As part of the Proposed Regularisation Plan, the Company proposes to novate the Contract for the Provision of EPCIC and Leasing for Layang FPSO Facilities awarded by JX Nippon Oil & Gas Exploration (Malaysia) Limited ("JX Nippon Contract") to YESB ("the Proposed Novation"). As disclosed in Note 31(d), on 15 February 2018, at an Extraordinary General Meeting, the Shareholders of the Company approved the Proposed Novation. Proceeds from the Proposed Novation will be utilised mainly to repay the Scheme Creditors in accordance with the terms of the respective Schemes.

  Consequent upon the Proposed Novation, included in property, plant and equipment of the Group as of 31 December 2017 is an amount of RM745,649,725 pertaining to the Capital work-in-progress for the Layang FPSO Facilities, which is subject to impairment review. Accordingly, the Group engaged an independent valuer to determine the recoverable amount of the FPSO Layang vessel. The Valuer's Report states an indicative range of fair market value less cost of disposal between USD18.0 million to USD23.0 million (RM73.1 million to RM93.4 million equivalent); and estimated scrap value between USD10.0 million to USD15.0 million (RM40.6 million to RM60.9 million equivalent). The shortfall between the carrying value and recoverable amount was not impaired by the Group in view that the Proposed Novation has yet to be completed as at year end.

- As disclosed in Note 29(b), the contingent liabilities arising from the failure to deliver the FPSO Layang vessel on time in the previous year to the customer, might cause a default by virtue of which the customer may claim liquidated ascertained damages ("LAD") from the Company. However, upon completion of the Proposed Novation, the customer will waive the LAD and release the Company of its liabilities and obligations under the JX Nippon Contract. The novation will be deemed completed upon the parties satisfying all conditions precedent as stipulated in the Proposed Novation agreement which includes the payment of the proceeds of the Proposed Novation by YESB to the Company. As at the date of this report, the Proposed Novation is pending completion of all the conditions precedent.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

The Directors have concluded that the combination of the circumstances highlighted above indicate material uncertainties that may cast significant doubt over the ability of the Group and of the Company to continue as going concern and therefore, may be unable to realise their assets and discharge their liabilities in the normal course of business.

Should the going concern basis for the preparation of the financial statements be no longer appropriate, adjustments will have to be made to restate the carrying value of the assets to their recoverable amounts and to provide for further liabilities which may arise.

The Company is in the midst of formulating a Proposed Regularisation Plan to address the financial condition of the Group and of the Company and believes that the Proposed Regularisation Plan once formulated and implemented, will enable the Group and the Company to generate sufficient cash flows to meet their obligations. For these reasons, the Directors are of the opinion that the Group and the Company will be able to continue in operational existence for the foreseeable future and to realise their assets and settle their liabilities in the ordinary course of business.

The appropriateness of the going concern basis, amongst others, are dependent upon the following:

i. the timely and successful formulation and implementation of the key components of the Proposed Regularisation Plan; and
ii. the ability of the Group and the Company to achieve sustainable and viable operations with adequate cash flows generate from their operating activities.

Application of New and Revised Malaysian Financial Reporting Standards

In the current financial year, the Group and the Company adopted the following amendments to MFRS issued by Malaysian Accounting Standards Board that are relevant to their operations and effective for annual financial period beginning on 1 January 2017.

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRSs	Annual Improvements to MFRS 2012-2014 Cycle
Amendments to MFRSs	Annual Improvements to MFRS 2012-2015 Cycle

The adoption of the above amendments to MFRSs does not have any material impact on the financial statements of the Company in the period of initial application other than additional disclosures made in Note 16 arising from the adoption of Amendments to MFRS 107 Disclosure Initiative. Such disclosure enables users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from both cash flows and non-cash changes. The amendments have been applied prospectively and accordingly, comparative information was not presented.

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

New and revised Standards in issue but not yet effective

At the date of authorisation for issue of these financial statements, the new and revised Standards which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

MFRS 9	Financial Instruments[1]
MFRS 15	Revenue from Contracts with Customers (and the related Clarifications)[1]
MFRS 16	Leases[2]
MFRS 17	Insurance Contracts[3]
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts[1]
Amendments to MFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to MFRS 128	Long-term interests in Associates and Joint Ventures[2]
Amendments to MFRS 10, and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to MFRS 140	Transfers of Investment Property[1]
IC Int. 22	Foreign Currency Transactions and Advance Consideration[1]
IC Int. 23	Uncertainty over Income Tax Payments[2]
Amendments to MFRSs	Annual Improvements to MFRSs 2014 - 2016 Cycle[1]
Amendments to MFRSs	Annual Improvements to MFRSs 2015 - 2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.
[4] Effective for annual periods beginning on or after a date to be determined.

The Directors anticipate that the abovementioned Standards and Amendments will be adopted in the annual financial statements of the Group and of the Company when they become effective. The Group and the Company are currently assessing the impact of adoption of the above new Standards and Amendments.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the accounting policies stated below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Accounting (Cont'd)

Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of MFRS 117 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value-in-use in MFRS 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

(i) Subsidiaries

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

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

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

(ii) 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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of consolidation (Cont'd)

(iii) 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 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 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.

(iv) 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 total 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 interests even if doing so causes the non-controlling interests to have a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of consolidation (Cont'd)

(v) 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 and joint ventures 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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

(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 completion of a physical proportion of contract works.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reference to surveys of work performed.

(iii) 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.

(iv) 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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operations, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operations, are recognised in profit or loss for the period.

Exchange differences arising on monetary items that form part of the Company's net investment in foreign operations, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised directly in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign currencies (Cont'd)

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency ("RM") of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the end of the reporting period;

- Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

- Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

Property, plant and equipment

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

The Group revalues its long-term leasehold land and buildings and yard infrastructure every five (5) years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value. Additions subsequent to the date of revaluation are stated at cost until the next revaluation exercise.

Surpluses arising from revaluation are dealt with in the revaluation reserves account. Any deficit arising is offset against the revaluation reserves to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is provided for on a straight-line basis to write-off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Long-term leasehold land and buildings	50-99 years
Yard infrastructure	10 years
Plant and machinery	3-17 years
Furniture, fittings and equipment	10 years
Renovation	10 years
Motor vehicles	5 years
Computers	3 years

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, plant and equipment (Cont'd)

Property, plant and equipment under construction are not depreciated.

The estimated residual values, useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

An annual transfer from the revaluation reserve to retained earnings is made for the difference between the depreciation based on the revalued carrying amount of the assets and the depreciation based on the assets original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss and the revaluation surplus on that item is taken directly to retained earnings.

Leases

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statements of financial position.

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

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

Intangible assets

(i) Research and development

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Intangible assets (Cont'd)

(ii) 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.

(iii) 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.

(iv) Amortisation

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired. Amortisation of other intangible assets is based on the cost of an asset less its residual value.

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:

	2017	2016
• License fees	3 years	3 years
• Development costs	20 years	20 years

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

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 and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Construction work-in-progress

Construction work-in-progress 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.

The excess of revenue recognised in profit or loss over the billing to customers is classified as amount due from contract customers and included in trade and other receivables and the excess of billings to customers over revenue recognised in profit or loss is classified as amount due to contract customers and included in trade and other payables.

Impairment of Assets

The carrying amounts of other assets (except for inventories, amount due from contract customers and deferred tax assets) 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 of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. 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 (or a group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (or a group of cash-generating units) on a pro rata basis.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Employee benefits

(i) Short-term employee benefits

Short-term employee benefits 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) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions, if any, if the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that the Group and the Company will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Borrowing costs

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 added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. 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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Income tax

Income tax expense for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profits for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income tax (Cont'd)

Deferred tax is provided for, using the "liability" method, on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period. Deferred tax (if any) is recognised in profit or loss except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle their current tax assets and liabilities on net basis.

Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

Financial Assets

When the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, such financial assets are recognised and derecognised on trade date.

Financial instruments are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held to maturity' investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

Effective Interest Method (Cont'd)

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

(i) Financial Assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategies, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and *MFRS 139 Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item in the statements of profit or loss and other comprehensive income.

(ii) Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

Effective Interest Method (Cont'd)

(iii) AFS Financial Assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investment or financial assets at fair value through profit or loss. All AFS assets are measured at fair value at the end of the reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

(iv) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(v) Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investments have been affected.

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Financial Assets (Cont'd)

Effective Interest Method (Cont'd)

(v) Impairment of Financial Assets (Cont'd)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

(vi) Derecognition of Financial Assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risk and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated equity is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Liabilities and Equity Instruments issued by the Group

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(i) Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue cost.

(ii) Financial Liabilities

Financial liabilities are initially measured at fair value, net of transaction costs. It is subsequently measured at amortised cost using the effective interest method, with the interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period to the net carrying amount on initial recognition.

(iii) Financial Liabilities at FVTPL

Financial liabilities are classified as FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and *MFRS 139 Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statements of profit or loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Liabilities and Equity Instruments issued by the Group (Cont'd)

(iv) Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(v) Derecognition of Financial Liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Segment reporting

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. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Contingent liabilities

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

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and the amount initially recognised less cumulative amortisation.

Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash and cash equivalents consist of cash on hand, bank balances and deposits placed with licensed banks and highly liquid investments which have an insignificant risk of changes in fair value 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 pledged deposits, if any.

NOTES TO THE FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Judgement and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the Group's accounting policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

(i) Construction contracts

Construction contract accounting requires reliable estimation of costs to complete the contracts and reliable estimates of the stage of contract completion. Using experience gained on each contract and taking into account 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 point in time.

Construction contract accounting requires 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.

(ii) Impairment of capital work in progress

As of 31 December 2017, included in capital work in progress is an amount of RM745,649,725 (net of accumulated impairment loss of RM254,099,452) pertaining to FPSO Layang vessel which relate to the Layang Development Project, a gas production field operated by JX Nippon, located in Block SK10, Offshore Sarawak, Malaysia.

As part of the Proposed Regularisation Plan and the Company's Scheme, the Company proposes to novate the Contract for the Provision of EPCIC and Leasing for Layang FPSO Facilities awarded by JX Nippon Oil & Gas Exploration (Malaysia) Limited ("JX Nippon Contract") to YESB ("the Proposed Novation"). As disclosed in Note 31(d), on 15 February 2018 at an Extraordinary General Meeting, the Shareholders of the Company approved the Proposed Novation. Proceeds from the Proposed Novation will be utilised mainly to repay the Scheme Creditors in accordance with the terms of the respective Schemes.

Consequent upon the Proposed Novation, the FPSO Layang vessel is subject for impairment review. Accordingly, the Group had engaged an independent valuer to determine the recoverable amount of the FPSO Layang vessel. The Valuer's Report states an indicative range of fair market value less cost of disposal between USD18.0 million to USD23.0 million (RM73.1 million to RM93.4 million equivalent); and estimated scrap value between USD10.0 million to USD15.0 million (RM40.6 million to RM60.9 million equivalent). The shortfall between the carrying value and recoverable amount was not impaired by the Group in view that the Proposed Novation has yet to be completed as at year end.

(b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTES TO THE FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(b) Key sources of estimation uncertainty (Cont'd)

(i) 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 end of the reporting period.

(ii) Impairment loss on amount due from contract customers

Amount due from contact customers represents unbilled costs incurred on variation of works performed for a project. Presently, the management is in the midst of negotiating with the customer on the final amount to be recovered. In addition, the Group has also engaged an independent consultant to verify the accuracy of the cost incurred. As such, the Group are of the opinion that the said unbilled costs incurred are fully recoverable. During the financial year, an impairment loss on amount due from contract customers of RM29,731,373 (2016: RM35,428,683) was recognised in profit or loss.

(iii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profits will be available against which the unused tax losses and unabsorbed capital allowances can be utilised. Significant 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 together with future tax planning strategies.

(iv) Income tax

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(v) Impairment of property, plant and equipment

The Group regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of an asset is lower than the recoverable amount which is the greater of its fair value less cost to sell or its value-in-use. In determining the value-in-use, the Group assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining the future cash flows and the discount rate.

(vi) Impairment of investment in subsidiaries and amount due from subsidiaries

The Company assesses its investments in subsidiaries for impairment annually in accordance with its accounting policy. Reviews are performed regularly if events indicate that this is necessary. The assessment of the net tangible assets of the subsidiaries affects the result of the impairment test. Costs of investments in subsidiaries which have adverse financial performance were impaired up to the net assets of the subsidiaries. The impairment made on investment in subsidiaries entails an impairment to be made to the amount due from a subsidiary. As disclosed in Note 7 and Note 10, the recoverable amount of the investments in subsidiaries and amount due from a subsidiary have not been reliably determined at this stage pending the formulation and implementation of the Proposed Regularisation Plan.

NOTES TO THE FINANCIAL STATEMENTS

5. PROPERTY, PLANT AND EQUIPMENT

Group	Long-term leasehold land and buildings RM	Yard infrastructure RM	Plant and machinery RM	Furniture, fittings and equipment RM	Renovation RM	Motor vehicles RM	Computers RM	Capital work-in-progress RM	Total RM
Cost/Valuation									
At 1 January 2016	101,671,500	32,509,727	75,475,651	2,826,832	1,634,094	1,866,748	8,962,138	812,036,336	1,036,983,026
Additions	-	348,264	923,510	106,939	-	-	14,000	157,579,068	158,971,781
Written off	-	-	(948,620)	-	-	-	(382,860)	(165,000)	(1,496,480)
Revaluation increase/ (decrease)	35,841,437	(11,857,991)	-	-	-	-	-	-	23,983,446
Reclassification	787,063	-	287,390	-	-	-	-	(1,074,453)	-
Effect of movement in exchange rate	-	-	-	-	-	9,192	-	34,723,618	34,732,810
At 31 December 2016/ 1 January 2017	138,300,000	21,000,000	75,737,931	2,933,771	1,634,094	1,875,940	8,593,278	1,003,099,569	1,253,174,583
Additions	-	-	-	-	-	-	-	115,408,895	115,408,895
Written off	-	-	(997,620)	-	(7,270)	-	-	-	(1,004,890)
Reclassification	-	9,050	47,383	-	-	-	(47,383)	(9,050)	-
Effect of movement in exchange rate	-	-	-	-	-	(13,902)	-	(74,716,915)	(74,730,817)
At 31 December 2017	138,300,000	21,009,050	74,787,694	2,933,771	1,626,824	1,862,038	8,545,895	1,043,782,499	1,292,847,771

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

Group	Long-term leasehold land and buildings RM	Yard infrastructure RM	Plant and machinery RM	Furniture, fittings and equipment RM	Renovation RM	Motor vehicles RM	Computers RM	Capital work-in-progress RM	Total RM
Accumulated Depreciation									
At 1 January 2016	6,517,310	10,520,017	14,489,718	1,362,887	548,259	1,033,963	6,938,127	-	41,410,281
Charge for the year	2,152,530	6,382,323	6,805,370	320,551	409,609	295,397	1,470,511	-	17,836,291
Written off	-	-	(174,401)	-	-	-	(382,857)	-	(557,258)
Elimination on revaluation	(8,669,840)	(16,902,340)	-	-	-	-	-	-	(25,572,180)
Effect of movement in exchange rate	-	-	-	-	-	4,407	-	-	4,407
At 31 December 2016/ 1 January 2017	-	-	21,120,687	1,683,438	957,868	1,333,767	8,025,781	-	33,121,541
Charge for the year	2,954,208	16,956,136	5,365,114	305,181	383,964	276,166	403,419	-	26,644,188
Written off	-	-	(947,213)	-	(7,270)	-	-	-	(954,483)
Reclassification	-	-	9,794	-	-	-	(9,794)	-	-
Effect of movement in exchange rate	-	-	-	-	-	(7,876)	-	-	(7,876)
At 31 December 2017	2,954,208	16,956,136	25,548,382	1,988,619	1,334,562	1,602,057	8,419,406	-	58,803,370

NOTES TO THE FINANCIAL STATEMENTS

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

Group	Long-term leasehold land and buildings RM	Yard infrastructure RM	Plant and machinery RM	Furniture, fittings and equipment RM	Renovation RM	Motor vehicles RM	Computers RM	Capital work-in-progress RM	Total RM
Accumulated Impairment Losses									
At 1 January 2016	-	-	-	-	-	-	-	-	-
Addition	-	-	-	-	-	-	-	259,106,338	259,106,338
At 31 December 2016/ 1 January 2017	-	-	-	-	-	-	-	259,106,338	259,106,338
Addition	-	-	19,321,843	-	-	-	-	-	19,321,843
Effect of movement in exchange rate	-	-	-	-	-	-	-	(5,006,886)	(5,006,886)
At 31 December 2017	-	-	19,321,843	-	-	-	-	254,099,452	273,421,295
Carrying Amounts									
At 31 December 2016	138,300,000	21,000,000	54,617,244	1,250,333	676,226	542,173	567,497	743,993,231	960,946,704
At 31 December 2017	135,345,792	4,052,914	29,917,469	945,152	292,262	259,981	126,489	789,683,047	960,623,106

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

Company	Furniture, fittings and equipment RM	Renovation RM	Motor vehicles RM	Computers RM	Total RM
Cost					
At 1 January 2016	1,258,682	1,634,094	1,045,894	515,880	4,454,550
Additions	8,190	-	-	-	8,190
At 31 December 2016/ 1 January 2017	1,266,872	1,634,094	1,045,894	515,880	4,462,740
Written off	-	(7,270)	-	-	(7,270)
At 31 December 2017	1,266,872	1,626,824	1,045,894	515,880	4,455,470
Accumulated Depreciation					
At 1 January 2016	557,248	548,259	504,009	398,890	2,008,406
Charge for the year	128,075	409,609	181,966	84,878	804,528
At 31 December 2016/ 1 January 2017	685,323	957,868	685,975	483,768	2,812,934
Charge for the year	126,723	383,964	181,966	32,093	724,746
Written off	-	(7,270)	-	-	(7,270)
At 31 December 2017	812,046	1,334,562	867,941	515,861	3,530,410
Carrying Amounts					
At 31 December 2016	581,549	676,226	359,919	32,112	1,649,806
At 31 December 2017	454,826	292,262	177,953	19	925,060

5.1 Security

As of 31 December 2017, capital work-in-progress with a carrying value of RM745,649,725 (2016: RM707,346,398) is charged to a local bank for the Sukuk facilities granted to a subsidiary (Note 16.2).

As of 31 December 2017, the long-term leasehold land and buildings with a carrying amount of RM135,345,792 (2016: RM138,300,000) are charged to a local bank for the Sukuk facilities granted to a subsidiary (Note 16.2).

NOTES TO THE FINANCIAL STATEMENTS

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

5.2 Properties under the revaluation model

The long-term leasehold land and buildings and yard infrastructure were revalued based on valuation carried out on 31 December 2016 by Messrs. Irhamy & Co., an independent registered professional valuer using the open market valuation method.

Had the long-term leasehold land and buildings and yard infrastructure been carried under the cost model, their carrying amounts would have been RM61,500,242 (2016: RM62,154,301) and RM3,731,714 (2016: RM7,949,845) respectively.

5.3 Assets under finance lease agreements

Included in property, plant and equipment of the Group and of the Company are motor vehicles acquired under finance lease agreements with an aggregate carrying amount of RM259,981 (2016: RM542,173) and RM177,953 (2016: RM359,919), respectively.

5.4 Capitalisation of finance costs

Included in the Group's capital work-in-progress is an amount of RMNil (2016: RM2,980,622) representing finance costs capitalised for the year (see Note 19). As of 31 December 2017, cumulative finance cost capitalised in capital work-in-progress amounted to RM73,566,427 (2016: RM73,566,427).

5.5 Long-term leasehold land and buildings

The long-term leasehold land and buildings have an unexpired lease period of more than 50 years.

5.6 Capital work in progress

As of 31 December 2017, included in capital work in progress is an amount of RM745,649,725 (net of accumulated impairment loss of RM254,099,452) pertaining to FPSO Layang vessel which relate to the Layang Development Project, a gas production field operated by JX Nippon, located in Block SK10, Offshore Sarawak, Malaysia.

As part of the Proposed Regularisation Plan and the Company's Scheme, the Company proposes to novate the Contract for the Provision of EPCIC and Leasing for Layang FPSO Facilities awarded by JX Nippon Oil & Gas Exploration (Malaysia) Limited ("JX Nippon Contract") to YESB ("the Proposed Novation"). As disclosed in Note 31(d), on 15 February 2018 at an Extraordinary General Meeting, the Shareholders of the Company approved the Proposed Novation. Proceeds from the Proposed Novation will be utilised mainly to repay the Scheme Creditors in accordance with the terms of the respective Schemes.

Consequent upon the Proposed Novation, the said FPSO Layang vessel is subject to impairment review. Accordingly, the Group had engaged an independent valuer to determine the recoverable amount of the FPSO Layang vessel. The Valuer's Report states an indicative range of fair market value less cost of disposal between USD18.0 million to USD23.0 million (RM73.1 million to RM93.4 million equivalent); and estimated scrap value between USD10.0 million to USD15.0 million (RM40.6 million to RM60.9 million equivalent). The shortfall between the carrying value and recoverable amount was not impaired by the Group in view that the Proposed Novation was not completed as at year end.

NOTES TO THE FINANCIAL STATEMENTS

6. INTANGIBLE ASSETS

	License fees RM	Development costs RM	Total RM
Cost			
At 1 January 2016/31 December 2016/ 1 January 2017/31 December 2017	108,665	521,604	630,269
Accumulated Amortisation			
At 1 January 2016	108,665	40,335	149,000
Amortisation for the year	-	26,052	26,052
At 31 December 2016/1 January 2017	108,665	66,387	175,052
Amortisation for the year	-	26,080	26,080
At 31 December 2017	108,665	92,467	201,132
Accumulated Impairment Loss			
At 31 December 2016/ 1 January 2017	-	-	-
Charge for the year	-	429,137	429,137
At 31 December 2017	-	429,137	429,137
Carrying Amounts			
At 31 December 2016	-	455,217	455,217
At 31 December 2017	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENTS IN SUBSIDIARIES

	Company 2017 RM	Company 2016 RM
Unquoted shares at cost	459,366,707	459,366,707
Less: Accumulated impairment losses	(231,000,007)	(231,000,007)
	228,366,700	228,366,700

In view of the adverse financial performance of the subsidiaries, there are indications of impairment on the carrying amount of the investments in subsidiaries. However, the recoverable amounts of the investments in subsidiaries have not been reliably estimated at this stage as it is dependent on the timely and successful formulation and implementation of the Proposed Regularisation Plan.

Details of the subsidiaries are as follows:

Name of entity	Name of Directors	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2017 %	Effective ownership interest and voting interest 2016 %
THHE Fabricators Sdn. Bhd. ("THFSB") #	Dr Ir Samad bin Solbai Suhaimi bin Badrul Jamil Too Kok Leng	Malaysia	Fabrication of offshore oil and gas related structure works. During the year, the company ventured into ship building and ship repair activities.	100	100
O&G Works Sdn. Bhd. #	Suhaimi bin Badrul Jamil Zainalabidin bin Ismail	Malaysia	Manufacturing and maintenance of offshore cranes	100	100
THHE Offshore Services Sdn. Bhd. ("THEOS") #@	Dato' Mohd Razip bin Mohammad Anuar Bin Akka Chen Yoon Sung	Malaysia	Provision of services such as maintenance at offshore workplace, hook-up and commissioning offshore punch list coordination	70	70

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows: (Cont'd)

Name of entity	Name of Directors	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest	
				2017 %	2016 %
THHE Training Services Sdn. Bhd.	Suhaimi bin Badrul Jamil Zainalabidin bin Ismail	Malaysia	Dormant	100	100
THHE Optima Sdn. Bhd.	Suhaimi bin Badrul Jamil Zainalabidin bin Ismail	Malaysia	Dormant	100	100
Floatech (M) Sdn. Bhd.	Suhaimi bin Badrul Jamil Dato' Hj Ghazali Bin Awang	Malaysia	Dormant	100	100
Floatech (L) Ltd. ("FLL") #	Suhaimi bin Badrul Jamil Too Kok Leng Zahar Mohd Hashim bin Zainuddin	Malaysia	Ownership in a FPSO^	80	80

The auditors' report on the financial statements of these subsidiaries contained a disclaimer or adverse opinion as there are multiple uncertainties that may cast significant doubt on the ability of these subsidiaries to continue as going concerns.

^ Floating Production, Storage and Offloading vessel.

@ On 9 April 2018, following the presentation of a winding-up petition by Zelican Sdn. Bhd. on 31 October 2016, the High Court of Malaya at Kuala Lumpur ordered THEOS to be wound up with no order as to costs and the Official Receiver be appointed as provisional liquidator of THEOS.

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

7.1 Non-controlling interests in subsidiaries

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

	THFSB# RM	THEOS RM	FLL RM	Total RM
2017				
NCI percentage of ownership interest and voting interest	-	30%	20%	N/A
Carrying amount of NCI	-	(5,481,534)	(57,492,572)	(62,974,106)
Loss allocated to NCI	-	(98,060)	(16,632,749)	(16,730,809)
Summarised financial information before intra-group elimination				
As at 31 December 2017				
Non-current assets	-	-	751,634,207	751,634,207
Current assets	-	11,860,542	12,946,904	24,807,446
Non-current liabilities	-	-	(61,947)	(61,947)
Current liabilities	-	(30,132,321)	(1,051,982,026)	(1,082,114,347)
Net liabilities	-	(18,271,779)	(287,462,862)	(305,734,641)
Year ended 31 December 2017				
Revenue	-	-	-	-
Loss and total comprehensive loss	-	(326,865)	(83,163,745)	(83,535,609)
Year ended 31 December 2017				
Cash flows from/(used in):				
Operating activities	-	9,984,873	32,861	10,017,734
Investing activities	-	(10,000,000)	-	(10,000,000)
Financing activities	-	-	(32,921)	(32,921)
Net decrease in cash and cash equivalents	-	(15,127)	(60)	(15,187)

THHE Fabricators Sdn. Bhd. ("THFSB") became a wholly-owned subsidiary on 30 September 2016.

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

7.1 Non-controlling interests in subsidiaries (Cont'd)

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

	THFSB# RM	THEOS RM	FLL RM	Total RM
2016				
NCI percentage of ownership interest and voting interest	30%	30%	20%	N/A
Carrying amount of NCI	-	(5,383,474)	(40,859,823)	(46,243,297)
Loss allocated to NCI	(21,547,862)	(1,041,849)	(51,237,229)	(73,826,940)
Summarised financial information before intra-group elimination				
As at 31 December 2016				
Non-current assets	-	-	713,398,444	713,398,444
Current assets	-	21,860,892	14,249,956	36,110,848
Non-current liabilities	-	-	(102,758)	(102,758)
Current liabilities	-	(39,805,806)	(931,844,757)	(971,650,563)
Net liabilities	-	(17,944,914)	(204,299,115)	(222,244,029)
Year ended 31 December 2016				
Revenue	-	-	-	-
Loss and total comprehensive loss	(71,826,205)	(3,472,830)	(256,186,147)	(331,485,182)
Year ended 31 December 2016				
Cash flows from/(used in):				
Operating activities	-	(48,419)	199,240,667	199,192,248
Investing activities	-	-	(201,185,590)	(201,185,590)
Financing activities	-	-	(23,771)	(23,771)
Net decrease in cash and cash equivalents	-	(48,419)	(1,968,694)	(2,017,113)

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENT IN ASSOCIATE

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Unquoted shares, at cost	367,500	367,500	-	-
Share of post acquisition reserves	(40,760)	-	-	-
	326,740	367,500	-	-

In prior year, THFSB had subscribed for 367,500 new ordinary shares in THHE Destini Sdn. Bhd. ("TDSB") for a total cash consideration of RM367,500, representing 49% of the issued and paid-up share capital of TDSB.

Details of the material associates are as follows:

Name of entity	Principal place of business/Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2017	2016
			%	%
Held through THFSB				
TDSB	Malaysia	To undertake the supply, delivery, testing and commissioning of Offshore Patrol Vessel project for Malaysia Maritime Enforcement Agency	49	49

In prior year, the Company disposed of 30% of the ordinary shares of Berlian McDermott Sdn. Bhd. ("BMDSB") amounted to RM71.73 million. The Group shared a loss of RM13,136,217 of the associate during the period of the said disposal and the said disposal was completed on 30 September 2016. Consequently, BMDSB ceased to be an associate of the Company as at 31 December 2016. A loss on disposal of associates of RM35,793,685 and RM29,055,921, were recognised in profit or loss of the Group and of the Company, respectively

8. INVESTMENT IN ASSOCIATE (CONT'D)

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

	Group	
	2017	**2016**
	RM	**RM**
Summarised financial information as at 31 December		
Non-current assets	-	750,000
Current assets	73,996,218	-
Current liabilities	(73,333,759)	-
Net assets	662,459	750,000
Year ended 31 December		
Loss for the year and other comprehensive loss	(83,183)	-
Included in the total comprehensive loss is:		
Revenue	242,035,500	-
Reconciliation of net assets to carrying amount as at 31 December		
Group's share of net assets	324,605	367,500
Goodwill	2,135	-
Carrying amount in the statements of financial position	326,740	367,500
Group's share of results for the year ended 31 December		
Group's share of loss for the year and other comprehensive loss	(40,760)	-

Other information

No dividend was received by the Group for the financial years ended 31 December 2017 and 2016.

Contingent liabilities

There were no contingent liabilities incurred jointly with the other investors as at 31 December 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

9. INVENTORIES

	Group 2017 RM	Group 2016 RM
Raw materials and consumables	314,625	7,481,081
Recognised in profit or loss:		
Inventories recognised as cost of sales	136,533	813,783
Allowance for inventories obsolescence	1,779,038	158,002
Inventories written down to net realisable value	4,646,243	-
Inventories written off	-	2,710,737

10. TRADE AND OTHER RECEIVABLES

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Trade					
Trade receivables		42,201,956	40,298,400	-	-
Less: Impairment losses	25.3	(38,581,900)	(28,615,111)	-	-
		3,620,056	11,683,289	-	-
Amount due from contract customers	10.1	38,671,373	69,402,137	-	-
		42,291,429	81,085,426	-	-
Non-trade					
Amount due from subsidiaries	10.2	-	-	818,358,491	747,694,361
Other receivables		6,949,815	11,613,884	4,427,858	5,432,309
Less: Impairment losses	25.3	(5,344,341)	(5,344,341)	(4,402,028)	(4,402,028)
		1,605,474	6,269,543	25,830	1,030,281
Advances to suppliers		69,246	6,894,552	1,872	165,682
Refundable deposits		271,452	314,740	203,809	249,377
		1,946,172	13,478,835	818,590,002	749,139,701
		44,237,601	94,564,261	818,590,002	749,139,701

NOTES TO THE FINANCIAL STATEMENTS

10. TRADE AND OTHER RECEIVABLES (CONT'D)

10.1 Amount due from contract customers

	Group	
	2017	2016
	RM	RM
Aggregate costs incurred to date	38,671,373	126,915,881
Add: Attributable profits	-	4,686,191
	38,671,373	131,602,072
Less: Progress billings	-	(62,199,935)
Amount due from contract customers	38,671,373	69,402,137
Additions to aggregate costs incurred during the financial year include:		
Hire of equipment	-	812,688
Interest expense on term loans	-	796,750

Included in amount due from contract customers is an amount of RM38,671,373 (2016: RM63,836,014) which represents uncertified claims for costs incurred on variation of works performed for a project. The Group has also engaged an independent consultant to verify the claims made in respect of the said variation of work in prior years. During the year, the Group recognized an impairment loss of a total of RM29,731,373 (2016: RM35,428,683) in profit or loss, on amount due from contract customers. Out of this, RM25,000,000 represents impairment loss on the amount due from a contract customer for claims made in respect of variation works in prior years. The Group has also received an amount of RM835,359 from the same contract customer.

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

10.3 Included in amount due from subsidiaries is an amount of RM809,669,364 due from a subsidiary, of which the said subsidiary owned the FPSO Layang vessel. As disclosed in Note 2, as part of the Proposed Regularisation Plan, the Company proposes to novate the JX Nippon Contract, and consequently, the said subsidiary become dormant. As such, there is objective evidence of impairment on the amount due from the said subsidiary. However, the recoverable amount of the amount owing by the said subsidiary has not been reliably determined at this stage pending the formulation and implementation of the Proposed Regularisation Plan.

NOTES TO THE FINANCIAL STATEMENTS

11. CASH, BANK BALANCES AND DEPOSITS

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Cash and bank balances	2,447,610	4,875,500	359,615	1,185,910
Deposits placed with licensed banks	14,866,180	28,675,937	34,963	35,047
	17,313,790	33,551,437	394,578	1,220,957

Included in the deposits placed with licensed banks of the Group and of the Company are RM14,866,180 (2016: RM28,675,937) and RM34,963 (2016: RM35,047) respectively which are pledged to local licensed banks for bank guarantee facilities granted to subsidiaries.

12. ORDINARY SHARES

	2017		2016	
	No. of Shares '000	RM	No. of Shares '000	RM
Group and Company				
Authorised:				
Ordinary shares:	-	-	3,200,000	800,000,000
Issued and fully paid:				
Ordinary shares:				
At 1 January	1,121,077	280,269,297	1,121,077	280,269,297
Conversion of ICPS-i	161	40,175	-	-
At 31 December	1,121,238	280,309,472	1,121,077	280,269,297

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. The new ordinary shares rank pari passu in all respects with the then existing ordinary shares.

The Company's issued and fully paid-up share capital comprises Ordinary shares with a par value of RM0.25 each. The new Companies Act 2016 ("Act"), which came into operation on 31 January 2017, introduces the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

NOTES TO THE FINANCIAL STATEMENTS

13. IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES-i

	2017 No. of Shares '000	2017 RM	2016 No. of Shares '000	2016 RM
Group and Company				
Authorised:				
Irredeemable Convertible Preference Shares-i (ICPS-i):	-	-	1,200,000	300,000,000
Issued and fully paid:				
ICPS-i:				
At 1 January	1,100,000	275,000,000	1,100,000	275,000,000
Conversion of ICPS-i	(161)	(40,175)	-	-
At 31 December	1,099,839	274,959,825	1,100,000	275,000,000

The Company's issued and fully paid-up share capital comprises ICPS-i with a par value of RM0.25 each. The new Act which came into operation on 31 January 2017, introduces the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

The salient terms of the issuance of ICPS-i are set out below:

Par Value : RM0.25 per ICPS-i

Issue Price : RM0.25 per ICPS-i

Tenure : 5 years commencing from and inclusive of the date of issuance of ICPS-i.

Maturity Date : The day immediately preceding the 5th anniversary from the date of issuance of ICPS-i.

Dividend Rate : The Company shall (at the Company's discretion and subject to the availability of distributable profits) pay out a targeted aggregate dividend rate of 20% calculated based on the nominal value of the ICPS-i, which shall be payable throughout the tenure of the ICPS-i as per the table below:

Year	Targeted Dividend Rate
1	3.0%
2	3.5%
3	4.0%
4	4.5%
5	5.0%

NOTES TO THE FINANCIAL STATEMENTS

13. IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES-I (CONT'D)

The salient terms of the issuance of ICPS-i are set out below: (Cont'd)

Redemption : Not redeemable for cash.

Conversion Rights : The ICPS-i shall be convertible, at the option of the ICPS-i holder, at any time during the Conversion Period without the payment of additional consideration by the ICPS-i holder thereof, into such number of fully-paid ordinary shares of the Company at the Conversion Rate.

Conversion Period : The ICPS-i shall be converted at any time from the date of issue and up to the Maturity Date. Any remaining ICPS-i that are not converted by the Maturity Date shall be automatically converted into new ordinary shares without the payment of additional consideration by the ICPS-i holder, into such number of fully-paid ordinary shares of the Company at the Conversion Rate.

Conversion Rate : 1 new ordinary share for 1 ICPS-i held.

14. RESERVES

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Non-distributable:					
Share premium	(i)	95,028,660	95,028,660	95,028,660	95,028,660
Revaluation reserve	(ii)	57,140,579	62,459,404	-	-
Translation reserve	(iii)	(44,101,605)	3,119,267	-	-
		108,067,634	160,607,331	95,028,660	95,028,660
Accumulated losses		(592,842,568)	(494,664,432)	(4,611,370)	(31,210,832)
		(484,774,934)	(334,057,101)	90,417,290	63,817,828

(i) Share premium

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

In accordance with the transitional provisions of the Act, the amount standing to the credit of the Company's share premium account has become part of the Company's share capital. This change does not have an impact on the numbers of shares in issue or the relative entitlement of any of the shareholders.

However, the Company has a period of 24 months from the effective date of the Act to use the existing balances credited in the share premium account in a manner as specified by the Act.

NOTES TO THE FINANCIAL STATEMENTS

14. RESERVES (CONT'D)

(ii) Revaluation reserve

The revaluation reserve relates to the revaluation of the Group's long-term leasehold land and buildings and yard infrastructure.

	Group 2017 RM	Group 2016 RM
At 1 January	62,459,404	28,317,138
Realisation of revaluation reserve	(5,318,825)	(5,128,387)
Revaluation increase	-	49,555,626
Deferred tax (Note 15)	-	(10,284,973)
At 31 December	57,140,579	62,459,404

(iii) Currency translation reserve

The translation reserve represents foreign exchange differences arising from the translation of the financial statements of a subsidiary company and an associate at the end of the reporting period. The movement in currency translation reserves are as follows:

	Group 2017 RM	Group 2016 RM
At 1 January	3,119,267	20,369,236
Foreign currency translation differences of subsidiary	(47,220,872)	3,256,100
Disposal of investment in associate	-	(20,506,069)
At 31 December	(44,101,605)	3,119,267

NOTES TO THE FINANCIAL STATEMENTS

15. DEFERRED TAX ASSETS

Recognised deferred tax assets

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2017 RM	Assets 2016 RM	Liabilities 2017 RM	Liabilities 2016 RM	Net 2017 RM	Net 2016 RM
Unused tax losses	21,600,000	21,600,000	-	-	21,600,000	21,600,000
Revaluation of property, plant and equipment	-	-	(19,724,022)	(19,724,022)	(19,724,022)	(19,724,022)
Deferred tax assets/(liabilities)	21,600,000	21,600,000	(19,724,022)	(19,724,022)	1,875,978	1,875,978
Set off of tax	(19,724,022)	(19,724,022)	19,724,022	19,724,022	-	-
Net deferred tax assets	1,875,978	1,875,978	-	-	1,875,978	1,875,978

Movement in deferred tax assets/(liabilities) during the year:

Group	At 1.1.2016 RM	Recognised in profit or loss (Note 22) RM	Recognised in equity (Note 22) RM	At 31.12.2016/ 1.1.2017/ 31.12.2017 RM
Unused tax losses	9,225,000	12,375,000	-	21,600,000
Revaluation of property, plant and equipment	(9,439,049)	-	(10,284,973)	(19,724,022)
	(214,049)	12,375,000	(10,284,973)	1,875,978

15. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

Unrecognised Deferred Tax Assets

As mentioned in Note 3, deferred tax assets are recognised for deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unabsorbed capital allowances can be utilised. As at 31 December 2017, the estimated amount of deductible temporary differences, unused tax losses and unabsorbed capital allowances for which the tax effects have not been recognised in the financial statements due to uncertainty of their realisation is as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Unused tax losses	506,915,839	455,785,316	31,005,000	1,124,000
Unabsorbed capital allowances	51,096,294	50,448,892	5,031,000	4,896,000
(Taxable)/Deductible temporary differences arising from:				
Property, plant and equipment	(58,386,439)	(63,151,875)	(234,000)	(576,000)
Trade receivables	63,541,035	28,277,969	-	-
Unrealised foreign exchanges	607,405	25,904,186	(35,802,000)	23,188,000
	563,774,134	497,264,488	-	28,632,000

The unused tax losses and unabsorbed capital allowances are subject to the agreement of the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS

16. BORROWINGS

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Non-current					
Term loans - secured	16.1	-	5,317,591	-	-
Sukuk - secured	16.2	30,000,000	49,806,139	-	-
Finance lease liabilities - secured	16.3	291,156	493,684	198,142	324,274
		30,291,156	55,617,414	198,142	324,274
Current					
Term loans - secured	16.1	14,921,367	9,500,762	-	-
Sukuk - secured	16.2	209,807,033	189,178,641	-	-
Finance lease liabilities - secured	16.3	181,197	184,595	114,207	115,906
Revolving credit facilities - unsecured	16.4	55,999,669	60,036,275	-	-
Bridging loan - secured	16.5	41,823,546	60,507,296	41,823,546	60,507,296
		322,732,812	319,407,569	41,937,753	60,623,202
		353,023,968	375,024,983	42,135,895	60,947,476

16.1 Term loans - secured

	Group 2017 RM	Group 2016 RM
Secured term loans	14,961,117	14,885,103
Less: Transaction costs	(39,750)	(66,750)
	14,921,367	14,818,353
Less: Current portion	(14,921,367)	(9,500,762)
Non-current portion	-	5,317,591

Term loans of the Group which bear profit at rates ranging from 7.60% to 7.85% (2016: 7.60% to 7.85%) per annum, is secured by:

(a) Deed of agreement on the takaful coverage of certain plant and equipment;
(b) Specific debenture over certain plant and equipment; and
(c) Corporate guarantee by the Company.

16. BORROWINGS (CONT'D)

16.1 Term loans - secured (Cont'd)

The financial institution is a Scheme Creditor under the Scheme of Arrangement pursuant to Section 366(5) of the Companies Act 2016. Pursuant to the Scheme that all the debts are deemed to have been compromised, where the total debt will be fully settled by way of cash settlement. The ability of the Group to discharge its liabilities and obligations to the financial institution is dependent upon the successful implementation and completion of the Scheme, including disposal of non-core assets and the Proposed Novation.

16.2 Sukuk - secured

	Group	
	2017	2016
	RM	RM
Secured sukuk	240,000,000	240,000,000
Less: Transaction costs	(192,967)	(1,015,220)
	239,807,033	238,984,780
Less: Current portion	(209,807,033)	(189,178,641)
Non-current portion	30,000,000	49,806,139

As at 31 December 2017, the Group has Sukuk facilities of RM240,000,000 (2016: RM240,000,000) which are secured by way of a mortgage over the capital work-in-progress of FPSO Layang vessel and the long-term leasehold land and buildings (see Note 5) and bear profit at rates ranging from 7.00% to 7.51% (2016: 7.00% to 7.51%) per annum. The Sukuk facilities of RM170 million was to be repaid via bullet repayments on September 2017, which was also the maturity date of the Sukuk.

The financial institutions are Scheme Creditors under the Scheme of Arrangement pursuant to Section 366(5) of the Companies Act 2016. In accordance with the Schemes, all the debts are deemed to have been compromised. Pursuant to these Schemes, the total outstanding debt due to the financial institutions will be reduced and the remaining outstanding balance will be settled by way of cash settlement, issuance of new ICPS-i in the Company and term out of the existing facility. Any remaining amount after the above shall be completely waived.

The ability of the Group to discharge its liabilities and obligations to its financial institutions is dependent upon the successful implementation and completion of the key components of the Proposed Regularisation Plan.

Loan covenants

Pursuant to the Scheme, the Group would no longer require to meet the various financial covenants including compliance with debt service cover ratio and debt to equity ratio.

NOTES TO THE FINANCIAL STATEMENTS

16. BORROWINGS (CONT'D)

16.3 Finance lease liabilities - secured

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Future minimum lease payments	501,682	728,749	328,614	472,748
Less: Interest-in-suspense	(29,329)	(50,470)	(16,265)	(32,568)
Present value of minimum lease payments	472,353	678,279	312,349	440,180
Less than one year	181,197	184,595	114,207	115,906
Between one and five years	291,156	493,684	198,142	324,274
Present value of minimum lease payments	472,353	678,279	312,349	440,180

The average effective profit rate is 2.40% (2016: 2.40%) per annum. Profit rate is fixed at the inception of the lease.

The financial institution is a non-scheme creditor under the Scheme of Arrangement pursuant to Section 366(5) of the Companies Act 2016. The outstanding will be settled via ordinary course of business.

16.4 Revolving credit facilities - unsecured

As at 31 December 2017, the Group has unsecured revolving credit facilities amounting to RM55,999,669 (2016: RM60,036,275) granted by a local financial institution which bear profit at rates ranging from 6.85% to 7.85% (2016: 6.85% to 7.85%) per annum. The revolving credit facilities are secured by the Corporate Guarantee up to RM83.75 million.

The financial institution is a Scheme Creditor under the Scheme of Arrangement pursuant to Section 366(5) of the Companies Act 2016. Pursuant to the Scheme, all the debts are deemed to have been compromised where total debt will be reduced, and the remaining outstanding balance will be settled by way of cash settlement, issuance of new ICPS-i in the Company and any remaining amount after the above shall be completely waived.

The ability of the Group to discharge its liabilities and obligations to its financial institution is dependent on the successful implementation and completion of the key components of the Proposed Regularisation Plan.

16.5 Bridging loan - secured

As at 31 December 2017, the Company has a bridging loan facility of RM41,823,546 (2016: RM60,507,296) granted by a local financial institution which was utilised by a subsidiary company for part financing of the conversion works of the said subsidiary company's FPSO Layang vessel. The said facility bear profit at 5.05% (2016: 5.05%) per annum and the finance cost incurred has been capitalised in property, plant and equipment of the subsidiary company. The said facility is secured by the following:

(a) Facility agreement for RM60,000,000 as principal Document; and

(b) ICPS-i proceeds of RM62 million are to be placed in International Commodity Murabahah pledged to the bank.

16. BORROWINGS (CONT'D)

16.5 Bridging loan - secured (Cont'd)

The financial institution is a Scheme Creditor under the Scheme of Arrangement pursuant to Section 366(5) of the Companies Act 2016. In accordance with the Scheme, all the debts are deemed to have been compromised. Pursuant to the Scheme, the total outstanding debt due to the financial institution will be reduced and the remaining outstanding balance will be settled by way of cash settlement, issuance of new securities of the Company and any remaining amount after the above shall be completely waived.

The ability of the Company to discharge its liabilities and obligations to its financial institution is dependent upon the successful implementation and completion of the key components the Proposed Regularisation Plan.

Loan covenants

Pursuant to the Scheme, the Company would no longer require to meet the various financial covenants.

16.6 Reconciliation of liabilities arising from financing activities

The tables below detail cash flows changes in the Group's and the Company's liabilities arising from financial activities:

	At 1 January 2017 RM	Financing cash flow RM	Accrued interest RM	Currency translation differences RM	At 31 December 2017 RM
Group					
Borrowings	374,346,704	(25,495,669)	2,528,222	1,172,358	352,551,615
Finance lease liabilities	678,279	(205,926)	-	-	472,353
	375,024,983	(25,701,595)	2,528,222	1,172,358	353,023,968
Company					
Borrowings	60,507,296	(20,025,591)	1,341,841	-	41,823,546
Finance lease liabilities	440,180	(127,831)	-	-	312,349
	60,947,476	(20,153,422)	1,341,841	-	42,135,895

NOTES TO THE FINANCIAL STATEMENTS

17. TRADE AND OTHER PAYABLES

		Group		Company	
	Notes	2017	2016	2017	2016
		RM	RM	RM	RM
Trade					
Trade payables	17.1	76,664,198	85,899,755	-	-
Non-trade					
Other payables	17.1 & 17.2	558,922,669	456,400,337	356,737,460	299,930,102
Accrued expenses		29,404,032	8,232,005	4,261,538	1,266,803
		588,326,701	464,632,342	360,998,998	301,196,905
		664,990,899	550,532,097	360,998,998	301,196,905

17.1 Trade and other payables are Scheme Creditors under the Scheme of Arrangement pursuant to Section 366(5) of the Companies Act 2016. Pursuant to the Schemes, that all the debts are deemed to have been compromised where the total debt due to the Scheme Creditors will be reduced and the remaining outstanding balance will be settled by way of cash settlement, issuance of new ICPS-i in the Company and any remaining amount after the above shall be completely waived.

The ability of the Group and of the Company to discharge their liabilities and obligations to their Scheme Creditors are dependent on the successful implementation and completion of the Scheme, Proposed Novation and the Proposed Regularisation Plan.

17.2 Included in other payables of the Group are the following:

	Group	
	2017	2016
	RM	RM
Amount payable to contractors in relation to the conversion works of FPSO Layang vessel	371,043,694	312,882,092
Performance guarantee deposit received from the holding company of a joint venture partner	69,000,000	35,000,000
Advances received from a non-controlling interest	38,182,483	32,981,535

NOTES TO THE FINANCIAL STATEMENTS

18. REVENUE

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Construction services	5,184,182	17,448,117	-	-
Offshore crane works	212,708	327,200	-	-
Management fee	-	-	6,596,627	9,722,975
	5,396,890	17,775,317	6,596,627	9,722,975

19. FINANCE COSTS

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Finance costs:					
- term loans		865,025	1,659,883	-	-
- bridging loan		1,019,058	507,296	1,019,058	-
- revolving credit		3,657,004	4,908,802	-	413,871
- Sukuk		17,752,901	17,052,457	-	-
- overdraft		-	698,873	-	-
- trust receipt		-	135,512	-	-
- finance lease		21,141	32,812	16,303	22,836
- letter of credit		-	111,854	-	-
- others		474,528	708,542	12,415	75,111
		23,789,657	25,816,036	1,047,776	511,818
Recognised in profit or loss:					
- finance costs		23,789,657	22,038,664	1,047,776	511,818
- cost of sales		-	796,750	-	-
		23,789,657	22,835,414	1,047,776	511,818
Capitalised on qualifying assets:					
- property, plant and equipment	5.4	-	2,980,622	-	-
		23,789,957	25,816,036	1,047,776	511,818

NOTES TO THE FINANCIAL STATEMENTS

20. (LOSS)/PROFIT BEFORE TAX

(Loss)/Profit before tax is arrived at after charging/(crediting):

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Amortisation of intangible assets	6	26,080	26,052	-	-
Auditors' remuneration					
- Statutory audit		232,500	250,000	100,000	100,000
- Other services		31,500	5,000	31,500	5,000
Depreciation of property, plant and equipment	5	26,644,188	17,836,291	724,746	804,528
Loss on disposal of associates	8	-	35,793,685	-	29,055,921
Impairment loss on property, plant and equipment	5	19,321,843	259,106,338	-	-
Impairment loss on trade receivables	25.3	9,966,789	13,237,142	-	-
Impairment loss on amount due from contract customers	10.1	29,731,373	35,428,683	-	-
Impairment loss on intangible assets	6	429,137	-	-	-
Allowance for inventories obsolescence	9	1,779,038	158,002	-	-
Personnel expenses including key management personnel:					
- Salaries, wages and others		12,018,486	21,958,681	4,125,479	4,669,870
- Contributions to EPF		1,275,278	2,241,936	492,999	501,986
Realised gain on foreign exchange-net		(1,021,726)	(1,559,413)	(224,261)	(7,759)
Inventories written down to net realisable value	9	4,646,243	-	-	-
Rental of computers		-	302,300	-	302,300
Rental of office		467,690	395,738	467,690	395,738
Rental of photocopies and office equipment		121,266	142,293	121,266	64,593
Rental of motor vehicles		-	202,670	-	-
Inventories written off	9	-	2,710,737	-	-
Property, plant and equipment written off	5	50,407	939,222	-	-
Unrealised (gain)/loss on foreign exchange-net		(18,144,032)	11,164,811	(35,801,648)	23,188,016
Interest income from deposit placed in licensed banks		(183,991)	(748,637)	(122,772)	(241,098)
Interest income on cash and cash equivalent		-	(410,122)	-	-
Rental income		(1,356,957)	(355,261)	-	-

21. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Directors remuneration:				
Fees	510,000	504,754	440,000	434,754
Salaries	-	968,482	-	501,129
Other emoluments	64,000	174,775	62,500	84,025
Contributions to EPF	-	71,662	-	71,662
	574,000	1,719,673	502,500	1,091,570
Other key management personnel:				
- Salary and other emoluments	3,171,344	3,714,479	2,325,276	2,187,213
- Contributions to EPF	367,976	407,076	267,132	229,674
	3,539,320	4,121,555	2,592,408	2,416,887
Estimated monetary value of benefit-in-kind	77,889	84,122	43,867	47,732

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

22. TAX (EXPENSE)/CREDIT

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Current tax				
Underprovision In prior years	(309,621)	(191)	(309,621)	-
Deferred tax (Note 15)				
Origination and reversal of temporary differences	-	12,375,000	-	-
Total income tax (expense)/credit	(309,621)	12,374,809	(309,621)	-

NOTES TO THE FINANCIAL STATEMENTS

22. TAX (EXPENSE)/CREDIT (CONT'D)

A reconciliation of income tax (expense)/credit to (loss)/profit before tax at the applicable statutory income tax rate to income tax (expense)/credit at the effective tax rates of the Group and of the Company is as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
(Loss)/Profit before tax	(119,918,149)	(452,015,323)	26,909,083	(51,481,321)
Income tax credit/(expense) calculated using Malaysian tax rates of 24% (2016: 24%)	28,780,356	108,483,678	(6,458,180)	12,355,517
Tax effects of non-deductible expenses	(12,818,041)	(64,136,078)	(413,500)	(12,969,017)
Deferred tax assets not recognised	(22,833,995)	(32,586,100)	-	-
Utilisation of previously unrecognised deferred tax assets	6,871,680	613,500	6,871,680	613,500
Underprovision in prior years	(309,621)	(191)	(309,621)	-
	(309,621)	12,374,809	(309,621)	-

23. LOSS PER ORDINARY SHARE

Basic loss per ordinary share

The calculation of basic loss per ordinary share as at 31 December 2017 was based on the loss attributable to ordinary shareholders of RM103,496,961 (2016: RM365,813,574) and the weighted average number of ordinary shares outstanding during the year of 1,121,237,700 (2016: 1,121,077,000).

	Group	
	2017	2016
	Unit	Unit
Issued ordinary shares at beginning of year	1,121,077,000	1,121,077,000
Conversion of ICPS-i shares	160,700	-
Weighted average number of ordinary shares in issue	1,121,237,700	1,121,077,000
Basic loss per ordinary share (sen)	(9.23)	(32.63)

NOTES TO THE FINANCIAL STATEMENTS

23. LOSS PER ORDINARY SHARE (CONT'D)

Diluted loss per ordinary share

The calculation of diluted loss per ordinary share as at 31 December 2017 was based on loss 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	
	2017	**2016**
	Unit	**Unit**
Weighted average number of ordinary shares in issue	2,221,077,000	2,221,077,000
Diluted loss per ordinary share (sen)	(4.66)	(16.47)

24. 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 unit, the Chief Executive Officer (the chief operating decision maker) ("CEO") reviews internal management reports at least on a quarterly basis. The following summary describes the operations of the Group's reportable segments:

- Construction services with engineering, procurement, construction, installation and commissioning capabilities
- Offshore crane works
- Others such as management services and transportation services

Performance is measured based on segment loss before tax, finance costs, depreciation and amortisation, as included in the internal management reports that are reviewed by the CEO.

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 assets is measured based on all assets of a segment, as included in the internal management reports that are reviewed by CEO. Segment total assets 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 CEO.

NOTES TO THE FINANCIAL STATEMENTS

24. OPERATING SEGMENTS (CONT'D)

Segment capital expenditure

Segment capital expenditure is the total costs incurred during the year to acquire property, plant and equipment, and intangible assets.

Geographical segment

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

Group	Construction Services RM	Offshore crane works RM	Others RM	Elimination RM	Total RM
2017					
Segment profit/(loss)					
Total revenue	5,132,328	264,562	6,596,627	(6,596,627)	5,396,890
Total cost of sales	(10,810,648)	(1,174,106)	-	-	(11,984,754)
Other income	10,881,988	4,243,798	36,369,520	(18,031,349)	33,463,957
Administrative expenses	(41,129,775)	(2,980,555)	(15,524,689)	6,596,627	(53,038,392)
Other expenses	(63,117,258)	(5,302,860)	(70,357,282)	68,851,967	(69,925,433)
Finance costs	(10,078,281)	(822)	(13,710,554)	-	(23,789,657)
Share of loss of equity-accounted associate	-	-	-	(40,760)	(40,760)
Tax expenses	-	-	(309,621)	-	(309,621)
Loss/(profit) for the year	(109,121,646)	(4,949,983)	(56,935,999)	50,779,858	(120,227,770)
Segment assets	261,544,875	19,886,269	1,825,809,592	(1,081,705,612)	1,025,535,124
Segment liabilities	357,339,926	23,901,486	1,484,213,869	(847,440,414)	1,018,014,867
Capital expenditure	7,421,945	-	107,986,950	-	115,408,895
Depreciation and amortisation	25,589,475	322,599	758,194	-	26,670,268
Impairment of property, plant and equipment	19,321,843	-	-	-	19,321,843

24. OPERATING SEGMENTS (CONT'D)

Group	Construction services RM	Offshore crane works RM	Others RM	Elimination RM	Total RM
2016					
Segment profit/(loss)					
Total revenue	14,325,720	4,543,311	9,722,975	(10,816,689)	17,775,317
Total cost of sales	(29,458,113)	(7,316,558)	-	466,759	(36,307,912)
Other income	3,719,509	225,727	16,022,460	(13,418,244)	6,549,452
Administrative expenses	(40,111,187)	(3,876,852)	(12,852,229)	9,671,156	(47,169,112)
Other expenses	(47,205,293)	(3,003,917)	(314,157,057)	6,678,080	(357,688,187)
Finance costs	(12,160,416)	(1,556)	(9,876,447)	(245)	(22,038,664)
Share of loss of equity-accounted associate	-	-	-	(13,136,217)	(13,136,217)
Tax credit/(expense)	12,375,000	(191)	-	-	12,374,809
Loss for the year	(98,514,780)	(9,430,036)	(311,140,298)	(20,555,400)	(439,640,514)
Segment assets	361,635,776	26,375,361	1,733,205,200	(1,020,690,358)	1,100,525,979
Segment liabilities	348,309,180	25,440,596	1,338,273,223	(786,465,919)	925,557,080
Capital expenditure	1,392,713	-	157,579,068	-	158,971,781
Depreciation and amortisation	16,605,636	452,179	804,528	-	17,862,343
Impairment of property, plant and equipment	-	-	259,106,338	-	259,106,338

Major customers

Revenue of approximately RM5,132,328 (2016: RM12,583,842) representing 95% (2016: 71%) of the Group's revenue is derived from two (2) external customers (2016: five (5) external customers) from the following segments:

	2017 RM	2016 RM	Segment
Customer A	-	7,063,611	Construction services
Customer B	-	104,486	Construction services
Customer C	-	3,176,147	Construction services
Customer D	4,569,104	897,302	Construction services
Customer E	563,224	1,342,296	Construction services
	5,132,328	12,583,842	

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS

25.1 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").

2017	Carrying amount RM	L & R (FL) RM
Group		
Financial assets		
Trade and other receivables	5,566,228	5,566,228
Cash, bank balances and deposits	17,313,790	17,313,790
	22,880,018	22,880,018
Financial liabilities		
Borrowings	(353,023,968)	(353,023,968)
Trade and other payables	(664,990,899)	(664,990,899)
	(1,018,014,867)	(1,018,014,867)
2016		
Group		
Financial assets		
Trade and other receivables	25,162,124	25,162,124
Cash, bank balances and deposits	33,551,437	33,551,437
	58,713,561	58,713,561
Financial liabilities		
Borrowings	(375,024,983)	(375,024,983)
Trade and other payables	(550,532,097)	(550,532,097)
	(925,557,080)	(925,557,080)

25. FINANCIAL INSTRUMENTS (CONT'D)

25.1 Categories of financial instruments (Cont'd)

2017	Carrying amount RM	L & R (FL) RM
Company		
Financial assets		
Trade and other receivables	818,590,002	818,590,002
Cash and cash equivalents	394,578	394,578
	818,984,580	818,984,580
Financial liabilities		
Borrowings	(42,135,895)	(42,135,895)
Trade and other payables	(360,998,998)	(360,998,998)
	(403,134,893)	(403,134,893)
2016		
Company		
Financial assets		
Trade and other receivables	749,139,701	749,139,701
Cash and cash equivalents	1,220,957	1,220,957
	750,360,658	750,360,658
Financial liabilities		
Borrowings	(60,947,476)	(60,947,476)
Trade and other payables	(301,196,905)	(301,196,905)
	(362,144,381)	(362,144,381)

25.2 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

25.3 Credit risk management

Credit risk is the risk of a financial loss to the Group and the Company 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 advances to subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONT'D)

25.3 Credit risk management (Cont'd)

Receivables

Risk management objectives, policies and processes for managing the risk

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.

The Group has no significant concentration of credit risk except for amount due from five (5) major customers (2016: five (5) customers) which constitute approximately 95% (2016: 95%) of the total trade receivables.

Impairment losses

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

Group	Gross RM	Individual impairment RM	Net RM
2017			
Not past due	70,829	-	70,829
Past due 1 - 30 days	213,894	-	213,894
Past due 31 - 120 days	966,307	-	966,307
Past due more than 120 days	40,950,926	(38,581,900)	2,369,026
	42,201,956	(38,581,900)	3,620,056
2016			
Not past due	1,062,324	-	1,062,324
Past due 1 - 30 days	16,960	-	16,960
Past due 31 - 120 days	51,875	-	51,875
Past due more than 120 days	39,167,241	(28,615,111)	10,552,130
	40,298,400	(28,615,111)	11,683,289

25. FINANCIAL INSTRUMENTS (CONT'D)

25.3 Credit risk management (Cont'd)

Receivables (Cont'd)

Impairment losses (Cont'd)

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

	Group	
	2017 RM	2016 RM
At beginning of year	28,615,111	15,377,969
Impairment loss recognised during the year (Note 20)	9,966,789	13,237,142
At end of year	38,581,900	28,615,111

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

Group	Gross RM	Individual impairment RM	Net RM
2017			
Not past due	1,310,053	-	1,310,053
Past due 1 - 30 days	4,802	-	4,802
Past due 31 - 120 days	115,771	-	115,771
Past due more than 120 days	5,519,189	(5,344,341)	174,848
	6,949,815	(5,344,341)	1,605,474
2016			
Not past due	-	-	-
Past due 1 - 30 days	-	-	-
Past due 31 - 120 days	1,030,280	-	1,030,280
Past due more than 120 days	10,583,604	(5,344,341)	5,239,263
	11,613,884	(5,344,341)	6,269,543

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONT'D)

25.3 Credit risk management (Cont'd)

Receivables (Cont'd)

Impairment losses (Cont'd)

Company

Other receivables of RM4,402,028 (2016: RM5,432,308) was past due more than 120 days and an individual impairment of RM4,402,028 (2016: RM4,402,028) has been provided.

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

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
At beginning and end of year	5,344,341	5,344,341	4,402,028	4,402,028

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

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 statements of financial position.

Impairment losses

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

25. FINANCIAL INSTRUMENTS (CONT'D)

25.4 Liquidity risk management

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

As of 31 December 2017, the current liabilities of the Group have exceeded the current assets by RM925,014,411. The current liabilities of the Group arose mainly from trade and other payables totalling RM635,586,867 and borrowings totalling RM322,732,812, which comprise mainly Sukuk of RM209,807,033, bridging loan of RM41,823,546, short term loan of RM14,921,367 and revolving credits facilities of RM55,999,669 as of 31 December 2017.

The ability of the Group to meet its obligations as and when its fall due is dependent on the following:

(i) successful completion and implementation of the Schemes, the Proposed Novation and the Proposed Regularisation Plan; and

(ii) the ability of the Group and the Company to achieve sustainable and viable operations with adequate cash flows generate from their operating activities.

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 period based on undiscounted contractual payments:

Group	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
2017							
Finance lease liabilities – secured	472,353	2.40	501,682	189,503	312,179	-	-
Term loans – secured	14,921,367	7.60 - 7.85	16,046,412	16,046,412	-	-	-
Bridging loan – secured	41,823,546	5.05	43,935,635	43,935,635	-	-	-
Sukuk – secured	239,807,033	7.00 - 7.51	257,093,000	224,840,000	32,253,000	-	-
Revolving credit – unsecured	55,999,669	6.86-7.85	60,098,526	60,098,526	-	-	-
Trade and other payables	664,990,899	-	664,990,899	664,990,899	-	-	-
Financial guarantee*	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONT'D)

25.4 Liquidity risk management (Cont'd)

Maturity analysis (Cont'd)

Group	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
2016							
Finance lease liabilities – secured	678,279	2.40	728,749	220,030	508,719	-	-
Term loans – secured	14,818,353	7.60 - 7.85	20,046,190	10,023,095	10,023,095	-	-
Bridging loan – secured	60,507,296	5.05	63,562,914	63,562,914	-	-	-
Sukuk – secured	238,984,780	7.00 - 7.51	249,132,176	194,407,176	54,725,000	-	-
Revolving credit – unsecured	60,036,275	6.86 - 7.85	61,913,888	61,913,888	-	-	-
Trade and other payables	550,532,097	-	550,532,097	550,532,097	-	-	-
Financial guarantee*	-	-	-	-	-	-	-

25. FINANCIAL INSTRUMENTS (CONT'D)

25.4 Liquidity risk management (Cont'd)

Maturity analysis (Cont'd)

Company	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
2017							
Finance lease liabilities secured	312,349	2.40	328,614	106,502	222,112	-	-
Bridging loan – secured	41,823,546	5.05	43,935,635	43,935,635	-	-	-
Trade and other payables	360,998,998	-	360,998,998	360,998,998	-	-	-
Financial guarantee*	-	-	-	-	-	-	-
2016							
Finance lease liabilities secured	440,180	2.40	472,748	148,474	324,274	-	-
Bridging loan – secured	60,507,296	5.05	63,562,914	63,562,914	-	-	-
Trade and other payables	301,196,905	-	301,196,905	301,196,905	-	-	-
Financial guarantee*	-	-	-	-	-	-	-

* The financial institution is a Scheme Creditor under the Scheme of Arrangement pursuant to Section 366(5) of the Companies Act 2016. Subsequent to the financial year end, The Kuala Lumpur High Court sanctioned the Scheme of Arrangement on 6 February 2018. The company lodged the sealed court order on the Scheme of Arrangement dated 6 February 2018 with the Registrar on 14 February 2018. Full settlement of the facility depends on the successful completion of the key components of the Proposed Regularisation Plan. At the end of the reporting prior year ended , it was not probable that the counterparties to financial guarantee contracts will claim under the contracts. Consequently, the amount included is RM Nil.

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONT'D)

25.5 Market risk management

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

25.5.1 Currency 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 currency giving rise to this risk is primarily United States Dollar ("USD").

Risk management objectives, policies and processes for managing the risk

The Group manages material foreign currency exposure as and when it arises by passing on the risk to vendors in the price negotiations.

Exposure to foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate due to changes in foreign exchange rates.

The Group is exposed to foreign exchange rate risk on certain transactions entered into the Group in currencies other than its functional currency.

The Group's exposures to foreign currency risk (a currency which is other than the functional currency of the Group) arising from foreign balances as at the end of the reporting period is represented by the following carrying amounts:

	Group	
	2017	**2016**
Liabilities	**RM/USD**	**RM/USD**
Borrowing	169,880,922	169,213,329
Payables	353,110,896	402,271,373
	522,991,818	571,484,702

25. FINANCIAL INSTRUMENTS (CONT'D)

25.5 Market risk management (Cont'd)

25.5.1 Currency risk (Cont'd)

Sensitivity analysis on translation of foreign currency denominated liabilities and assets

The following table details the Group's sensitivity to a 10% increase and decrease in the Ringgit Malaysia against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currencies risk internally to key management personnel and represents management's assessment of the reasonably probable change in the foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust their translation at the end of the reporting period for a 10% change in foreign currency rates. A positive number below indicates a loss in the profit or loss where the Ringgit Malaysia strengthen against the relevant currencies. For a 10% change of the Ringgit Malaysia against the relevant currencies, there would be a comparable impact on the profit or loss and the balances below would be negative.

	Group	
	2017	2016
Liabilities	RM/USD	RM/USD
Borrowing	16,988,092	16,921,333
Payables	35,311,090	40,227,137
	52,299,182	57,148,470

25.5.2 Interest rate risk

The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

Risk management objectives, policies and processes for managing the risk

The Group is exposed to interest rate risk when a financial instrument's value will fluctuate as a result of changes in market interest rate.

Excess funds are placed with licensed banks for short-term periods during which the interest rates are fixed.

The Group's interest-bearing financial liabilities are mainly revolving credits, overdraft, term loans, sukuk, trust receipt and finance lease liabilities. The Group adopts a policy of managing the interest rate risk through the use of fixed and floating rate debts.

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONT'D)

25.5 Market risk management (Cont'd)

25.5.2 Interest rate risk (Cont'd)

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	
	2017 RM	2016 RM	2017 RM	2016 RM
Fixed rate instruments				
Deposits placed with licensed banks	14,866,180	28,675,937	34,963	35,047
Finance lease liabilities	(472,353)	(678,279)	(312,349)	(440,180)
Sukuk	(239,807,033)	(238,984,780)	-	-
Bridging loan	(41,823,546)	(60,507,296)	(41,823,546)	(60,507,296)
Revolving credit	(55,999,669)	(60,036,275)	-	-
	(323,236,421)	(331,530,693)	(42,100,932)	(60,912,429)
Floating rate Instrument				
Term loans	(14,921,367)	(14,818,353)	-	-

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points in interest rates and assuming that all other variables, remained constant at the end of the reporting period would not have material impact on the post-tax profit or loss of the Group.

25. FINANCIAL INSTRUMENTS (CONT'D)

25.6 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate their 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.

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

	Fair value RM	Carrying amount RM
Group		
2017		
Financial liabilities		
Term loan - secured	(15,016,294)	(14,921,367)
Sukuk - secured	(238,651,022)	(239,807,033)
Finance lease liabilities secured	(450,721)	(472,353)
2016		
Financial liabilities		
Term loan - secured	(17,432,272)	(14,818,353)
Sukuk - secured	(237,466,510)	(238,984,780)
Finance lease liabilities secured	(672,312)	(678,279)
Company		
2017		
Financial liabilities		
Finance lease liabilities secured	(294,174)	(312,349)
2016		
Financial liabilities		
Finance lease liabilities secured	(436,308)	(440,180)

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONT'D)

25.6 Fair value 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 Group 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 (2016: No transfer in either directions).

Level 3 fair value

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

The valuation technique in determining the fair values disclosed in Level 3 for the financial instruments not carried at fair value (term loan-secured, sukuk-secured and finance lease liabilities) is discounted cash flow, using a rate based on the bank's financing rate at the end of the reporting period.

Valuation processes applied by the Group for the Level 3 fair value

The Group has an established control framework in respect to the measurement of fair value of financial instruments. The Chief Financial Officer regularly reviews significant unobservable inputs and valuation adjustments.

NOTES TO THE FINANCIAL STATEMENTS

26. CAPITAL MANAGEMENT

The Group's and the Company's objectives when managing capital are to maintain a strong capital base and safeguard the Group's and the Company'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.

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

The Company is required to comply with the disclosure and necessary capital requirement as prescribe in the MMLR of Bursa Malaysia.

27. CAPITAL COMMITMENTS

	Group	
	2017	2016
	RM	RM
Property, plant and equipment		
Contracted but not provided for	286,065,491	322,455,875
Authorised but not contracted for	69,444,632	75,835,034
	355,510,123	398,290,909

The capital commitment consist mainly costs to be incurred for the upgrading at the Pulau Indah yard and the conversion for FPSO Layang project. Pursuant to the Scheme, the Group and the Company would be discharged from fulfilling all the outstanding future obligations and/or commitments pertaining to the upgrading of Pulau Indah Yard and the conversion for FPSO Layang project.

28. MATERIAL LITIGATIONS

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 or 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:

(a) Dynac Sdn. Bhd. vs THHE Fabricators Sdn. Bhd. (Kuala Lumpur High Court Suit No. 22NCVC-589-11/2015)

Dynac Sdn. Bhd. ("DYNAC") brought an action against THFSB seeking judgment in relation to supplies and services rendered for Murphy's Sarawak SK 311 Permas Development Project ("PERMAS Project") and Bertam Field Development Project ("BERTAM Project") for the sum of RM 4,021,935.42, including interests and costs.

On 15 March 2018, DYNAC withdrew both actions against THFSB with no order as to costs as the Scheme has been approved.

NOTES TO THE FINANCIAL STATEMENTS

28. MATERIAL LITIGATIONS (CONT'D)

(b) Alaf Pentawaris Sdn. Bhd. vs THHE Fabricators Sdn. Bhd. (Shah Alam High Court Suit No. 22C-16-08/2015)

Alaf Pentawaris Sdn. Bhd. ("ALAF") brought an action against THHE Fabricators Sdn. Bhd. ("THFSB") seeking judgment for work carried out in relation to the Construction of a New Bulkhead, Wharf, Shoreline Protection, Skid Track and Relieve Platform ("Construction Project") for the sum of RM17,967,946 or alternatively damages and/or compensation, including interests and costs.

On 27 February 2018, the Court directed that the appeal be struck out without order as to costs as the Scheme has been approved.

(c) Justrite Construction Sdn. Bhd. vs THHE Offshore Services Sdn. Bhd. (Miri High Court Suit No.: MYY-22NCVC-16/8-2015)

Justrite Construction Sdn. Bhd. ("JUSTRITE") brought an action against THHE Offshore Services Sdn. Bhd. ("THEOS") in the Miri High Court seeking judgment for the sum of RM5,324,142.

THEOS's proposed Scheme of Arrangement was not agreed to by THEOS's creditors. In a separate winding up petition made by another creditors, the Kuala Lumpur High Court had on 9 April 2018, ordered THEOS to be wound up with no order as to costs and the Official Receiver be appointed as provisional liquidator.

(d) Rotating Offshore Solutions Pte. Ltd. vs TH Heavy Engineering Berhad (Kuala Lumpur High Court Suit No: WA-22NCC-149-04/2016)

Rotating Offshore Solutions Pte. Ltd. ("ROS") brought an action against the Company in the Kuala Lumpur High Court for the supply and design of a *'Booster Compression Package'* for the FPSO Layang Project for a sum of USD1,622,500.

The Court had on 23 August 2016, granted the Plaintiff's application and summary judgement was entered against the Company for this claim with RM20,000 cost. On 15 February 2017, the Court dismissed the Company's application to stay the execution of judgement with cost of RM5,000. The Company has filed an appeal against the dismissal of the stay application on 16 February 2017.

The Company had on 22 January 2018, filed a Notice of Discontinuance to withdraw the appeal against ROS in the Court of Appeal, as the Scheme has been approved.

28. MATERIAL LITIGATIONS (CONT'D)

(e) Kumpulan Agresif Sdn. Bhd. vs THHE Fabricators Sdn. Bhd. (Kuala Lumpur High Court Suit No: WA-22NCC-80-02/2016)

Kumpulan Agresif Sdn. Bhd. ("KASB") brought an action against THFSB seeking judgment for the sum of RM5,406,312 in relation to supplies and services rendered for PERMAS Project, BERTAM Project and Laila Field Development Project ("LAILA Project").

KASB had on 17 May 2015 obtained summary judgment against THFSB for the sum of RM5,406,312 together with interest at the rate of 5% per annum on the outstanding amount from the date of the filing till settlement date together with costs of RM4,000 and further subject to 4% for allocator fees.

As the Scheme has been approved, all proceedings were withdrawn on 26 February 2018.

(f) Next Petroleum Sdn. Bhd. vs THHE Fabricators Sdn. Bhd. (Kuala Lumpur High Court Suit No: WA-22NCC-352-06/2016)

Next Petroleum Sdn. Bhd. ("NEXTP") brought an action in the Kuala Lumpur High Court against THFSB. The amount claimed is for providing supplies to THFSB amounting to RM3,159,400 for PERMAS Project and BERTAM Project. The Court dismissed NEXTP's summary judgment application.

NEXTP has withdrawn all pending actions and proceedings on 27 March 2018 as the Scheme has been approved.

(g) Swift Energy Sdn. Bhd. vs THHE Fabricators Sdn. Bhd. (Kuala Lumpur High Court Suit No: WA-22NCC-303-05/2016)

Swift Energy Sdn. Bhd. ("SWIFT") brought an action in the Kuala Lumpur High Court against THFSB. The amount claimed is in relation to supply and delivery of goods and services to THFSB amounting to RM2,545,250.

On 16 December 2016, the Court allowed summary judgment to be entered against THFSB for the amount of RM2,128,741. The balance was set for full trial fixed on 5 April 2017 and 6 April 2017.

As the Scheme has been approved, the Court had on 26 January 2018 struck out SWIFT's claim on the balance amount.

NOTES TO THE FINANCIAL STATEMENTS

28. MATERIAL LITIGATIONS (CONT'D)

(h) NKA Energy Ventures Sdn. Bhd. vs THHE Fabricators Sdn. Bhd. (High Court, Bintulu Suit No: BTU-22NCC-3/5-2016)

NKA Energy Ventures Sdn. Bhd. ("NKA") brought an action in the High Court, Bintulu against THFSB. The amount claimed is in relation to supply and delivery of goods and services for PERMAS Project amounting to RM5,302,962.

Pursuant to the Scheme, all pending proceedings are to be withdrawn or terminated as the debt has been compromised.

(i) MIB ITALIANA S.P.A vs TH Heavy Engineering Berhad (Kuala Lumpur High Court of Malaya Suit No. WA-28NCC-548-07/2016)

A winding-up petition ("Petition") against the Company was presented on 1 July 2016 to the Kuala Lumpur High Court by MIB ITALIANA S.P.A ("MIB") and a copy was served at the Company's registered address on 4 July 2016. It was contended by MIB that the Company owes MIB the sums claimed for the supply and installation of quick release hook & mooring hawser for the FPSO Layang Project amounting to USD1,312,826.94.

Since the Scheme has been approved, all proceedings have been withdrawn and struck out during case management on 26 February 2018.

(j) Akra Engineering Sdn. Bhd. vs THHE Fabricators Sdn. Bhd. (Shah Alam High Court Suit No. BA-28NCC-393-09/2016)

A winding-up petition against THFSB was presented on 6 September 2016 to the Kuala Lumpur High Court by Akra Engineering Sdn. Bhd. ("AKRA") and a copy was served at THF's registered address on 8 September 2016.

As the Scheme has been approved, AKRA has withdrawn its Petition against THFSB on 2 March 2018.

(k) Zelican Sdn. Bhd. vs THHE Offshore Services Sdn. Bhd. (Civil Suit No.: WA-22NCVC-236/04-2016 was filed at the Kuala Lumpur High Court)

A winding-up Petition against THEOS was presented on 31 October 2016 to the Kuala Lumpur High Court by Zelican Sdn. Bhd. ("ZELICAN") and a copy was served at THEOS's registered address on 9 November 2016.

As THEOS's proposed Scheme of Arrangement was rejected by its creditors, at the hearing of ZELICAN's winding up petition on 9 April 2018, the Court ordered THEOS to be wound up with no order as to costs and the Official Receiver be appointed as provisional liquidator.

NOTES TO THE FINANCIAL STATEMENTS

28. MATERIAL LITIGATIONS (CONT'D)

(l) Globalmariner Offshore Services Sdn. Bhd. vs TH Heavy Engineering Berhad (Originating Summon: WA-24NCC-404-09/2016 was filed at Kuala Lumpur High Court)

Globalmariner Offshore Services Sdn. Bhd. ("GMOS") filed an Originating Summon in the Kuala Lumpur High Court against the Company, and a Notice of Application for Fortuna Injunction to prevent the Company from presenting a winding-up petition against GMOS. This is in response to a notice under Section 218 of the Companies Act 1965 served by the Company on GMOS on 8 September 2016 for the sum of RM17,974,095.00 being the equity contribution due pursuant to Clause 3.2(e) of the Shareholders Agreement.

Following to the expiration of the Restraining Order, the Court fixed its hearing on 20 April 2018 and the Ad interim injunction pending disposal of the originating summons was extended until the next hearing date.

The Group's solicitor is of the view that the Company has a fair chance of defending this action.

(m) Globalmariner Offshore Services Sdn. Bhd. vs TH Heavy Engineering Berhad (Civil Suit: WA-22NCC-588-09/2016 was filed at Kuala Lumpur High Court)

Globalmariner Offshore Services Sdn. Bhd. ("GMOS") brought an action in the Kuala Lumpur High Court against the Company for the amount of USD3,196,952 together with interest for purported debt related to the technical expertise services in the conversion of FPSO Layang.

On 11 November 2016, the Company filed its defence and counterclaim and served the same on the following:

i) Globalmariner Offshore Services Sdn. Bhd.,
ii) Zahar Mohd Hashim Zainuddin,
iii) Abdul Rahman Bin Mohamed Shariff,
iv) Nor Badli Munawir Bin Mohamad Alias Lafti,
v) Globalmariner Offshore Services (L) Ltd,
vi) Dynac Sdn. Bhd.,
vii) Rotating Offshore Solutions Pte Ltd.

As the Scheme has been approved, GMOS's claim will be compromised under the Scheme.

On the Counterclaim, the Court has fixed the Pre Trial Case Management on 1 June 2018 and the Trial dates on 2 to 20 July 2018.

The Group's solicitor is of the view that the Company has a fair chance on the counterclaim.

NOTES TO THE FINANCIAL STATEMENTS

28. MATERIAL LITIGATIONS (CONT'D)

(n) Belhana Piling & Construction Sdn. Bhd. vs THHE Fabricators Sdn. Bhd.

Belhana Piling & Construction Sdn. Bhd. ("Belhana") brought an action in the Kuala Lumpur High Court against THFSB. The claim dated 24 March 2017 was served on THFSB on 1 April 2017. The amount claimed is in relation to the "Construction of New Bulkhead, Wharf, Shoreline Protection, Skid Track and Relieve Platform Project" amounting RM 2,756,840.

The court has fixed a full trial date on 21 and 22 May 2018.

However, pursuant to the Scheme, all pending proceedings are to be withdrawn or terminated as the debt has been compromised.

(o) Persada Electrical and Engineering Works Sdn. Bhd. vs TH Heavy Engineering Berhad

Persada Electrical and Engineering Works Sdn. Bhd. ("Persada") brought an action in the Kuala Lumpur High Court against the Company. The claim dated 6 January 2017 was served on the Company on 10 January 2017. The amount claimed is in relation to the "Layang FPSO Project" amounting USD652,324.

Persada obtained judgment in default on 20 February 2017. However pursuant to the Restraining Order, the matter has not proceeded any further.

As the Scheme has been approved, all pending proceedings are to be withdrawn or terminated as the debt has been compromised under the Scheme.

(p) Daba Holding (M) Sdn. Bhd. vs TH Heavy Engineering Berhad

Daba Holding (M) Sdn. Bhd. ("Daba") brought an action in the Kuala Lumpur High Court against the Company by issuing a Section 218 Notice against the Company, the claim was served on the Company on 19 September 2016. The sum claimed is in relation to the "Layang FPSO Project" amounting to RM 9,172,219.

The Company had filed an Originating Summons ("OS") to restrain Daba from presenting a winding up petition. The Court dismissed the OS and the Company had lodged an appeal against the decision.

As the Scheme of the Arrangement has been approved, the Company had on 4 March 2018 filed a notice of discontinuance in the Court of Appeal in relation to the appeal against the High Court decision in dismissing the Company's Originating Summons to restrain Daba Holdings (M) Sdn. Bhd. from presenting a winding up petition against the Company.

NOTES TO THE FINANCIAL STATEMENTS

29. CONTINGENCIES

Contingent liabilities are as follows:

	The Group	
	2017	2016
	RM	RM
Guarantees given by the Company for banking facilities to subsidiaries [a]	70,921,036	74,854,628
Potential liquidated damages claims by a customer of FPSO Layang Project [b]	75,580,000	83,439,000
Potential liabilities payables to various creditors [c]	82,020,581	-

	The Company	
	2017	2016
	RM	RM
Potential liabilities payables to various creditors [c]	55,308,648	-
Potential liquidated damages claims by a customer of FPSO Vessel Project [b]	75,580,000	83,439,000

(a) The Company provides a corporate guarantee to the financial institution in relation to credit facilities granted to a subsidiary. The financial institution is a Scheme Creditor under the Company's Scheme. Pursuant to the Scheme, all the debts are deemed to have been compromised. The ability of the Company to discharge its liabilities and obligations to the financial institution is dependent upon the successful implementation and completion of the key components of the Proposed Regularisation Plan.

(b) This contingent liability arising from the failure to deliver the FPSO Layang project on time in the previous year to the customer, might cause a default by virtue of which the customer may claim liquidated ascertained damages ("LAD") from the Company. However, upon completion of the Proposed Novation as mentioned in Note 2, the customer will waive the LAD and release the Company of its liabilities and obligations pursuant under the JX Nippon Contract. The Proposed Novation will be deemed completed upon satisfying all conditions precedent as stipulated in the Proposed Novation agreement. As at the date of this report, the Proposed Novation is pending completion of all the condition precedent.

(c) Pursuant to the Scheme, all claims and pending litigation proceedings are to be withdrawn or terminated as the debts are deemed to have been compromised. Should there be any disputes or differences that may arise between the Scheme Companies and the Scheme Creditors with regards to the claims which are unable to be settled amicably, shall be referred to and settled by arbitration. The award of the arbitrator shall be final and binding.

NOTES TO THE FINANCIAL STATEMENTS

30. RELATED PARTY TRANSACTIONS

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly 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 related party relationships with its subsidiaries and key management personnel (Notes 7 and 21).

Significant related party transactions

The significant related party transactions of the Company, other than key management personnel compensation which is disclosed in Note 21, are as follows:

	Transaction amounts for the year ended 31 December	
	2017	**2016**
	RM	**RM**
Subsidiaries		
Management fees receivables	6,596,627	9,722,975
Advances to subsidiaries – net	2,781,624	176,170,499

Significant related party balances related to the above transactions are disclosed in Note 10.

31. SIGNIFICANT AND SUBSEQUENT EVENTS

(a) THHE Destini Sdn. Bhd. ("TDSB"), a joint venture company between THHE Fabricators Sdn. Bhd. and Destini Shipbuilding and Engineering Sdn. Bhd. had on 19 January 2017 accepted a Letter of Award from the Government of Malaysia dated 18 January 2017. Under the Contract, TDSB is to undertake the Supply, Delivery, Testing and Commissioning of three (3) units of Offshore Patrol Vessels complete with Fitting and Accessories for Malaysian Maritime Enforcement Agency ("MMEA") ("the Contract"). The total contract sum is RM738,900,000 (inclusive of 6% GST) for a period of forty-two (42) months commencing from the return of the Letter of Award and submission of performance bond and corporate guarantee to the Government whichever is later.

NOTES TO THE FINANCIAL STATEMENTS

31. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D)

(b) Scheme Companies have been granted a Restraining Order ("RO") by the High Court of Malaya on 23 February 2017 to restrain any and all proceedings and/or actions and/or further proceedings in any suits and/or proceedings and/or actions against Group, and/or in respect of Group and/or its assets and/or assets employed in its business, including without limitation any winding-up, execution, arbitration proceedings, act of repossession or purported repossession, the appointment of receivers and managers, liquidators, provisional liquidators or otherwise whatsoever, by any creditors and/or purported creditors or any other persons whatsoever, except by leave of the Court, for a period of three (3) months from 23 February 2017 to 22 May 2017 pursuant to Section 366, 368 and 369 of the Companies Act 2016 ("the Act"). Subsequently, the Scheme Companies were granted extensions of the Order by the High Court for further periods until 22 February 2018. The Scheme Companies have applied for and were granted orders for the convening of Creditors Meetings in the Klang Valley ("Court Convened Meetings") by the High Court of Malaya on 15 November 2017.

On 14 and 15 December 2017, the Scheme Creditors of the Company, THFSB and OGW ("the Approved Scheme Companies") approved their respective Schemes. However, the Scheme Creditors of THEOS had rejected THEOS's Scheme.

On 14 February 2018, the Approved Scheme Companies lodged with the Registrar the sealed Court Orders dated 6 February 2018 pursuant to Section 366(5) of the Companies Act 2016. The Court Orders are in relation to the applications made by the Approved Scheme Companies at the High Court of Malaya at Kuala Lumpur for an approval of the Approved Scheme Companies' Schemes pursuant to amongst others, Sections 366, 368 and 369 of the Companies Act 2016.

On 21 December 2017, the Company also obtained a Validation Order from the High Court of Malaya pursuant to Section 368(4) of the Companies Act 2016 permitting it to novate JX Nippon Contract to YESB. On 12 February 2018 the Court of Appeal dismissed the appeal by Global Mariner Offshore Services Sdn. Bhd. against the granting of the Validation Order by the High Court.

(c) On 28 April 2017, the Company is an affected listed issuer under PN17 of the MMLR of Bursa Malaysia. The Company has triggered the prescribed criteria pursuant to Paragraph 8.04 of the MMLR and Paragraph 2.1(d) of PN17 where the auditors have expressed a disclaimer of opinion in the Company's latest audited financial statements for the financial year ended 31 December 2016. As a result, the Company is required to submit a Regularisation Plan within 12 months from 28 April 2017 to Bursa Malaysia for approval. The Company is currently in the process of formulating and implementing the key components of the Proposed Regularisation Plan to regularise its financial condition.

(d) On 15 February 2018, the Shareholders of the Company approved the Poposed Novation of the JX Nippon Contract to YESB for a cash consideration of RM374 million. The Novation consideration to be received will be mainly used to repay the Scheme Creditors under the Schemes.

(e) On 9 April 2018, following the presentation of a winding-up petition by Zelican Sdn. Bhd. on 31 October 2016, the High Court of Malaya at Kuala Lumpur ordered THEOS to be wound up with no order as to costs and the Official Receiver be appointed as provisional liquidator of THEOS.

NOTES TO THE FINANCIAL STATEMENTS

32. BASIS FOR DISCLAIMER OF OPINION ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The extracts of disclaimer opinion in the financial statements for the financial year ended 31 December 2016 is as follows:

(a) multiple uncertainties that cast significant doubt on the ability of the Company and the Group to continue as a going concern;

(b) the Scheme Companies have been served with various winding-up petitions by their respective creditors. These winding-up petitions, if successful would cause the winding up of the Scheme Companies;

(c) inability to ascertain the completeness of the recorded liabilities and related contingent liabilities arising from various legal notices served by the Group's creditors, mainly in connection with the conversion work on the FPSO Layang Vessel; and

(d) inability to ascertain the recoverability of an amount due from contract customers as 31 December 2016 of RM63,836,014.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

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

DATUK SERI JOHAN BIN ABDULLAH

MR. TOO KOK LENG

Kuala Lumpur
27 April 2018

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, **SUHAIMI BADRUL JAMIL**, the officer primarily responsible for the financial management of **TH HEAVY ENGINEERING BERHAD**, do solemnly and sincerely declare that the accompany financial statements 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 **SUHAIMI BADRUL JAMIL** at Kuala Lumpur in the Federal Territory Wilayah Persekutuan on 27 April 2018.

SUHAIMI BADRUL JAMIL
(MIA: 6123)

Before me:

LIST OF PROPERTIES

The properties of the group as at 31 December 2017 are as follows:

Title/Location	Description and Existing Use	Land Area/ Built-Up Area	Approximate Age of Building	Tenure	Audited Net Book Value at 31.12.2016	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	13 years	Leasehold (99 years)	RM138,300,000.00	10-Aug-12

ANALYSIS OF SHAREHOLDINGS

AS AT 30 MARCH 2018

Total number of issued shares	:	(a) 1,121,237,890 ordinary shares (b) 1,099,839,300 Islamic Irredeemable Convertible Preference Shares ("**ICPS-i**")
Number of shareholders	:	(a) 24,191 (Ordinary shares) (b) 328 (ICPS-i)
Voting Rights	:	(a) One vote per ordinary share held (b) The ICPS-i does not carry any voting right except in circumstances set out in the Company's Articles of Association

(A) ORDINARY SHARES

ANALYSIS BY SIZE OF SHAREHOLDINGS
as per the Record of Depositors

Size of Holdings	No. of Holders	%	No. of Ordinary Shares	%
1 - 99	5,903	24.40	424,872	0.04
100 - 1,000	7,834	32.38	2,725,638	0.24
1,001 - 10,000	5,266	21.77	28,617,073	2.55
10,001 - 100,000	4,166	17.22	155,378,270	13.86
100,001 – 56,061,893 *	1,021	4.22	599,929,930	53.51
56,061,894 and above **	1	0.01	334,162,107	29.80
Total:	**24,191**	**100.00**	**1,121,237,890**	**100.00**

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

DIRECTORS' SHAREHOLDINGS
in the Company (including number and percentage) based on the Register of Directors' Shareholdings as at 30 March 2018

Company

	No. of Ordinary Shares			
Name of Directors	Direct Interest	%	Indirect Interest	%
Datuk Seri Johan Bin Abdullah	-	-	-	-
Dato' Hj. Ghazali Bin Awang	-	-	-	-
Datuk Hajah Rozaida Binti Omar	-	-	-	-
En. Roslan Bin Mohd Latif	-	-	-	-
Mr. Too Kok Leng	-	-	-	-
Dr. Ir. Samad Bin Solbai	-	-	-	-
Dato' Indera Dr. Haji Md. Yusop Bin Omar	-	-	-	-

ANALYSIS OF SHAREHOLDINGS
AS AT 30 MARCH 2018

(A) ORDINARY SHARES (CONT'D)

SUBSTANTIAL SHAREHOLDERS
based on the Register of Substantial Shareholders as at 30 March 2018

		No. of Ordinary Shares			
No.	**Name**	**Direct Interest**	**%**	**Indirect Interest**	**%**
1.	Lembaga Tabung Haji	334,162,107	29.80	-	-

SHAREHOLDINGS OF CHIEF EXECUTIVE
of the Company (including number and percentage) as at 30 March 2018

	No. of Ordinary Shares			
Name of Chief Executive	**Direct Interest**	**%**	**Indirect Interest**	**%**
Suhaimi Bin Badrul Jamil	-	-	-	-

TOP 30 SECURITIES ACCOUNT HOLDERS OF ORDINARY SHARES
(as per Record of Depositors as at 30 March 2018)

No.	Name	No. of Ordinary Shares	%
1.	LEMBAGA TABUNG HAJI	334,162,107	29.80
2.	PELABURAN MARA BERHAD	51,696,345	4.61
3.	MOHAMED FAROZ BIN MOHAMED JAKEL	20,900,000	1.86
4.	RHB NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR MOHAMED FAROZ BIN MOHAMED JAKEL	17,000,000	1.52
5.	HLIB NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR EDISI FIRMA SDN. BHD.	13,750,000	1.23
6.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR NG CHAI GO	9,500,000	0.85
7.	MADHAVANKUTTY A/L KUMARAN	9,065,000	0.81
8.	YEOH AH BENG	7,200,000	0.64
9.	CHIN CHIN SEONG	6,747,000	0.60
10.	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN. BHD. - CIMB ISLAMIC TRUSTEE BHD FOR BIMB I DIVIDEND FUND	6,412,000	0.57

ANALYSIS OF SHAREHOLDINGS
AS AT 30 MARCH 2018

(A) ORDINARY SHARES (CONT'D)

TOP 30 SECURITIES ACCOUNT HOLDERS OF ORDINARY SHARES
(as per Record of Depositors as at 30 March 2018)

No.	Name	No. of Ordinary Shares	%
11.	HADIAN BIN HASHIM	6,000,000	0.54
12.	SU-AZIAN @ MUZAFFAR SYAH BIN ABD RAHMAN	6,000,000	0.54
13.	HSBC NOMINEES (ASING) SDN. BHD. - EXEMPT AN FOR BANK JULIUS BAER & CO. LTD.	5,950,000	0.53
14.	AZMAN SHAH BIN KHALIDUN	5,500,000	0.49
15.	HLIB NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR QUEK KON SEAN	5,000,000	0.45
16.	DATO ' LIM KOK HAN	4,827,200	0.43
17.	TAN CHIN SEONG	4,800,000	0.43
18.	LIM KENG CHUAN	4,600,000	0.41
19.	CIMB GROUP NOMINEES (ASING) SDN. BHD. - EXEMPT AN FOR DBS BANK LTD	4,490,000	0.40
20.	YAYASAN POK DAN KASSIM	4,050,000	0.36
21.	RHB NOMINEES (TEMPATAN) SDN. BHD. - SOO CHEW SHENG	3,727,700	0.33
22.	MUHAMMAD NASIR BIN HANIFAH	3,697,800	0.33
23.	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR HOW PENG CHEONG @ LOW PENG CHEONG	3,565,000	0.32
24.	NG CHAI GO	3,500,000	0.31
25.	ZAMRI BIN MOHAMAD	3,380,000	0.30
26.	SEE HOON YEW	3,300,000	0.29
27.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR ZULKIFLI BIN ISMAIL	3,200,000	0.29
28.	LEE CHEE BENG	3,100,000	0.28
29.	ANNIE LOO YEAN LAY	3,000,000	0.27
30.	CHAN SOOK MOY	3,000,000	0.27
	Total:	**561,120,152**	**50.04**

ANALYSIS OF SHAREHOLDINGS
AS AT 30 MARCH 2018

(B) ICPS-i

ANALYSIS BY SIZE OF ICPS-i HOLDERS
as per the Record of Depositors

Size of Holdings	No. of Holders	%	No. of ICPS-i	%
1 - 99	6	1.83	406	0.00
100 - 1,000	189	57.62	40,472	0.00
1,001 - 10,000	75	22.87	275,493	0.03
10,001 - 100,000	52	15.85	1,317,610	0.12
100,001 – 54,991,964 *	5	1.52	976,584	0.09
54,991,965 and above **	1	0.30	1,097,228,735	99.76
Total:	**328**	**99.99%**	**1,099,839,300**	**100.00**

Notes:-
* Less than 5% of issued ICPS-i holdings
** 5% and above of issued ICPS-i holdings

DIRECTORS' ICPS-i HOLDINGS
in the Company (including number and percentage) based on the Register of Directors' Shareholdings as at 30 March 2018

	No. of ICPS-i			
Name of Directors	Direct Interest	%	Indirect Interest	%
Datuk Seri Johan Bin Abdullah	-	-	-	-
Dato' Hj. Ghazali Bin Awang	-	-	-	-
Datuk Hajah Rozaida Binti Omar	-	-	-	-
En. Roslan Bin Mohd Latif	-	-	-	-
Mr. Too Kok Leng	-	-	-	-
Dr. Ir. Samad Bin Solbai	-	-	-	-
Dato' Indera Dr. Haji Md. Yusop Bin Omar	-	-	-	-

ICPS-i HOLDINGS OF CHIEF EXECUTIVE
of the Company (including number and percentage) as at 30 March 2018

	No. of ICPS-i			
Name of Chief Executive	Direct Interest	%	Indirect Interest	%
Suhaimi Bin Badrul Jamil	-	-	-	-

ANALYSIS OF SHAREHOLDINGS
AS AT 30 MARCH 2018

(B) ICPS-i (CONT'D)

TOP 30 ICPS-i HOLDERS
(as per Record of Depositors as at 30 March 2018)

No.	Name	No. of ICPS-i	%
1.	LEMBAGA TABUNG HAJI	1,097,228,735	99.76
2.	HLB NOMINEES (ASING) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR GLORY LINK MANAGEMENT LIMITED	426,666	0.04
3.	RHB NOMINEES (ASING) SDN. BHD. - EXEMPT AN FOR RHB SECURITIES SINGAPORE PTE. LTD.	170,666	0.02
4.	LIM THIAM SANG	165,920	0.02
5.	HLB NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR KEE BOON SENG	106,666	0.01
6.	NIGEL LOH KWONG WENG	106,666	0.01
7.	TAN SEE YIN	90,000	0.01
8.	CHEW TATT AIK	74,133	0.01
9.	FLORENCE WONG SIEW MEI	65,000	0.01
10.	SYED HAMID BIN HARON ALHABSHI	62,720	0.01
11.	MALACCA EQUITY NOMINEES (TEMPATAN) SDN. BHD. - EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN. BHD.	58,133	0.01
12.	ROSLI BIN ABU BAKAR	54,400	0.00
13.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR AZMIL KHALILI BIN KHALID	53,333	0.00
14.	AMSEC NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR CHEW CHONG KHENG	53,233	0.00
15.	CHOONG YAT CHIN @ CHONG YAT CHIN	45,866	0.00
16.	LEO JEOK KWI	44,800	0.00
17.	CHEW TATT AIK	37,760	0.00
18.	POH SIEW KUAN	34,700	0.00
19.	ONG LEA PING	34,133	0.00
20.	ONG TENG HOR	32,000	0.00

ANALYSIS OF SHAREHOLDINGS
AS AT 30 MARCH 2018

(B) ICPS-i (CONT'D)

TOP 30 ICPS-i HOLDERS
(as per Record of Depositors as at 30 March 2018)

No.	Name	No. of ICPS-i	%
21.	TING SEU NGUONG	25,600	0.00
22.	LIEW WHAI HOE	25,000	0.00
23.	HASHIM BIN SHARIF	23,893	0.00
24.	YAP LAI PING	22,000	0.00
25.	SIH LAI PENG	21,500	0.00
26.	LEONG MUN SIEW	21,333	0.00
27.	LIEW HAN HUEI	20,000	0.00
28.	NIK HAZAMUDDIN BIN NIK HASAN	18,400	0.00
29.	CHEOK LEONG CHUAN	18,133	0.00
30.	HNG LEE MOY	17,920	0.00
	Total:	**1,099,159,309**	**99.94**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the **FOURTEENTH ANNUAL GENERAL MEETING ("14th AGM")** of the Company will be held at Banquet Hall, Level 1, Kelab Darul Ehsan, Taman Tun Abdul Razak, Jalan Kerja Air Lama, Ampang Jaya, 68000 Selangor Darul Ehsan on Tuesday, 5 June 2018 at 10:30 a.m. for the transaction of the following business:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors' and the Auditors' thereon. ***(Please refer to Explanatory Note A)***

2. To re-elect Encik Roslan Bin Mohd Latif who retires pursuant to Article 95 of the Company's Articles of Association, and being eligible, has offered himself for re-election. **(Resolution 1)**

3. To re-elect Mr. Too Kok Leng who retires pursuant to Article 95 of the Company's Articles of Association, and being eligible, has offered himself for election. **(Resolution 2)**

4. To approve the payment of Directors' fees amounting to RM574,000 for the Non-Executive Directors of the Company and its subsidiaries in respect of the financial year ended 31 December 2017. **(Resolution 3)** ***(Please refer to Explanatory Note B)***

5. To approve the Directors' benefits payable to the Directors of the Company and its subsidiaries with effect from a day after the 14th AGM until the next Annual General Meeting ("**AGM**") of the Company in year 2019. **(Resolution 4)** ***(Please refer to Explanatory Note C)***

6. To re-appoint Messrs. Deloitte PLT as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. **(Resolution 5)**

As Special Business

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

7. ORDINARY RESOLUTION
- AUTHORITY TO ISSUE SHARES PURSUANT TO THE COMPANIES ACT 2016 **(Resolution 6)**

"**THAT** subject to the Companies Act 2016, the Articles of Association of the Company, and the approvals of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and any other relevant governmental and/or regulatory authorities, the Directors of the Company be and are hereby empowered, to issue and allot shares in the Company from time to time and upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors of the Company may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being **AND THAT** such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.

NOTICE OF ANNUAL GENERAL MEETING

AND THAT the Directors of the Company, whether solely or jointly, be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Main Market of Bursa Malaysia Securities Berhad **AND** be hereby authorised to do all such acts and things including executing all relevant documents as he/they may consider expedient or necessary to complete and give full effect to the abovesaid mandate."

8. ORDINARY RESOLUTION
- PROPOSED RETENTION OF ENCIK ROSLAN BIN MOHD LATIF AS INDEPENDENT NON-EXECUTIVE DIRECTOR **(Resolution 7)**

"**THAT** subject to the passing of Ordinary Resolution 1, Encik Roslan Bin Mohd Latif be and is hereby retained as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting pursuant to the Malaysian Code on Corporate Governance."

9. ORDINARY RESOLUTION
- PROPOSED RETENTION OF MR. TOO KOK LENG AS INDEPENDENT NON-EXECUTIVE DIRECTOR **(Resolution 8)**

"**THAT** subject to the passing of Ordinary Resolution 2, Mr. Too Kok Leng be and is hereby retained as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting pursuant to the Malaysian Code on Corporate Governance."

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

BY ORDER OF THE BOARD

CHUA SIEW CHUAN (MAICSA 0777689)
TAN LEY THENG (MAICSA 7030358)
Company Secretaries

Kuala Lumpur
27 April 2018

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Note A
- **Audited Financial Statements for the financial year ended 31 December 2017**

This Agenda item is meant for discussion only, as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval for the Audited Financial Statements from the shareholders. Therefore, this Agenda item is not put forward for voting.

Explanatory Note B - Resolution 3
- **Payment of Directors' Fees**

The proposed payment of Directors' fees to the Non-Executive Directors of the Company and its subsidiaries in respect of the financial year ended 31 December 2017 shall be up to RM574,000/- only, comprise the following:-

Entity	Chairman	Non-Executive Directors
The Company	**RM80,000 per annum**	**RM60,000 per person per annum**
Active Subsidiaries	**RM40,000 per annum**	**RM30,000 per person per annum**

Explanatory Note C - Resolution 4
- **Approval of Directors' Benefits**

Section 230(1) of the Companies Act 2016 provides amongst others, that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

In this respect, the Company wishes to seek its shareholders' approval on the Directors' benefits payable to the Non-Executive Directors of the Company and its subsidiaries with effect from a day after the 14th AGM until the next AGM of the Company in year 2019 ("**the Period**"). The Directors' benefits payable for the Period comprise solely of meeting allowance, which will only be accorded based on actual attendance of meetings by the Directors:-

Benefits	Fees (RM)
The Company	
Board Meeting Allowance	
- Chairman	1,000 per meeting
- Directors	1,000 per meeting
Board Sub-Committees' Meeting Allowance	
- Chairman	500 per meeting
- Directors	500 per meeting
Active Subsidiaries	
Board Meeting Allowance	750 per meeting

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES TO SPECIAL BUSINESS

Resolution 6 - Authority to Issue Shares

This is the renewal of the general mandate for issuance of shares by the Company obtained from the shareholders of the Company at the Thirteenth AGM of the Company held on 25 May 2017 (hereinafter referred to as the "**Previous Mandate**").

The proposed Resolution 6 is primarily to give a renewal mandate to 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 time consuming to organise a general meeting. The general mandate will provide flexibility and expediency to the Company for any possible fund raising activities involving the issuance or placement of shares to facilitate business expansion or strategic merger and acquisition opportunities involving equity deals or part equity or to fund future investment project(s) or working capital requirements, which the Directors of the Company consider to be in the best interest of the Company. The general mandate, unless revoked or varied at general meeting, will expire at the next AGM of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the Previous Mandate and accordingly, no proceeds were raised.

Resolutions 7 & 8 - Proposed Retention of Independent Non-Executive Directors

Encik Roslan Bin Mohd Latif, who was appointed as Independent Non-Executive Director of the Company on 11 June 2009, would on 11 June 2018, have served in that capacity for a cumulative term of nine (9) years. The Company would like to seek prior approval from the shareholders at the 14th AGM, to enable him to continue in office as Independent Non-Executive Director of the Company, before he reaches the nine (9) years term limit on 11 June 2018.

Mr. Too Kok Leng was appointed as Independent Non-Executive Director of the Company on 28 January 2008 and has therefore, served in that capacity for a cumulative term of more than nine (9) years.

In accordance with the Malaysian Code on Corporate Governance, the Board recommends that Encik Roslan Bin Mohd Latif and Mr. Too Kok Leng should be retained to continue in office as Independent Non-Executive Directors based on the following justifications:-

- they have fulfilled the definition of an Independent Director as set out under Paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- they are able to exercise independent judgement and act in the best interests of the Company.
- there is no potential conflict of interest that Encik Roslan Bin Mohd Latif and Mr. Too Kok Leng could have with the Company as they have not entered into any contract or transaction with the Company and/or its subsidiaries within the scope and meaning as set forth under Paragraph 5 of Practice Note 13 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- there are significant advantages to be gained from long-serving Independent Directors who have many years of experience with incumbent knowledge of the Company and the Group's activities and corporate history, and have provided invaluable contributions to the Board in their role as Independent Non-Executive Directors.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

(1) In respect of deposited securities, only members whose names appear in the Record of Depositors on 28 May 2018 ("**General Meeting Record of Depositors**") shall be eligible to attend the Meeting.

(2) A member shall be entitled to appoint more than one (1) 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.

(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 or she specifies the proportion of his or her 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) Where a member is an authorised nominee as defined under the Securities Industry (Central Depository) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

(6) Where a member of the Company is an exempt authorised nominee holding ordinary shares in the Company for multiple beneficial owners in one (1) 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) 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 its seal or under the hand of an officer or attorney duly authorised.

(8) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, shall be deposited at the office of the Company's Share Registrar at Securities Services (Holdings) Sdn. Bhd., Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, not less than forty-eight (48) hours before the time for holding the Meeting or at any adjournment thereof.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(B) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

There were no Directors standing for election at the forthcoming 14th AGM of the Company.

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

Number of shares held	
CDS account no.	

FORM OF PROXY

*I/We, ________________________________ Company No./NRIC No./Passport No. ________________
(full name as per NRIC/Passport/Certificate of Incorporation in capital letters)

of ____
(full address)

being a member of **TH HEAVY ENGINEERING BERHAD** hereby appoint ______________________________
(full name as per NRIC/Passport in capital letters)

NRIC No./Passport No. ____________________ *and/or failing him/her, ______________________________
(full name as per NRIC/Passport in capital letters)

NRIC No./Passport No. ____________________ or failing *him/her the chairman of the Meeting as *my/our proxy, to vote for *me/us on *my/our behalf at the 14th Annual General Meeting ("**AGM**") of the Company to be held at Banquet Hall, Level 1, Kelab Darul Ehsan, Taman Tun Abdul Razak, Jalan Kerja Air Lama, Ampang Jaya, 68000 Selangor Darul Ehsan on Tuesday, 5 June 2018 at 10:30 a.m. and at any adjournment thereof, on the following resolutions referred to in the Notice of 14th AGM.

*My/Our proxy(ies) *is/are to vote as indicated below:-

ORDINARY BUSINESS		**FOR**	**AGAINST**
Ordinary Resolution 1	Re-election of Encik Roslan Bin Mohd Latif		
Ordinary Resolution 2	Re-election of Mr. Too Kok Leng		
Ordinary Resolution 3	Payment of Directors' fees for the financial year ended 31 December 2017		
Ordinary Resolution 4	Directors' benefits payable to the Directors of the Company and its subsidiaries from a day after the 14th AGM until the next AGM of the Company in year 2019		
Ordinary Resolution 5	Re-appointment of Messrs. Deloitte PLT as Auditors of the Company until the conclusion of the next AGM		
SPECIAL BUSINESS			
Ordinary Resolution 6	Authority to Issue Shares pursuant to the Companies Act 2016		
Ordinary Resolution 7	Proposed Retention of Encik Roslan Bin Mohd Latif as Independent Non-Executive Director		
Ordinary Resolution 8	Proposed Retention of Mr. Too Kok Leng as Independent Non-Executive Director		

(Please indicate with an "X" in the appropriate box against each Resolution how you wish your vote to be cast. If no specific direction as to how the proxy shall vote, the proxy shall vote as he/she thinks fit or, at his/her discretion, abstain from voting.)

* Strike out whichever not applicable

Signed this __________ day of __________ , 2018

____
Signature(s)/Common Seal of Member(s)

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies		
	No. of shares	**Percentage**
Proxy 1		
Proxy 2		
Total		**100%**

Notes:

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(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 or she specifies the proportion of his or her holdings to be represented by each proxy.

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(5) Where a member is an authorised nominee as defined under the Securities Industry (Central Depository) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

(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) 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 its seal or under the hand of an officer or attorney duly authorised.

(8) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, shall be deposited at the office of the Company's Share Registrar at Securities Services (Holdings) Sdn. Bhd., Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, not less than forty-eight (48) hours before the time for holding the Meeting or at any adjournment thereof.

AFFIX STAMP

To: The Share Registrar

TH HEAVY ENGINEERING BERHAD
(Company No. 634775-D)

c/o Securities Services (Holdings) Sdn. Bhd.
Level 7, Menara Milenium, Jalan Damanlela
Pusat Bandar Damansara, Damansara Heights
50490 Kuala Lumpur
Wilayah Persekutuan

www.thhe.com.my

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

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