THHEAVY

ENGINEERING BERHAD

An associate company of Tabung Haji

(634775-D)

2016 ANNUAL REPORT

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)

80%

FLOATECH (L) LTD (LL 08400)

70%

THHE OFFSHORE SERVICES SDN BHD
(1050603-M)

49%

THHE DESTINI SDN BHD (1188632-X)
(formerly known as Gigih Integrasi Sdn Bhd)

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

DATUK ROZAIDA BINTI OMAR
Non-Independent Non-Executive Director

TOO KOK LENG
Independent Non-Executive Director

ROSLAN BIN MOHD LATIF
Independent Non-Executive Director

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

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

AUDIT COMMITTEE

Too Kok Leng
(Chairman)

Dr. Ir. Samad Bin Solbai

Dato' Ghazali Bin Awang

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
Tel : (+603) 7610 8888
Fax : (+603) 7726 8986

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

SOLICITORS

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

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' PROFILE

DATUK SERI JOHAN BIN ABDULLAH

61 years, Malaysian

Non-Independent Non-Executive

Director / Chairman

Male

Datuk Seri Johan was appointed as Chairman of TH Heavy Engineering Bhd on 7 October 2015.

He obtained a Diploma in Banking from Universiti Teknologi MARA, Shah Alam, a Bachelor in Business Administration (Finance) from Eastern Michigan University, USA and a Master in Business Administration (Finance) from Morehead State University, USA.

In his past experience, he served in various companies including Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad) as a Listing Officer in 1987, Bumiputra Merchant Bankers Berhad as Senior Manager, Corporate Finance in 1989, 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 Bhd as the Group Managing Director/Chief Executive Officer in May 2008 and served the group for more than six years.

He was appointed as Deputy Group Managing Director and Chief Executive Officer of Lembaga Tabung Haji in January 2015 and subsequently being appointed as Group Managing Director and Chief Executive Officer of Lembaga Tabung Haji in July 2016.

He is currently the Chairman of Deru Semangat Sdn Bhd and sits on the Board of TH Plantations Berhad, TH Properties Sdn Bhd and TH Hotel & Residence Sdn Bhd.

DATO' GHAZALI BIN AWANG

70 years, Malaysian

Non-Independent Non-Executive

Director

Male

Dato' Ghazali Bin Awang was appointed as Director of TH Heavy Engineering Berhad on 28 July 2015. He was appointed as Chairman on 1 September 2015 for a brief period before he was redesignated as Director and member of Audit Committee on 7 October 2015.

He has extensive experience in corporate finance and 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.

He is also currently Director of the Board of companies such as Heitech Padu Berhad, Prudential BSN Takaful Berhad and BIMB Investment Management Berhad.

He read for a Bachelor of Commerce degree from the University of Newcastle, Australia and Master's in Religious Studies, Institute Agama Islam Negeri, Imam Bonjol, Padang, Indonesia.

Dato' Ghazali is also a qualified Chartered Accountant, being a member of the Institute of Chartered Accountants in Australia and Institute of Accountants Malaysia.

DIRECTORS' PROFILE (CONT'D)

DR. IR. SAMAD BIN SOLBAI

66 years, Malaysian

Independent Non-Executive

Director

Male

Dr. Ir. Samad Bin Solbai was appointed to the Board on 25 May 2012. He is a registered Professional Engineer and Fellow of the Instituition of Engineers, Malaysia. He is an Independent Non-Executive Director of TH Heavy Engineering Bhd.

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

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

Dr. Samad is currently a director of a number of private companies in Malaysia including Carrier International (M) Sdn Bhd and THHE Fabricators Sdn Bhd.

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

ROSLAN BIN MOHD LATIF

62 years, Malaysian

Independent Non-Executive

Director

Male

Roslan Bin Mohd Latif was appointed to the Board as an Independent Non Executive Director on 11 June 2009.

He holds a Diploma in Business Studies from Institut Teknologi Mara in 1977 before pursuing a Bachelor degree in Marketing from Southern Illinois University in 1981 and an Master of Business Administration from GSU Chicago in 1983.Roslan completed the Advance Masters in Business Practice from the University of South Australia in 2009. He attended the Advance Management Program in Denver Colorado in 1985 and the Harvard ASEAN Senior Management Development Program in 2014.

He has more than 35 years of working experience in marketing, education, project management and training with several organisations namely MARA, PNB, Kontena Nasional Berhad, MESB, Klang Valley College, Global Fabricator and Warisan Movers.

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

DIRECTORS' PROFILE (CONT'D)

DATUK ROZAIDA BINTI OMAR

54 years, Malaysian

Non-Independent Non-Executive Director

Female

Datuk Rozaida Binti Omar was appointed as a Director of TH Heavy Engineering Berhad 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.

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

Datuk 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.

TOO KOK LENG

58 years, Malaysian

Independent Non-Executive Director

Male

Too Kok Leng was appointed a Director of TH Heavy Engineering Berhad 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 specialized in the corporate and banking fields rendering legal advice to several banks and public listed companies.

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

Mr. Too is currently the Group Managing Director/ Group Chief Executive Officer of Menang Corporation (M) Berhad, a position which he was redesignated on 29 November 2016 from an Independent Non-Executive Director.

DATO' INDERA DR. MD YUSOP BIN OMAR

65 years, Malaysian

Independent Non-Executive Director

Male

Dato' Indera Dr. Md Yusop Bin Omar was appointed Director of the Company on 25 May 2012. He graduated from University Malaya in 1975 with a Bachelor of Arts and obtained his certificate in Public Administration in 1976. Dato' Md Yusop served as Administration and Diplomatic Officer in the Government sector for 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.

He is currently the Chairman of Musyarakah Venture Capital Sdn Bhd. He is also the Chief Executive Officer of Council of Islamic Practice (DAMAI) under the Chairmanship of Minister of Prime Minister's Department (Religious Affairs) and also a director of TH Plantation Sdn Bhd since 6 January 2015.

Dato' Indera Dr. Md. Yusop received Honorary Doctorate in Civil Law from Lincoln University College Malaysia in April 2015.

Save as disclosed, none of the 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 penalty by the relevant regulatory bodies during the financial year 2016.

SENIOR MANAGEMENT TEAM'S PROFILE

SUHAIMI BIN BADRUL JAMIL

54 years, Malaysian

Chief Executive Officer cum Chief Financial Officer

Male

Suhaimi Bin Badrul Jamil, was appointed as Chief Executive Officer ("CEO") of THHE on 1 September 2016. Prior to his appointment as CEO, he was appointed as Chief Financial Officer on 2 December 2013, a position which he still holds until now.

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

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'S PROFILE (CONT'D)

AZIZUL HANAFEE BIN MOHD ZAIN

48 years, Malaysian

Senior General Manager, Ship Building & Ship Repair

Male

Azizul Hanafee Bin Mohd Zain, joined THHE Group on 1 September 2016 as Senior General Manager, Ship Building and Ship Repair.

Azizul Hanafee holds a Bachelor of Science (Cum Laude) in Naval Architecture and Marine Engineering from University of Michigan, Ann Arbor, USA. He has 24 years' experience in the Shipbuilding and Shiprepair (SBSR) industry.

Prior to joining THHE Group, he served with Labuan Shipyard & Engineering Sdn Bhd as Chief Operating Officer.

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

49 years, Malaysian

General Manager, Group Human Resource

Male

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 4th February 2014, he was appointed as General Manager, Group Human Resource.

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.

ZAINALABIDIN BIN ISMAIL

61 years, Malaysian

General Manager, Legal & Secretarial Services

Male

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.

Zainalabidin started his career as Law Lecturer at then known as Institute Technology Mara. He then joined PETRONAS group of companies and served PETRONAS 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'S PROFILE (CONT'D)

ABDUL MALIK BIN ABDUL RAHIM

37 years, Malaysian

General Manager, Finance

Male

Abdul Malik Bin Abdul Rahim, joined THHE Group as Senior Manager, Finance on 8 December 2014. On 1 June 2016, Abdul Malik was appointed as General Manager, Finance.

Abdul Malik is a qualified Chartered Accountant, being a member of Malaysian Institute of Accountants ('MIA') and Malaysian Institute of Certified Public Accountant ("MICPA"). 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

48 years, Malaysian

Head of QHSE

Male

Muhammad Suffian Bin Salleh, joined the THHE Group on 13 January 2006 as Senior Executive, QA/QC. On 1 May 2011, he was appointed as Head of Quality, Health, Safety and Environment ("QHSE").

Muhammad Suffian holds an Advance Diploma in Welding Technology and has 25 years' experience in QHSE.

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 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, QA/QC Inspector and PMT.

KAMARUZAMAN BIN MOHD TAHIR

45 years, Malaysian

General Manager,
O&G Works Sdn Bhd

Male

Kamaruzaman Bin Mohd Tahir, joined the 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.

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 the 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'S PROFILE (CONT'D)

KHALID BIN SENAN

50 years, Malaysian

Head, Engineering

Male

Khalid Bin Senan, joined the THHE Group on 1 July 2015 as Head of Engineering.

Khalid holds a Bachelor in Civil Engineering from Rutgers State University, New Jersey, USA. He has 26 years' experience in the oil and gas industry.

He started his career at Sime Sembawang Engineering Sdn Bhd as a Civil & Structural Engineer and continued to hold various positions such as Project Director, Head of Engineering, Senior Manager-Engineering, Project Manager for MIE Oil & Gas Sdn Bhd, Offshore Design Engineering Sdn Bhd, Kencana HL Sdn Bhd, Haven Engineering Works Sdn Bhd, Extol Construction Sdn Bhd, DYNAC Sdn Bhd and Sime Sembawang. Prior to joining the THHE Group, he was the Operations Manager/Project Advisor for Integrity Engineering Services Sdn Bhd.

ISMAIL BIN HASSAN

54 years, Malaysian

Senior Project Manager

Male

Ismail Bin Hassan, joined the 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.

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 the 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 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

"The year under review has been a very challenging 12 months for the Group. The oil and gas industry entered 2016 with great amount of uncertainty, with West Texas Intermediate ("WTI") slipping to US$26 just into 30 days of the year. The WTI has since recovered to an average of US$54 in early 2017 but not to a level where leading industry players would commit to further capital investment especially in upstream exploration and new field development."

The less than positive developments in the oil and gas industry worldwide have caused some turmoil, leading industry players to making big capex reductions and even reduction in headcount. The Group was not spared these capital expenditure and manpower cuts by the operators.

FINANCIAL PERFORMANCE

As compared to 2015, the Group's revenues have decreased from RM100.5 million to RM17.7 million, registering close to 82 per cent change. This is mainly due to the completion of prior year projects as well as the decrease in the number of on-going projects. Furthermore, the current year after tax losses have widened from RM54.3 million in 2015 to RM439.6 million in the current year, or worsened to RM385.3 million due mainly to recognition of impairment loss on FPSO Vessel of RM259.1 million, impairment loss on amount due from contract customer of RM35.4 million as well as loss on disposal of associates valued at RM35.8 million.

REVIEW OF OPERATING ACTIVITIES

ON-GOING PROJECTS DURING THE YEAR

For the Financial Year 2016, the Group through its subsidiary had completed the loadout of the KNPG_B Topside Phase II for the Kinabalu NAG Phase II development project from its Pulau Indah Fabrication Yard while the Layang FPSO conversion completion for the Layang oil and gas field located in Block SK10, offshore Sarawak has been delayed due to issues related to the completion of financing arrangements. Both these projects were awarded in 2014, the former by PETRONAS Carigali Sdn Bhd and the latter by JX Nippon Oil & Gas Exploration (Malaysia) Limited.

Another subsidiary of the Group, O&G Works Sdn Bhd ("OGW"), mainly involved in minor fabrication, crane manufacturing and repairs, is progressing several projects won in 2016.

The year under review also saw the Group's associate company, THHE Destini Sdn Bhd ("TDSB"), a joint

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

venture company between THHE Fabricators Sdn Bhd ("THF") and Destini Shipbuilding and Engineering Sdn Bhd, being awarded a Letter of Award from the Government of Malaysia on 18 January 2017 for the Supply, Delivery, Testing and Commissioning of 3 units of Offshore Petrol Vessels ("OPVs") for the Malaysian Maritime Enforcement Agency.

Under the contract, TDSB is to undertake the Supply, Delivery, Testing and Commissioning of the 3 OPVs complete with Fitting and Accessories for a contract value of RM738.9 million The contract is expected to contribute positively to the earnings and net assets per share of THHE for the financial years ending 31 December 2017 through 31 December 2020.

TERMINATION OF JOINT VENTURE

The Group had on 23 September 2016 entered into a framework agreement with McDermott to mutually unwind the joint ventures in respect of Berlian McDermott Sdn Bhd ("BMD") and THF and termination of the joint ventures in BMD, THF, THHE McDermott Engineering Services Sdn Bhd and THHE McDermott Project Services Sdn Bhd. The unwinding and termination of joint venture were completed on 30 September 2016.

RESTRAINING ORDER

The Company and certain of its subsidiary companies, namely THHE Fabricators Sdn Bhd, THHE Offshore Services Sdn Bhd and O&G Works Sdn Bhd (the "Scheme Companies") have been granted a Restraining Order by the High Court of Malaya for a period of 3 months pursuant to Section 366 and 368 of the Companies Act, 2016 to restrain all legal actions and proceedings against the Scheme Companies.

The RO was applied for as part of the Group's proposed scheme of arrangement to regularise its affairs. The Group will next convene a meeting with its creditors for the purpose of seeking their consent.

QUALITY AND SAFETY

The Group's Quality, Health, Safety & Environment policy and practice have always placed a very high priority when executing its projects. In this regard, the Group clocked 11,100,867 man-hours of work without any Lost Time Injury ("LTI") from 2012 to December 2016. This is a very impressive achievement and a testament to the Group's standard of care.

RISK

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, WTI, averaged US$54, making capital investments in upstream projects very difficult for operators. The Group cannot be immune to these capital expenditure cuts by the operators and saw some targeted fabrication projects being deferred and/or cancelled.

Subject to the successful implementation of the proposed Scheme of Arrangement and the successful fund raising required to complete the FPSO Layang conversion works, the Group is cautiously optimistic of its business prospects.

MOVING FORWARD

The next 12 months of 2017 is expected to be an equally challenging year for the fabrication business as the oil producers in Malaysia and elsewhere are expected to continue to adopt a wait-and-see approach to their capital expenditure investments. OPEC's supply cut and similar cuts by non-OPEC countries may lead to a rebound in crude oil prices in the second half of 2017, although the industry experts do not see the prices reaching the halcyon days of yonder. If this prediction turns out to be true, then we can see some slight improvements in the high level capital investments in the upstream sector of the oil and gas industry. Should the crude oil prices stay low for long, then the Group must remain flexible and consider all possible new revenue sources.

With this challenging backdrop, the Group has to realign its strategies to meet with the new business realities. One such reality is the Shipbuilding and Ship Repair ("SBSR") business. Come 2017 the Group will be actively seeking business opportunities in the SBSR sector while continuing to participate in its current fabrication business. The Group expects these efforts to bear fruit in the second half of 2017.

In the meanwhile, the Group is continuing its transformation journey by making the organisation robust and cost-effective in a climate of continuing uncertainty.

"...being awarded a Letter of Award from the Government of Malaysia on 18 January 2017 for the Supply, Delivery, Testing and Commissioning of 3 units of Offshore Petrol Vessels ("OPVs") for the Malaysian Maritime Enforcement Agency."

LIST OF EVENTS
/CORPORATE SOCIAL RESPONSIBILITY

12
JANUARY
2016

HSE DAY FOR KINABALU NON-ASSOCIATED GAS (NAG) DEVELOPMENT PROJECT

The HSE Day for year 2016 was organized at Pulau Indah Yard to commemorate with 800,000 man-hours without Lost Time Injuries (“LTI”) for Kinabalu Non-Associated Gas (NAG) Development Project.

23
MAY
2016

12TH ANNUAL GENERAL MEETING

TH Heavy Engineering Berhad 12th Annual General Meeting was held at Tropicana Golf Club. AGM was attended by all Members of the Board and shareholders and invited guests.

02
JUNE
2016

THHE BIKE TO WORK CAMPAIGN 2016

Bike to Work Campaign 2016 was organized at Pulau Indah Yard with the purpose of promoting healthy and sustainable lifestyle amongst staff by encouraging cycling as a safe, economical, fun and enjoyable ride to work.

29
JUNE
2016

MAJLIS IFTAR BERSAMA PELAJAR TAHFIZ 2016

‘’Majlis Iftar Bersama Pelajar Tahfiz 2016’ was organized at Pulau Indah Yard during Ramadhan. A presentation of ‘duit raya’ was also held during the ‘Majlis Iftar’ .

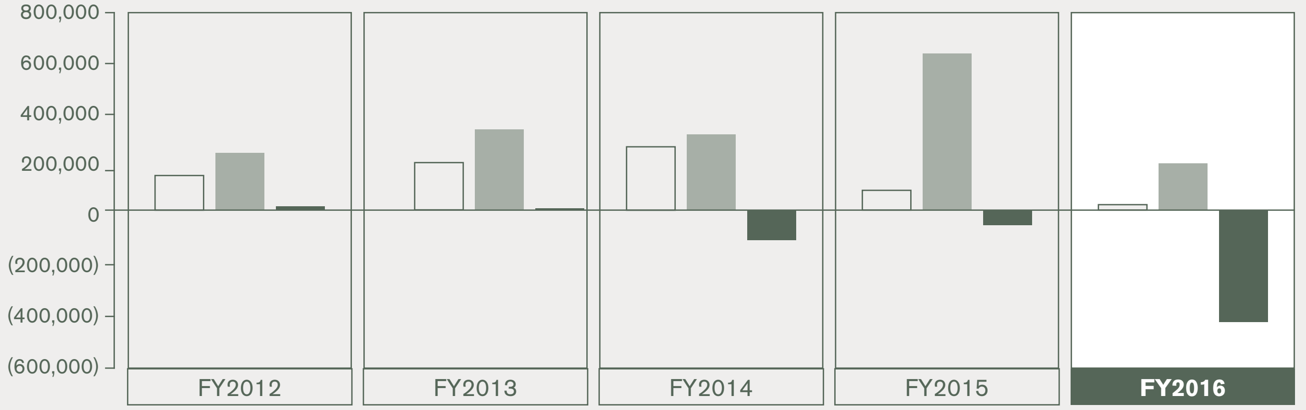
PERFORMANCE HIGHLIGHTS

DESCRIPTION	GROUP RM '000	COMPANY RM '000
Loss for the year attributable to:		
Owners of the Company	(365,813)	(51,481)
Non-controlling interests	(73,827)	-
Loss for the year	(439,640)	(51,481)

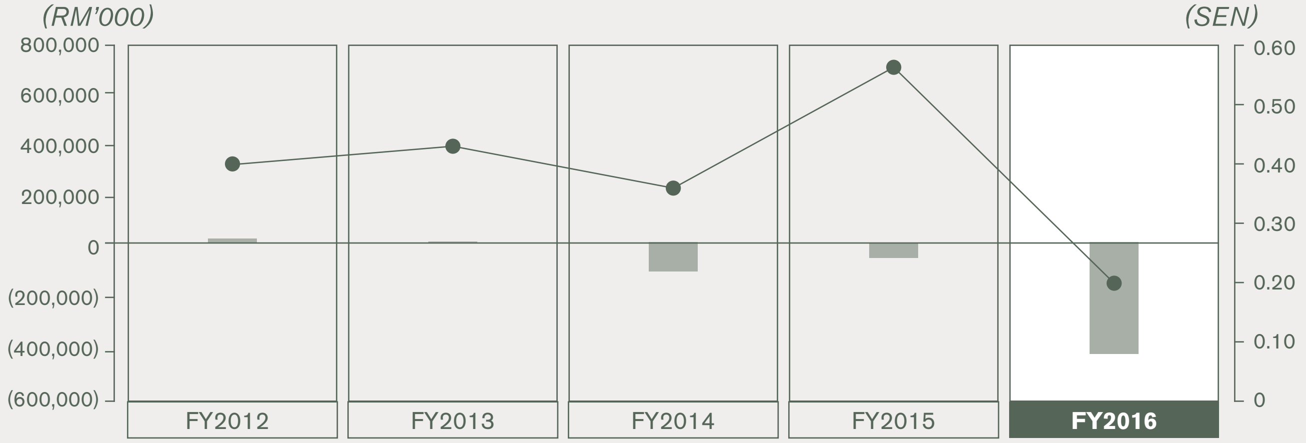
DESCRIPTION	FY2012	FY2013	FY2014	FY2015	FY2016
Revenue	190,374	259,932	334,124	100,500	**17,775**
Gross profit/(loss)	66,810	44,391	(30,342)	(6,351)	**(18,532)**
Operating cost	36,359	53,099	89,619	85,707	**404,857**
Net profit/(loss)	24,172	1,556	(113,906)	(54,323)	**(439,640)**
NTA	306,743	423,010	404,222	636,254	**221,212**
NTA per share (sen)	0.40	0.43	0.36	0.57	**0.20**
EPS Basic (sen)	3.15	0.83	(7.60)	(4.05)	**(32.63)**

PERFORMANCE HIGHLIGHTS (CONT'D)

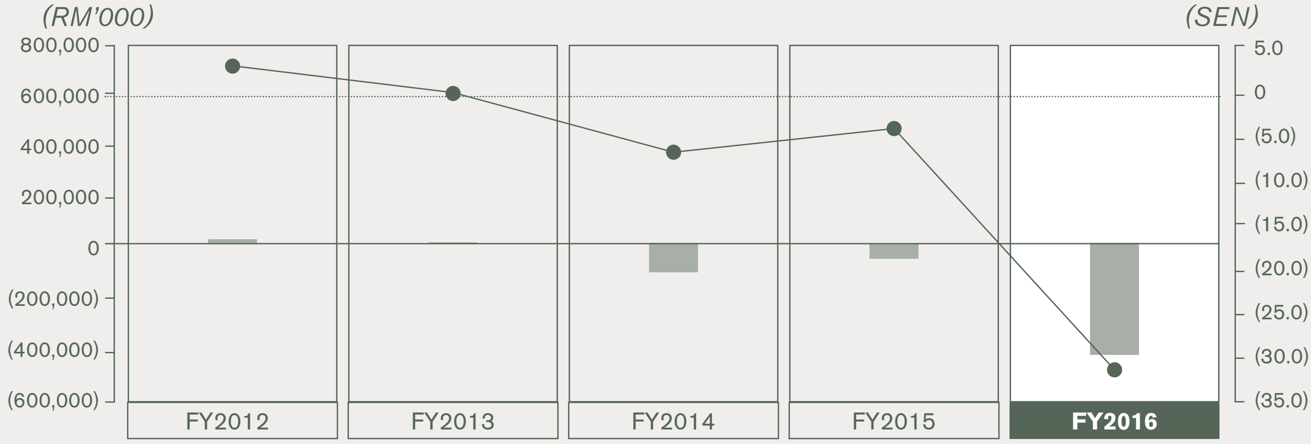
REVENUE, NTA, NET PROFIT/(LOSS)



NTA PER SHARE AND NET PROFIT / (LOSS)



EPS AND NET PROFIT / (LOSS)



AUDIT COMMITTEE REPORT

1. COMPOSITION

Chairman

Too Kok Leng	Independent Non-Executive Director

Members

Dato' 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 at the Company's website, www.thhe.com.my.

3. ATTENDANCE AT MEETINGS

The Audit Committee held five (5) meetings during the financial year ended 31 December 2016. The details of the attendance of each Audit Committee member are as follows:-

Name	Attendance
Too Kok Leng	5/5
Dr. Ir. Samad Bin Solbai	5/5
Dato' Ghazali Bin Awang	4/5

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 Meeting 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 DURING THE YEAR

In discharging its functions and duties, the Audit Committee carried out the following work during the financial year ended 31 December 2016:-

Financial Reporting

Reviewed the quarterly financial statements of the Group prior to making recommendation to the Board for approval of the same as follows:-

4. SUMMARY OF WORK OF THE AUDIT COMMITTEE DURING THE YEAR (CONT'D)

Date of Meeting	Review of Quarterly Financial Statement
23 February 2016	Fourth quarter results for the financial year ended 31 December 2015
17 May 2016	First quarter results for the financial year ended 31 March 2016
24 August 2016	Second quarter results for the financial year ended 30 June 2016
23 November 2016	Third quarter results for the financial year ended 30 September 2016

The above review is to ensure that the Company's 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 Malaysian Financial Reporting Standard ("MFRS") 134 - Interim Financial Reporting Standards in Malaysia and International Accounting Standards ("IAS") 34 - Interim Financial Reporting as well as applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

External Audit

On 8 April 2016, the Audit Committee reviewed the results of the audit of the financial statements of the Company and the Group for the financial year ended 31 December 2015 with the external auditors prior to submission to the Board of Directors for their approval. The review was, inter-alia, to ensure compliance with:

- provision of the Companies Act, 1965
- Listing Requirements of Bursa Malaysia Securities Berhad;
- applicable approved accounting standards in Malaysia; and
- other legal and regulatory requirements.

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

The Audit Committee had two (2) private sessions with the external auditors without the presence of the executive Board members, Management and employees on 23 February 2016 and 23 November 2016 to discuss issues of concern to the external auditors arising from the annual statutory audit.

The Audit Committee reviewed with the external auditors:

- their audit plan, audit strategy and scope of work for the year; and

- the results of the annual audit, their audit report and management letter together with Management's responses to the findings of the external auditors.

- the audit fees proposed in respect of the scope of work required for the financial year and recommended the same for approval by the Board

AUDIT COMMITTEE REPORT (CONT'D)

4. SUMMARY OF WORK OF THE AUDIT COMMITTEE DURING THE YEAR (CONT'D)

Internal Audit

During the financial year ended 31 December 2016, the Audit Committee met one (1) time with the in-house Head of Internal Audit at the Audit Committee's meeting to carry out its responsibility in reviewing the internal audit function and to assure itself on the soundness of internal control system.

The in-house Internal Audit Function carried out its duties according to the approved audit plan, and areas of concern which require improvement were highlighted in the internal audit report and discussed at the Audit Committee's meeting as follows:-

i) Audit on procurement activities for purchase order value below than RM500,000
ii) Surprise stock-count on THHE Fabricators Sdn Bhd's warehouse
iii) Special review on Permas project's dispute claims – verification on purchase orders & vendor's invoices

Other Matters

(i) Considered and reviewed the proposed amendments to the Terms of Reference of Audit Committee and recommended the same to the Board for approval.

(ii) Reviewed and approved the draft Audit Committee Report and Statement on Risk Management and Internal Control to be incorporated in the Annual Report.

5. SUITABILITY AND INDEPENDENCE OF EXTERNAL AUDITOR

During the financial year ended 31 December 2016, 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 deems necessary. In addition, the external auditors are invited to attend the Annual General Meeting of the Company and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and content of the annual report.

On 11 April 2017, the Audit Committee conducted an annual assessment of the suitability and independence of the External Auditors. The Audit Committee was satisfied with the performance, quality of communications, sufficiency and allocation of resources provided by Messrs. Deloitte PLT and recommended the re-appointment of Messrs. Deloitte PLT for the financial year ending 31 December 2017 for the Board's approval on 13 April 2017.

AUDIT COMMITTEE REPORT (CONT'D)

6. INTERNAL AUDIT FUNCTION

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

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

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

During the year, the Internal Audit Department concentrated on three (3) key specific as follows:

(i) Audit on procurement activities for purchase order value below than RM500,000
(ii) Surprise stock-count on THHE Fabricators Sdn Bhd's warehouse
(iii) Special review on Permas project's dispute claims – verification on purchase orders & vendor's invoices

The outcome of the audits were presented to the Audit Committee. The Management has taken and will continue to take the necessary action in addressing the concerns raised by the internal auditors. Amongst the action taken was to review and revised the limits of authority and appointing external consultant to audit and review Permas Project matters.

The Head of Internal Audit Department resigned on 30 June 2016.

After the resignation of the Head of Internal Audit, the internal audit function was carried out by the remaining Internal Audit staffs with the assistance of the Senior Management, to assist the Board to ensure that necessary steps are taken to strengthen the control environment within the Group, while considering the various proposals from external professional consulting firms to carry out the internal audit function.

Subsequently on 28 February 2017, the Board upon recommendation from the Audit Committee, approved the appointment of AFTAAS Corporate Advisory Services Sdn Bhd as professional internal audit consultant, together with in-house internal audit function to provide the internal audit services for the Company and its subsidiaries.

The total cost incurred for the Internal Audit Department in respect of the financial year ended 31 December 2016 amounted to approximately RM117,140.

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 2012 ("Code").

The following 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 Code and governance standards prescribed in the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") throughout the financial year ended 31 December 2016.

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Clear Functions of the Board and Management

The Limits of Authority ("LOA") outlines principles and authority limit of decision making by the management required for business operations. The guideline covers all type of approvals, responsibilities and accountability for the approving authority in each event of decision making.

Due to recent changes in the Company's management structure and changes in the composition of the Board, the Company is currently reviewing its current limits of authority and the management shall present the revised LOA to the Board for Board's deliberation and approval.

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

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

Clear Roles and Responsibilities

The Board amongst others assumes the following duties and responsibilities:

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

The Board has delegated certain functions to following Board Committees namely:

- The Audit Committee;
- The Nomination Committee;
- The Remuneration Committee; and
- The Risk & Investment Committee;

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

Clear Functions of the Board and Management (Cont'd)

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 majority of whom are Independent.

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

The Audit Committee assists and supports the Board in its responsibility to oversee the Group's operations and to review the adequacy and integrity of the Group's financial administration, reporting and internal control.

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

(ii) Nomination Committee

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

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

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

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

The Nomination Committee is tasked to oversee the selection process and assessment of Directors for the Board with the objective to secure 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.

All newly appointed Directors will go through a Board induction, followed by a series of the necessary training programmes, including the Mandatory Accreditation Programme mandated by the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

Composition of the Committees (Cont'd)

(ii) Nomination Committee (Cont'd)

The duties and responsibilities of the Nomination Committee are as follows:

- To recommend to the Board of Directors, candidates for all directorships to be filled by the Shareholders or the Board of Directors. In making its recommendations, the Nomination Committee should consider the following attributes of candidates:-
  (a) skills, knowledge, expertise and experience;
  (b) professionalism;
  (c) integrity;
  (d) competencies, commitment, contribution and performance; and
  (e) in the case of the candidates for the position of independent non-executive directors, the Nomination Committee would also evaluate the candidates' ability to discharge such responsibilities, functions as expected from independent non-executive directors.

- To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any director or shareholder and to take steps to ensure that women candidates are sought as part of its recruitment exercise.

- To recommend to the Board of Directors the nominees to fill the seats on Board Committees.

- To assess the effectiveness of the Board of Directors as a whole and each individual director/committee of the Board. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions would be properly documented.

- To act in line with the directions of the Board of Directors.

- To consider and examine such other matters as the Nomination Committee considers appropriate.

- To review the Board's succession planning.

- To ensure that orientation and education programmes are provided for new members of the Board and to review the Directors' continuing education programmes for existing members of the Board.

- To review the term of office and performance of the Audit Committee and each of its members annually to determine whether the Audit Committee and members have carried out their duties in accordance with their terms of reference.

The Nomination Committee held three (3) meetings during the financial year ended 31 December 2016 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;
- Recommendation of appointment of the Company's Chief Executive Officer;
- Recommendation of the appointment of new Directors;
- Reviewed independence of the Independent Directors;
- Recommendation to the Board on the retention of an Independent Director who has 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.

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

(iii) Remuneration Committee

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

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

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

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

(iv) Risk & Investment Committee

The Risk & Investment Committee comprises the following three (3) members, majority of whom are Independent Non-Executive Directors:-

Chairman	:	Dr. Ir Samad Bin Solbai (Independent Non-Executive Director)
Members	:	Roslan Bin Mohd Latif (Independent Non-Executive Director)
		Too Kok Leng (Independent Non-Executive Director)
		Nusral Bin Danir (Chief Executive Officer)
		(Resigned on 22 August 2016)

The Risk & Investment Committee reviews risk management reports periodically, detailing the adequacy and overall effectiveness of risk management, its implementation by management, and any recommendations and confirm that appropriate action has been taken.

SHAREHOLDER COMMUNICATION
STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Encourage Shareholders Participation at General Meeting

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

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

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

SHAREHOLDER COMMUNICATION
STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS (CONT'D)

Poll Voting

Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Securities, 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 the 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.

Effective Communication and Proactive Engagement

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

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

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

Code of Conduct and Implementation

The Company's Codes of Ethics are set out in the Company's Employee Handbook and available in the Company's portal, www.thhe.com.my. Provisions in the Code of Ethics ensure compliance with law and regulations and amongst others cited provision 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 give effect to reinforce the Company's commitment to its policies, values and to develop a culture of openness, accountability and integrity within the Company.

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

The Company is currently in the process of updating its Whistle-blowing policy and the policy will be tabled to the Board in due course.

Sustainability of Business

The Board promotes good corporate governance in the application of sustainability practices throughout the Company, the benefits are believed to translate into better corporate performance. A summary of these practices which demonstrates the Company's commitment to the evolving global environmental, social, governance and sustainability agenda, can be found in the List of Events/Corporate Social Responsibility of this Annual Report.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

SHAREHOLDER COMMUNICATION
STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS (CONT'D)

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.

The agenda for the Board Meetings is drawn upon consultation between Chairman, Chief Executive Officer and Company Secretary. In order to allow Directors to have appropriate review of the Board Papers, the Board Papers will be distributed to all Board Members three (3) working days prior to the Board Meeting. A comprehensive Board Papers 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 also consist of previous minutes of Board meeting, comprehensive reports from subsidiaries 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 Secretary attends Board and Board Committees 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 Charters provides guidance to the Board in the fulfilment of its roles, duties and responsibilities which are in line with the principle of good corporate governance.

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

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

STRENGTHEN COMPOSITION

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

Appointments of the Board and Re-election

The appointments of the Board are the responsibilities of the Nomination Committee, who assesses and 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 in 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 Securities.

Criteria for Board Assessment

Remuneration Policies

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

Remuneration Policies and Procedures

The Remuneration Committee recommends to the Board, the framework of the Executive Directors remuneration and the remuneration package for each Executive Director and in framing the Group's remuneration policy. The Board as a whole determines the remuneration of Non-Executive and Executive Directors with the interested Directors abstaining from discussions in respect to their remuneration.

Non-Executive Director

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

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

STRENGTHEN COMPOSITION (CONT'D)

Remuneration Policies and Procedures (Cont'd)

Executive Director

The basics 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 KPIs and independent sources on the rates of salary of similar position in other companies within the industry. The Executive Directors are not entitled to annual Directors' fees and meeting allowances. Nusral Bin Danir resigned on 22 August 2016. As of the date of this statement, there is no Executive Director on the Board of the Company.

The details of the remuneration of the Directors who served during the financial year ended 31 December 2016 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	11,000.00	80,000.00	91,000.00
2	Dato' Indera Dr. Md Yusop Bin Omar	11,500.00	60,000.00	71,500.00
3	Dato' Ghazali Bin Awang	11,500.00	60,000.00	71,500.00
4	Dr. Ir. Samad Bin Solbai	16,500.00	60,000.00	76,500.00
5	Roslan Bin Mohd Latif	13,000.00	60,000.00	73,000.00
6	Too Kok Leng	15,500.00	60,000.00	75,500.00
7	Datuk Rozaida Binti Omar (Appointed on 4 February 2016)	8,000.00	54,754.10	62,754.10

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	11,000.00	80,000.00	91,000.00
2	Dato' Indera Dr. Md Yusop Bin Omar	THHE	11,500.00	60,000.00	71,500.00
3	Dato' Ghazali Bin Awang	THHE	11,500.00	60,000.00	71,500.00
4	Dr. Ir. Samad Bin Solbai	THHE THHE Fab (Chairman)	16,500.00 2,250.00	60,000.00 40,000.00	76,500.00 42,250.00
6	Roslan Bin Mohd Latif	THHE	13,000.00	60,000.00	73,000.00
7	Too Kok Leng	THHE THHE Fab	15,500.00 1,500.00	60,000.00 30,000.00	75,500.00 31,500.00
8	Datuk Rozaida Binti Omar (Appointed on 4 February 2016)	THHE	8,000.00	54,754.10	62,754.10

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

STRENGTHEN COMPOSITION (CONT'D)

Executive Director (Cont'd)

Executive Directors
Received from The Company
(Executive Director does not benefit from any remuneration from other subsidiaries within the Group)

NAME OF DIRECTORS	ENTITY	TOTAL REMUNERATION AS CEO				
		TOTAL BASIC PAY (RM)	TOTAL FIXED ALLOWANCE (RM)	TOTAL BONUS (RM)	TOTAL EPF E'YER'S SHARE (RM)	GRAND TOTAL
Nusral Bin Danir (Resigned as Chief Executive Officer on 22 August 2016.	THHE	501,129.03	78,548.39	-	71,662.00	**651,339.42**

The numbers 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-RM200,000	-	-
RM200,001-RM400,000	-	-
RM400,001-RM600,000	-	-
RM600,000-RM800,000	1	-
RM800,000-RM1,000,000	-	-

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

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-RM200,000	-	2
RM200,001-RM400,000	-	-
RM400,001-RM600,000	-	-
RM600,000-RM800,000	1	-
RM800,000-RM1,000,000	-	-

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

REINFORCE INDEPENDENCE

Annual Assessment of Independence

The Board comprises highly reputable and professional persons of calibre, 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.

In line with Recommendation 3.1 of the Code whereby the Board is required to develop a criteria to assess independence of directors, the Board has adopted the same criteria used in the definition of "independent directors" prescribed by the MMLR of Bursa Securities.

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

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

Too Kok Leng, the Independent Non-Executive Director of the Company who has served on the Board in an independent capacity for more than nine (9) years. The Nomination Committee and the Board have determined at the annual assessment carried out that Too Kok Leng remains objective and independent in expressing his views and in participating in deliberations and decision making of the Board and Board Committees. Too Kok Leng also has thorough understanding of the business of the Group. The length of his services on the Board does not in any way interfere with his exercise of independent judgment and ability to act in the best interests of the Company.

Too Kok Leng as a member of the Nomination Committee has abstained from any deliberations or voting pertaining to his own independence at the Nomination Committee and Board levels.

Shareholders' Approval for the Retention of Independent Non-Executive Director

The Board is satisfied with the skills, contribution and independent judgment that Too Kok Leng brings to the Board. In view thereof, the Board recommends and supports his retention as the Independent Non-Executive Director of the Company which will be tabled for shareholders' approval at the forthcoming Thirteenth Annual General Meeting of the Company.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

REINFORCE INDEPENDENCE (CONT'D)

Separation of Positions of the Chairman and Managing Director

The roles of the Non-Independent Non-Executive Chairman and Chief Executive Officer position are distinct and separate to ensure that there is a balance of power and authority. Datuk Seri Johan Bin Abdullah is the Non-Independent Non-Executive Chairman.

The Chairman is responsible for leadership, effectiveness and governance of the Board. Suhaimi Badrul Jamil is the Chief Executive Officer cum Chief Financial 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 Securities, 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 Securities. Their presence provides a check and balance in the discharge of the Board function. 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.

Notwithstanding that the Board does not comprise majority Independent Directors where the Chairman is not an Independent Director as recommended in the Code, 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.

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 Recommendation 2.2 of the Code 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.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

REINFORCE INDEPENDENCE (CONT'D)

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 financial year ended 31 December 2016 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 individual of high calibre, credibility and with necessary skills and qualifications to enable the Board to discharge its responsibility effectively.

FOSTER COMMITMENT

Time Commitment

Board meetings are held quarterly with additional meetings held when necessary. The Board met eleven (11) times during the financial year ended 31 December 2016. 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 with all the relevant information and explanations required for an informed decision to be made.

Details of the attendance of each Director during the financial year ended 31 December 2016 are as follows:-

Director	Designation	Meeting Attendance	%
Datuk Seri Johan Bin Abdullah	Non-Independent Non-Executive Director / Chairman	11/11	100
Dato' Ghazali Bin Awang	Non-Independent Non-Executive Director	10/11	91
Nusral Bin Danir (Resigned on 22 August 2016)	Chief Executive Officer	8/8	100
Too Kok Leng	Independent Non-Executive Director	10/11	91
Dr. Ir. Samad Bin Solbai	Independent Non-Executive Director	11/11	100
Dato' Indera Dr. Md Yusop Bin Omar	Independent Non-Executive Director	10/11	91
Roslan Bin Mohd Latif	Independent Non-Executive Director	11/11	100
Datuk Rozaida Binti Omar (Appointed on 4 February 2016)	Non-Independent Non-Executive Director	8/11	73

Training

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

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

FOSTER COMMITMENT (CONT'D)

Training (Cont'd)

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

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

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

For the financial year ended 31 December 2016, the Directors attended these training programmes:-

- Seminar on Economic Planning in Malaysia – Past, Present and Way Forward by Prof Dr Jomo Kwame Sundaram
- Persidangan Pengarah Negeri & Taklimat Pelan Perniagaan TH
- Seminar Duta Integriti TH 2016
- TH Media Training Programme
- TH Properties Group's In House Programme on the Updates on the Companies Act 2016
- MFRS9 Briefing by PricewaterhouseCoopers
- Bengkel Kad Skor Risiko Korporat TH
- Launch of the AGM Guide & CG Breakfast Series
- MFRS9 Financial Instrument
- MIA Conference

UPHOLD INTEGRITY IN FINANCIAL REPORTING

Compliance with Applicable Financial Reporting Standards

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

The Audit Committee assists the Board in scrutinising information for disclosure to ensure accuracy, adequacy and completeness. The composition, summary of activities and summary of terms of reference of the Audit Committee can be found in the Audit Committee Report on pages 16 to 19 of the Annual Report.

The Statement of Directors' Responsibility in respect of the Audited Financial Statements pursuant to Paragraph 15.26(a) of the MMLR of Bursa Securities is set out on page 34 of this Annual Report.

Assessment of Suitability and Independence of External Auditors

The Audit Committee undertakes an annual assessment of the suitability and independence of the external auditors. The Audit Committee, having 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.

RECOGNISE AND MANAGE RISKS

Sound Framework to Manage Risks

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

Internal Audit Function

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

The overview of the state of internal controls and risk management within the Group is presented in the Statement on Risk Management and Internal Control on page 36 of this Annual Report.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policy

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

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

Leverage on Information Technology for Effective Dissemination of Information

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

Statement of Compliance

The Principles and Recommendations of the Code have been considered in making this Statement.

The Board has taken reasonable steps to ensure the Group has implemented as far as possible the governance standards and recommendations of the Code. The Board considers that the recommendations of the Code have been substantially implemented. Nevertheless, there are still areas for further enhancement and efforts will continue in this regard.

STATEMENT OF DIRECTORS' RESPONSIBILITY

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

The Directors are required to take reasonable steps in ensuring that the consolidated financial statements give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year ended 31 December 2016.

The financial statements of the Company and the Group for the financial year in review are set out on pages 39 to 121 of this Annual Report.

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

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

ADDITIONAL COMPLIANCE INFORMATION

1. AUDIT AND NON-AUDIT SERVICES

The amount of audit and non audit fees paid and payable to the External Auditors by the Group and the Company during the financial year ended 31 December 2016 as are below:

	Group RM	Company RM
Audit services rendered	250,000.00	100,000.00
Non Audit services rendered		
- Review of the Statement on Risk Management and Internal Control	5,000.00	5,000.00
- Taxation fee	11,000.00	-

2. MATERIAL CONTRACTS INVOLVING DIRECTORS, CHIEF EXECUTIVE OFFICER AND MAJOR SHAREHOLDERS'

There was no material contract entered into by the Company or its subsidiaries involving the interest of the Directors, Chief Executive who is not a director, major Shareholders' in the financial year ended 31 December 2016.

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 financial year ended 31 December 2016 other than those disclosed in Note 31 to the Financial Statements. Those recurrent related party transaction did not exceed the threshold prescribed under Paragraph 10.09(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

4. STATUS OF UTILISATION OF PROCEEDS

There were no corporate exercise undertaken by the Company during the financial year ended 31 December 2016.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("the Board") of TH Heavy Engineering Berhad is committed to maintaining a sound risk management framework and system of internal control in the 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 year ended 31 December 2016 which is made pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad 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 maintain 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 Management to identify and assess principal risks faced by the Group and thereafter design, implement and monitor appropriate internal control to manage risks. 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 and internal control systems are reasonably effective and adequate within the Group.

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

INTERNAL CONTROL SYSTEM

Internal Audit Function

The Internal Audit Department ("IAD") of TH Heavy Engineering Berhad acts as an independent appraisal function to assist 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. IAD 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. The purpose, authority and responsibility of IAD as well as the nature of assurance and consultancy activities provided to the Group are clearly express in the Internal Audit Charter as approved by the Audit Committee. In order to preserve its independence, IAD directly reports to the Audit Committee as part of its functions and also provide updates to the Chief Executive Officer ("CEO") on administrative matters.

After the resignation of Head of Internal Audit on 30 June 2016, the Internal Audit Function was carried out by the remaining Internal Audit staffs with the assistance of Senior Management to assist the Board to ensure that necessary steps are taken to strengthen the control environment within the Group, while considering the various proposals from external professional consulting firms to carry out the internal audit function.

The Board upon the recommendation from the Audit Committee on 28 February 2017, approved the appointment of AFTAAS Corporate Advisory Services Sdn Bhd together with in-house internal audit function to provide the internal audit services for the Company and its subsidiaries.

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

As an integral part of the management process, IAD furnished the Management with independent analysis, appraisals, counsel and information on the activities under review. 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 to statutory requirements, laws, Group policies and guidelines.

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.

With ERM Framework in place, Management will report to the Risk Management Executive Committee ("RMEC"), Risk & Investment Committee ("RIC") and the Board on all major business risks faced by the Group and the adequacy of internal controls to manage risks until the resignation of Corporate Risk Manager in May 2016. Members of the RMEC mainly comprise of top level management personnel including the Chief Executive Officer, Chief Financial Officer, General Manager of Legal and Secretarial Services and selected Independent Non-Executive Directors. 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.

The key aspects of the risk management process are:-

- Risk Owners and Risk Champions which mainly comprise of 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;

- RMEC will identify and communicate to RIC 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 action has 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 Decisions

All major 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.

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

OTHER KEY ELEMENTS OF INTERNAL CONTROL

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 exercise, and any other key matters are presented to the Board for deliberation and approval.

Management Systems, Policies and Procedures

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

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 when necessary. Briefings, training 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 Officer 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 THHE Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

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 year ended 31 December 2016. Their review was performed in accordance with Recommended Practice Guide (RPG) 5 (Revised) issued by Malaysian Institute of Accountant.

RPG 5 (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 2016

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 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and provision of management services, whilst the principal activities of the subsidiaries, associate and joint venture are as stated in Notes 7, 8 and 9 to the financial statements, respectively.

There has been no significant change in the nature of these activities during the financial year.

RESULTS OF OPERATIONS

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

	Group RM	Company RM
Loss for the year attributable to:		
Owners of the Company	(365,813,574)	(51,481,321)
Non-controlling interests	(73,826,940)	-
	(439,640,514)	(51,481,321)

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 other than the impairment loss amounted to RM259,106,338 on property, plant and equipment as disclosed in Note 5 to the Financial Statements.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclose 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 OF THE COMPANY

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

Datuk Seri Johan Bin Abdullah (Chairman)
Dato' Ghazali Bin Awang
Datuk Rozaida Binti Omar
Dato' Indera Dr. Md Yusop Bin Omar
Roslan Bin Mohd Latif
Dr. Ir. Samad Bin Solbai
Too Kok Leng
Nusral Bin Danir (resigned on 22 August 2016)

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 in related companies during and at the end of the financial year. Under the Company's Articles of Association, the Directors are not required to hold any share in the Company.

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 benefits (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in Note 22 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, except as disclosed in Note 31 to the Financial Statements.

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

There were no shares issued during the financial year.

There were no debentures issued during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties 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.

OTHER STATUTORY INFORMATION

Before the statements of profit or loss and other comprehensive income and the statements of financial position 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 all known bad debts had been written off and 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 of 31 December 2016, the current liabilities of the Group have exceeded the current assets by RM733,059,086 as a result of losses incurred during the current and prior financial years. The current liabilities of the Group arose mainly from borrowings totalling RM319,407,569 which comprise mainly Sukuk of RM189,178,641, bridging loan of RM60,507,296, short term loans of RM9,500,762 and revolving credits facilities of RM60,036,275 as mentioned in Note 17 to the financial statements. However, the financial statements of the Group have been prepared on a going-concern basis.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016
(CONT'D)

OTHER STATUTORY INFORMATION (CONT'D)

The Company and certain of its subsidiaries have applied and were granted a restraining order by the High Court of Malaya on 23 February 2017 for a period of 90 days from 23 February 2017 to 22 May 2017 pursuant to Section 366 and 368 of the Companies Act, 2016. The Group and the Company are currently in the process of formulating a scheme of arrangement to regularise its affairs.

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 render the amount of bad debts written off or 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, or

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

No contingent 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 32(c) 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

TOO KOK LENG

Kuala Lumpur,
28 April 2017

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 2016, 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 46 to 119.

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, there are multiple uncertainties that may cast significant doubt on the ability of the Group and of the Company to continue as going concerns. Accordingly, 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. For the financial year ended 31 December 2016, the Group and the Company incurred net losses of RM439,640,514 and RM51,481,321 respectively. As at 31 December 2016, the current liabilities of the Group have exceeded its current assets by RM733,059,086 as a result of losses incurred during the current and prior financial years. The current liabilities of the Group as at 31 December 2016 arose mainly from borrowings, and trade and other payables amounting to RM319,407,569 and RM542,200,092 respectively.

   As disclosed in Note 32(c) to the financial statements, subsequent to the financial year end, on 23 February 2017, the Company and certain of its subsidiary companies, namely THHE Fabricators Sdn Bhd, THHE Offshore Services Sdn Bhd and O&G Works Sdn Bhd (hereinafter referred to as the "Scheme Companies") have been granted a Restraining Order by the High Court of Malaya for a duration of 3 months from 23 February 2017 to 22 May 2017 pursuant to Section 366 and 368 of the Companies Act, 2016 to restrain all legal actions and proceedings against the Scheme Companies in order to facilitate the formulation and implementation of a scheme of arrangement to regularise the Group's and the Company's affairs. As of the date of this report, the Group and the Company have not yet finalised the said scheme of arrangement.

2. As disclosed in Note 17 to the financial statements, the Group has various borrowings which are due within the next 12 months totalling RM319,407,569. During the financial year, the Group had rescheduled and restructured certain of its borrowings which have become overdue. As at 31 December 2016, the Group did not have any readily available source of funds for the repayment of its current borrowings. In addition, the Group has also not complied with certain of its borrowings' financial covenants. Subsequent to the year end, the Group and the Company are continuing to negotiate with their bankers and lenders for deferment, refinancing or restructuring of these borrowings.

3. As disclosed in Note 29 to the financial statements, 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 Company and certain of its subsidiaries. Pursuant to the granting of Restraining Order to the Scheme Companies, the winding up petitions served to the Scheme Companies have been restrained pending the outcome of a scheme of arrangement. As at the date of this report, the Group's solicitors are addressing this matter as part of its scheme of arrangement.

4. The Group has a contract with a customer to deliver a Floating, Production, Storage, and Offloading ("FPSO") vessel by a certain due date. As disclosed in Note 18 to the financial statements, included in trade and other payables of the Group is an amount of RM312,985,296 as at 31 December 2016 payable to various creditors in relation to the conversion works of the Group's FPSO vessel. Due to the delay in settling the payment to these creditors and also due to the Group's financial constrain, the conversion work on the FPSO vessel has been suspended during the financial year. As at 31 December 2016, the Group did not have any readily available sources of financing to enable the Group to complete the conversion work of the said FPSO. The inability to deliver the FPSO vessel to the customer might cause a default by virtue of which the customer may claim liquidated ascertained damages from the Group as disclosed in Note 30 to the financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TH HEAVY ENGINEERING BERHAD
(Incorporated in Malaysia)
(CONT'D)

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

Basis for Disclaimer of Opinion (Cont'd)

5. The Group has no fabrication project which is in progress as at year end. Accordingly, the Group's fabrication assets of RM213,917,244 have become non-income generating, other than earning some incidental income. Although as disclosed in Note 32(b) to the financial statements, subsequent to the end of the financial year, the Group has diversified its business activities into shipbuilding works by securing a ship building contract, we are unable to obtain evidence to satisfy ourselves as to the future profitability and sustainability of the Group and of its new businesses so as to enable it to realise its assets and settle its liabilities in the normal course of business.

   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. As mentioned in Note 2 to the financial statements, the financial statements of the Group and of the Company have been prepared on a going-concern basis.

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

   i the formulation and successful implementation by the Scheme Companies of the scheme of arrangement;
   ii. the ability of the Group and of the Company to resolve the winding-up petitions from certain of its creditors;
   iii. the availability of sufficient funding with term acceptable to the Group in order to complete and deliver the FPSO vessel to its customer;
   iv. the ability of the Group and of the Company to obtain continuing financial and other supports from the shareholders, bankers, lenders and creditors; and
   v. the ability of the Group and of the Company to embark on profitable business activities.

6. During the financial year, the Group and the Company have been served with various legal notices by their creditors due mainly to the delay in settling the outstanding amount as well as dispute with its creditors as disclosed in Note 18 to the financial statements. We were unable to ascertain the completeness of the recorded liabilities and related contingent liabilities arising therefrom.

7. As disclosed in Note 11 to the financial statements, included in the amount due from contract customers as at 31 December 2016 is an amount of RM63,836,014 which represents uncertified claims for costs incurred on 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. However, the Group is of the opinion that the said uncertified claims are fully recoverable. As the said claims have been long outstanding, we are unable to ascertain the full recovery of the said amount due from the contract customer.

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, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TH HEAVY ENGINEERING BERHAD
(Incorporated in Malaysia)
(CONT'D)

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

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.

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.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 (the "Act") in Malaysia, we also report that:

(a) in our opinion the accounting and other records and the registers required by the Act, to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provision of the Act;
(b) we have considered the unaudited accounts of Ramunia International Services Ltd, as disclosed in Note 7 to the financial statements;
(c) because of the significance of the matters described in the Basis for Disclaimer of Opinion section, we are unable to report whether the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in a form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group; and
(d) the reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act except for the audit reports on certain subsidiaries that contained a disclaimer of opinion as disclosed in Note 7 to the financial statements.

Other Reporting Responsibilities

The supplementary information set out on page 120 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits and Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad.

Because of the significant of the matters described in the Basis for Disclaimer of Opinion paragraphs, we are unable to report as to whether the supplementary information is prepared in all material aspects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)
28 April 2017

KAMARUL BAHARIN BIN TENGKU ZAINAL ABIDIN
Partner - 2903/11/17 (J)
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	5	960,946,704	995,572,745	1,649,806	2,446,144
Intangible assets	6	455,217	481,269	-	-
Investments in subsidiaries	7	-	-	228,366,700	148,636,700
Investment in associate	8	367,500	139,306,050	-	98,926,000
Investment in joint venture	9	-	-	-	-
Deferred tax asset	16	1,875,978	-	-	-
Total Non-Current Assets		963,645,399	1,135,360,064	230,016,506	250,008,844
Current Assets					
Inventories	10	7,481,081	9,706,499	-	-
Trade and other receivables	11	94,564,261	207,707,772	749,139,701	578,603,405
Tax recoverable		791,764	445,702	791,764	445,702
Prepaid expenses		492,037	1,797,753	62,578	1,026,872
Cash, bank balances and deposits	12	33,551,437	78,119,224	1,220,957	26,964,788
Total Current Assets		136,880,580	297,776,950	751,215,000	607,040,767
TOTAL ASSETS		1,100,525,979	1,433,137,014	981,231,506	857,049,611
EQUITY AND LIABILITIES					
Capital and Reserves					
Ordinary shares	13	280,269,297	280,269,297	280,269,297	280,269,297
Irredeemable Convertible Preference Shares-i	14	275,000,000	275,000,000	275,000,000	275,000,000
Reserves	15	(334,057,101)	81,465,789	63,817,828	115,299,149
Total equity attributable to owners of the Company		221,212,196	636,735,086	619,087,125	670,568,446
Non-controlling Interests	7.1	(46,243,297)	27,583,643	-	-
Total Equity		174,968,899	664,318,729	619,087,125	670,568,446
Non-Current Liabilities					
Deferred tax liabilities	16	-	214,049	-	-
Borrowings	17	55,617,414	65,780,731	324,274	348,483
Total Non-Current Liabilities		55,617,414	65,994,780	324,274	348,483
Current Liabilities					
Trade and other payables	18	550,532,097	361,260,158	301,196,905	125,891,910
Borrowings	17	319,407,569	341,563,347	60,623,202	60,240,772
Total Current Liabilities		869,939,666	702,823,505	361,820,107	186,132,682
Total Liabilities		925,557,080	768,818,285	362,144,381	186,481,165
TOTAL EQUITY AND LIABILITIES		1,100,525,979	1,433,137,014	981,231,506	857,049,611

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 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Revenue	19	17,775,317	100,500,614	9,722,975	8,965,109
Cost of sales		(36,307,912)	(106,852,104)	-	-
Gross (loss)/profit		(18,532,595)	(6,351,490)	9,722,975	8,965,109
Other income		6,549,452	49,209,202	2,423,255	3,552,064
Administrative expenses		(47,169,112)	(53,709,462)	(10,752,619)	(13,152,633)
Other expenses		(357,688,187)	(31,997,539)	(52,363,114)	(32,280,677)
Results from operating activities		(416,840,442)	(42,849,289)	(50,969,503)	(32,916,137)
Finance costs	20	(22,038,664)	(9,525,805)	(511,818)	(121,385)
Share of loss of equity-accounted associate, net of tax	8	(13,136,217)	(881,499)	-	-
Share of loss of equity-accounted joint venture, net of tax	9	-	(1,364,935)	-	-
Loss before tax	21	(452,015,323)	(54,621,528)	(51,481,321)	(33,037,522)
Tax credit	23	12,374,809	297,664	-	297,664
Loss for the year		(439,640,514)	(54,323,864)	(51,481,321)	(32,739,858)
Other comprehensive income/(loss), net of tax					
Items that may be reclassified subsequently to profit or loss					
Currency translation differences		3,256,100	(136,833)	-	-
Share of currency translation differences of equity-accounted associate	8	-	16,014,111	-	-
Total other comprehensive income for the year, net of tax		3,256,100	15,877,278	-	-
Total comprehensive loss for the year		(436,384,414)	(38,446,586)	(51,481,321)	(32,739,858)
(Loss)/Profit attributable to:					
Owners of the Company		(365,813,574)	(45,335,111)	(51,481,321)	(32,739,858)
Non-controlling interests	7.1	(73,826,940)	(8,988,753)	-	-
Loss for the year		(439,640,514)	(54,323,864)	(51,481,321)	(32,739,858)
Total comprehensive loss attributable to:					
Owners of the Company		(362,557,474)	(29,457,833)	(51,481,321)	(32,739,858)
Non-controlling interests		(73,826,940)	(8,988,753)	-	-
Total comprehensive loss for the year		(436,384,414)	(38,446,586)	(51,481,321)	(32,739,858)
Basic loss per ordinary share (sen)	24	(32.63)	(4.05)		
Diluted loss per ordinary share (sen)	24	(16.47)	(3.14)		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

Group	Ordinary shares RM Note 13	Irredeemable Convertible Preference Shares-i RM Note 14	Share premium RM Note 15	Revaluation reserve RM Note 15	Currency translation reserve RM Note 15	Accumulated losses RM Note 15	Attributable to equity holders of the Company RM	Non-controlling interests RM	Total equity RM
At 1 January 2015	277,769,297	-	94,511,489	28,317,138	4,491,958	(16,914,134)	388,175,748	15,572,396	403,748,144
Other comprehensive income									
- Foreign currency translation differences of subsidiary	-	-	-	-	(136,833)	-	(136,833)	-	(136,833)
- Foreign currency translation differences of associate	-	-	-	-	16,014,111	-	16,014,111	-	16,014,111
- Loss for the year	-	-	-	-	-	(45,335,111)	(45,335,111)	(8,988,753)	(54,323,864)
Total comprehensive income/(loss) for the year	-	-	-	-	15,877,278	(45,335,111)	(29,457,833)	(8,988,753)	(38,446,586)
Contributions by owners of the Company									
- Issuance of shares	2,500,000	275,000,000	692,601	-	-	-	278,192,601	-	278,192,601
- Share issuance expenses	-	-	(175,430)	-	-	-	(175,430)	-	(175,430)
	2,500,000	275,000,000	517,171	-	-	-	278,017,171	-	278,017,171
Changes in ownership interests in a subsidiary (Note 7)	-	-	-	-	-	-	-	21,000,000	21,000,000
Total transactions with owners of the Company	2,500,000	275,000,000	517,171	-	-	-	278,017,171	-	278,017,171
At 31 December 2015	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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONT'D)

Group	Ordinary shares RM Note 13	Irredeemable Convertible Preference Shares-i RM Note 14	Share premium RM Note 15	Revaluation reserve RM Note 15	Currency translation reserve RM Note 15	Accumulated losses RM Note 15	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									
- 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 2016
(CONT'D)

Company	Ordinary shares RM Note 13	Irredeemable convertible preference shares-i RM Note 14	Non distributable reserve - Share premium RM Note 15	Distributable reserve - Retained profits/ (Accumulated losses) RM Note 15	Total equity RM
At 1 January 2015	277,769,297	-	94,511,489	53,010,347	425,291,133
Total comprehensive income for the year	-	-	-	(32,739,858)	(32,739,858)
Contributions by owners of the Company					
Issuance of shares	2,500,000	275,000,000	692,601	-	278,192,601
Share issuance expenses	-	-	(175,430)	-	(175,430)
	2,500,000	275,000,000	517,171	-	278,017,171
At 31 December 2015/ 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	280,269,297	275,000,000	95,028,660	(31,210,832)	619,087,125

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

STATEMENTS OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES					
(Loss)/Profit before tax		(452,015,323)	(54,621,528)	(51,481,321)	(33,037,522)
Adjustments for:					
Amortisation of intangible assets		26,052	45,472	-	-
Impairment loss on trade receivables		13,237,142	650,000	-	-
Impairment loss on amount due from contract customers		35,428,683	-	-	-
Allowance for doubtful debt no longer required		-	(2,000,000)	-	-
Depreciation of property, plant and equipment		17,836,291	15,906,776	804,528	666,059
Impairment loss on property, plant and equipment		259,106,338	-	-	-
Property, plant and equipment written off		939,222	-	-	-
Gain on disposal of property, plant and equipment		-	(139,977)	-	(139,977)
Finance costs		22,835,414	11,038,251	511,818	121,385
Finance income		(748,637)	(1,335,674)	(241,098)	(115,544)
Inventories written off		2,710,737	7,560	-	-
Allowance for inventory obsolescence		158,002	250,604	-	-
Unrealised (gain)/loss on foreign exchange (net)		11,164,811	(43,756,508)	23,188,016	2,452,444
Share of loss/(profit) of associate		13,136,217	881,499	-	-
Share of loss of joint venture		-	1,364,935	-	-
Loss on disposal of associates		35,793,685	-	29,055,921	-
Impairment loss on investment in joint venture		-	-	-	2,500,000
Operating (Loss)/Profit Before changes in Working Capital		(40,391,366)	(71,708,590)	1,837,864	(27,553,155)
Changes in working capital:					
Inventories		(643,321)	(3,647,291)	-	-
Trade and other receivables		37,933,165	104,424,059	(171,431,923)	2,312,235
Trade and other payables		86,142,209	(105,755,466)	152,116,979	113,310,746
Net Cash Generated From/(Used In) Operations		83,040,687	(76,687,288)	(17,477,080)	88,069,826
Tax paid		(346,253)	(148,038)	(346,062)	(148,038)
Net Cash Generated From/(Used In) Operating Activities		82,694,434	(76,835,326)	(17,823,142)	87,921,788
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Interest received		748,637	1,335,674	241,098	115,544
Acquisition of property, plant and equipment	(i)	-	(236,159,717)	(8,190)	(615,500)
Additional investments in subsidiaries		-	-	(8,000,000)	-
Acquisition of investment in joint venture		-	(650,000)	-	(650,000)
Increase in advances to subsidiaries		-	-	-	(417,485,210)
Proceeds from disposal of property, plant and equipment		-	364,450	-	364,450
Additional investment in associate		(367,500)	-	-	-
Net Cash Generated From/(Used In) Investing Activities		381,137	(235,109,593)	(7,767,092)	(418,270,716)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONT'D)

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES					
Interests paid	20	(22,835,414)	(36,682,196)	(511,818)	(121,385)
Proceeds from issuance of ICPS-i	14	-	275,000,000	-	275,000,000
Proceeds from issuance of shares	13	-	3,300,000	-	3,300,000
(Repayment of)/Proceeds from borrowings, net		(31,499,496)	84,537,525	507,296	60,000,000
Repayment of finance lease liabilities		(202,620)	(540,950)	(149,075)	(530,120)
Payment of ICPS-i and share expenses	15	-	(282,829)	-	(282,829)
Decrease /(Increase) in deposits placed with licensed bank		17,919,580	(15,410,743)	2,486,953	(2,025,052)
Net Cash (Used In)/From Financing Activities		(36,617,950)	309,920,807	2,333,356	335,340,614
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		46,457,621	(2,024,112)	(23,256,878)	4,991,686
Effect of translation of foreign currency		(73,105,828)	(44,679,062)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		31,523,707	78,226,881	24,442,788	19,451,102
CASH AND CASH EQUIVALENTS AT END OF YEAR	(ii)	4,875,500	31,523,707	1,185,910	24,442,788

(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 RM158,971,781 (2015: RM378,404,626) and RM8,190 (2015: RM615,500) which were satisfied as follows:

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Total additions		158,971,781	378,404,626	8,190	615,500
Less:					
Interest capitalised	5.4	(2,980,622)	(25,643,945)	-	-
Payables	18	(155,991,159)	(116,462,391)	-	-
Finance lease payables		-	(138,573)	-	-
Cash paid		-	236,159,717	8,190	615,500

STATEMENTS OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONT'D)

(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	2016 RM	2015 RM	2016 RM	2015 RM
Cash and bank balances	12	4,875,500	31,523,707	1,185,910	24,442,788
Deposits placed with licensed banks	12	28,675,937	46,595,517	35,047	2,522,000
		33,551,437	78,119,224	1,220,957	26,964,788
Less:					
Deposits pledged with licensed banks	12	(28,675,937)	(46,595,517)	(35,047)	(2,522,000)
		4,875,500	31,523,707	1,185,910	24,442,788

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, associate and joint venture are as stated in Notes 7, 8 and 9 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 2016 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 and a joint venture.

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 28 April 2017.

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, 1965 in Malaysia.

As of 31 December 2016, the current liabilities of the Group have exceeded the current assets by RM733,059,086 as a result of losses incurred during the current and prior financial years. The current liabilities of the Group as at 31 December 2016 arose mainly from borrowings totalling RM319,407,569, which comprise mainly Sukuk of RM189,178,641, bridging loan of RM60,507,296, short term loans of RM9,500,762 and revolving credits facilities of RM60,036,275 as mentioned in Note 17. However, the financial statements of the Group have been prepared on a going-concern basis.

The Company and certain of its subsidiaries have applied and were granted a restraining order by the High Court of Malaya on 23 February 2017 for a period of 90 days from 23 February 2017 to 22 May 2017 pursuant to Section 366 and 368 of the Companies Act, 2016. The Group and the Company is currently in the process of formulating a scheme of arrangement to regularise its affairs.

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 2016.

Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRSs Annual Improvements to MFRS 2012-2014 Cycle	

The adoption of these amendments to MFRS have no material impact on the disclosure or on the amount recognised in the financial statements of the Group and of the Company.

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:

Amendments to MFRS 7	Disclosure Initiative[1]
Amendments to MFRS 12	Recognition of Deferred Tax Assets for Unrelated Losses[1]
Amendments to MFRSs Annual Improvements to MFRS 2014-2016 Cycle[1]	
Amendments to MFRS 9 and MFRS 7	Mandatory Effective Date of MFRS 9 (IFRS 9 as issued by IASB in November 2009 and October 2010) and Transition Disclosure[2]
MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2015)[2]
MFRS 15	Revenue from Contracts with Customers[2]

[1] Effective for annual periods beginning on or after 1 January 2017.
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Accounting (Cont'd)

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 entirely, 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.

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) Joint arrangements

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

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.

- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of consolidation (Cont'd)

(v) 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.

(vi) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue recognition (Cont'd)

(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.

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 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

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Intangible assets (Cont'd)

(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:

	2016	2015
• 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

Employee benefits

(i) Short-term employee benefits

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

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

(ii) 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").

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income tax (Cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

Effective Interest Method (Cont'd)

(i) Financial Assets at FVTPL (cont'd)

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

Effective Interest Method (Cont'd)

(iii) AFS Financial Assets (Cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

Effective Interest Method (Cont'd)

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

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

(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:

Construction contracts

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

Construction contract accounting 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.

(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.

(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) 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.

(iii) 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.

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

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

(iv) 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.

During the year, the Group recognised an impairment loss of RM259,106,338 on capital work in progress due to suspension of the conversion works on FPSO Vessel (refer Note 5) . The recoverable amount has been determined based on its fair value less cost to sell. The said fair value was determined by an independent firm of professional valuer.

(v) Impairment of investment in subsidiaries

The Company assesses whether there is any indication that investment in subsidiaries may be impaired at the end of each reporting period. If indicators are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the assets and the assets' estimated recoverable amount.

The Company determines whether investments are impaired following certain indications of impairment such as, amongst others, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes and fundamentals. Depending on their nature and the industries in which the investment relate to, judgements are made by management to select suitable methods of valuation such as the discounted cash flow method.

Once a suitable method of valuation is selected, management makes certain assumptions concerning the future to estimate the recoverable amount of the investment. These assumptions and other key sources of estimation uncertainty at the end of the reporting period, may have a significant risk of causing a material adjustment to the carrying amounts of the investments within the next financial year.

Depending on the specific individual investment, assumptions made by management may include amongst others, assumptions on expected cash flows, revenue growth, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks and expected future outcome of certain past events.

5. PROPERTY, PLANT AND EQUIPMENT

Group	Long-term leasehold land and buildings RM	Yard infra-structure 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 2015	101,671,500	32,298,732	56,189,440	2,756,860	1,018,594	1,688,205	9,023,594	407,414,092	612,061,017
Additions	-	210,995	603,717	69,972	615,500	178,543	3,960	376,721,939	378,404,626
Disposal	-	-	-	-	-	-	(425,312)	-	(425,312)
Reclassification	-	-	18,682,494	-	-	-	359,896	(19,042,390)	-
Effect of movement in exchange rate	-	-	-	-	-	-	-	46,942,695	46,942,695
At 31 December 2015/ 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	(11,857,981)	-	-	-	-	-	-	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	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

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

Group	Long-term leasehold land and buildings RM	Yard infra-structure 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 2015	4,322,793	5,543,357	8,271,223	1,060,880	420,754	744,504	5,340,833	-	25,704,344
Charge for the year	2,194,517	4,976,660	6,218,495	302,007	127,505	289,459	1,798,133	-	15,906,776
Disposal	-	-	-	-	-	-	(200,839)	-	(200,839)
At 31 December 2015/ 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	-	-	21,120,687	1,683,438	957,868	1,333,767	8,025,781	-	33,121,541
Accumulated Impairment loss									
At 31 December 2015/ 1 January 2016	-	-	-	-	-	-	-	-	-
Addition	-	-	-	-	-	-	-	259,106,338	259,106,338
At 31 December 2016	-	-	-	-	-	-	-	259,106,338	259,106,338
Carrying Amounts									
At 31 December 2015	95,154,190	21,989,710	61,023,525	1,463,945	1,085,835	856,908	1,988,704	812,009,929	995,572,745
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

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 2015	1,258,682	1,018,594	1,045,894	941,192	4,264,362
Additions	-	615,500	-	-	615,500
Disposal	-	-	-	(425,312)	(425,312)
At 31 December 2015/ 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	1,266,872	1,634,094	1,045,894	515,880	4,462,740
Accumulated Depreciation					
At 1 January 2015	431,345	420,754	322,043	369,044	1,543,186
Charge for the year	125,903	127,505	181,966	230,685	666,059
Disposal	-	-	-	(200,839)	(200,839)
At 31 December 2015/ 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	685,323	957,868	685,975	483,768	2,812,934
Carrying Amounts					
At 31 December 2015	701,434	1,085,835	541,885	116,990	2,446,144
At 31 December 2016	581,549	676,226	359,919	32,112	1,649,806

5.1 Security

As of 31 December 2016, the capital work-in-progress with a carrying value of RM707,346,398 (2015: RM774,201,338) is charged to a local bank for the Sukuk facilities granted to a subsidiary (Note 17.2).

As of 31 December 2016, the long-term leasehold land and buildings with a carrying amount of RM138,300,000 (2015: RM95,154,190) are charged to a local bank for the Sukuk facilities granted to a subsidiary (Note 17.2).

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 RM62,154,301 (2015: RM62,808,360) and RM18,999,080 (2015: RM18,861,488) 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 RM754,596 (2015: RM836,607) and RM440,180 (2015: RM541,885), respectively.

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

5.4 Capitalisation of finance costs

Included in the Group's capital work-in-progress is an amount of RM2,980,622 (2015: RM25,643,945) representing finance costs capitalised for the year (see Note 20). As of 31 December 2016, cumulative finance cost capitalised in capital work-in-progress amounted to RM73,566,427 (2015: RM70,585,805).

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.

6. INTANGIBLE ASSETS

	License fees RM	Development costs RM	Total RM
Cost			
At 1 January 2015/ 31 December 2015/1 January 2016/ 31 December 2016	108,665	521,604	630,269
Accumulated Amortisation			
At 1 January 2015	89,302	14,226	103,528
Amortisation for the year	19,363	26,109	45,472
At 31 December 2015/1 January 2016	108,665	40,335	149,000
Amortisation for the year	-	26,052	26,052
At 31 December 2016	108,665	66,387	175,052
Carrying Amounts			
At 31 December 2015	-	481,269	481,269
At 31 December 2016	-	455,217	455,217

7. INVESTMENTS IN SUBSIDIARIES

	Company 2016 RM	Company 2015 RM
Unquoted shares at cost	459,366,707	379,636,707
Less: Accumulated impairment losses	(231,000,007)	(231,000,007)
	228,366,700	148,636,700

The Directors have reviewed the Company's investment in subsidiaries for indications of impairment and concluded that the allowance for impairment losses amounting to RM231,000,007 (2015: RM231,000,007) at the end of the reporting period is deemed adequate in respect of investment in the subsidiaries.

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Pursuant to the proposed unwinding of a joint venture arrangement as disclosed in Note 32(a), the Company acquired the remaining 30% of the ordinary issued shares of THHE Fabricators Sdn Bhd ("THFSB") amounted to RM71.73 million. The acquisition was completed on 30 September 2016. Consequently, THFSB become a wholly owned subsidiary of the company.

During the year, a subsidiary company, O&G Works Sdn Bhd ("OGWSB") issued 8,000,000 new ordinary shares of RM1 each amounted to RM8,000,000. The said subscription of shares was satisfied through capitalisation of amount owing by OGWSB to the Company.

In prior year, a subsidiary company, THHE Fabricators Sdn Bhd ("THFSB") issued 70,000,000 new ordinary shares of RM1 each amounted to RM70,000,000. The Company subscribed 70% of the new ordinary shares issued by THFSB amounted to RM49,000,000. The said subscription of shares was satisfied through capitalisation of amount owing by THFSB to the Company. The remaining 30% of the new ordinary shares issued by THFSB amounted to RM21,000,000 was subscribed by its non-controlling interests.

Details of the subsidiaries are as follows:

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2016 %	2015 %
THHE Fabricators Sdn Bhd #	Malaysia	Fabrication of offshore oil and gas related structure works	100	70
O&G Works Sdn Bhd #	Malaysia	Manufacturing and maintenance of offshore cranes	100	100
THHE Offshore Services Sdn Bhd ("THEOS") #	Malaysia	Provision of services such as maintenance at offshore workplace, hook-up and commissioning offshore punch list coordination	70	70
Globe World Realty Sdn Bhd	Malaysia	Dormant	100	100
THHE Training Services Sdn Bhd	Malaysia	Dormant	100	100
THHE Optima Sdn Bhd	Malaysia	Dormant	100	100
Ramunia International Services Ltd.*	Hong Kong	Dormant	100	100
Floatech (M) Sdn Bhd	Malaysia	Dormant	100	100
Floatech (L) Ltd. ("FLL")#	Malaysia	Ownership in a FPSO^	80	80

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

* Consolidated based on management accounts for the financial year ended 31 December 2016 as it is not required to be audited. The results of the subsidiary is not significant to the Group.

^ Floating Production, Storage and Offloading vessel.

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
2016				
NCI percentage of ownership interest and voting interest	30%	30%	20%	
Carrying amount of NCI	-	(5,383,474)	(40,850,823)	(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)	(929,853,899)	(969,659,705)
Net liabilities	-	(17,944,914)	(202,308,257)	(220,253,171)
Year ended 31 December 2016				
Revenue	-	-	-	-
Loss and total comprehensive loss	(71,826,205)	(3,472,830)	(256,186,147)	(331,485,182)
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)

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

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

	THFSB RM	THEOS RM	FLL RM	Total RM
2015				
NCI percentage of ownership interest and voting interest	30%	30%	20%	
Carrying amount of NCI	21,771,216	(4,371,626)	10,184,053	27,583,643
(Loss)/Profit allocated to NCI	(17,491,460)	369,993	8,132,714	(8,988,753)
Summarised financial information before intra-group elimination				
As at 31 December 2015				
Non-current assets	217,145,197	-	369,321,591	586,466,788
Current assets	214,647,162	24,534,334	13,621,229	252,802,725
Non-current liabilities	(65,518,281)	-	-	(65,518,281)
Current liabilities	(293,703,357)	(39,106,419)	(332,022,555)	(664,832,331)
Net assets/(liabilities)	72,570,721	(14,572,085)	50,920,265	108,918,901
Year ended 31 December 2015				
Revenue	74,710,281	2,004,000	-	76,714,281
(Loss)/Profit/Total comprehensive (loss)/income	(58,304,868)	1,233,310	40,663,570	(16,407,988)
Cash flows from/(used in):				
Operating activities	(105,869,015)	(3,255)	61,393,524	(44,478,746)
Investing activities	(7,041,942)	-	(12,078,562)	(19,120,504)
Financing activities	72,432,946	-	161,216	72,594,162
Net (decrease)/increase in cash and cash equivalents	(40,478,011)	(3,255)	49,476,178	8,994,912

8. INVESTMENT IN ASSOCIATE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Unquoted shares, at cost	367,500	98,926,000	-	98,926,000
Share of post acquisition reserves	-	40,380,050	-	-
	367,500	139,306,050	-	98,926,000

Pursuant to the proposed unwinding of a joint venture arrangement, as disclosed in Note 32(a), the Company disposed of 30% of the ordinary shares of Berlian McDermott Sdn Bhd ("BMDSB") amounted to RM71.73 million. The disposal was completed on 30 September 2016. Consequently, BMDSB ceased to be an associate of the Company. 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)

During the financial year, THFSB had subscribed for 367,500 new ordinary shares of RM1.00 each in THHE Destini Sdn Bhd (formerly known as Gigih Integrasi Sdn Bhd)("TDSB") at par for a total cash consideration of RM367,500, representing 49% of the issued and paid-up share capital of TDSB.

In the financial year ended 31 December 2015, the Company increased its cost of investment in the associate company by RM21,000,000 through contribution of 21,000,000 units of ordinary shares in a subsidiary company, i.e THFSB amounted to RM21 million to the controlling shareholder of the associate company. This is pursuant to the Share Purchase Agreement entered into in year 2012 between the Company and the controlling shareholder of the associate company. The said additional investment did not change the effective equity interest held by the Company in the associate.

Details of the material associates are as follows:

Name of entity	Principal place of business/ Country of incorporation	Nature of the relationship	Effective ownership interest and voting interest 2016 %	2015 %
Held through THHE Fabricators Sdn Bhd				
THHE Destini Sdn Bhd	Malaysia	To undertake the supply, delivery, testing and commissioning of Offshore Patrol Vessel project for Malaysia Maritime Enforcement Agency	49	-
Held through the Company				
Berlian McDermott (Malaysia) Sdn Bhd	Malaysia	To complement the Group's existing fabrication business by participating in the transportation and installation, shallow and deepwater in subsea, umbilical, risers and flow lines market	-	30

The following table summarises the information of the 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 2016 RM	2015 RM
Summarised financial information as at 31 December		
Non-current assets	750,000	205,215,709
Current assets	-	103,432,482
Current liabilities	-	(11,626,316)
Net assets	750,000	297,021,875

8. INVESTMENT IN ASSOCIATE (CONT'D)

	Group	
	2016 RM	2015 RM
Year ended 31 December		
(Loss)/Profit for the year	-	(2,938,329)
Other comprehensive income	-	53,380,371
Total comprehensive income	-	50,442,042
Included in the total comprehensive income is:		
Revenue	-	85,924,098
Reconciliation of net assets to carrying amount as at 31 December		
Group's share of net assets	367,499	89,106,563
Goodwill	-	50,199,487
Carrying amount in the statements of financial position	367,499	139,306,050
Group's share of results for the year ended 31 December		
Group's share of loss for the year	-	(881,499)
Group's share of other comprehensive income	-	16,014,111
Group's share of total comprehensive (loss)/income	-	15,132,612

Other information

No dividend was received by the Group for the financial years ended 31 December 2016 and 2015.

Contingent liabilities

There were no contingent liabilities incurred jointly with the other investors as at 31 December 2016 and 2015.

9. INVESTMENT IN JOINT VENTURE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Unquoted shares, at cost	-	2,500,000	-	2,500,000
Share of post acquisition reserves	-	(2,500,000)	-	-
Accumulated impairment losses	-	-	-	(2,500,000)
	-	-	-	-

Pursuant to the proposed unwinding of a joint venture arrangement, as disclosed in Note 32(a), the Company disposed of 50% of the ordinary shares of THHE McDermott Engineering Sdn Bhd ("TME") to McDermott Asia Pacific Sdn Bhd. The disposal was completed on 30 September 2016.

9. INVESTMENT IN JOINT VENTURE (CONT'D)

Details of the material joint venture are as follows:

Name of entity	Principal place of business/ Country of incorporation	Nature of the relationship	Effective ownership interest and voting interest 2016 %	Effective ownership interest and voting interest 2015 %
THHE McDermott Engineering Sdn Bhd	Malaysia	To engage in the provision of front-end engineering and design, construction and installation services	-	50

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

	Group 2016 RM	Group 2015 RM
Summarised financial information as at 31 December		
Non-current assets	-	128,436
Current assets	-	3,786,153
Current liabilities	-	(5,104,440)
Net liabilities	-	(1,189,851)

	Group 2016 RM	Group 2015 RM
Year ended 31 December		
Loss for the year	-	(3,604,242)
Included in the total comprehensive income is:		
Revenue	-	482,342
Reconciliation of net assets to carrying amount as at 31 December		
Group's share of net assets	-	-
Goodwill	-	-
Carrying amount in the statements of financial position	-	-
Group's share of results for the year ended 31 December		
Group's share of total comprehensive loss	-	(1,364,935)

Other information
No dividend was received by the Group for the financial years ended 31 December 2016 and 2015.

Contingent liabilities
There were no contingent liabilities incurred jointly with the other investors as at 31 December 2016 and 2015

10. INVENTORIES

	Group	
	2016 RM	2015 RM
Raw materials and consumables	7,481,081	9,706,499
Recognised in profit or loss:		
Inventories recognised as cost of sales	813,783	9,001,874
Allowance for inventories obsolescence	158,002	250,604
Inventories written off	2,710,737	7,560

11. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Trade					
Trade receivables		40,298,400	38,007,513	-	-
Less: Impairment losses	26.3	(28,615,111)	(15,377,969)	-	-
		11,683,289	22,629,544	-	-
Amount due from contract customers	11.1	69,402,137	141,189,944	-	-
		81,085,426	163,819,488	-	-
Non-trade					
Amount due from subsidiaries	11.2	-	-	747,694,361	571,523,862
Amount due from joint venture	11.2	-	2,393,747	-	2,393,747
Other receivables		11,613,884	7,198,245	5,432,309	4,497,402
Less: Impairment losses	26.3	(5,344,341)	(5,344,341)	(4,402,028)	(4,402,028)
		6,269,543	1,853,904	1,030,281	95,374
Advances to suppliers		6,894,552	37,138,535	165,682	3,259,943
Refundable deposits		314,740	2,502,098	249,377	1,330,479
		13,478,835	43,888,284	749,139,701	578,603,405
		94,564,261	207,707,772	749,139,701	578,603,405

11. TRADE AND OTHER RECEIVABLES (CONT'D)

11.1 Amount due from contract customers

	Group 2016 RM	Group 2015 RM
Aggregate costs incurred to date	126,915,881	822,137,998
Add: Attributable profits	4,686,191	30,461,353
	131,602,072	852,599,351
Less: Progress billings	(62,199,935)	(711,409,407)
Amount due from contract customers	69,402,137	141,189,944
Additions to aggregate costs incurred during the financial year include:		
Hire of equipment	812,688	1,934,632
Interest expense on term loans	796,750	1,512,446

Included in amount due from contract customers is an amount of RM63,836,014 (2015: RM73,031,462) which 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 RM35,428,683 (2015: RM Nil) was recognised in the profit or loss as the said amount is not recoverable.

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

12. CASH, BANK BALANCES AND DEPOSITS

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Cash and bank balances	4,875,500	31,523,707	1,185,910	24,442,788
Deposits placed with licensed banks	28,675,937	46,595,517	35,047	2,522,000
	33,551,437	78,119,224	1,220,957	26,964,788

Included in the deposits placed with licensed banks of the Group and of the Company are RM28,675,937 (2015: RM46,595,517) and RM35,047 (2015:RM2,522,000) respectively which are pledged to local licensed banks for bank guarantee facilities granted to subsidiaries.

13. ORDINARY SHARES

	Group and Company Amount RM	Number of shares '000
Authorised:		
Ordinary shares of RM 0.25 each		
At 1 January 2015/31 December 2015/1 January 2016/ 31 December 2016	800,000,000	3,200,000
Issued and fully paid:		
Ordinary shares of RM 0.25 each		
At 1 January 2015	277,769,297	1,111,077
Issuance of shares	2,500,000	10,000
At 31 December 2015/1 January 2016/31 December 2016	280,269,297	1,121,077

In the previous financial year, the Company issued 10,000,000 new ordinary shares of RM0.25 each at RM0.33 per share for cash of RM3,300,000 pursuant to private placement. The share premium of RM800,000 arose from the issuance of the said ordinary shares was credited to the share premium reserves.

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.

14. IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES-I

	Group and Company Amount RM	Number of shares
Authorised:		
Irredeemable Convertible Preference Shares of RM 0.25 each :		
At 1 January 2015	55,000,000	220,000,000
Creation of Irredeemable Convertible Preference Shares-i	245,000,000	980,000,000
At 31 December 2015/1 January 2016/31 December 2016	300,000,000	1,200,000,000
Issued and fully paid:		
Irredeemable Convertible Preference Shares of RM 0.25 each:		
At 1 January 2015	-	-
Issuance of Irredeemable Convertible Preference Shares-i	275,000,000	1,100,000,000
At 31 December 2015/1 January 2016/ 31 December 2016	275,000,000	1,100,000,000

In previous financial year, the Company increased its authorised Irredeemable Convertible Preference Shares ("ICPS") from RM55,000,000 consisting of 220,000,000 ICPS of RM0.25 each to RM300,000,000 through the creation of 980,000,000 Irredeemable Convertible Preference Shares-i (ICPS-i) of RM0.25 each.

In previous financial year, pursuant to the Right Issue, the Company increased its issued and fully paid ICPS-i from RMNil to RM275,000,000 through the issuance of 1,100,000,000 ICPS-i of RM0.25 each totalling RM275,000,000.

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

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%

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.

15. RESERVES

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Non-distributable:					
Share premium	(i)	95,028,660	95,028,660	95,028,660	95,028,660
Revaluation reserve	(ii)	62,459,404	28,317,138	-	-
Translation reserve	(iii)	3,119,267	20,369,236	-	-
		160,607,331	143,715,034	95,028,660	95,028,660
Distributable:					
(Accumulated losses)/Retained earnings	(iv)	(494,664,432)	(62,249,245)	(31,210,832)	20,270,489
		(334,057,101)	81,465,789	63,817,828	115,299,149

15. RESERVES (CONT'D)

(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. The movement in share premium is as follows:

	Group and Company	
	2016 RM	2015 RM
At 1 January	95,028,660	94,511,489
Issuance of shares	-	800,000
ICPS-i issuance expenses	-	(175,430)
Shares issuance expenses	-	(107,399)
At 31 December	95,028,660	95,028,660

(ii) Revaluation reserves

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

	Group	
	2016 RM	2015 RM
At 1 January	28,317,138	28,317,138
Realisation of revaluation reserve	(5,128,387)	-
Revaluation increase	49,555,626	-
Deferred tax (Note 16)	(10,284,973)	-
At 31 December	62,459,404	28,317,138

(iii) Currency translation reserves

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	
	2016 RM	2015 RM
At 1 January	20,369,236	4,491,958
Foreign currency translation differences of an:		
- associate	-	16,014,111
- subsidiary	3,256,100	(136,833)
Disposal of investment in associate	(20,506,069)	-
At 31 December	3,119,267	20,369,236

(iv) Retained earnings

The entire retained earnings are available for distribution as single-tier dividend under the single-tier tax system.

16. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2016 RM**	**2015 RM**	**2016 RM**	**2015 RM**	**2016 RM**	**2015 RM**
Unused tax losses	21,600,000	9,225,000	-	-	21,600,000	9,225,000
Revaluation of property, plant and equipment	-	-	(19,724,022)	(9,439,049)	(19,724,022)	(9,439,049)
Deferred tax assets/ (liabilities)	21,600,000	9,225,000	(19,724,022)	(9,439,049)	1,875,978	(214,049)
Set off of tax	(19,724,022)	(9,225,000)	19,724,022	9,225,000	-	-
Net deferred tax assets/(liabilities)	1,875,978	-	-	(214,049)	1,875,978	(214,049)

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

Group	**At 1.1.2015 RM**	**Recognised in profit or loss (Note 23) RM**	**At 31.12.2015/ 1.1.2016 RM**	**Recognised in profit or loss (Note 23) RM**	**Recognised in equity (Note 15) RM**	**At 31.12.2016 RM**
Unused tax losses	9,225,000	-	9,225,000	12,375,000	-	21,600,000
Revaluation of property, plant and equipment	(9,439,049)	-	(9,439,049)	-	(10,284,973)	(19,724,022)
	(214,049)	-	(214,049)	12,375,000	(10,284,973)	1,875,978

Unrecognised Deferred Tax Assets

As mentioned in Note 3, deferred tax assets are recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of 31 December 2016, 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	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Unused tax losses	467,596,427	363,416,677	1,124,000	1,124,000
Unabsorbed capital allowances	38,803,851	31,534,821	4,264,000	7,250,000
Deductible temporary differences arising from:				
Property, plant and equipment	(16,102,741)	(39,994,363)	(133,000)	(665,000)
Trade receivables	10,382,000	15,378,000	-	-
	500,679,538	370,335,134	5,255,000	7,709,000

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

17. BORROWINGS

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Non-current					
Term loans					
- secured	17.1	5,317,591	15,428,031	-	-
Sukuk - secured	17.2	49,806,139	49,775,549	-	-
Finance lease liabilities - secured	17.3	493,684	577,151	324,274	348,483
		55,617,414	65,780,731	324,274	348,483
Current					
Term loans - secured	17.1	9,500,762	8,357,910	-	-
Sukuk - secured	17.2	189,178,641	189,771,850	-	-
Finance lease liabilities - secured	17.3	184,595	303,748	115,906	240,772
Revolving credit facilities					
- unsecured	17.4	60,036,275	68,750,000	-	-
Bridging loan					
- secured	17.5	60,507,296	60,000,000	60,507,296	60,000,000
Overdraft - secured	17.6	-	11,560,458	-	-
Trust receipt					
- secured	17.7	-	2,819,381	-	-
		319,407,569	341,563,347	60,623,202	60,240,772
		375,024,983	407,344,078	60,947,476	60,589,255

17.1 Term loans - secured

	Group 2016 RM	Group 2015 RM
Secured term loans	14,885,103	23,879,691
Less: Transaction costs	(66,750)	(93,750)
	14,818,353	23,785,941
Less: Current portion	(9,500,762)	(8,357,910)
Non-current portion	5,317,591	15,428,031

Term loans of the Group which bear profit at 6.85% (2015: 6.85%) 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.

(d) Subsequent to financial year end, the Group is negotiating on the repayment terms. As of the date of this report, the said negotiation is still on-going.

17. BORROWINGS (CONT'D)

17.2 Sukuk - secured

	Group	
	2016 RM	2015 RM
Secured sukuk	240,000,000	240,000,000
Less: Transaction costs	(1,015,220)	(452,601)
	238,984,780	239,547,399
Less: Current portion	(189,178,641)	(189,771,850)
Non-current portion	49,806,139	49,775,549

As at 31 December 2016, the Group has Sukuk facilities of RM240,000,000 (2015: RM240,000,000) which are secured by way of a mortgage over the capital work-in-progress of FPSO vessel and the long-term leasehold land and buildings (see Note 5) and bear profit at 7.00% (2015: 7.00%) per annum. The Sukuk facilities of RM170 million was to be repaid via bullet repayments on September 2016, which is also the maturity date of the Sukuk. During the year, the Group managed to obtain one year extension for the repayment date, i.e. from September 2016 till September 2017.

Loan covenants

The Group has various financial covenants including compliance with debt service cover ratio and debt to equity ratio. The Group did not comply with the debt to equity ratio.

17.3 Finance lease liabilities

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Future minimum lease payments	728,749	964,181	472,748	644,659
Less: Interest-in-suspense	(50,470)	(83,282)	(32,568)	(55,404)
Present value of minimum lease payments	678,279	880,899	440,180	589,255
Less than one year	184,595	303,748	115,906	240,772
Between one and five years	493,684	577,151	324,274	348,483
More than five years	-	-	-	-
Present value of minimum lease payments	678,279	880,899	440,180	589,255

The average effective profit rate is 2.4% (2015: 2.4%) per annum. Profit rate is fixed at the inception of the lease.

17.4 Revolving credit facilities - unsecured

As at 31 December 2016, the Group has unsecured revolving credits facilities amounting to RM60,036,275 (2015: RM68,750,000) granted by a local financial institutions which bear profit at rates ranging from 6.85% - 7.85% (2015: 6.85% - 7.85%) per annum. The revolving credit facilities are secured by the Corporate Guarantee up to RM33.75 million. Subsequent to financial year end, the Group made a repayment of RM5,000,000 and is negotiating on the repayment terms. As of the date of this report, the said negotiation is still on-going.

17. BORROWINGS (CONT'D)

17.5 Bridging loan - secured

As of 31 December 2016, the Company has a bridging loan facility of RM60,507,296 (2015:RM60,000,000) 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 vessel. The said facility bear profit at 5.05% (2015:5.05%) 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.

Loan covenants

As at 31 December 2016, the Company has yet to pledge RM62 million in International Commodity Murabahah as a pledged to the bank. Subsequent to financial year end, the Group made repayment of RM20,000,000 and is negotiating on the repayment terms. As of the date of this report, the said negotiation is still on-going.

17.6 Overdraft - secured

The overdraft facilities are repayable on demand and bear profit at 7.60% (2015:7.60%) per annum. The facility is secured by proceeds from fabrication projects. The overdraft facility was fully settled during the year.

17.7 Trust receipt - secured

Trust receipt are repayable within 180 days and bear profit at 7.60% (2015: 7.60%) per annum. This facility is secured by proceeds from fabrication projects. The trust receipt facility was fully settled during the year.

18. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Trade					
Trade payables	18.1	85,799,755	136,259,436	-	-
Non-trade					
Other payables	18.2	456,400,337	183,876,933	299,930,102	91,892,513
Accrued expenses	18.3	8,232,005	41,123,789	1,266,803	33,999,397
		464,632,342	225,000,722	301,196,905	125,891,910
		550,532,097	361,260,158	301,196,905	125,891,910

18.1 The normal credit terms granted to the Group ranges from 30 days to 45 days (2015 : 30 to 45 days).

18.2 Included in other payables of the Group is an amount of RM32,981,535 (2015: RM33,936,658) relating to advances received from a non-controlling interests. Also included in other payables of the Group is an amount of RM312,882,092 (2015 : RM83,383,874) payable to contractors in relation to the conversion works of the Group's FPSO vessel. During the year, the Group and the Company have been served with various legal notices by its creditors due mainly to delay in settling the outstanding amount as well as dispute with its creditors. Also included in other payables of the Group is an amount of RM35,000,000 (2015: RM nil) which represents performance guarantee deposit received from the holding company of a joint venture partner pursuant to the joint venture arrangement.

18. TRADE AND OTHER PAYABLES (CONT'D)

18.3 Included in accrued expenses of the Group and of the Company is an amount of RM103,204 (2015 : RM33,078,517) represents accrued expenses incurred for the conversion works of the Group's FPSO vessel.

19. REVENUE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Construction services	17,448,117	98,933,795	-	-
Offshore crane works	327,200	1,566,819	-	-
Management fee	-	-	9,722,975	8,965,109
	17,775,317	100,500,614	9,722,975	8,965,109

20. FINANCE COSTS

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Finance costs:					
- term loans		1,659,883	4,708,769	-	-
- bridging loan		507,296	7,847,089	-	-
- revolving credit		4,908,802	4,989,375	413,871	-
- Sukuk		17,052,457	16,803,356	-	-
- overdraft		698,873	209,694	-	-
- trust receipt		135,512	1,105,726	-	-
- finance lease		467,262	322,596	22,836	42,238
- letter of credit		111,854	334,202	-	69,287
- others		274,097	361,389	75,111	9,860
		25,816,036	36,682,196	511,818	121,385
Recognised in profit or loss:					
- finance costs		22,038,664	9,525,805	511,818	121,385
- cost of sales		796,750	1,512,446	-	-
		22,835,414	11,038,251	511,818	121,385
Capitalised on qualifying assets:					
- property, plant and equipment	5.4	2,980,622	25,643,945	-	-
		25,816,036	36,682,196	511,818	121,385

21. LOSS BEFORE TAX

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

		Group		Company	
	Note	**2016 RM**	**2015 RM**	**2016 RM**	**2015 RM**
Amortisation of intangible assets	6	26,052	45,472	-	-
Auditors' remuneration					
- Statutory audit		250,000	250,000	100,000	100,000
- Other services		5,000	190,000	5,000	190,000
Depreciation of property, plant and equipment	5	17,836,291	15,906,776	804,528	666,059
Loss on disposal of associates	8	35,793,685	-	29,055,921	-
Impairment loss on investment in joint venture	9	-	-	-	2,500,000
Impairment loss on property, plant and equipment	5	259,106,338	-	-	-
Impairment loss on trade receivables	26.3	13,237,142	650,000	-	-
Impairment loss on amount due from contract customers	11.1	35,428,683	-	-	-
Allowance for inventories obsolescence	10	158,002	250,604	-	-
Personnel expenses including key management personnel:					
- Salaries, wages and others		21,958,681	29,602,648	4,669,870	5,735,563
- Contributions to EPF		2,241,936	3,062,171	501,986	616,396
Realised (gain) / loss on foreign exchange-net		(1,559,413)	30,208,630	(7,759)	29,745,342
Rental of computers		302,300	65,528	302,300	58,148
Rental of office		395,738	921,022	395,738	603,215
Rental of storage		-	7,700	-	7,700
Rental of photocopies and office equipment		142,293	241,628	64,593	59,634
Rental of motor vehicles		202,670	47,700	-	-
Inventories written off	10	2,710,737	7,560	-	-
Property, plant and equipment written off	5	939,222	-	-	-
Unrealised (gain)/ loss on foreign exchange-net		11,164,811	(43,756,508)	23,188,016	2,452,444
Gain on disposal of property, plant and equipment		-	(139,977)	-	(139,977)
Interest income from deposit placed in licensed banks		(748,637)	(1,335,674)	(241,098)	(115,544)
Interest income on cash and cash equivalent		(410,122)	-	-	-
Rental income		(355,261)	-	-	-
Allowance for doubtful debt no longer required for other receivables	26.3	-	(2,000,000)	-	-

22. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Directors remuneration:				
Fees	504,754	423,397	434,754	390,904
Salaries	968,482	930,000	501,129	930,000
Other emoluments	174,775	703,067	84,025	698,317
Contributions to EPF	71,662	138,840	71,662	138,840
	1,719,673	2,195,304	1,091,570	2,158,061
Other key management personnel:				
- Salary and other emoluments	3,714,479	5,700,703	2,187,213	2,883,273
- Contributions to EPF	407,076	737,257	229,674	324,660
	4,121,555	8,633,264	2,416,887	5,365,994
Estimated monetary value of benefit-in-kind	84,122	303,760	47,732	112,304

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

23. TAX CREDIT/(EXPENSE)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Current tax				
Current year	-	-	-	-
(Under)Overprovision In prior years	(191)	297,664	-	297,664
Deferred tax (Note 16)				
Origination and reversal of temporary differences	12,375,000	-	-	-
Total income tax credit	12,374,809	297,664	-	297,664

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

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

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
(Loss)/Profit before tax	(452,015,323)	(54,621,528)	(51,481,321)	(33,037,522)
Income tax credit/(expense) calculated using Malaysian tax rates of 24% (2015: 25%)	108,483,678	13,655,382	12,355,517	8,259,380
Tax effects of :				
Non-deductible expenses	(64,136,078)	(1,505,132)	(12,969,017)	(1,070,880)
Income not subject to tax for a subsidiary company in Labuan	-	9,532,500	-	-
Deferred tax assets not recognised	(32,586,100)	(20,815,440)	-	(6,900,960)
Effect on deferred tax due to reduction in tax rate	-	(867,310)	-	(287,540)
Recognition of previous unrecognized tax losses	613,500	-	613,500	-
Over/(under)provision in prior years	(191)	297,664	-	297,664
	12,374,809	297,664	-	297,664

24. LOSS PER ORDINARY SHARE

Basic loss per ordinary share

The calculation of basic loss per ordinary share as at 31 December 2016 was based on the loss attributable to ordinary shareholders of RM365,813,574 (2015: RM45,335,111) and the weighted average number of ordinary shares outstanding during the year of 1,121,077,000 (2015: 1,118,255,272).

	Group	
	2016 Unit	**2015 Unit**
Issued ordinary shares at beginning of year	1,121,077,000	1,111,077,190
Issuance of shares via private placement	-	7,178,082
Weighted average number of ordinary shares in issue	1,121,077,000	1,118,255,272
Basic loss per ordinary share (sen)	(32.63)	(4.05)

24. LOSS PER ORDINARY SHARE (CONT'D)

Diluted loss per ordinary share

The calculation of diluted loss per ordinary share as at 31 December 2016 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	
	2016 Unit	**2015 Unit**
Weighted average number of ordinary shares at 31 December (basic)	1,121,077,000	1,118,255,272
Effect of conversion of ICPS-i	1,100,000,000	325,479,452
Weighted average number of ordinary shares in issue	2,221,077,000	1,443,734,724
Diluted loss per ordinary share (sen)	(16.47)	(3.14)

25. 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) 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 Chief Executive Officer.

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 Chief Executive Officer. 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 Chief Executive Officer.

Segment capital expenditure

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

25. OPERATING SEGMENTS (CONT'D)

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
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)	9,722,975	(47,169,112)
Other expenses	(47,205,293)	(3,003,917)	(314,157,057)	6,680,480	(357,688,187)
Finance costs	(12,160,416)	(1,556)	(9,876,447)	-	(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	(98,514,779)	(9,430,036)	(311,140,298)	(20,500,936)	(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	416,451	804,528	-	17,862,343
Impairment of property, plant and equipment	-	-	259,106,338	-	259,106,3388
2015					
Segment profit/(loss)					
Total revenue	116,902,813	1,566,819	8,965,109	(26,934,127)	100,500,614
Total cost of sales	(118,096,993)	(1,441,037)	-	12,685,926	(106,852,104)
Other income	4,454,135	861,849	45,610,885	(1,717,667)	49,209,202
Administrative expenses	(42,373,059)	(4,702,846)	(17,216,252)	10,582,695	(53,709,462)
Other expenses	(1,607,429)	(609,433)	(29,780,677)	-	(31,997,539)
Finance costs	(9,128,105)	(160)	(397,540)	-	(9,525,805)
Share of loss of equity-accounted associate	-	-	(881,499)	-	(881,499)
Share of loss of equity-accounted joint venture	-	-	(1,364,935)	-	(1,364,935)
Tax credit	-	-	297,664	-	297,664
(Loss)/Profit for the year	(49,848,638)	(4,324,808)	5,232,755	(5,383,173)	(54,323,864)
Segment assets	767,014,930	53,169,383	921,793,370	(308,840,669)	1,433,137,014
Segment liabilities	358,806,584	40,691,437	562,273,502	(192,953,237)	768,818,285
Capital expenditure	175,466,225	3,973,249	198,965,152	-	378,404,626
Depreciation and amortisation	14,644,933	601,104	706,211	-	15,952,248

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

25. OPERATING SEGMENTS (CONT'D)

Major customers

Revenue of approximately RM10,344,244 (2015: RM69,823,337) representing 58% (2015: 69%) of the Group's revenue is derived from three (3) external customers (2015: four (4) external customers) from the following segments:

	2016 RM	2015 RM	Segment
Customer A	-	60,391,463	Construction services
Customer B	7,063,611	5,505,205	Construction services
Customer C	104,486	381,565	Construction services
Customer D	3,176,147	3,545,104	Construction services
	10,344,244	69,823,337	

26. FINANCIAL INSTRUMENTS

26.1 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").

2016	Carrying amount RM	L & R (FL) RM
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)

26. FINANCIAL INSTRUMENTS (CONT'D)

26.1 Categories of financial instruments (Cont'd)

2015	Carrying amount RM	L & R (FL) RM
Group		
Financial assets		
Trade and other receivables	66,517,828	66,517,828
Cash, bank balances and deposits	78,119,224	78,119,224
	144,637,052	144,637,052
Financial liabilities		
Borrowings	(407,344,078)	(407,344,078)
Trade and other payables	(361,260,158)	(361,260,158)
	(768,604,236)	(768,604,236)
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)
2015		
Company		
Financial assets		
Trade and other receivables	578,603,405	578,603,405
Cash and cash equivalents	26,964,788	26,964,788
	605,568,193	605,568,193
Financial liabilities		
Borrowings	(60,589,255)	(60,589,255)
Trade and other payables	(125,856,910)	(125,891,910)
	(186,446,165)	(186,481,165)

26. FINANCIAL INSTRUMENTS (CONT'D)

26.2 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

26.3 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.

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 (2015: five (5) customers) which constitute approximately 96% (2015: 96%) 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
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

26. FINANCIAL INSTRUMENTS (CONT'D)

26.3 Credit risk management (Cont'd)

Impairment losses (cont'd)

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

Group	Gross RM	Individual impairment RM	Net RM
2015			
Not past due	2,034,272	-	2,034,272
Past due 1 - 30 days	11,071	-	11,071
Past due 31 - 120 days	1,732,145	-	1,732,145
Past due more than120 days	34,230,025	(15,377,969)	18,852,056
	38,007,513	(15,377,969)	22,629,544

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

	Group 2016 RM	2015 RM
At beginning of year	15,377,969	14,727,969
Impairment loss recognised during the year (Note 21)	13,237,142	650,000
At end of year	28,615,111	15,377,969

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

Group	Gross RM	Individual impairment RM	Net RM
2016			
Not past due	-	-	-
Past due 1 - 30 days	-	-	-
Past due 31 - 120 days	1,030,281	-	1,030,281
Past due more than 120 days	10,583,604	(5,344,341)	5,239,263
	11,613,885	(5,344,341)	6,269,544
2015			
Not past due	-	-	-
Past due 1 - 30 days	-	-	-
Past due 31 - 120 days	95,375	-	95,375
Past due more than 120 Days	7,102,870	(5,344,341)	1,758,529
	7,198,245	(5,344,341)	1,853,904

26. FINANCIAL INSTRUMENTS (CONT'D)

26.3 Credit risk management (Cont'd)

Impairment losses (cont'd)

Company

Other receivables of RM5,432,308 (2015: RM4,497,402) was past due more than 120 days and an individual impairment of RM4,402,028 (2015 : RM4,402,028) has been provided.

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At beginning of year	5,344,341	9,398,060	4,402,028	4,402,028
Amount recovered during the year	-	(2,000,000)	-	-
Amount written off during the year	-	(2,053,719)	-	-
At 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 Group 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.

26.4 Liquidity risk

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 at 31 December 2016, the current liabilities of the Group have exceeded the current assets by RM733,059,086. The current liabilities of the Group arose mainly from borrowings totalling RM319,407,569, which comprise mainly Sukuk of RM189,178,641, bridging loan of RM60,507,296, short term loan of RM9,500,762 and revolving credits facilities of RM60,036,275 as of 31 December 2016. The Group is currently negotiating with its bankers to reschedule due dates of certain of its borrowing as part of its scheme of arrangement to regularise its affairs.

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

26. FINANCIAL INSTRUMENTS (CONT'D)

26.4 Liquidity risk (Cont'd)

Maturity analysis

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

	Carrying amount RM	Contractual profit rate %	Contractual cash flows RM	Under 1 Year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
Group							
2016							
Finance lease liabilities - secured	678,278	2.40-2.50	728,749	220,030	508,719	-	-
Term loans - secured	14,818,353	6.85	20,046,191	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	248,682,176	248,682,176	-	-	-
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*	-	-	-	-	-	-	-
2015							
Finance lease liabilities - secured	880,899	2.40	964,181	322,630	322,630	318,921	-
Term loans - secured	23,785,941	6.85	31,627,697	10,459,724	10,459,724	10,708,249	-
Bridging loan- secured	60,000,000	5.05	63,030,000	63,030,000	-	-	-
Sukuk - secured	239,547,399	7.00	249,244,795	194,519,795	54,725,000	-	-
Overdraft bank - secured	11,560,458	7.60	11,560,458	11,560,458	-	-	-
Revolving credit - unsecured	68,750,000	6.85-7.85	70,888,903	70,888,903	-	-	-
Trust receipt - secured	2,819,381	7.00	3,016,738	3,016,738	-	-	-
Trade and other payables	361,260,158	-	361,260,158	361,260,158	-	-	-
Financial guarantee*	-		-	-	-	-	-

26. FINANCIAL INSTRUMENTS (CONT'D)

26.4 Liquidity risk (Cont'd)

Maturity analysis (cont'd)

	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
Company							
2016							
Finance lease liabilities	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*	-	-	-	-	-	-	-
2015							
Finance lease liabilities	589,255	2.40	644,659	278,256	278,256	88,147	-
Bridging loan- secured	60,000,000	5.05	63,030,000	63,030,000	-	-	-
Trade and other payables	125,891,910	-	125,891,910	125,891,910	-	-	-
Financial guarantee*	-	-	-	-	-	-	-

*At the end of the reporting period, it was not probable that the counterparties to financial guarantee contracts will claim under the contracts. Consequently, the amount included is nil.

26. FINANCIAL INSTRUMENTS (CONT'D)

26.5 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.

26.5.1 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 by a subsidiary company 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 subsidiary company) arising from foreign balances as at the end of the reporting period is represented by the following carrying amounts:

Liabilities	**Group 2016 RM/USD**	**Group 2015 RM/USD**
Borrowing	169,213,329	169,814,251
Payables	402,271,373	20,091,945
	571,484,702	189,906,196

Sensitivity analysis on translation of foreign currency denominated liabilities and assets

The following table details the subsidiary'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.

26. FINANCIAL INSTRUMENTS (CONT'D)

26.5 Market risk management (Cont'd)

26.5.1 Currency risk (cont'd)

Sensitivity analysis on translation of foreign currency denominated liabilities and assets (cont'd)

Liabilities	Group 2016 RM/USD	Group 2015 RM/USD
Borrowing	16,921,333	16,981,425
Payables	40,227,137	2,009,194
	57,148,470	18,990,619

26.5.2 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.

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	
	2016 RM	2015 RM	2016 RM	2015 RM
Fixed rate instruments				
Deposits placed with licensed banks	28,675,937	46,595,517	35,047	2,522,000
Finance lease liabilities	(678,279)	(880,899)	(440,180)	(589,255)
Sukuk	(238,984,780)	(239,547,399)	-	-
Bridging loan	(60,507,296)	(60,000,000)	(60,507,296)	(60,000,000)
Overdraft	-	(11,560,458)	-	-
Revolving credit	(60,036,275)	(68,750,000)	-	-
Trust receipt	-	(2,819,381)	-	-
	(331,530,693)	(336,962,620)	(60,912,429)	(58,067,255)
Floating rate Instrument				
Term loans	(14,818,353)	(23,785,941)	-	-

26. FINANCIAL INSTRUMENTS (CONT'D)

26.5 Market risk management (Cont'd)

26.5.2 Interest rate risk (cont'd)

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

	Group Profit or loss	
	50 bp increase RM	**50 bp decrease RM**
2016		
Floating rate instruments	(55,000)	55,000
Cash flow sensitivity (net)	(55,000)	55,000
2015		
Floating rate instruments	(89,000)	89,000
Cash flow sensitivity (net)	(89,000)	89,000

26.6 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.

26. FINANCIAL INSTRUMENTS (CONT'D)

26.6 Fair value information (Cont'd)

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.

2016	Fair value RM	Carrying amount RM
Financial liabilities		
Term loan - secured	(17,432,272)	(14,818,353)
Sukuk - secured	(237,466,510)	(238,984,780)
Finance lease liabilities	(672,312)	(678,279)
2015		
Financial liabilities		
Term loan - secured	(27,477,685)	(23,785,941)
Sukuk - secured	(238,025,554)	(239,547,399)
Finance lease liabilities	(873,150)	(880,899)
Company		
2016		
Financial liabilities		
Finance lease liabilities	(436,308)	(440,180)
2015		
Financial liabilities		
Finance lease liabilities	(732,259)	(589,255)

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.

26. FINANCIAL INSTRUMENTS (CONT'D)

26.6 Fair value information (Cont'd)

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 (2015: 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.

27. 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. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratio at 31 December 2016 and 2015 were as follow:

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Total borrowings	17	375,024,983	407,344,078	60,947,476	60,589,255
Less: Cash, bank balances and deposits	12	(33,551,437)	(78,119,224)	(1,220,957)	(26,964,788)
Net debt		341,473,546	329,224,854	59,726,519	33,624,467
Total equity		174,968,899	664,318,729	619,087,125	670,568,446
Debt-to-equity Ratio		1.95	0.49	0.10	0.05

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

28. CAPITAL COMMITMENTS

	Group	
	2016	**2015**
	RM	**RM**
Property, plant and equipment		
Contracted but not provided for	322,455,875	555,739,000
Authorised but not contracted for	75,835,034	204,494,000
	398,290,909	760,233,000

The capital commitment consist mainly costs to be incurred for the upgrading at the Pulau Indah yard and conversion for FPSO vessel project.

29. 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) Ramunia Fabricators Sdn Bhd v Global Fabricators Sdn Bhd (Kuala Lumpur High Court, Suit No. 22NCC-752-2011)

Ramunia Fabricators Sdn Bhd (now known as THHE Fabricators Sdn Bhd ("THF") brought an action against Global Fabricators Sdn Bhd ("GFSB") seeking a declaration, inter alia, that there was no outstanding debt due and owing to GFSB in respect of an Engineering, Procurement, Construction and Commissioning, and Loadout of Offshore Platform Topsides for the Pluto Gas Field in the Western Australia's Carnavon Basin Project ("Pluto Project"); Procurement and Construction of KUJT-A Jacket for Kumang Cluster Development Project (Phase 1) ("Kumang Project"); and Procurement and Construction of Melor (MLDP-A) Drilling Platform Jacket for Tangga Barat Cluster Development Project (Phase 1) ("Melor Project").

The suit was filed on 4 May 2011 by THF against GFSB after GFSB issued a notice pursuant to Section 218 of the Companies Act 1965 to THF. GFSB counterclaimed for, amongst others, sum allegedly due and owing under the Pluto Project, Kumang Project and Melor Project. THF has filed an application to stay GFSB's counterclaim relating to the Kumang Project and Melor Project on the grounds that it was subject to an arbitration agreement. The counterclaim by GFSB under the Kumang Project and Melor Project amounted to RM4,632,778.

A Consent Judgment was entered into by both THF and GFSB on 23 November 2011 where THF admitted to owing GFSB an amount of RM200,795 in relation to the Pluto Project. Pursuant to the Consent Judgment, GFSB issued a Notice of Arbitration dated 13 March 2012 against THF in relation to both the Kumang Project and Melor Project. THF had nominated an arbitrator and had proposed to consolidate both arbitrations. However, till date, GFSB has yet to respond with its nomination of an arbitrator and no steps have been taken by GFSB to proceed with the arbitration.

The Group's solicitor is of the opinion that THF has a good case to defeat the counter claim brought by GFSB.

29. MATERIAL LITIGATIONS (CONT'D)

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

Dynac Sdn Bhd ("DYNAC") brought an action against THHE Fabricators Sdn Bhd ("THF") 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 RM4,021,935 including interests and costs.

On 11 December 2015, THF filed an application to stay the action on the basis of proceeding to arbitration to resolve DYNAC's claims pursuant to the terms of an arbitration agreement as contained in the letters of award for the PERMAS Project and BERTAM Project. On 4 February 2016, the High Court ordered this action to be stayed pending reference to arbitration.

DYNAC has issued two Notices of Arbitration against THF on 28 April 2016 for both the BERTAM and PERMAS projects. On 26 October 2016, DYNAC had proposed a candidate as the arbitrator but THF objected to DYNAC's proposed arbitrator and will propose another candidate for DYNAC's consideration.

The Group's solicitor could not conclude an opinion for this case as the arbitration proceedings is at a preliminary stage.

(c) Alaf Pentawaris Sdn Bhd v 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 ("THF") 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 23 September 2015, THF filed an application to stay ALAF's action on the basis of proceeding to arbitration to resolve ALAF's claims pursuant to the terms of an arbitration agreement as contained in the Letter of Award of the Construction Project to ALAF. The High Court allowed THHE's stay application.

ALAF has lodged an appeal to the Court of Appeal against the High Court's decision. The hearing has been fixed for 28 April 2017.

The Group's solicitor is of the view that THF has a good chance of defending the stay of proceedings granted by the High Court.

(d) Justrite Construction Sdn Bhd v 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 ("THHEOS") in the Miri High Court seeking judgment for the sum of RM5,324,142.

The trial has been fixed from 27 April 2017 to 28 April 2017.

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

29. MATERIAL LITIGATIONS (CONT'D)

(e) Rotating Offshore Solutions Pte. Ltd. v 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 TH Heavy Engineering Berhad ("THHE") in the Kuala Lumpur High Court for supply and design of a 'Booster Compression Package' with regard to 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 THHE for this claim with RM20,000 cost.

On 15 February 2017, the Court dismissed THHE's application to stay the execution of judgement with cost of RM5,000. THHE has filed an appeal against the dismissal of the stay application on 16 February 2017. The Court has yet to fix the case management date.

The Group's solicitor is of the view that THHE has a fair chance of succeeding in the appeal against the dismissal of the stay application. THHE's management is also considering other alternative settlement/resolution plans.

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

Kumpulan Agresif Sdn Bhd ("KASB") brought an action against THHE Fabricators Sdn Bhd ("THF") seeking judgment for the sum of RM5,406,312 in relation to supplies and services rendered for Murphy's Sarawak SK 311 Permas Development Project ("PERMAS Project"), Bertam Field Development Project ("BERTAM Project") and Laila Field Development Project ("LAILA Project").

KASB had on 17 May 2015 obtained summary judgment against THF 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.
THF has filed an Appeal against the summary judgment and an application for extension of time. THF has also filed a Notice of Application for stay of execution pending Appeal on 20 January 2017 as well as a Setting Aside Application.

In the meantime, KASB had on 16 August 2016, served on THF, Affin Islamic Bank Berhad ("Affin"), Asian Finance Bank Berhad ("AFB") and Maybank Islamic Berhad ("Maybank") respectively, a Notice of Application for a Garnishee Order.

KASB succeeded in obtaining a garnishee order against Affin Islamic Bank and Maybank Islamic Berhad but failed to obtain a garnishee order absolute against Asian Finance Bank. KASB had also applied for a garnishee order against Murphy and THF.

In light of the Restraining Order obtained by THF on 23 February 2017, all proceedings have been stayed.

Case management for KASB's garnishee order application against Murphy has been set for 23 May 2017 while case management for THF's appeal against summary judgment has been set for 25 May 2017, for parties to update the Court on the status of the Restraining Order.

29. MATERIAL LITIGATIONS (CONT'D)

(f) Kumpulan Agresif Sdn Bhd v THHE Fabricators Sdn Bhd (Kuala Lumpur High Court Suit No: WA-22NCC-80-02/2016) (Cont'd)

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

(g) Next Petroleum Sdn Bhd . v 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 THHE Fabricators Sdn Bhd. ("THF"). The amount claimed is for providing supplies to THF amounting to RM3,159,400 for Murphy's Sarawak SK 311 Permas Development Project ("PERMAS Project") and Bertam Field Development Project ("BERTAM Project"). The Court dismissed NEXTP's summary judgment application and fixed the full trial date on 6 July 2017 and 7 July 2017.

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

(h) Swift Energy Sdn Bhd . v 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 THHE Fabricators Sdn Bhd. ("THF"). The amount claimed is in relation to supply and delivery of goods and services to THF amounting to RM2,545,251.

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

THHE has filed its Notice of Appeal for the amount of summary judgement entered against THF. During case management on 22 March 2017, THF's solicitors informed the Court of the Restraining Order obtained by THF on 23 February 2017. The Court sought clarification on the Restraining Order before giving further directions.

The Group's solicitor is of the view that THF has a fair chance of defending and appealing the claim.

(i) NKA Energy Ventures Sdn Bhd . v 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 THHE Fabricators Sdn Bhd ("THF"). The amount claimed is in relation to supply and delivery of goods and services for Murphy's Sarawak SK 311 Permas Development Project ("PERMAS Project") amounting to RM5,302,962.

At the trial on 28 March 2017, in light of the Restraining Order obtained by THF on 23 February 2017, the Court postponed its ruling on the matter to 26 May 2017. The Group's solicitor is of the view that THF has a fair chance of defending this action.

29. MATERIAL LITIGATIONS (CONT'D)

(j) Orwell Offshore Ltd v TH Heavy Engineering Berhad (Kuala Lumpur High Court of Malaya Suit No. WA-28NCC-544-06/2016)

A winding-up petition against TH Heavy Engineering Berhad ("THHE") was presented on 30 June 2016 to the Kuala Lumpur High Court of Malaya by Orwell Offshore Ltd ("Orwell") and a copy was served at THHE's registered address on 4 July 2016.

It was contended by Orwell that THHE owes Orwell the sums claimed for the supply of equipment and machinery for the FPSO Layang Project amounting to USD7,607,440. THHE has filed an application to strike out the Petition or alternatively stay the Petition pending reference to arbitration.

THHE's stay application was dismissed with no order as to costs. THHE has moved a stay application in the Court of Appeal.

In light of the Restraining Order obtained by THHE on 23 February 2017, during case management on 7 March 2017, the Court ordered that the next case management be held on 10 April 2017 for the parties to update the Court on the status of the Restraining Order.

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

A winding-up petition against TH Heavy Engineering Berhad ("THHE") 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 THHE's registered address on 4 July 2016. It was contended by MIB that THHE owes MIB the sums claimed for the supply and installation of quick release hook & mooring hawser for the FPSO Layang Project amounting to USD1,266,497.

THHE has filed an application to strike out the Petition or alternatively stay the Petition pending reference to arbitration. THHE has also applied for an interim injunction to restrain MIB from advertising the Petition and had given notice to MIB's solicitor not to advertise.

Despite the notice, MIB had on 26 July 2016 advertised the Petition in The Malay Mail. As a consequence, THHE applied for leave for an order for committal against MIB and its officer. On 8 August 2016, and the Court granted leave to THHE to apply for an order for committal against MIB and its Managing Director. THHE has filed for an application for committal proceedings.

At the hearing for the contempt application on 24 March 2017, the Court was informed of the Restraining Order obtained by THHE on 23 February 2017 and that MIB has agreed to suspend proceedings. The Court has fixed 24 May 2017 as the next case management date for the parties to update the Court on the status of the Restraining Order.

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

(l) Bicara Sepakat Sdn Bhd v THHE Fabricators Sdn Bhd (Kuala Lumpur High Court of Malaya Suit No. WA-28NCC-623-07/2016)

A winding-up petition against THHE Fabricators Sdn Bhd ("THF") was presented on 26 July 2016 to the Kuala Lumpur High Court by Bicara Sepakat Sdn Bhd ("BSSB") and a copy was served at THF's registered address on 28 July 2016.

29. MATERIAL LITIGATIONS (CONT'D)

(l) Bicara Sepakat Sdn Bhd v THHE Fabricators Sdn Bhd (Kuala Lumpur High Court of Malaya Suit No. WA-28NCC-623-07/2016) (Cont'd)

It was contended by BSSB that THF owes BSSB the sums claimed for the Provision of Piping Fabrication, Installation, Hydrotest and Reinstatement Works amounting to RM960,878. A winding-up order was allowed but in view of the agreeable creditors, THF had applied for permanent stay of the order.

The winding-up order has been permanently stayed by virtue of a High Court Order dated 23 November 2016.

(m) Nusapetro Sdn Bhd v TH Heavy Engineering Berhad (Kuala Lumpur High Court of Malaya Suit No. WA-28NCC-622-07/2016)

A winding-up petition against TH Heavy Engineering ("THHE") was presented on 26 July 2016 to the Kuala Lumpur High Court by Nusapetro Sdn Bhd ("Nusapetro") and a copy was served at THHE's registered address on 28 July 2016.

It was contended by Nusapetro that THHE owes Nusapetro the sums claimed for the Provision for the supply of AP610 centrifugal pumps package for the FPSO Layang Project amounting to RM1,605,285. At the hearing on 24 November 2016, the petition was struck out with no order as to cost.

(n) Eftech International Sdn Bhd v THHE Fabricators Sdn Bhd (Kuala Lumpur High Court of Malaya Suit No. WA-28NCC-622-07/2016)

A winding-up petition against THHE Fabricators Sdn Bhd ("THF") was presented on 29 July 2016 to the Kuala Lumpur High Court by Eftech International Sdn Bhd ("EFTECH") and a copy was served at THF's registered address on 3 August 2016.

EFTECH had obtained a summary judgment against THF on 26 April 2016 vide suit no. WA-22NCVC-6-01/2016 for the sum of RM1,812,316 together with interest at the rate of 5% per annum on the outstanding amount from the date of the filing of the summary judgment application till settlement date together with costs of RM7000.

EFTECH has withdrawn its Petition on 5 January 2017 with liberty to file afresh and with no order as to costs.

(o) Cescotechnologies Sdn Bhd v THHE Fabricators Sdn Bhd (Kuala Lumpur High Court of Malaya Suit No. WA-28NCC-641-08/2016)

A winding-up petition against THHE Fabricators Sdn Bhd ("THF") was presented on 2 August 2016 to the Kuala Lumpur High Court by Cescotechnologies Sdn Bhd ("CESCO") and a copy was served at THF's registered address on 11 August 2016.

CESCO had obtained a summary judgement against THF on 7 December 2015 granted by the Kuala Lumpur Sessions Court vide suit no. B52NCVC-274-07/2015 for the sum of RM 480,830 together with interest at the rate of 5% per annum on the outstanding amount from the date of the filing of the summary judgment application till settlement date together with costs of RM 3,000. CESCO's claim was for the supply of manpower and sale of goods and consumables.

CESCO has withdrawn its petition on 14 December 2016 with liberty to file afresh and with no order as to costs.

29. MATERIAL LITIGATIONS (CONT'D)

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

A winding-up petition against THHE Fabricators Sdn Bhd ("THF") 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.

At the hearing on 13 March 2017, in light of the Restraining Order obtained by THF on 23 February 2017, the Court ordered the next case management to be held on 23 May 2017.

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

(q) NKA Energy Ventures Sdn Bhd v THHE Offshore Services Sdn Bhd (Civil Suit No.: BTU-22NCC-2/4-2016 (HC) was filed at the Bintulu High Court)

A winding-up petition against THHE Offshore Services Sdn Bhd ("THHEOS") was presented on 10 October 2016 to the Bintulu High Court by NKA Energy Ventures Sdn Bhd ("NKA") and a copy was served at THHEOS's registered address on 14 October 2016.

NKA had earlier obtained judgment against THHEOS at the Bintulu High Court for a sum of RM 2,523,758.

THHEOS has filed an appeal against the judgement, a Setting Aside application and a stay application. A stay of the winding-up petition pending appeal was granted on 6 February 2017. The case management for the appeal has been set for 3 April 2017.

On 9 March 2017, the Bintulu High Court ordered the setting aside of the judgement against THHEOS. In light of this decision, on 23 March 2017, the High Court at Kuala Lumpur ordered the winding-up petition against THHEOS be struck out with liberty to file afresh.

(r) Zelican Sdn Bhd V 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 THHE Offshore Services Sdn Bhd ("THHEOS") was presented on 31 October 2016 to the Kuala Lumpur High Court by Zelican Sdn Bhd ("ZELICAN") and a copy was served at THHEOS's registered address on 9 November 2016.

THHEOS's stay application was dismissed by the Court and THHEOS has filed an appeal against the dismissal.

At the hearing of the winding-up petition on 28 February 2017, in light of the Restraining Order obtained by THHEOS on 23 February 2017, the Judge directed that the hearing of the winding-up petition be adjourned until after the expiry of the Restraining Order on 23 May 2017.

With regard to THHEOS's appeal against the dismissal of the stay application, in light of the Restraining Order obtained by THHEOS on 23 February 2017, the Court on 14 March 2017 ordered the next case management to be held on 17 April 2017 for parties to update the Court on the status of the Restraining Order.

29. MATERIAL LITIGATIONS (CONT'D)

(s) U.C Blasting & Painting Sdn Bhd v O&G Works Sdn Bhd (Civil Suit No.: WA-28NCC-773-09/2016 was filed at the High Court Malaya at Kuala Lumpur)

A winding-up petition against O&G Works Sdn Bhd ("OGW") was presented on 19 September 2016 to the High Court at Kuala Lumpur by U.C Blasting & Painting Sdn Bhd ("U.C") and a copy was served at OGW's registered address on 21 September 2016.

Both parties have since settled the matter amicably.

(t) Global Mariner Offshore Services Sdn Bhd v TH Heavy Engineering Berhad (Kuala Lumpur High Court Civil Suit: WA-22NCC-374-11/2016).

Globalmariner Offshore Services Sdn Bhd ("GMOS") brought an action in the Kuala Lumpur High Court against TH Heavy Engineering Berhad ("THHE") claiming an amount of RM17,974,095.

In response to a notice under Section 218 of the Companies Act 1965 served by THHE on GMOS on 8 September 2016, GMOS filed an Originating Summon and a Notice of Application for Fortuna Injunction to prevent THHE from presenting a winding-up petition against GMOS.

During case management on 3 March 2017, in light of the Restraining Order obtained by THHE on 23 February 2017, the Court fixed the matter for further case management on 14 April 2017 for the parties to update the Court on any settlement between the parties.

In the meantime, the extension of the ad interim injunction is accordingly granted until 14 April 2017.

(u) Global Mariner Offshore Services Sdn Bhd v TH Heavy Engineering Berhad (Kuala Lumpur High Court Civil Suit: WA-22NCC-588-09/2016).

Globalmariner Offshore Services Sdn Bhd ("GMOS") brought an action in the Kuala Lumpur High Court against TH Heavy Engineering Berhad. ("THHE") 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, THHE 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) Global Mariner Offshore Services (L) Ltd
vi) Dynac Sdn Bhd
vii) Rotating Offshore Solutions Pte Ltd

During case management on 9 March 2017, in light of the Restraining Order obtained by THHE on 23 February 2017, the Court fixed the next case management on 6 April 2017. The Group's solicitor is of the view that THHE has a fair chance of defending this action and a fair chance on the counterclaim.

29. MATERIAL LITIGATIONS (CONT'D)

(v) LW Gastech Engineering Sdn Bhd vs THHE Fabricators Sdn Bhd

LW Gastech Engineering Sdn Bhd ("LW Gastech") brought an action in the Shah Alam High Court against THHE Fabricators Sdn Bhd ("THF"). The claim was served on THF on 18 October 2016.

The amount claimed is in relation to the "Provision of Piping Fabrication, Installation, Hydrotest and Reinstatement works for KNPG-B Phase II, Kinabalu Non Associated Gas (NAG) Development Project" and "Outstanding Works for Piping Fabrication & Installation (Exclude PG Line) HPHT & M6 For Kinabalu Project" amounting RM3,292,019.

On 27 December 2016 the Court allowed THF's application for stay of proceedings with cost and further struck out LW Gastech's claim.

30. CONTINGENCIES

Contingent liabilities are as follows:

	The Group	
	2016 RM	2015 RM
Guarantees given by the Company for banking facilities to Subsidiaries	74,854,628	94,379,839
Potential liquidated damages claims by a customer of FPSO Vessel Project.	83,439,000	-

	The Company	
	2016 RM	2015 RM
Potential liquidated damages claims by a customer of FPSO Vessel Project.	83,439,000	-

31. RELATED PARTIES 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 includes 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 (Note 7).

31. RELATED PARTIES TRANSACTIONS (CONT'D)

Significant related party transactions

The significant related party transactions of the Company, other than key management personnel compensation which is disclosed in Note 22, are as follows:

	Transaction amounts for the year ended 31 December	
	2016	**2015**
	RM	**RM**
Subsidiaries		
Management fees receivables	9,722,975	8,042,615
Advances to/(from) subsidiaries	176,170,499	347,485,210
Companies in which a Director of the Company is also a director during the year		
Insurance expenses	-	1,294,664

Significant related party balances related to the above transactions are disclosed in Note 11.

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

32. SIGNIFICANT AND SUBSEQUENT EVENTS

(a) The Company had on 23 September 2016 entered into a framework agreement with McDermott Holdings (M) Sdn Bhd, McDermott Capital Malaysia Sdn Bhd, J.Ray McDermott, S.A, Berlian McDermott Sdn Bhd("BMD"), THHE Fabricators Sdn Bhd ("THFSB"), THHE McDermott Projects Services Sdn Bhd ("TMPS") and THHE McDermott Engineering Sdn Bhd ("TME") to mutually unwind the joint ventures in respect of BMD and THFSB and termination of the joint ventures in BMD, THFSB, TME and TMPS ("Framework Agreement"), upon and subject to the conditions set out in the Framework Agreement. The termination of Joint Venture has been completed on 30 September 2016.

(b) THHE Destini Sdn Bhd (formerly known as Gigih Integrasi 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. The total contract sum is RM738,900,000 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.

(c) The Company and its subsidiary companies namely THHE Fabricators Sdn Bhd, THHE Ofshore Services Sdn Bhd and O&G Works Sdn Bhd (collectively referred to as the "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 Scheme Companies, and/or in respect of Scheme Companies 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 ninety (90) days from 23 February 2017 to 22 May 2017 pursuant to Section 366 and 368 of the Companies Act, 2016.

The RO was applied for as part of the Scheme Companies's proposed scheme of arrangement to regularise its affairs. The Scheme Companies will next convene a meeting with its creditors for the purpose of seeking their consent pursuant to Section 366 and 368 of the Companies Act, 2016 in respect of the proposed scheme of arrangement for the Scheme Companies.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements which requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as of the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the prescribed format of disclosure.

The breakdown of the (accumulated losses)/retained earnings of the Group and of the Company as of the end of the reporting period into realised and unrealised profits or losses pursuant to the directive is as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Total (accumulated losses)/retained profits of the Company and its subsidiaries:				
- realised	(764,764,484)	(390,767,717)	(8,022,816)	22,722,933
- unrealised	10,435,189	52,981,508	(23,188,016)	(2,452,444)
	(754,329,295)	(337,786,209)	(31,210,832)	20,270,489
Add: Consolidation adjustments	259,664,864	275,536,964	-	-
Total (accumulated losses)/retained profits	(494,664,431)	(62,249,245)	(31,210,832)	20,270,489

The determination of realised and unrealised profits is based on the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010. A charge or credit to profit or loss of a legal entity is deemed realised when it resulted from the consumption of resource of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use. Where a credit or a charge to profit or loss upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resource, such credit or charge should not be deemed as realised until the consumption of resource could be demonstrated.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

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, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out on page 120 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

DATUK SERI JOHAN BIN ABDULLAH

TOO KOK LENG

Kuala Lumpur,
28 April 2017

STATUTORY DECLARATION

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

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
on 28 April 2017.

SUHAIMI BADRUL JAMIL

Before me:

LIST OF PROPERTIES

The properties of the group as at 31 December 2016 are as folows:

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 13 APRIL 2017

Total Issued Share Capital	:	RM555,269,297.50 comprising (a) 1,121,077,190 ordinary shares; and (b) 1,100,000,000 Islamic Irredeemable Convertible Preference Shares ("ICPS-i")
Classes of Shares	:	(a) Ordinary shares (b) ICPS-i
Number of shareholders	:	(a) 25,280 (Ordinary shares) (b) 336 (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

SIZE OF HOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES HELD	% OF ISSUED CAPITAL
1 – 99	5,905	23.36	425,409	0.04
100 – 1,000	7,894	31.23	2,767,762	0.25
1,001 – 10,000	5,726	22.65	31,779,029	2.83
10,001 – 100,000	4,742	18.76	176,185,566	15.72
100,001 – 56,053,858 (*)	1,012	4.00	575,757,317	51.36
56,053,859 and above (**)	1	0.00	334,162,107	29.81
Total	25,280	100.00	1,121,077,190	100.00

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

DIRECTORS' SHAREHOLDINGS
(based on the Register of Directors' Shareholdings as at 13 April 2017)

	NO OF SHARES BENEFICIALLY HELD			
NAME OF DIRECTORS	DIRECT	%	NOMINEES	%
Datuk Seri Johan Bin Abdullah	0	0.00	0	0.00
Dato' Ghazali Bin Awang	0	0.00	0	0.00
Datuk Rozaida Binti Omar	0	0.00	0	0.00
Roslan Bin Mohd Latif	0	0.00	0	0.00
Too Kok Leng	0	0.00	0	0.00
Dr. Ir. Samad Bin Solbai	0	0.00	0	0.00
Dato' Indera Dr. Md Yusop Bin Omar	0	0.00	0	0.00

ANALYSIS OF SHAREHOLDINGS
AS AT 13 APRIL 2017
(CONT'D)

(A) ORDINARY SHARES (CONT'D)

SUBSTANTIAL SHAREHOLDERS
(based on the Register of Substantial Shareholders as at 13 April 2017)

NO	NAME	DIRECT INTEREST	%	INDIRECT INTEREST	%
1	LEMBAGA TABUNG HAJI	334,162,107	29.81	0	0

TOP 30 SECURITIES ACCOUNTS HOLDERS OF ORDINARY SHARES
(as per Record of Depositors as at 13 April 2017)

NO.	NAME	NO. OF ORDINARY SHARES	%
1	LEMBAGA TABUNG HAJI	334,162,107	29.81
2	PELABURAN MARA BERHAD	51,696,345	4.61
3	MOHAMED FAROZ BIN MOHAMED JAKEL	23,000,000	2.05
4	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHAMED FAROZ BIN MOHAMED JAKEL	18,000,000	1.61
5	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG CHAI GO	9,500,000	0.85
6	YEOH AH BENG	7,200,000	0.64
7	CHIA MUI TIAN	7,000,000	0.62
8	CHIN CHIN SEONG	6,747,000	0.60
9	MADHAVANKUTTY A/L KUMARAN	6,661,000	0.59
10	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CIMB ISLAMIC TRUSTEE BHD FOR BIMB I DIVIDEND FUND	6,412,000	0.57
11	HADIAN BIN HASHIM	6,270,000	0.56
12	NG CHAI GO	6,000,000	0.54
13	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO. LTD.	5,950,000	0.49
14	AZMAN SHAH BIN KHALIDUN	5,500,000	0.49
15	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CIMB BANK FOR YAYASAN POK DAN KASSIM	5,000,000	0.45
16	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR QUEK KON SEAN	5,000,000	0.45
17	SU-AZIAN @ MUZAFFAR SYAH BIN ABD RAHMAN	5,000,000	0.45
18	ZAMRI BIN MOHAMAD	4,900,000	0.44
19	LIM KENG CHUAN	4,600,000	0.41
20	NG CHAI GO	4,500,000	0.40
21	CIMB GROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR DBS BANK LTD	4,490,000	0.40
22	YEOH HIN GUAN	4,125,000	0.37
23	MUHAMMAD NASIR BIN HANIFAH	3,697,800	0.33
24	SEE HOON YEW	3,300,000	0.29
25	LEE CHEE BENG	3,100,000	0.28
26	ANNIE LOO YEAN LAY	3,000,000	0.27
27	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG LOY HUAT	3,000,000	0.27

ANALYSIS OF SHAREHOLDINGS
AS AT 13 APRIL 2017
(CONT'D)

(A) ORDINARY SHARES (CONT'D)

TOP 30 SECURITIES ACCOUNTS HOLDERS OF ORDINARY SHARES (as per Record of Depositors as at 13 April 2017) (CONT'D)

NO.	NAME	NO. OF SHARES HELD	%
28	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HARBANS KAUR A/P SAUDAGAR SINGH	2,990,000	0.27
29	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SOO WING CHING	2,922,300	0.26
30	MD SHARIF BIN SHAMSUDDIN	2,900,000	0.26
	TOTAL	**556,623,552**	**49.65**

(B) ICPS-i

ANALYSIS BY SIZE OF ICPS-i HOLDERS

SIZE OF HOLDINGS	NO OF HOLDERS	%	NO. OF ICPS-i HELD	%
1 – 99	7	2.08	472	0.00
100 – 1,000	186	55.36	39,721	0.00
1,001 – 10,000	80	23.81	293,745	0.03
10,001 – 100,000	57	16.96	1,460,743	0.13
100,001 – 54,999,999 (*)	5	1.49	976,584	0.09
55,000,000 and above (**)	1	0.30	1,097,228,735	99.75
Total	336	100.00	1,100,000,000	100.00

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

DIRECTORS' ICPS-i HOLDINGS (based on the Register of Directors' Shareholdings as at 13 April 2017)

NAME OF DIRECTORS	DIRECT	%	NO. OF ICPS-i NOMINEES	%
Datuk Seri Johan Bin Abdullah	0	0.00	0	0.00
Dato' Ghazali Bin Awang	0	0.00	0	0.00
Datuk Rozaida Binti Omar	0	0.00	0	0.00
Roslan Bin Mohd Latif	0	0.00	0	0.00
Too Kok Leng	0	0.00	0	0.00
Dr. Ir. Samad Bin Solbai	0	0.00	0	0.00
Dato' Indera Dr. Md Yusop Bin Omar	0	0.00	0	0.00

ANALYSIS OF SHAREHOLDINGS
AS AT 13 APRIL 2017
(CONT'D)

(B) ICPS-i (CONT'D)

TOP 30 ICPS-i HOLDERS
(as per Record of Depositors as at 13 April 2017)

NO.	NAME	NO. OF ICPS-i	%
1	LEMBAGA TABUNG HAJI	1,097,228,735	99.75
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	CHEW CHONG KHENG	53,233	0.00
15	POH SIEW KUAN	47,500	0.00
16	CHOONG YAT CHIN @ CHONG YAT CHIN	45,866	0.00
17	LEO JEOK KWI	44,800	0.00
18	CHEW TATT AIK	37,760	0.00
19	ONG LEA PING	34,133	0.00
20	LEE CHEE SIONG	32,700	0.00
21	ONG TENG HOR	32,000	0.00
22	RHB NOMINEES (TEMPATAN) SDN BHD AMARA INVESTMENT MANAGEMENT SDN BHD FOR AHMAD YUSMADI BIN MOHAMED YUSOFF	31,900	0.00
23	TING SEU NGUONG	25,600	0.00
24	LIEW WHAI HOE	25,000	0.00
25	HASHIM BIN SHARIF	23,893	0.00
26	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KUM JEN SEN	22,400	0.00
27	NG SWEE CHIOW	22,000	0.00
28	YAP LAI PING	22,000	0.00
29	SIH LAI PENG	21,500	0.00
30	LEONG MUN SIEW	21,333	0.00
	TOTAL	**1,099,206,656**	**99.93**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the THIRTEENTH ANNUAL GENERAL MEETING of the Company will be held at Ballroom 1, First Floor, Main Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 25 May 2017 at 2:30 p.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Explanatory Note A)**

2. To approve the payment of Directors' Fees amounting to RM521,754.10 for the financial year ended 31 December 2016. **(Resolution 1)**

3. To approve the Directors' benefits payable to the Directors of the Company with effect from 1 February 2017 until the next Annual General Meeting of the Company in year 2018. **(Resolution 2)** **(Please refer to Explanatory Note B)**

4. To re-elect Dato' Indera Dr. Md Yusop Bin Omar who retires pursuant to Article 95 of the Company's Articles of Association, and being eligible, has offered himself for re-election. **(Resolution 3)**

5. To re-elect Dr. Ir. Samad Bin Solbai who retires pursuant to Article 95 of the Company's Articles of Association, and being eligible, has offered himself for election. **(Resolution 4)**

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

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 SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 **(Resolution 6)**

"**THAT** subject to Sections 75 and 76 of 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, pursuant to Sections 75 and 76, 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.

AND THAT the Directors of the Company 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 they may consider expedient or necessary to complete and give full effect to the abovesaid mandate."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

8. ORDINARY RESOLUTION
PROPOSED RETENTION OF TOO KOK LENG AS INDEPENDENT NON-EXECUTIVE DIRECTOR **(Resolution 7)**

"**THAT** 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 persuant to the Malaysian Code on Corporate Governance 2012."

9. 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
28 April 2017

EXPLANATORY NOTE A

Audited Financial Statements for the financial year ended 31 December 2016

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 2

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 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 with effect from 1 February 2017 until the next Annual General Meeting in year 2018 ("**the Period**"). The Directors' benefits payable for the Period comprise the following:-

Meetings Allowance

		RM	Remarks
Board	Chairman	RM1,000/- per meeting	The meeting allowances shall only be paid whenever meetings are called during the Period.
	Director	RM1,000/- per meeting	
Board Sub-Committee	Chairman	RM500/- per meeting	
	Director	RM500/- per meeting	

EXPLANATORY NOTE TO SPECIAL BUSINESS:

Resolution 6

The Company wishes to renew the mandate on the authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016 at the Thirteenth Annual General Meeting of the Company (hereinafter referred to as the "**General Mandate**").

The Company had been granted a general mandate by its shareholders at the Twelfth Annual General Meeting of the Company held on 23 May 2016 (hereinafter referred to as the "**Previous Mandate**").

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

The Previous Mandate was not utilised and accordingly, no proceeds were raised.

Resolution 7

Too Kok Leng was appointed as Independent Non-Executive Director of the Company on 28 January 2008 and has therefore, served the Board for a cumulative term of more than nine (9) years. In accordance with the Malaysian Code on Corporate Governance 2012, the Board recommends that Too Kok Leng should be retained to continue in office as Independent Non-Executive Director based on the following justifications:-

- he has 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.

- he is able to exercise independent judgement and act in the best interests of the Company.

- there is no potential conflict of interest that Too Kok Leng could have with the Company as he has 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.

- he has not developed, established or maintained any significant personal or social relationship, whether direct or indirect, with the Executive Director, major shareholders or Management of the Company (including their family members) other than normal engagements and interactions on a professional level, consistent and expected of him to carry out his duties as an Independent Non-Executive Director.

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

Notes:

(1) In respect of deposited securities, only members whose names appear in the Record of Depositors on 18 May 2017 ("**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 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 Company's Registered Office located at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, not less than 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 Thirteenth Annual General Meeting of the Company.

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

FORM OF PROXY

Number of shares held	
CDS account no.	

*I/We, ... Company No./NRIC No. ....
(full name as per NRIC/Certificate of Incorporation in capital letters)

of .... being a member of
(full address)

TH HEAVY ENGINEERING BERHAD hereby appoint ....
(full name as per NRIC in capital letters)

NRIC No .... and/or failing him/her, ...
(full name as per NRIC in capital letters)

NRIC No. .... or failing *him/her the Chaiman of the Meeting as *my/our proxy, to vote for *me/us on *my/our behalf at the Thirteenth Annual General Meeting (“**13th AGM**”) of the Company to be held on Thursday, 25 May 2017 at 2.30pm and at any adjournment thereof, on the following resolutions referred to in the Notice of 13th AGM.

*My/Our proxy(ies) *is/are to vote as indicated below:-

ORDINARY BUSINESS		FOR	AGAINST
Ordinary Resolution 1	Payment of Directors’ Fees for the financial year ended 31 December 2016		
Ordinary Resolution 2	Directors benefits payable to the Directors of the Company from 1 February 2017 until the next Annual General Meeting of the Company in year 2018		
Ordinary Resolution 3	Re-election of Dato’ Indera Dr. Md Yusop Bin Omar		
Ordinary Resolution 4	Re-election of Dr. Ir. Samad Bin Solbai		
Ordinary Resolution 5	To re-appoint Messrs. Deloitte PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration		
SPECIAL BUSINESS			
Ordinary Resolution 6	Authority to Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016		
Ordinary Resolution 7	Proposed Retention of 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 .... , 2017

....
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:
(1) In respect of deposited securities, only members whose names appear in the Record of Depositors on 18 May 2017 (“**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 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 Company’s Registered Office located at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.

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AFFIX
STAMP

To:

TH HEAVY ENGINEERING BERHAD **(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

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www.thhe.com.my

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

Level 26, Menara Bank Islam,
No. 22, Jalan Perak, 50450 Kuala Lumpur.
TEL: (+603) 2787 9000 FAX: (+603) 2787 9001