THHEAVY ENGINEERING BERHAD

An associate company of Tabung Haji
(634775-D)

DELIVERING EXCELLENCE

2015 ANNUAL REPORT

OUR YARD

The yard is located at Pulau Indah Industrial Park, Selangor Darul Ehsan. It is easily accessible via the Shah Alam Expressway and Pulau Indah Highway heading towards Westport, one of the major ports in Peninsular Malaysia.

With a land area of almost 57 acres (23 hectares), the yard has approximately 120,000 sqm of open and 16,000 sqm of covered areas. The capacity of the yard is around 20,000MT per year and is fully equipped and ready to undertake major offshore and onshore fabrication works.

Fronting the Straits of Malacca, the yard is strategically located along one of the busiest shipping routes in the world that links the Middle East and Asian Economy through the Indian Ocean, South China Sea and Pacific Ocean. It is also well connected to three major ports namely Westport, Northport and Southport, besides being an hour's drive to Kuala Lumpur International Airport and Kuala Lumpur city centre.

DELIVERING EXCELLENCE

At TH Heavy Engineering Berhad, we are keenly aware of today's industry scenario and remain steadfast in achieving our objectives. Going forward, we are all set to delivering our standards of excellence throughout all aspects of our processes as well as re-align the organisation and implement prudent strategies. This year's Annual Report theme highlights the cohesiveness of these elements, all guided by our core values of delivering excellence.

Vision

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

Mission

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

Core Values

- Professional
- Integrity
- Commitment
- Innovation
- Quality
- Nurture

SCAN HERE

View our annual report on your mobile or tablet by scanning this QR code or log on to our website at:

www.thhe.com.my

TH Heavy Engineering Berhad was listed on the Main Market of Bursa Malaysia in January 2005, after being actively involved in the oil and gas industry since 2002. The main activities of TH Heavy Engineering Berhad (THHE) are centred around the heavy engineering industry principally in the fabrication of offshore steel structures and the provision of other related offshore oil and gas engineering services in Malaysia. Through its 70% owned subsidiary, THHE Fabricators Sdn. Bhd. (THFSB), THFSB is one of the few PETRONAS licensed major fabricators in Malaysia.

O&G Works Sdn. Bhd. (OGW), a subsidiary of THHE is also a licensed offshore and marine crane manufacturer producing a complete line of high quality Marine and Offshore Pedestal Crane to meet the needs of the global marine, offshore and energy markets.

ABOUT TH HEAVY ENGINEERING BERHAD

THHE through another subsidiary, Floatech (L) Ltd., owns a Floating Production Storage & Offloading vessel that is equipped with high-capacity crude oil production facility. The FPSO enables THHE to provide practical floating production solutions for marginal fields, early production systems (EPS) and extended well test (EWT).

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

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

Backed by a string of successfully delivered projects under its credentials, THHE has repositioned itself as an integrated EPCIC contractor that provides a comprehensive list of services based on these principal activities:

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

CONTENTS

12TH ANNUAL GENERAL MEETING

DATE : 23 May 2016, Monday
TIME : 2.30 p.m.
VENUE : Ballroom 1, First Floor, Main Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan

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)
80%	FLOATECH (L) LTD. (LL 08400)
70%	THHE FABRICATORS SDN. BHD. (537178-X)
	THHE OFFSHORE SERVICES SDN. BHD. (1050603-M)
50%	THHE MCDERMOTT PROJECT SERVICES SDN. BHD. (1045937-T)
	THHE MCDERMOTT ENGINEERING SDN. BHD. (1045954-T)

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' JOHAN BIN ABDULLAH
Non-Independent Non-Executive Director/Chairman

NUSRAL BIN DANIR
Chief Executive Officer

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' 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 (AF 0080)
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
Kuwait Finance House

SOLICITORS

Noor Amran & Co.
Mohanadass Partnership
Mah-Kamariyah & Philip Koh
Mohamed Ridza & Co.
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
Stock Name : THHEAVY
Stock Code : 7206
ANALYST TICKERS AND CODE
Reuters THHE.KL

BOARD OF DIRECTORS

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

1. **DATO' JOHAN BIN ABDULLAH**
   Non-Independent Non-Executive Director/ Chairman
2. **NUSRAL BIN DANIR**
   Chief Executive Officer
3. **DATO' DR. MD. YUSOP BIN OMAR**
   Independent Non-Executive Director
4. **DATUK ROZAIDA BINTI OMAR**
   Non-Independent Non-Executive Director
5. **DATO' GHAZALI BIN AWANG**
   Non-Independent Non-Executive Director
6. **ROSLAN BIN MOHD LATIF**
   Independent Non-Executive Director
7. **TOO KOK LENG**
   Independent Non-Executive Director
8. **DR. IR. SAMAD BIN SOLBAI**
   Independent Non-Executive Director

DIRECTORS' PROFILE

DATO' JOHAN BIN ABDULLAH
Non-Independent Non-Executive Director/Chairman

NUSRAL BIN DANIR
Chief Executive Officer

Dato' Johan Bin Abdullah, a Malaysian, aged 59, was appointed as Chairman of THHE on 7 October 2015.

Dato' Johan obtained a Diploma in Banking from Universiti Teknologi MARA, Shah Alam in 1983, a Bachelor of Business Administration (Finance) from Eastern Michigan University, USA in 1985 and a Master in Business Administration (Finance) degree from Morehead State University, USA in 1986.

He started his professional career in 1987 with the Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad) as a Listing Officer. In 1989, he joined the Corporate Finance division of Bumiputra Merchant Bankers Berhad and left the Bank in early 1995 as Senior Manager. Later he joined Damansara Realty Berhad as General Manager, Corporate Planning. Subsequently in 1999, he rejoined Bursa Malaysia Securities Berhad 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 is currently the Deputy Group Managing Director and Chief Executive Officer of Lembaga Tabung Haji since January 2015 and Chairman of Deru Semangat Sdn Bhd. He also sits on the Board of TH Plantations Bhd, TH Properties Sdn Bhd, TH Hotel & Residence Sdn Bhd as well as BIMB Securities (Holdings) Sdn Bhd.

Nusral Bin Danir, a Malaysian, aged 59, was appointed as a Chief Executive Officer (CEO) on 27 August 2015.

Prior to his appointment as a CEO, Nusral served as the Acting CEO from 19 June 2015. He also served as an Executive Director of THHE from 1st March 2015 and as an Independent Non-Executive Director of THHE Board from 23 August 2013.

He has spent more than 30 years in PETRONAS, beginning his career in 1979 when the National Oil Company (NOC) was just 5 years old. Growing his career in the Exploration and Production sector of PETRONAS, Nusral later followed the young NOC's global path to Algeria as Country Manager of PETRONAS Carigali from 1997 to 2001 and Country Chairman of PETRONAS Sudan from 2007 to 2011.

His stint in the now multinational PETRONAS included oversight of operations in Vietnam, Indonesia, Myanmar, Turkmenistan, Pakistan, the Sudan and Uzbekistan as well as operations in three domestic regions.

He is one of the few of PETRONAS staff who have served both the Sabah and Peninsular Malaysia Operations of PETRONAS Carigali.

Nusral has also served on the Boards of PETRONAS subsidiaries and joint-venture companies in Malaysia and elsewhere, including University Technology PETRONAS.

Nusral read for a Bachelor of Science degree in Control Engineering at the University of Sussex, the United Kingdom, graduating from the university in 1979.

He has also attended a number of management and leadership programmes at home and abroad while serving PETRONAS.

DIRECTORS' PROFILE
(CONT'D)

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

TOO KOK LENG
Independent Non-Executive Director

Dato' Ghazali Bin Awang, a Malaysian, aged 69, was appointed as Director of THHE on 28 July 2015. He was then 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 and Corporate Services of Gutherie group of companies.

Dato' Ghazali also served as Director on the Board of companies such as CCM Duopharma Biotech Berhad, Heitech Padu Berhad, Prudential BSN Takaful Berhad and BIMB Investment Management Berhad.

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

Too Kok Leng, a Malaysian, aged 57, was appointed a Director of the Company on 28 January 2008.

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

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

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

DIRECTORS' PROFILE
(CONT'D)

ROSLAN BIN MOHD LATIF
Independent Non-Executive Director

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

Roslan Bin Mohd Latif, a Malaysian, aged 61, was appointed to the Board as an Independent Non Executive Director on 11 June 2009.

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

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

Roslan also served as an Independent Non-Executive Director of AWC Berhad, Board of Trustee of ALMA Education Foundation and President of ALMA. He is currently attached to the Office of the Minister of Youth and Sports as Special Officer to the Minister.

Dato' Dr. Md. Yusop Bin Omar, a Malaysian, aged 63, 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' Dr. Md. Yusop served as Administration and Diplomatic Officer in the Government sector for twenty (20) years.

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

Dato' Dr. Md. Yusop is currently the Chairman of Sitamas Environmental Systems Sdn. Bhd., AWS Sdn. Bhd. and Musyarakah Venture Capital Sdn. Bhd. He is also the Director of Politics & Election Studies of Malaysia Leadership & Strategy Foundation and from 6 January 2015 a director of TH Plantation Sdn. Bhd.

He received Honorary Doctorate in Civil Law from Lincoln University College Malaysia in April 2015.

DIRECTORS' PROFILE (CONT'D)

DATUK ROZAIDA BINTI OMAR
Non Independent Non-Executive Director

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

Datuk Rozaida Binti Omar, a Malaysian, aged 53 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. Datuk Rozaida is a Fellow of the Association of Chartered Certified Accountants (ACCA) UK.

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.

Dr. Ir. Samad Bin Solbai, a Malaysian, aged 64, was appointed to the Board on 25 May 2012. He is a registered Professional Engineer and Fellow of the Institution of Engineers, Malaysia. He has a wide, hands-on experience in the EPCIC (Engineering, Procurement, Construction, Installation and Commissioning) of oil & gas platforms projects in Malaysia and Indonesia. 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, Australia.

In 2015 Dr Samad attended a number of business seminars presented by world-renown Professors and attended a five-day fulltime course on Air Conditioning design conducted by Carrier Malaysia.

Dr. Samad is currently a director of a number of private companies in Malaysia including Carrier International (M) Sdn. Bhd, THHE Fabricators Sdn. Bhd., THHE McDermott Engineering Sdn. Bhd., THHE McDermott Project Services Sdn. Bhd. and Li-Zainal Sdn Bhd.

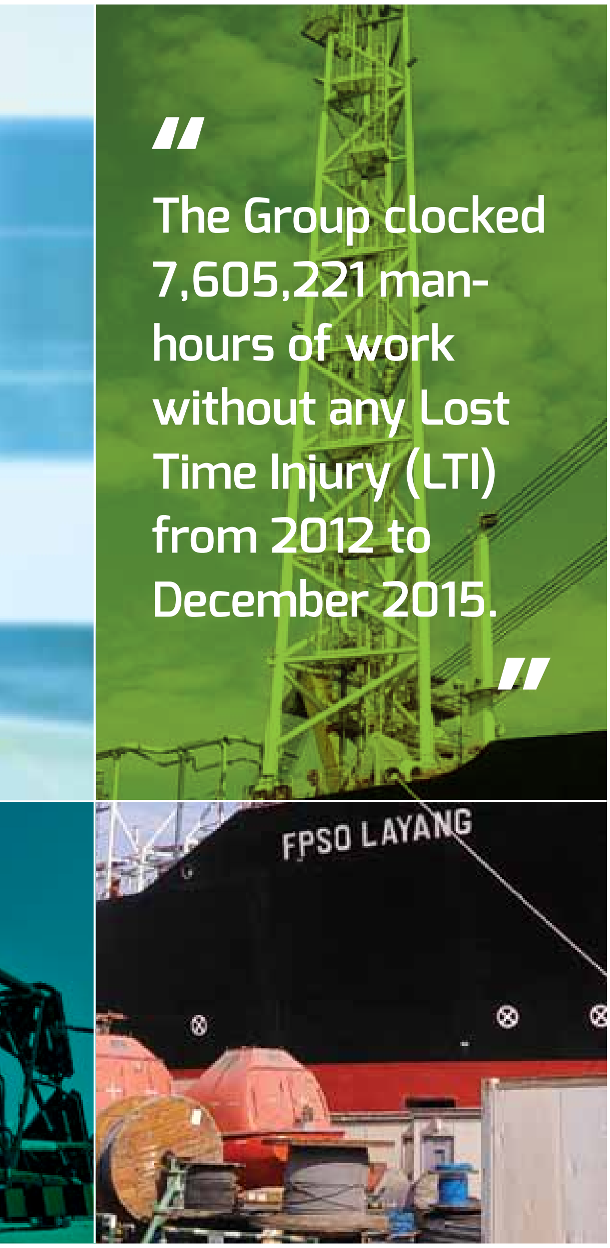
DEAR VALUED SHAREHOLDERS,

This is my very first statement as Chairman of TH Heavy Engineering Berhad (the Group), a position I assumed on 7 October 2015. I would like to begin with a word of thanks to two of my predecessors, YBhg. Dato' Azizan Bin Abdul Rahman and YBhg. Dato' Ghazali Bin Awang for guiding the members of the Board during their tenure as Chairman.

DATO' JOHAN BIN ABDULLAH
Non-Independent Non-Executive Director/Chairman

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT
(CONT'D)



The year under review has been a very challenging 12 months for the Group.

The less than positive developments in the oil and gas industry worldwide have caused some turmoil, bringing along with it a 12-year low in crude prices. The international benchmark crude, Brent, averaged USD 50, 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.

With this challenging backdrop, the Group has to realign its strategies to meet with the new business realities. The Group is actively seeking a number of onshore fabrication opportunities while participating in non-oil and gas fabrication and manufacturing opportunities. The Group anticipates these active efforts to bear fruit soon.

FINANCIAL PERFORMANCE

As compared to 2014, the Group's revenue decreased from RM344 million to RM100 million, registering close to 71 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. Despite the significant reduction in revenue, the current year after tax losses has however narrowed from RM114 million in 2014 to RM54 million in the current year, or a reduction of RM60 million or 53% due mainly to our proactive measures to control cost to be commensurate with the level of operations.

AWARDED PROJECTS

For the Financial Year 2015, the Group through its subsidiaries have been progressing a number of projects at its yard in Pulau Indah. Of these, two major projects were KNPG-B Topside Phase II for the Kinabalu NAG Phase II development project and the Layang FPSO Topside for the Layang oil and gas field located in Block SK10, offshore Sarawak. Both fabrication projects were awarded in 2014, the former by PETRONAS Carigali Sdn Bhd and the latter for the Layang FPSO conversion project awarded earlier 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, won several contracts in 2015 including the contract for the provision of manpower, tools and equipment for the fabrication, installation and factory acceptance test for the Layang FPSO conversion project and the contract for the provision of cargo handling services.

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

CHAIRMAN'S STATEMENT
(CONT'D)

regard, the Group clocked 7,605,221 man-hours of work without any Lost Time Injury (LTI) from 2012 to December 2015. This is a remarkable achievement and a testament to the Group's standard of care.

THE YEAR AHEAD

The next 12 months of 2016 is expected to be very challenging on 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. BP in its Outlook for 2016 has forecast a rebound in crude oil prices in the second half of 2016, although the company does not see the prices reaching USD100 for some years. 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 that end in mind, the Group has emplaced a business strategy and plan to enter the downstream sector of the oil and gas industry while continuing its core fabrication business.

ACKNOWLEDGEMENTS

As Chairman of the Group, I would like to take this opportunity to thank my fellow Board members and the Group's senior management team for their perseverance and effort in steering the Group during this challenging period. I also wish to extend my deepest thanks to all the shareholders and stakeholders of the Group, especially the government and regulators. Your support and commitment to the Group throughout 2015 is greatly appreciated, and we hope that you will continue to support us as we continue to reshape the Group to meet the current and future challenges of a very volatile business environment.

Dato' Johan Bin Abdullah
Non-Independent Non-Executive
Director/Chairman

DEAR VALUED SHAREHOLDERS,

This is my first Review to you as Chief Executive Officer, having assumed the position in July 2015. It has been a very challenging year for TH Heavy Engineering Bhd ("the Group") with the Brent benchmark crude prices dipping to a 12-year low over the course of my career as the CEO of the Group. The upswing and downswing of the crude oil prices is a constant reminder of the vagaries of the industry we are in.

NUSRAL BIN DANIR
Chief Executive Officer

CHIEF EXECUTIVE OFFICER'S REVIEW

CHIEF EXECUTIVE OFFICER'S REVIEW
(CONT'D)

It is for this reason that we have found it imperative to focus on transforming the Group in terms of organisational effectiveness and project execution, with the ultimate aim of realising cost optimisation throughout the Group. Included in these transformation initiatives are the identification of businesses that are not tied to the fluctuation of oil prices so as to ensure a steady flow of revenue stream to the Group. These businesses cover related diversification and potential game changers for the future.

We hope to see the benefits of these transformation initiatives over the course of the coming years. God willing, we will be able to marshal the staff behind these initiatives that will make the Group agile during volatile times.

FINANCIAL PERFORMANCE

As compared to 2014, the Group's revenue has decreased to RM 100 million from RM 344 million recorded in the previous year. This 71 per cent change is mainly due to completion of prior year projects as well as due to decrease in the number of on-going projects.

AWARDED PROJECTS

In 2015, the Group, via one of its major subsidiaries, THHE Fabricators Sdn. Bhd. ("THFSB"), was progressing two projects at its yard at Pulau Indah.

The first project to be delivered in 2016 is for the procurement, construction and commissioning (PCC) contract for the KNPG-B Topside Phase II, Kinabalu NAG Development project on behalf of PCSB. The project was awarded in January 2014, and is expected to be completed and delivered in August 2016.

The second project is the fabrication of Layang FPSO Topside for the Layang oil and gas field located in Block SK10, offshore Sarawak.

ADDITIONAL PROJECTS & SERVICES

Several additional contracts were awarded to another of the Group's subsidiaries, O&G Works Sdn. Bhd. ("OGW"). Of these, in May 2015, OGW was awarded a contract for the provision of manpower supply, tools and equipment for the fabrication, installation and factory acceptance test assistance of liquid and gas metering skid for Layang FPSO conversion project. The second contract was for the provision of cargo handling services.

Our easily accessible Pulau Indah Fabrication Yard that is located near one of the major ports in Peninsular Malaysia, is being progressively upgraded to reach a target capacity of 20,000 MT. With this doubling of our yard's capacity, the Group will be well positioned to optimise capabilities and cost. As we take the Group's business beyond the upstream sector through midstream to downstream, here at home and elsewhere our differentiator will be the delivery of better value to our clients.

MOVING FORWARD

The year ahead is going to be another period of challenges for the industry, with crude oil prices continuing its volatility. As expected, there are two schools of thought: one forecasting low crude prices for the long term and another for the short term. Whichever forecast prevails, the year ahead is not without challenges for the Group.

CHIEF EXECUTIVE OFFICER'S REVIEW (CONT'D)

"Our easily accessible Pulau Indah Fabrication Yard that is located near one of the major ports in Peninsular Malaysia, is being progressively upgraded to reach a target capacity of 20,000 MT. With this doubling of our yard's capacity, the Group will be well positioned to optimise capabilities and cost."

Perhaps a cautionary note has to made when it comes to forecasting crude oil prices. Forecasters often get it wrong whatever financial or statistical models they use. There are far too many factors that can upset the forecast: the geo-political developments in producing countries, the expansion and contraction of the economies of the consumer countries, etc.

We believe the transformation initiatives undertaken in 2015 once brought to successful fruition will keep the Group in shape to meet the expected challenges.

To make the Group more robust, we have identified several new business areas covering the 'midstream' and downstream sectors of the oil and gas industry while continuing our current businesses. We believe this to be a critical strategy to spread the risk of the volatility of the upstream business over a spectrum of businesses across the oil and gas industry. We have also identified a number of geographies, especially regional markets as part of this very same strategy.

A part of this strategy is our continuing focus on Quality, Health, Safety & Environment as a Group policy. This is reflected in the Group's achievement of the growing number of accident-free man-hours, reaching a record of 25,297,104 man-hours without LTI as at the end of December 2015. The Group will continue to invest in high-quality safety equipment, continuous and vigorous training for its people, as well as certification in the relevant ISO/IEC standards (including ISO 9001) governing its line of work, in order to enhance and maintain its reputation as being a safe employer that delivers on time.

ACKNOWLEDGEMENTS

On behalf of the senior management team, I thank all of the Group's staff for remaining steadfast in this very challenging time for not only the industry but also the Group as well. Our staff have made many sacrifices, devoting their time and energy to make us succeed. On behalf of the Board and Management of the Group I take this opportunity to record our appreciation for their ceaseless dedication.

Our special thanks and gratitude are also due to our major shareholder, Lembaga Tabung Haji, for its continued support of the Group and its Management.

Nusral Bin Danir
Chief Executive Officer

LIST OF EVENTS

25 MARCH 2015

PCC KNPG-B TOPSIDE PHASE II HSE DAY

01 APRIL 2015

1ST STEEL CUTTING CEREMONY FOR PROVISION OF EPCIC & LEASING FOR LAYANG FPSO FACILITIES PEDESTAL CRANE

28 MAY 2015

11TH ANNUAL GENERAL MEETING & EXTRAORDINARY GENERAL MEETING

2 – 4 JUNE 2015

15TH ASIAN OIL, GAS & PETROCHEMICAL ENGINEERING EXHIBITION

LIST OF EVENTS
(CONT'D)

13 – 14 JULY 2015

ROAD SAFETY CAMPAIGN

5 AUGUST 2015

TH HEAVY ENGINEERING BERHAD CORPORATE OPEN HOUSE 2015

17 SEPTEMBER 2015

1ST STEEL CUTTING OF FPSO LAYANG TOPSIDE

8 OCTOBER 2015

LAYANG FPSO HSE DAY

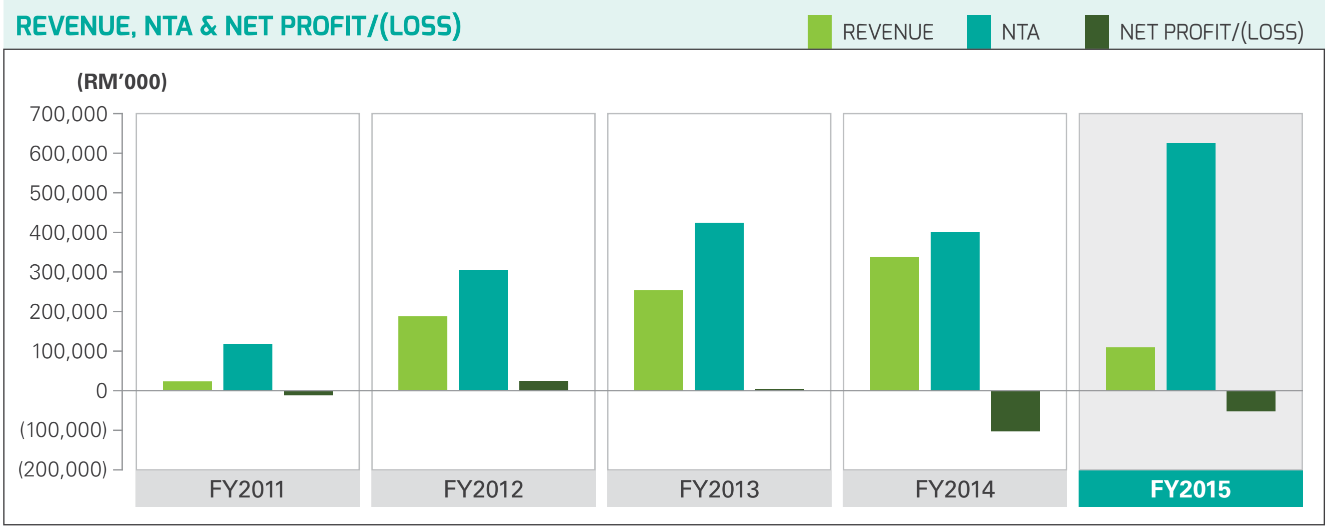
PERFORMANCE HIGHLIGHTS

DESCRIPTION	GROUP RM '000	COMPANY RM '000
Loss for the year attributable to:		
Owners of the Company	(45,335)	(32,739)
Profit attributable to the Owners of the Company	(8,988)	-
Loss for the year	(54,323)	(32,739)

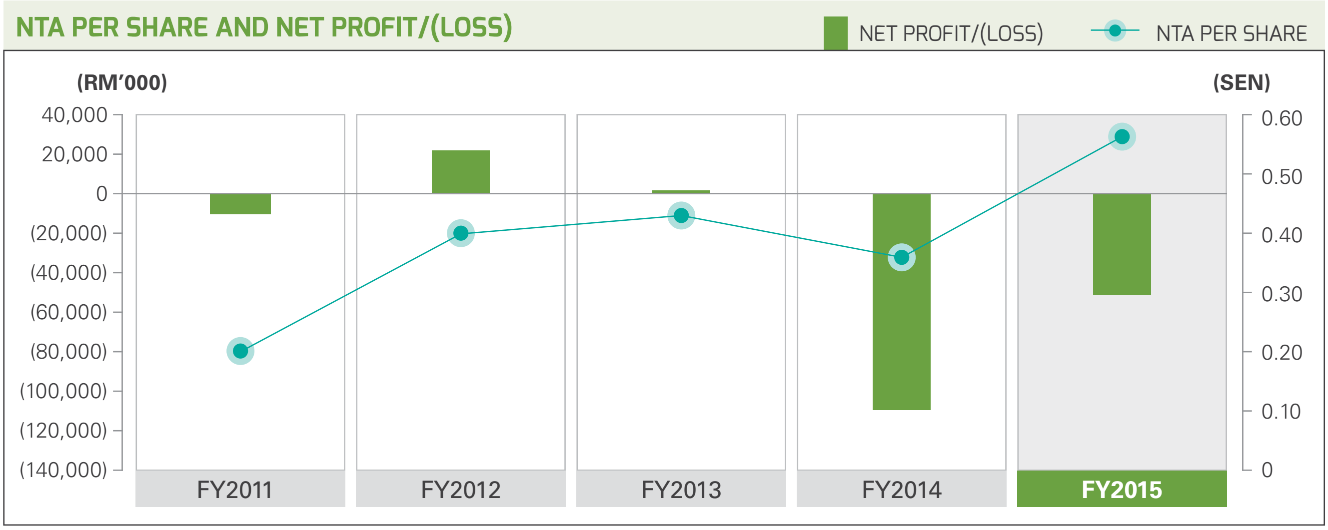
DESCRIPTION	FY2011	FY2012	FY2013	FY2014	FY2015
Revenue	22,842	190,374	259,932	334,124	**100,500**
Gross profit/(loss)	13,051	66,810	44,391	(30,342)	**(6,351)**
Operating cost	43,230	36,359	53,099	89,619	**85,707**
Net profit/(loss)	(11,441)	24,172	1,556	(113,906)	**(54,323)**
NTA	134,067	306,743	423,010	404,222	**636,254**
NTA per share (sen)	0.20	0.40	0.43	0.36	**0.57**
EPS Basic (sen)	(1.73)	3.15	0.83	(7.06)	**(4.05)**

PERFORMANCE HIGHLIGHTS
(CONT'D)

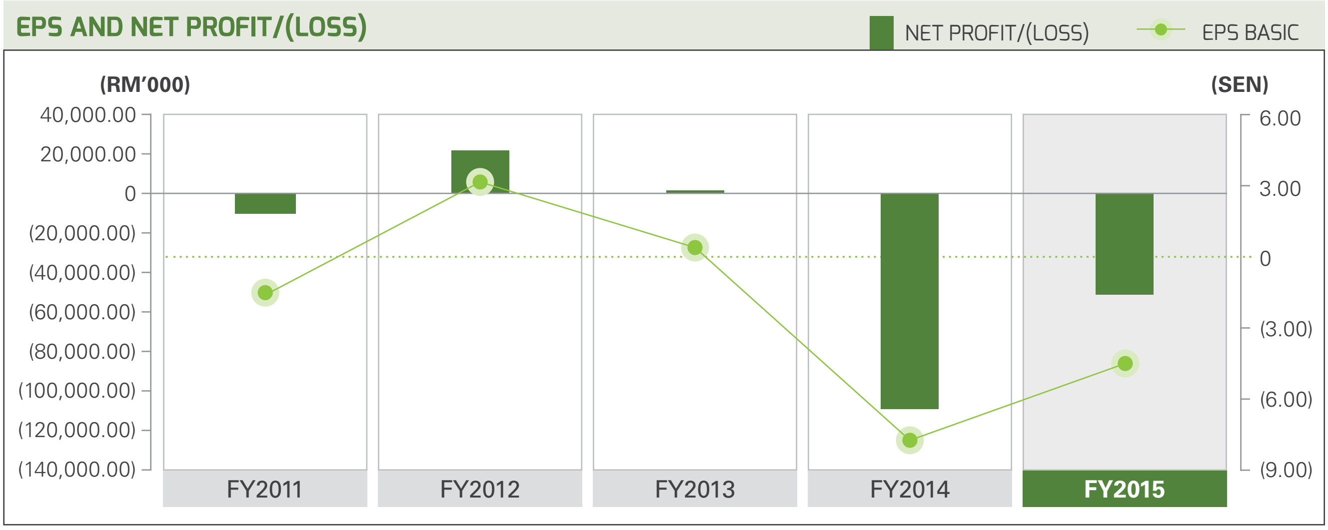
REVENUE, NTA & NET PROFIT/(LOSS)



NTA PER SHARE AND NET PROFIT/(LOSS)



EPS AND NET PROFIT/(LOSS)



AUDIT COMMITTEE REPORT

The members of the Audit Committee of TH Heavy Engineering Berhad are pleased to present the report of the Audit Committee for the financial year ended 31 December 2015.

1. MEMBERS

As at the date of this Annual Report, the members of the Audit Committee, majority of them being Independent Non-Executive Directors, are as follows:

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

Too Kok Leng, an Independent Non-Executive Director assumed his position as the Audit Committee Chairman on 1 September 2015.

Dato' Ghazali Bin Awang holds a Bachelor of Commerce degree from the University of Newcastle, Australia. He is a qualified Chartered Accountant, being a member of the Institute of Chartered Accountants in Australia and Institute of Accountants Malaysia.

In this respect, the Company is in compliance with Paragraph 15.09(c) and 15.10 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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

The Audit Committee held seven (7) meetings during the financial year ended 31 December 2015. The details of the attendance of each Audit Committee member are as follows:

Name	Attendance
Too Kok Leng	7/7
Datuk Seri Mohamad Norza Bin Haji Zakaria *(Resigned on 7 October 2015)*	5/6
Dr. Ir. Samad Bin Solbai *(Appointed on 1 March 2015)*	5/6
Dato' Ghazali Bin Awang *(Appointed on 27 August 2015)*	1/1
Nusral Bin Danir *(Resigned on 1 March 2015)*	1/1

During the financial year ended 31 December 2015, the Audit Committee carried out the following activities:

Financial Reporting

- Reviewed the quarterly financial statements of the Group and the limited review reports prior to making recommendation to the Board for approval;

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

Financial Reporting (Cont'd)

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

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

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

External Audit

- Met with the External Auditors without the presence of executive Board members, Management and employees to discuss issues of concern to the External Auditors arising from the annual statutory audit.
- 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.

- Reviewed the External Audit fees proposed in respect of the scope of work required for the financial year and recommended the same for approval by the Board.

Internal Audit

- Reviewed the business plan and audit plan presented by the Internal Auditors; and
- Reviewed the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its works.

Others

- Reviewed the disclosure statements on compliance of the Malaysian Code on Corporate Governance and the Statement on Risk Management and Internal Control; and
- Discussed the implications of any latest changes and pronouncements on the Company and the Group issued by the statutory and regulatory bodies.

3. SUMMARY OF THE TERMS OF REFERENCE

(i) Composition of Members

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

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

AUDIT COMMITTEE REPORT
(CONT'D)

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

(i) Composition of Members (Cont'd)

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

(a) a member of the MIA; or

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

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

(c) he must fulfill such other requirements as prescribed by Bursa Securities.

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

Retirement and Resignation

If a member of the Audit Committee resigns, dies, or for any reason ceases to be a member resulting in non-compliance to the composition criteria as stated in paragraph 1 above, the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

(ii) Objectives

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

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

(iii) Authority

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

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

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

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

AUDIT COMMITTEE REPORT
(CONT'D)

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

(iii) Authority (Cont'd)

(d) have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity (if any); and

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

(iv) Duties and Responsibilities

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

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

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

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

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

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

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

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

(g) To review the External Auditors' management letter and Management's responses;

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

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

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

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

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

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

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

AUDIT COMMITTEE REPORT
(CONT'D)

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

(iv) Duties and Responsibilities (Cont'd)

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

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

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

4. SUITABILITY AND INDEPENDENCE OF EXTERNAL AUDITOR

During the financial year ended 31 December 2015, the External Auditors were invited to attend Audit Committee meetings to discuss their audit plan, audit findings and the Company's financial statements. At least one of these meetings is held with the External Auditors without the presence of the management. The Audit Committee also meets 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.

The Audit Committee undertakes an annual assessment of the suitability and independence of the External Auditors. The Audit Committee and the Board is satisfied with the suitability and independence of the current External Auditors.

5. 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 to 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 to 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.

As at the date of this Report, the Group's internal audit function is carried out by the Internal Audit Department which provides assurance on the efficiency and effectiveness of the internal control systems implemented by Management and reports directly to the Audit Committee.

The total cost incurred for the Internal Audit Department in respect of the financial year amounted to approximately RM180,000.

6. STATEMENT ON SHARE ISSUANCE SCHEME

There was no Share Issuance Scheme in place during the financial year ended 31 December 2015.

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 2015.

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;
- 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 risks;
- establish succession planning and review remuneration packages of senior management;
- considering Management's recommendations on key issues including acquisition, disposal, restructuring and significant capital expenditure; and
- reviewing the adequacy and the integrity of the management information and internal controls system of the Company.

The Board has delegated certain functions to several Committees namely:

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

STATEMENT OF CORPORATE GOVERNANCE
(CONT'D)

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

Clear Roles and Responsibilities (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) *(Re-designated as Chairman from Member on 1 September 2015)*
		Datuk Seri Mohamad Norza Bin Haji Zakaria (Independent Non-Executive Director) *(Resigned on 7 October 2015)*
Members	:	Dr. Ir. Samad Bin Solbai (Independent Non-Executive Director) *(Appointed on 1 March 2015)*
		Dato' Ghazali Bin Awang (Non-Independent Non Executive Director) *(Appointed on 7 October 2015)*

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 summary of the terms of reference of the Audit Committee and the activities are set out on pages 22 to 26 of this Annual Report.

(ii) Nomination Committee

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

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

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

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

Composition of the Committees (Cont'd)

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 to determine 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 necessary training programmes, including the Mandatory Accreditation Programme mandated by the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad.

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

- To recommend to the Board of Directors, candidates for all directorship 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.

The Nomination Committee carried out the following activities for the financial year ended 31 December 2015:

- Assessment and evaluation of the performance of the Board of Directors;
- Recommendation of renewal of the employment contract of the Company's Chief Financial Officer; and
- Recommendation of the appointment of new Directors.

STATEMENT OF CORPORATE GOVERNANCE
(CONT'D)

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

Composition of the Committees (Cont'd)

(iii) Remuneration Committee

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

Chairman : Dato' 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 Executive Directors and Senior Management and furnishes recommendations to the Board on specific adjustments in remuneration and/or reward payments.

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

(iv) Risk & Investment Committee

The Risk & Investment Committee comprises the following four (4) 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)

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.

(v) Executive Committee (EXCO)

The Executive Committee comprises the following Directors:-

Chairman : Dato' Azizan Bin Abd. Rahman (Non-Independent Non-Executive Director)
(Resigned on 1 September 2015)

Members : Datuk Seri Norza Mohamad Bin Haji Zakaria (Independent Non-Executive Director)
(Resigned on 7 October 2015)

Too Kok Leng (Independent Non-Executive Director)

Dr. Ir. Samad Bin Solbai (Independent Non-Executive Director)

Datuk Nor Badli Munawir Bin Mohamad Alias Lafti (Managing Director & Chief Executive Officer)
(Resigned on 30 June 2015)

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

Composition of the Committees (Cont'd)

(v) Executive Committee (EXCO) (cont'd)

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

Following changes in the Company's top management and the Board composition, the Board had, on 30 November 2015 agreed to dissolve the EXCO.

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.

Encourage Poll Voting

The Board takes note of Recommendation 8.2 of the Code that the Board should encourage poll voting. In line with this Recommendation, the Chairman informs the shareholders of their right to demand for a poll at the commencement of the general meeting. The Company would conduct poll voting if demanded by shareholders at the general meeting.

Effective Communication and Proactive Engagement

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

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

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

Code of Conduct and Implementation

The Company's Code of Ethics is set out in the Company's Employee Handbook and available in the Company's portal, *www.portal.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.

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

Code of Conduct and Implementation (Cont'd)

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.portal.thhe.com.my*.

Strategies Promoting Sustainability

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

Access to Information and Advice

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

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

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 Paper pack comprises objective, background of the subject matter, issues, risks, recommendation and other relevant information for the Board to make an informed decision. The Board Paper pack also consists of previous minutes of Board 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 its 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.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

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

Qualified and competent Company Secretaries (Cont'd)

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 Charter 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*.

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, which 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.

Pursuant to Section 129 of the Companies Act, 1965, Directors who have attained or are over the age of seventy (70) years shall retire at every AGM and may offer themselves for re-appointment to hold office until the next AGM.

Since the issuance of the last Annual Report, three new Board members were appointed, namely Dato' Johan Bin Abdullah as Non-Independent Non-Executive Director/ Chairman, Dato' Ghazali Bin Awang and Datuk Rozaida Binti Omar, as Non-Independent Non-Executive Directors. All three newly appointed Board members are representatives of the Company's largest shareholder, Lembaga Tabung Haji.

The new Chairman and the Directors were nominated by Lembaga Tabung Haji for appointment to the Board. The Nomination Committee deliberated on their appointments and recommended to the Board for approval.

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.

STATEMENT OF CORPORATE GOVERNANCE
(CONT'D)

STRENGTHEN COMPOSITION (CONT'D)

Criteria for Board Assessment (Cont'd)

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.

The basic salaries of the Executive Directors are fixed for the duration of their contracts. The Remuneration Committee will review and deliberate and recommend to the Board for approval on any revision to the basic salaries. The revision will be based on, 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.

Non-Executive Director

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

	Directors Fee (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
EXCO allowances		
i) Chairman		10,000 per month
ii) Members		10,000 per month

STRENGTHEN COMPOSITION (CONT'D)

Criteria for Board Assessment (Cont'd)

Remuneration Policies and Procedures (cont'd)

Non-Executive Directors (cont'd)

Details of the remuneration payable to the Directors who served during the financial year ended 31 December 2015 are as follows:

NO.	NAME OF DIRECTORS	ENTITY	MEETING ALLOWANCE (RM)	EXCO ALLOWANCE (RM)	DIRECTOR'S FEE (RM)	TOTAL (RM)
1	Dato' Johan Bin Abdullah - Chairman	THHE	2,000.00	-	18,849.32	**20,849.32**
2	Dato' Azizan Bin Abd Rahman - Chairman *(Resigned on 1 September 2015)*	THHE	6,000.00	80,000.00	53,479.45	**139,479.45**
3	Datuk Seri Mohamad Norza Bin Zakaria *(Resigned on 7 October 2015)* *(Redesignated from Chairman to Member for THHE Fabricators Sdn Bhd on 1 April 2015)*	THHE THHE Fab (Chairman)	8,500.00 -	80,000.00 -	46,027.40 9,972.60	**134,527.40** **9,972.60**
4	Dato' Dr. Md. Yusop Bin Omar	THHE	8,000.00	-	60,000.00	**68,000.00**
5	Dato' Ghazali Bin Awang - Appointed Director on 28 July 2015 - Redesignated to Chairman on 1 September 2015 - Redesignated to Director on 7 October 2015	THHE	4,500.00	-	22,849.31	**27,349.31**
6	Dr. Ir. Samad Bin Solbai *(Redesignated to Chairman for THHE Fabricators Sdn Bhd on 1 April 2015)*	THHE THHE Fab (Chairman)	14,000.00 4,750.00	80,000.00 -	60,000.00 22,520.55	**154,000.00** **27,270.55**
7	Nusral Bin Danir *(Redesignated on 28 February 2015)*	THHE	3,000.00	-	9,698.63	**12,698.63**
8	Roslan Bin Mohd Latif	THHE	11,500.00	-	60,000.00	**71,500.00**
9	Too Kok Leng	THHE	16,000.00	80,000.00	60,000.00	**156,000.00**
TOTAL			**78,250.00**	**320,000.00**	**423,397.26**	**821,647.26**

STATEMENT OF CORPORATE GOVERNANCE
(CONT'D)

STRENGTHEN COMPOSITION (CONT'D)

Criteria for Board Assessment (Cont'd)

Remuneration Policies and Procedures (cont'd)

Non-Executive Directors (cont'd)

NO.	NAME OF DIRECTORS	ENTITY	TOTAL REMUNERATION AS MD/CEO					TOTAL (RM)
			TOTAL BASIC PAY (RM)	TOTAL FIXED ALLOWANCE (RM)	TOTAL BONUS (RM)	TOTAL EPF E'YER'S SHARE (RM)	OTHER ALLOWANCES (RM)	
1	Datuk Nor Badli Munawir Bin Mohamad Alias Lafti *(Resigned on 30 June 2015)*	THHE	390,000.00	105,000.00	-	59,400.00	104,210.00	**658,610.00**
2	Nusral Bin Danir *(Re-designated as Executive Director on 19 June 2015 and subsequently re-designated as Chief Executive Officer on 27 August 2015)*	THHE	540,000.00	90,000.00	-	79,440.00	5,607.00	**715,047.00**
TOTAL			**930,000.00**	**195,000.00**	**-**	**138,840.00**	**109,817.00**	**1,373,657.00**

The numbers of Director whose total remuneration falls within the respective bands is as follows:

Range of Remuneration	Number of Executive Directors	Number of Non-Executive Directors
RM50.000 & below	-	3
RM50,001-RM100,000	-	2
RM100,001-RM200,000	-	4
RM200,001-RM400,000	-	-
RM400,001-RM600,000	1	-
RM600,000-RM800,000	-	-
RM800,000-RM1,000,000	1	-

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. Save for Too Kok Leng, the Independent Non-Executive Director of the Company who would have served on the Board in an independent capacity for nine (9) years on 28 January 2017, no other Independent Director has served in a similar tenure on the Board.

Too Kok Leng will reach the cumulative term of nine (9) years on 28 January 2017. 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 Twelfth Annual General Meeting of the Company.

STATEMENT OF CORPORATE GOVERNANCE
(CONT'D)

REINFORCE INDEPENDENCE (CONT'D)

Separation of Positions of the Chairman and Chief Executive Officer

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. Dato' Johan Bin Abdullah is the Non-Independent Non-Executive Chairman.

The Chairman is responsible for leadership, effectiveness and governance of the Board. Nusral Bin Danir is the Chief Executive Officer and is responsible for day-to-day management of the business and implementation of the Board's policies and decisions.

Board Composition and Balance

The Company is headed by the Board of Directors which 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 eight (8) members comprising of three (3) Non-Independent Non-Executive Directors, one (1) Chief Executive Officer 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 on pages 8 to 11 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.

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 2015 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 were tabled to the Nomination Committee and the Board for review.

The Board is satisfied with the results of the annual assessment and that the current size and composition of the Board is appropriate and well-balanced with the right mix of skills with the Board composition comprising individuals of high calibre, credibility and with 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 ten (10) times during the financial year ended 31 December 2015. 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 2015 are as follows:

Director	Designation	Meeting Attendance	%
Dato' Johan Bin Abdullah *(Appointed on 7 October 2015)*	Non-Independent Non-Executive Director/Chairman	2/2	100
Dato' Ghazali Bin Awang *(Appointed on. 27 August 2015)*	Non-Independent Non-Executive Director	4/4	100
Nusral Bin Danir	Chief Executive Officer	10/10	100
Too Kok Leng	Independent Non-Executive Director	10/10	100
Dr. Ir. Samad Bin Solbai	Independent Non-Executive Director	10/10	100
Dato' Dr. Md. Yusop Bin Omar	Independent Non-Executive Director	9/10	90
Roslan Bin Mohd Latif	Independent Non-Executive Director	10/10	100
Datuk Rozaida Binti Omar *(Appointed on 4 February 2016)*	Non-Independent Non-Executive Director	Not applicable	

STATEMENT OF CORPORATE GOVERNANCE
(CONT'D)

FOSTER COMMITMENT (CONT'D)

Training

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

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

All Directors have full opportunity to attend seminars, trainings, workshops and conferences to update themselves 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 2015, the Directors attended these training programmes:

- In house seminar for Directors' and Senior Management of TH Heavy Engineering- High Impact Governance Seminar on Corporate Compliance- Focusing on Directors Duty, Liabilities and Expectation
- Khazanah Megatrends Forum 2015 – "Harvesting Creative Disruption: Unlocking the Power of Inclusive Innovations"
- Corporate Governance Director's Workshop: The Interplay between Corporate Governance, Non Financial Information & Investment Decision
- Today's Synergy Tomorrow's Reality Conference
- Goods Services Tax (GST Implementation)
- New Financial Reporting Standard & Preparation on Takaful Financial Statements by KPMG
- Air Conditioning Design Course by Carrier Malaysia
- Business Seminar by Yayasan Tun. Dr Ismail

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 22 to 26 of the Annual Report.

UPHOLD INTEGRITY IN FINANCIAL REPORTING (CONT'D)

Compliance with Applicable Financial Reporting Standards (Cont'd)

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 43 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 46 to 48 of this Annual Report.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policy

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

STATEMENT OF CORPORATE GOVERNANCE
(CONT'D)

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE (CONT'D)

Corporate Disclosure Policy (Cont'd)

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

The Directors are required to take reasonable steps in ensuring that the consolidated financial statements give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year ended 31 December 2015.

The financial statements of the Company and the Group for the financial year in review are set out on pages 50 to 127 of this Annual Report.

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

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

ADDITIONAL COMPLIANCE INFORMATION

1. SHARE BUY-BACK

The Company did not enter into any share buy-back transactions during the financial year ended 31 December 2015.

2. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company did not issue any options or warrants during the financial year ended 31 December 2015.

During the financial year, a total of 1,100,000,000 new Islamic Irredeemable Convertible Preference Shares ("ICPS-i") of RM0.25 at an issue price of RM0.25 for each ICPS-i on the basis of 16 ICPS-i for every 15 existing ordinary shares of RM0.25 each held in the Company were issued.

3. DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any Depository Receipt programme during the financial year ended 31 December 2015.

4. IMPOSITION OF SANCTIONS AND/OR PENALTIES

There were no significant sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by any regulatory bodies during the financial year ended 31 December 2015.

5. NON-AUDIT FEES

Non-audit fees incurred during the financial year ended 31 December 2015 amounted to approximately RM190,000.

6. VARIATION IN RESULTS

There was no material variation between the audited results for the financial year ended 31 December 2015 and the unaudited results announced by the Company earlier.

7. PROFIT FORECAST / PROFIT GUARANTEE

The Company did not issue any profit forecast or profit guarantee during the financial year ended 31 December 2015.

8. MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS' INTEREST

There was no material contract entered into by the Company or its subsidiaries involving Directors and Major Shareholders' interest in the financial year ended 31 December 2015.

9. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

There were no recurrent related party transactions of a revenue or trading nature during the financial year ended 31 December 2015 as per disclosed in Note 31 to the Audited Financial Statements.

ADDITIONAL COMPLIANCE INFORMATION
(CONT'D)

10. STATUS OF UTILISATION OF PROCEEDS

Total gross proceeds of RM275,000,000 was raised from the issuance of 1,100,000,000 ICPS-i at an issue price of RM0.25 for each ICPS-i on the basis of 16 ICPS-i for every 15 existing ordinary shares of RM0.25 each held in the Company.

As at the date of this Annual Report, the status of utilisation of proceeds from the Rights Issue of ICPS-i is as follows:-

	Proposed Utilisation RM'million	Actual Utilisation RM'million	Variance RM'million	Variance %
Capital expenditure	169.7	171.0	(1.3)	(0.7)
Working capital	51.3	51.5	(0.2)	(0.2)
Repayment of debt	50.0	51.9	(1.9)	(3.8)
Defray estimated expenses in relation to the Corporate exercises	4.0	0.6	3.4^	85.0
Total	275.0	275.0	-	-

^ The proceeds were utilised for other purposes instead of the initial proposal to defray corporate exercise expenses. The actual defray corporate exercise expenses was RM0.6 million instead the earlier estimation of RM4.0 million.

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 2015 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 Audit Committee has re-established the Internal Audit Department (IAD) since July 2015, subsequent to the termination of outsourcing internal audit function to the third party. 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 expressed 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 provides updates to the Chief Executive Officer (CEO) on administrative matters.

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

Internal Audit Department became effective subsequent to the termination of outsource Internal Audit in August 2015. 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 quarterly 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. Members of the RMEC mainly comprise top level management personnel including the Chief Executive Officer, Chief Financial Officer, General Manager of Legal and Secretarial Services and other members of RIC comprising 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 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 on quarterly basis 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 quarterly, 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 system 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 programmes 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 its 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 and 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 2015. 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 2015

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 2015.

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 companies 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	(45,335,111)	(32,739,858)
Non-controlling interests	(8,988,753)	-
	(54,323,864)	(32,739,858)

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 unrealised gain on foreign exchange amounting to RM43,756,508 as disclosed in Note 21 to the financial statements, which arose mainly from the change of functional currency of a subsidiary company located in Labuan, during the financial year.

RESERVES AND PROVISIONS

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

DIVIDEND

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

DIRECTORS OF THE COMPANY

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

Dato' Johan Bin Abdullah (Chairman) (appointed on 7 October 2015)
Nusral Bin Danir (Chief Executive Officer)
Dato' Ghazali Bin Awang (appointed on 27 August 2015)
Datuk Rozaida Binti Omar (appointed on 4 February 2016)
Dato' Dr. Md. Yusop Bin Omar

DIRECTORS OF THE COMPANY (CONT'D)

Directors who served since the date of the last report are: (Cont'd)

Roslan Bin Mohd Latif
Dr. Ir. Samad Bin Solbai
Too Kok Leng
Datuk Nor Badli Munawir Bin Mohamad Alias Lafti (resigned on 30 June 2015)
Dato' Azizan Bin Abd. Rahman (resigned on 1 September 2015)
Datuk Seri Mohamad Norza Bin Zakaria (resigned on 7 October 2015)

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 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

During the financial year, the Company increased its issued and paid-up ordinary share capital by way of the issuance of 10,000,000 new ordinary shares of RM0.25 each pursuant to a private placement at RM0.33 per share for cash for working capital purposes.

During the financial year, the Company also increased its authorised share capital from RM855,000,000 comprising 3,200,000,000 ordinary shares of RM0.25 each and 220,000,000 Irredeemable Convertible Preferences Shares of RM0.25 each to RM1,100,000,000 comprising 3,200,000,000 ordinary shares of RM0.25 each and 1,200,000,000 Islamic Irredeemable Convertible Preferences Shares ("ICPS-i") of RM0.25 each by the creation of 980,000,000 new ICPS-i of RM0.25 each.

In addition, the Company also increased the issued and fully paid ICPS-i by way of the issuance of 1,100,000,000 new ICPS-i of RM0.25 each pursuant to a Right Issue of ICPS-i at an issue price of RM0.25 each for cash.

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

There were no debentures issued during the financial year.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015
(CONT'D)

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 2015, the current liabilities of the Group have exceeded the current assets by RM405,046,555 as a result of losses incurred during the current and prior financial years. The current liabilities of the Group arose mainly from borrowings totaling RM341,563,347, which comprises mainly Sukuk of RM189,771,850, bridging loan of RM60,000,000 and revolving credits facilities of RM68,750,000 as mentioned in Note 17 to the financial statements. However, the financial statements of the Group have been prepared on a going-concern basis. This basis assumes that the Group will continue to be in operational existence for the foreseeable future and will have adequate funds to meet its obligation as they fall due, and consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. The validity of this assumption is largely dependent upon the continual financial support from the bankers and the successful implementation of the plan to monetise and unlock the value of the Group's assets to generate cash flows as well as the Group's plan to improve its working capital as mentioned in Note 2 to the financial statements.

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.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015
(CONT'D)

OTHER STATUTORY INFORMATION (CONT'D)

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

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year.

AUDITORS

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

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

....

DATO' JOHAN BIN ABDULLAH

....

NUSRAL BIN DANIR

Kuala Lumpur,
13 April 2016

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TH HEAVY ENGINEERING BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of **TH HEAVY ENGINEERING BERHAD**, which comprise the statements of financial position as of 31 December 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 56 to 125.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors' consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

EMPHASIS OF MATTERS

Without qualifying our opinion, we wish to draw attention to Note 2 to the financial statements. As of 31 December 2015, the current liabilities of the Group have exceeded the current assets by RM405,046,555 as a result of losses incurred during the current and prior financial years. The current liabilities of the Group arose mainly from borrowings totalling RM341,563,347, which comprise mainly Sukuk of RM189,771,850, bridging loan of RM60,000,000 and revolving credits facilities of RM68,750,000 as mentioned in Note 17 to the financial statements. However, the financial statements of the Group have been prepared on a going-concern basis. This basis assumes that the Group will continue to be in operational existence for the foreseeable future and to have adequate funds to meet its obligation as they fall due, and consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. The validity of this assumption is largely dependent upon the continual financial supports from the bankers and the successful implementation of the plan to monetise and unlock the value of the Group's assets to generate cash flows as well as the Group's plan to improve its working capital. Should this assumption be negated, the basis of preparation of the financial statements on the going-concern basis may no longer be appropriate.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act;

(b) we have considered the accounts and auditors' reports of the subsidiary of which we have not acted as auditors, as mentioned in Note 7 the financial statements, being accounts that have been included in the financial statements of the Group;

(c) we are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations as required by us for those purposes; and

(d) the reports on the financial statements of the subsidiary companies were not subject to any qualification or did not include any comment made under sub-section (3) of Section 174 of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 126 of 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 or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

(a) 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.

(b) The financial statements of the Group and of the Company for the year ended 31 December 2014 were audited by another firm of auditors, whose report dated 28 April 2015 expressed an unmodified opinion, and are presented here merely for comparative purpose.

DELOITTE
AF 0080
Chartered Accountants

SITI HAJAR BINTI OSMAN
Partner - 3061/04/17 (J)
Chartered Accountant

13 April 2016

STATEMENTS OF
FINANCIAL POSITION
AS AT 31 DECEMBER 2015

		Group		Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	5	995,572,745	586,356,673	2,446,144	2,721,176
Intangible assets	6	481,269	526,741	-	-
Investments in subsidiaries	7	-	-	148,636,700	99,636,700
Investment in associate	8	139,306,050	103,173,438	98,926,000	77,926,000
Investment in joint venture	9	-	714,935	-	1,850,000
Total Non-Current Assets		1,135,360,064	690,771,787	250,008,844	182,133,876
Current Assets					
Inventories	10	9,706,499	6,317,372	-	-
Trade and other receivables	11	207,707,772	310,781,831	578,603,405	233,674,794
Tax recoverable		445,702	-	445,702	-
Prepaid expenses		1,797,753	1,631,667	1,026,872	305,694
Cash, bank balances and deposits	12	78,119,224	109,411,655	26,964,788	19,948,050
Total Current Assets		297,776,950	428,142,525	607,040,767	253,928,538
TOTAL ASSETS		1,433,137,014	1,118,914,312	857,049,611	436,062,414
EQUITY AND LIABILITIES					
Capital and Reserves					
Ordinary shares	13	280,269,297	277,769,297	280,269,297	277,769,297
Irredeemable Convertible Preference Shares-i	14	275,000,000	-	275,000,000	-
Reserves	15	81,465,789	110,406,451	115,299,149	147,521,836
Total equity attributable to owners of the Company		636,735,086	388,175,748	670,568,446	425,291,133
Non-controlling Interests	7.1	27,583,643	15,572,396	-	-
Total Equity		664,318,729	403,748,144	670,568,446	425,291,133
Non-Current Liabilities					
Deferred tax liabilities	16	214,049	214,049	-	-
Borrowings	17	65,780,731	270,943,506	348,483	878,603
Total Non-Current liabilities		65,994,780	271,157,555	348,483	878,603
Current Liabilities					
Trade and other payables	18	361,260,158	369,881,346	125,891,910	9,651,906
Borrowings	17	341,563,347	74,127,267	60,240,772	240,772
Total Current Liabilities		702,823,505	444,008,613	186,132,682	9,892,678
Total Liabilities		768,818,285	715,166,168	186,481,165	10,771,281
TOTAL EQUITY AND LIABILITIES		1,433,137,014	1,118,914,312	857,049,611	436,062,414

The accompanying Notes form an integral part of these financial statement

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

		Group		Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
Revenue	19	100,500,614	344,124,303	8,965,109	10,886,730
Cost of sales		(106,852,104)	(374,466,323)	-	-
Gross (loss)/profit		(6,351,490)	(30,342,020)	8,965,109	10,886,730
Other income		49,209,202	4,286,385	3,552,064	15,749,607
Administrative expenses		(53,709,462)	(77,278,452)	(13,152,633)	(13,873,023)
Other expenses		(31,997,539)	(12,340,460)	(32,280,677)	(31,303)
Results from operating activities		(42,849,289)	(115,674,547)	(32,916,137)	12,732,011
Finance costs	20	(9,525,805)	(5,243,397)	(121,385)	(71,381)
Share of (loss)/profit of equity-accounted associate, net of tax	8	(881,499)	15,755,112	-	-
Share of loss of equity-accounted joint venture, net of tax	9	(1,364,935)	(1,135,065)	-	-
(Loss)/Profit before tax	21	(54,621,528)	(106,297,897)	(33,037,522)	12,660,630
Tax credit/(expense)	23	297,664	(7,608,339)	297,664	1,514,924
(Loss)/Profit for the year		(54,323,864)	(113,906,236)	(32,739,858)	14,175,554
Other comprehensive income/(loss),net of tax					
Items that may be reclassified subsequently to profit or loss					
Currency translation differences		(136,833)	-	-	-
Share of currency translation differences of equity-accounted associate	8	16,014,111	4,579,254	-	-
Total other comprehensive income for the year, net of tax		15,877,278	4,579,254	-	-
Total comprehensive (loss)/income for the year		(38,446,586)	(109,326,982)	(32,739,858)	14,175,554
(Loss)/Profit attributable to:					
Owners of the Company		(45,335,111)	(76,446,454)	(32,739,858)	14,175,554
Non-controlling Interests	7.1	(8,988,753)	(37,459,782)	-	-
(Loss)/Profit for the year		(54,323,864)	(113,906,236)	(32,739,858)	14,175,554
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(29,457,833)	(71,867,200)	(32,739,858)	14,175,554
Non-controlling interests		(8,988,753)	(37,459,782)	-	-
Total comprehensive (loss)/income for the year		(38,446,586)	(109,326,982)	(32,739,858)	14,175,554
Basic loss per ordinary share (sen)	24	(4.05)	(7.60)		
Diluted loss per ordinary share (sen)	24	(3.14)	(7.60)		

The accompanying Notes form an integral part of these financial statement

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

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)/ Retained earnings RM Note 15	Attributable to equity holders of the Company RM	Non-controlling interests RM	Total equity RM
At 1 January 2014	255,199,687	-	57,256,473	28,317,138	(87,296)	40,351,508	381,037,510	51,146,664	432,184,174
Other comprehensive income									
- Foreign currency translation differences of an associate	-	-	-	-	4,579,254	-	4,579,254	-	4,579,254
- Loss for the year	-	-	-	-	-	(76,446,454)	(76,446,454)	(37,459,782)	(113,906,236)
Total comprehensive income/(loss) for the year	-	-	-	-	4,579,254	(76,446,454)	(71,867,200)	(37,459,782)	(109,326,982)
Contributions by owners of the Company									
- Issuance of shares	13,199,086	-	29,037,990	-	-	-	42,237,076	-	42,237,076
- Share issuance expenses	-	-	(1,528,298)	-	-	-	(1,528,298)	-	(1,528,298)
- Conversion of warrants to shares	9,370,524	-	9,745,324	-	-	-	19,115,848	-	19,115,848
	22,569,610	-	37,255,016	-	-	-	59,824,626	-	59,824,626
Changes in ownership interests in a subsidiary	-	-	-	-	-	19,180,812	19,180,812	1,885,514	21,066,326
Total transactions with owners of the Company	22,569,610	-	37,255,016	-	-	19,180,812	79,005,438	1,885,514	80,890,952
At 31 December 2014	277,769,297	-	94,511,489	28,317,138	4,491,958	(16,914,134)	388,175,748	15,572,396	403,748,144

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015 (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 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 2015 (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 RM Note 15	Total equity RM
At 1 January 2014	255,199,687	-	57,256,473	38,834,793	351,290,953
Total comprehensive income for the year	-	-	-	14,175,554	14,175,554
Contributions by owners of the Company					
Issuance of shares	13,199,086	-	29,037,990	-	42,237,076
Share issuance expenses	-	-	(1,528,298)	-	(1,528,298)
Conversion of warrants to shares	9,370,524	-	9,745,324	-	19,115,848
	22,569,610	-	37,255,016	-	59,824,626
At 31 December 2014/ 1 January 2015	277,769,297	-	94,511,489	53,010,347	425,291,133
Total comprehensive loss 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	280,269,297	275,000,000	95,028,660	20,270,489	670,568,446

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

		Group		Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
Cash flows from operating activities					
(Loss)/Profit before tax		(54,621,528)	(106,297,897)	(33,037,522)	12,660,630
Adjustments for:					
Amortisation of intangible assets		45,472	50,137	-	-
Allowance for doubtful debt no longer required		(2,000,000)	-	-	-
Depreciation of property, plant and equipment		15,906,776	12,812,952	666,059	569,510
Gain on disposal of property, plant and equipment		(139,977)	(27,999)	(139,977)	(27,999)
Gain on decrease in investment in a subsidiary		-	-	-	(14,557,326)
Finance costs		11,038,251	6,425,472	121,385	71,381
Finance income		(1,335,674)	(799,438)	(115,544)	(735,550)
Inventories written off		7,560	471,763	-	-
Allowance for inventory obsolescence		250,604	-	-	-
Unrealised (gain)/loss on foreign exchange (net)		(43,756,508)	(1,163,940)	2,452,444	(293,505)
Impairment loss on trade receivables		650,000	12,250,000	-	-
Share of loss/(profit) of associate		881,499	(15,755,112)	-	-
Share of loss of joint venture		1,364,935	1,135,065	-	-
Impairment loss on investment in joint venture		-	-	2,500,000	-
Operating loss before changes in working capital		(71,708,590)	(90,898,997)	(27,553,155)	(2,312,859)
Changes in working capital:					
Inventories		(3,647,291)	(1,071,897)	-	34,385
Trade and other receivables		104,424,059	(111,073,696)	2,312,235	(37,150,949)
Trade and other payables		(105,755,466)	207,512,428	113,310,746	8,311,569
Net cash (used in)/from operations		(76,687,288)	4,467,838	88,069,826	(31,117,854)
Tax paid		(148,038)	(491,199)	(148,038)	(485,076)
Net cash (used in)/from operating activities		(76,835,326)	3,976,639	87,921,788	(31,602,930)
Cash flows from investing activities					
Interests received		1,335,674	799,438	115,544	735,550
Additional intangible assets		-	(521,604)	-	-
Acquisition of property, plant and equipment	(i)	(236,159,717)	(80,798,049)	(615,500)	(415,425)
Additional investments in subsidiaries		-	-	-	(35,545,694)
Acquisition of investment in joint venture		(650,000)	(1,850,000)	(650,000)	(1,850,000)
Increase in advances to subsidiaries		-	-	(417,485,210)	(30,726,986)
Proceeds from disposal of property, plant and equipment		364,450	28,000	364,450	28,000
Proceeds from decrease in investment in a subsidiary		-	21,066,326	-	21,066,326
Net cash used in investing activities		(235,109,593)	(61,275,889)	(418,270,716)	(46,708,229)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONT'D)

		Group		Company	
		2015	2014	2015	2014
	Note	RM	RM	RM	RM
Cash flows from financing activities					
Interests paid	20	(36,682,196)	(22,554,574)	(121,385)	(71,381)
Proceeds from issuance of ICPS-i	14	275,000,000	-	275,000,000	-
Proceeds from issuance of shares	13	3,300,000	59,824,626	3,300,000	59,824,626
Proceeds from borrowings, net		84,537,525	42,853,099	60,000,000	-
Repayment of finance lease liabilities		(540,950)	(250,057)	(530,120)	(221,077)
Payment of ICPS-i and share expenses	15	(282,829)	-	(282,829)	-
Increased in deposits placed with licensed bank		(15,410,743)	(25,956,418)	(2,025,052)	(40,647)
Net cash from financing activities		309,920,807	53,916,676	335,340,614	59,491,521
Net (decrease)/increase in cash and cash equivalents		(2,024,112)	(3,382,574)	4,991,686	(18,819,638)
Effect of translation of foreign currency		(44,679,062)	-	-	-
Cash and cash equivalents at beginning of year		78,226,881	81,609,455	19,451,102	38,270,740
Cash and cash equivalents at end of year	**(ii)**	31,523,707	78,226,881	24,442,788	19,451,102

(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 RM378,404,626 (2014: RM106,581,030) and RM615,500 (2014: RM1,429,094) which were satisfied as follows:

		Group		Company	
		2015	2014	2015	2014
	Note	RM	RM	RM	RM
Total additions		378,404,626	106,581,030	615,500	1,429,094
Less:					
Interest capitalised	5.4	(25,643,945)	(16,129,102)	-	-
Payables	18	(116,462,391)	(8,640,210)	-	-
Financial lease payables		(138,573)	(1,013,669)	-	(1,013,669)
Cash paid		236,159,717	80,798,049	615,500	415,425

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015
(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	
		2015	2014	2015	2014
	Note	RM	RM	RM	RM
Cash and bank balances	12	31,523,707	60,105,491	24,442,788	15,724,085
Deposits placed with licensed banks	12	46,595,517	49,306,164	2,522,000	4,223,965
		78,119,224	109,411,655	26,964,788	19,948,050
Less: deposits pledged with licensed banks	12	(46,595,517)	(31,184,774)	(2,522,000)	(496,948)
		31,523,707	78,226,881	24,442,788	19,451,102

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 companies are as stated in Notes 7, 8 and 9 respectively. There has been no significant change 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 2015 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 13 April 2016.

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 2015, the current liabilities of the Group have exceeded the current assets by RM405,046,555 as a result of losses incurred during the current and prior financial years. The current liabilities of the Group as at 31 December 2015 arose mainly from borrowings totaling RM341,563,347, which comprise mainly Sukuk of RM189,771,850, bridging loan of RM60,000,000 and revolving credits facilities of RM68,750,000 as mentioned in Note 17. However, the financial statements of the Group have been prepared on a going-concern basis. This basis assumes that the Group will continue to be in operational existence for the foreseeable future and will have adequate funds to meet its obligation as they fall due, and consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. The validity of this assumption is largely dependent upon the continual financial support from the bankers and the successful implementation of the plan to unlock the value of the Group's assets to generate cash flows.

In this connection, the Group is currently negotiating with its bankers to reschedule due dates of certain of its borrowing and concurrently working on refinancing and restructuring of certain borrowings. In addition, the Group is pursuing plans to monetise and unlock the value of its assets to generate cash flows.

Furthermore, in view of the need to improve the Group's working capital, management has taken initiatives to secure new stream of income and carry out cost reduction measures and improvement in production efficiency.

Subject to the successful implementation of the above initiatives, the Directors are of the view that the Group will have sufficient cash flows to meet the Group's working capital needs for the next twelve months from 31 December 2015. Accordingly, the Board of Directors believes that it is appropriate to prepare the financial statements of the Group on a going- concern basis.

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

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 2015.

Amendments to MFRS, Annual Instruments to MFRS 2010 – 2012 Cycle
Amendments to MFRS, Annual Instruments to MFRS 2011 – 2013 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.

New and revised Standards in issue but not yet effective

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

MFRS 14	Regulatory Deferral Accounts[1]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception[1]
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to MFRS 101	Disclosure Initiative[1]
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants[1]
Amendments to MFRS 127	Equity Method in Separate Financial Statements[1]
Amendment to MFRSs	Annual Improvements to MFRSs 2012 - 2014 Cycle[1]
MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in November 2009)[2]
MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in October 2010)[2]
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 (Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139)[2]
MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)[2]
MFRS 15	Revenue from Contracts with Customers[2]

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[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.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

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.

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

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

The principal accounting policies are set out below.

Basis of consolidation

(i) Subsidiaries

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of consolidation (Cont'd)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of consolidation (Cont'd)

(iv) Joint arrangements (cont'd)

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue recognition (Cont'd)

(i) Construction contracts (cont'd)

The stage of completion is assessed by reference to completion of a physical proportion of contract works.

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

(ii) Services

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

(iii) Dividend income

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

(iv) Interest income

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

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.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign currencies (Cont'd)

(ii) Foreign currency transactions (cont'd)

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, plant and equipment (Cont'd)

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

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 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.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

(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:

	2015	2014
• 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 billing to customers over revenue recognised in the profit or loss is classified as amount due to contract customers and included in trade and other payables.

Impairment of Assets

The carrying amounts of other assets (except for inventories, amount due from contract customers and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the coordination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less that its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit and loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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").

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

Effective Interest Method (cont'd)

(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.

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.

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)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

Effective Interest Method (cont'd)

(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.

(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

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(iii) Financial Liabilities at FVTPL (cont'd)

- 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.

(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:

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

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

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 net selling price 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.

(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 of 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.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

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 2014	101,671,500	24,688,986	48,743,613	2,451,796	1,018,594	1,313,301	8,004,436	317,777,761	505,669,987
Additions	-	7,609,746	7,445,827	305,064	-	564,904	1,019,158	89,636,331	106,581,030
Disposal	-	-	-	-	-	(190,000)	-	-	(190,000)
At 31 December 2014/1 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	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
Accumulated Depreciation									
At 1 January 2014	2,136,177	2,393,109	3,252,876	629,731	310,406	671,738	3,687,354	-	13,081,391
Charge for the year	2,186,616	3,150,248	5,018,347	431,149	110,348	262,765	1,653,479	-	12,812,952
Disposal	-	-	-	-	-	(189,999)	-	-	(189,999)
At 31 December 2014/1 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	6,517,310	10,520,017	14,489,718	1,362,887	548,259	1,033,963	6,938,127	-	41,410,281
Carrying Amounts									
At 31 December 2014	97,348,707	26,755,375	47,918,217	1,695,980	597,840	943,701	3,682,761	407,414,092	586,356,673
At 31 December 2015	95,154,190	21,989,710	60,985,933	1,463,945	1,085,835	832,785	2,024,011	812,036,336	995,572,745

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 2014	1,052,972	1,018,594	678,340	275,362	3,025,268
Additions	205,710	-	557,554	665,830	1,429,094
Disposal	-	-	(190,000)	-	(190,000)
At 31 December 2014/ 1 January 2015	1,258,682	1,018,594	1,045,894	941,192	4,264,362
Addition	-	615,500	-	-	615,500
Disposal	-	-	-	(425,312)	(425,312)
At 31 December 2015	1,258,682	1,634,094	1,045,894	515,880	4,454,550
Accumulated depreciation					
At 1 January 2014	282,012	310,406	326,063	245,194	1,163,675
Charge for the year	149,333	110,348	185,979	123,850	569,510
Disposal	-	-	(189,999)	-	(189,999)
At 31 December 2014/ 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	557,248	548,259	504,009	398,890	2,008,406
Carrying amounts					
At 31 December 2014	827,337	597,840	723,851	572,148	2,721,176
At 31 December 2015	701,434	1,085,834	541,885	116,990	2,446,144

5.1 *Security*

As of 31 December 2015, the capital work-in-progress with a carrying value of RM774,201,338 (2014: RM301,836,694) is charged to a local bank for the Sukuk facilities granted to a subsidiary (Note 17.2).

As of 31 December 2015, the long-term leasehold land and buildings with a carrying amount of RM95,154,190 (2014: RM97,348,707) 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 5 December 2013 by 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 RM62,808,360 (2014: RM64,246,223) and RM18,861,488 (2014: RM20,068,177) respectively.

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

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 RM836,607 (2014: RM869,787) and RM541,885 (2014: RM723,851), respectively.

5.4 Capitalisation of finance costs

Included in the Group's capital work-in-progress is an amount of RM25,643,945 (2014: RM16,129,102) representing finance costs capitalised for the year (Note 20). As of 31 December 2015, cumulative finance cost capitalised in capital work-in-progress amounted to RM70,585,805 (2014: RM44,941,860).

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

	Group		
	License fees RM	**Development costs RM**	**Total RM**
Cost			
At 1 January 2014	108,665	-	108,665
Additions	-	521,604	521,604
At 31 December 2014/1 January 2015/ 31 December 2015	108,665	521,604	630,269
Accumulated amortisation			
At 1 January 2014	53,391	-	53,391
Amortisation for the year	35,911	14,226	50,137
At 31 December 2014/1 January 2015	89,302	14,226	103,528
Amortisation for the year	19,363	26,109	45,472
At 31 December 2015	108,665	40,335	149,000
Carrying amounts			
At 31 December 2014	19,363	507,378	526,741
At 31 December 2015	-	481,269	481,269

7. INVESTMENTS IN SUBSIDIARIES

	Company 2015 RM	Company 2014 RM
At cost:		
Unquoted shares	379,636,707	330,636,707
Less: Accumulated impairment losses	(231,000,007)	(231,000,007)
	148,636,700	99,636,700

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 (2014: RM231,000,007) at the end of the reporting period is deemed adequate in respect of investment in the subsidiaries.

During the financial 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 said subscription of shares do not change the effective equity interest held by the Company in THFSB. 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 2015 %	Effective ownership interest and voting interest 2014 %
THHE Fabricators Sdn. Bhd. ("THFSB") #	Malaysia	Fabrication of offshore oil and gas related structure works	70	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

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2015 %	2014 %
Floatech (M) Sdn. Bhd.	Malaysia	Dormant	100	100
Floatech (L) Ltd. ("FLL")	Malaysia	Ownership in a FPSO^	80	80

\# The auditors' report on the financial statements of these subsidiaries include an emphasis of matter regarding the ability of these subsidiaries to continue as a going-concern in view of their net current liabilities positions as at the end of the reporting period. The financial statements of these subsidiaries have been prepared on a going-concern basis as the Company has undertaken to continue providing financial support to these subsidiaries as and when required.

* Consolidated based on management accounts for the financial year ended 31 December 2015 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
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

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

	THFSB RM	THEOS RM	FLL RM	Total RM
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
2014				
NCI percentage of ownership interest and voting interest	30%	30%	20%	
Carrying amount of NCI	18,262,676	(4,741,618)	2,051,338	15,572,396
(Loss)/Profit allocated to NCI	(33,103,353)	(4,535,722)	179,293	(37,459,782)
Summarised financial information before intra-group elimination				
As at 31 December 2014				
Non-current assets	224,773,020	-	310,367,522	535,140,542
Current assets	326,536,066	47,547,407	10,997,527	385,081,000
Non-current liabilities	(100,716,366)	-	(169,562,586)	(270,278,952)
Current liabilities	(389,717,131)	(63,352,802)	(141,545,773)	(594,615,706)
Net assets/(liabilities)	60,875,589	(15,805,395)	10,256,690	55,326,884
Year ended 31 December 2014				
Revenue	326,765,648	66,510,746	-	393,276,394
(Loss)/Profit/Total comprehensive (loss)/income	(110,344,511)	(15,119,074)	896,465	(124,567,120)
Cash flows from/(used in):				
Operating activities	37,006,315	65,296	32,505,274	69,576,885
Investing activities	(77,712,998)	-	(8,469,005)	(86,182,003)
Financing activities	42,624,092	-	(13,869,060)	28,755,032
Net increase in cash and cash equivalents	1,917,409	65,296	10,167,209	12,149,914

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

8. INVESTMENT IN ASSOCIATE

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Unquoted shares, at cost	98,926,000	77,926,000	98,926,000	77,926,000
Share of post acquisition reserves	40,380,050	25,247,438	-	-
	139,306,050	103,173,438	98,926,000	77,926,000

During the financial year, 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 do not change the effective equity interest held by the Company in the associate.

Details of the material associate are as follows:

Name of entity	Principal place of business/ Country of incorporation	Nature of the relationship	Effective ownership interest and voting interest 2015 %	2014 %
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	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	
	2015 RM	2014 RM
Summarised financial information as at 31 December		
Non-current assets	205,215,709	194,336,882
Current assets	103,432,482	95,558,252
Current liabilities	(11,626,316)	(43,315,299)
Net assets	297,021,875	246,579,835
Year ended 31 December		
(Loss)/Profit for the year	(2,938,329)	52,518,039
Other comprehensive income	53,380,371	15,264,180
Total comprehensive income	50,442,042	67,782,219
Included in the total comprehensive income is:		
Revenue	85,924,098	440,701,217

8. INVESTMENT IN ASSOCIATE (CONT'D)

	Group	
	2015	2014
	RM	RM
Reconciliation of net assets to carrying amount as at 31 December		
Group's share of net assets	89,106,563	73,973,951
Goodwill	50,199,487	29,199,487
Carrying amount in the statements of financial position	139,306,050	103,173,438
Group's share of results for the year ended 31 December		
Group's share of (loss)/profit for the year	(881,499)	15,755,112
Group's share of other comprehensive income	16,014,111	4,579,254
Group's share of total comprehensive income	15,132,612	20,334,366

Other information
No dividend was received by the Group for the financial years ended 31 December 2015 and 2014.

Contingent liabilities
There were no contingent liabilities incurred jointly with the other investors as at 31 December 2015 and 2014.

9. INVESTMENT IN JOINT VENTURE

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Unquoted shares,at cost	2,500,000	1,850,000	2,500,000	1,850,000
Share of post acquisitionreserves*	(2,500,000)	(1,135,065)	-	-
Accumulated impairment losses	-	-	(2,500,000)	-
	-	714,935	-	1,850,000

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

During the financial year, the Company increased its investment in the joint venture by RM650,000. The said additional investment do not change the effective equity interest held by the Company in the joint venture.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

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 2015 %	2014 %
THHE McDermott Engineering Sdn. Bhd.	Malaysia	To engage in the provision of front-end engineering and design, construction and installation services	50	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 2015 RM	2014 RM
Summarised financial information as at 31 December		
Non-current assets	128,436	214,255
Current assets	3,786,153	3,412,855
Current liabilities	(5,104,440)	(2,496,842)
Net (liabilities)/assets	(1,189,851)	1,130,268
Year ended 31 December		
Loss for the year	(3,604,242)	(2,270,130)
Included in the total comprehensive income is:		
Revenue	482,342	646,925
Reconciliation of net assets to carrying amount as at 31 December		
Group's share of net assets	-	565,134
Goodwill	-	149,801
Carrying amount in the statements of financial position	-	714,935
Group's share of results for the year ended 31 December		
Group's share of total comprehensive loss	(1,364,935)	(1,135,065)

Other information
No dividend was received by the Group for the financial years ended 31 December 2015 and 2014.

Contingent liabilities
There were no contingent liabilities incurred jointly with the other investors as at 31 December 2015 and 2014

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

10. INVENTORIES

	Group	
	2015	2014
	RM	RM
Raw materials and consumables	9,706,499	6,317,372
Recognised in profit or loss :		
Inventories recognised as cost of sales	9,001,874	7,306,778
Allowance for inventories obsolescence	250,604	-
Inventories written off	7,560	471,763

11. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2015	2014	2015	2014
	Note	RM	RM	RM	RM
Trade					
Trade receivables		38,007,513	55,948,339	-	-
Less: Impairment losses	26.3	(15,377,969)	(14,727,969)	-	-
		22,629,544	41,220,370	-	-
Amount due from contract customers	11.1	141,189,944	220,824,860	-	-
		163,819,488	262,045,230	-	-
Non-trade					
Amount due from subsidiaries	11.2	-	-	571,523,862	224,038,652
Amount due from joint venture	11.2	2,393,747	740,710	2,393,747	740,710
Other receivables		7,198,245	9,596,232	4,497,402	4,402,028
Less: Impairment losses	26.3	(5,344,341)	(9,398,060)	(4,402,028)	(4,402,028)
		1,853,904	198,172	95,374	-
Advances to suppliers		37,138,535	46,386,536	3,259,943	8,439,682
Refundable deposits		2,502,098	1,411,183	1,330,479	455,750
		43,888,284	48,736,601	578,603,405	233,674,794
		207,707,772	310,781,831	578,603,405	233,674,794

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

11. TRADE AND OTHER RECEIVABLES (CONT'D)

11.1 Amount due from contract customers

	Note	Group 2015 RM	Group 2014 RM
Aggregate costs incurred to date		822,137,998	1,023,619,273
Add: Attributable profits		30,461,353	107,978,068
		852,599,351	1,131,597,341
Less: Progress billings		(711,409,407)	(911,008,596)
		141,189,944	220,588,745
Amount due to contract customers	18	-	236,115
Amount due from contract customers		141,189,944	220,824,860
Additions to aggregate costs incurred during the financial year include:			
Hire of equipment		1,934,632	2,147,519
Interest expense on term loans		1,512,446	1,182,075

Included in amount due from contract customers is an amount of RM73,031,462 (2014: 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 Directors are of the opinion that the said unbilled costs incurred are fully recovered.

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 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Cash and bank balances	31,523,707	60,105,491	24,442,788	15,724,085
Deposits placed with licensed banks	46,595,517	49,306,164	2,522,000	4,223,965
	78,119,224	109,411,655	26,964,788	19,948,050

Included in the deposits placed with licensed banks of the Group and of the Company are RM46,595,517 (2014:RM31,184,774) and RM2,522,000 (2014: RM496,948) 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 2014/31 December 2014/1 January 2015/ 31 January 2015	800,000,000	3,200,000
Issued and fully paid:		
Ordinary shares of RM 0.25 each		
At 1 January 2014	255,199,687	1,020,799
Issuance of shares	13,199,086	52,796
Conversion of warrants to shares	9,370,524	37,482
At 31 December 2014/1 January 2015	277,769,297	1,111,077
Issuance of shares	2,500,000	10,000
At 31 December 2015	280,269,297	1,121,077

During the 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 2014/ 31 December 2014/1 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	300,000,000	1,200,000,000
Issued and fully paid:		
Irredeemable Convertible Preference Shares of RM 0.25 each :		
At 1 January 2014/ 31 December 2014/1 January 2015	-	-
Issuance of Irredeemable Convertible Preference Shares-i	275,000,000	1,100,000,000
At 31 December 2015	275,000,000	1,100,000,000

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

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

During the financial year, the Company increased its authorised Irredeemable Convertible Preference Shares 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.

During the 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.

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 preceeding 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	
	2015 RM	2014 RM	2015 RM	2014 RM
Non-distributable:				
Share premium	95,028,660	94,511,489	95,028,660	94,511,489
Revaluation reserve	28,317,138	28,317,138	-	-
Translation reserve	20,369,236	4,491,958	-	-
	143,715,034	127,320,585	95,028,660	94,511,489
Distributable:				
(Accumulated losses)/Retained earnings	(62,249,245)	(16,914,134)	20,270,489	53,010,347
	81,465,789	110,406,451	115,299,149	147,521,836

(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 are as follows:

	Group and Company	
	2015 RM	2014 RM
At 1 January	94,511,489	57,256,473
Issuance of shares	800,00	29,037,990
ICPS-i issuance expenses	(175,430)	-
Shares issuance expenses	(107,399)	(1,528,298)
Conversion of warrants to shares	-	9,745,324
At 31 December	95,028,660	94,511,489

(ii) Revaluation reserves

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

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

15. RESERVES (CONT'D)

(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	
	2015 RM	2014 RM
At 1 January	4,491,958	(87,296)
Foreign currency translation differences of an:		
-associate	16,014,111	4,579,254
-subsidiary	(136,833)	-
At 31 December	20,369,236	4,491,958

(iv) Retained earnings

The Company is currently under the single-tier tax system. 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	2015 RM	2014 RM	2015 RM	2014 RM	2015 RM	2014 RM
Unused tax losses	9,225,000	9,225,000	-	-	9,225,000	9,225,000
Revaluation of property, plant and equipment	-	-	(9,439,049)	(9,439,049)	(9,439,049)	(9,439,049)
Deferred tax assets/ (liabilities)	9,225,000	9,225,000	(9,439,049)	(9,439,049)	(214,049)	(214,049)
Set off of tax	(9,225,000)	(9,225,000)	9,225,000	9,225,000	-	-
Net tax assets/ (liabilities)	-	-	(214,049)	(214,049)	(214,049)	(214,049)

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

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

Group	At 1.1.2014 RM	Recognised in profit 31.12.2014/ (Note 23) RM	At 31.12.2014/ 1.1.2015 RM	Recognised in profit or loss (Note 23) RM	At 31.12.2015 RM
Taxable temporary difference	(125,605)	125,605	-	-	-
Unused tax losses	18,467,745	(9,242,745)	9,225,000	-	9,225,000
Revaluation of property, plant and equipment	(9,439,049)	-	(9,439,049)	-	(9,439,049)
	8,903,091	(9,117,140)	(214,049)	-	(214,049)

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 2015, 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	
	2015 RM	2014 RM	2015 RM	2014 RM
Unused tax losses	384,723,000	316,569,000	28,730,000	1,125,000
Unabsorbed capital allowances	43,415,000	25,803,000	6,883,000	6,743,000
Deductible temporary differences arising from:				
Property, plant and equipment	(43,753,000)	(44,068,000)	(665,000)	(1,674,000)
Trade receivables	15,378,000	14,728,000	-	-
	399,763,000	313,032,000	34,948,000	6,194,000

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

17. BORROWINGS

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
Non-current					
Term loans - secured	17.1	15,428,031	30,769,504	-	-
Sukuk - secured	17.2	49,775,549	239,162,330	-	-
Finance lease liabilities - secured	17.3	577,151	1,011,672	348,483	878,603
		65,780,731	270,943,506	348,483	878,603

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

17. BORROWINGS (CONT'D)

		Group		Company	
		2015	2014	2015	2014
	Note	RM	RM	RM	RM
Current					
Term loans - secured	17.1	8,357,910	-	-	-
Sukuk - secured	17.2	189,771,850	-	-	-
Finance lease liabilities - secured	17.3	303,748	271,604	240,772	240,772
Revolving credit facilities - unsecured	17.4	68,750,000	68,692,782	-	-
Bridging loan - secured	17.5	60,000,000	-	60,000,000	-
Overdraft - secured	17.6	11,560,458	-	-	-
Trust receipt - secured	17.7	2,819,381	5,162,881	-	-
		341,563,347	74,127,267	60,240,772	240,772
		407,344,078	345,070,773	60,589,255	1,119,375

17.1 Term loans - secured

	Group	
	2015	2014
	RM	RM
Secured term loans	23,879,691	30,890,254
Less: Transaction costs	(93,750)	(93,750)
	23,785,941	30,769,504
Less: Current portion	(8,357,910)	-
Non-current portion	15,428,031	30,769,504

Term loans of the Group which bear profit at 6.85% (2014: 6.85%) per annum, is secured by:

(i) Deed of agreement on the takaful coverage of certain plant and equipment;

(ii) Specific debenture over certain plant and equipment; and

(iii) Corporate guarantee by the Company.

17.2 Sukuk - secured

	Group	
	2015	2014
	RM	RM
Secured sukuk	240,000,000	240,000,000
Less: Transaction costs	(452,601)	(837,670)
	239,547,399	239,162,330
Less: Current portion	(189,771,850)	-
Non-current portion	49,775,549	239,162,330

17. BORROWINGS (CONT'D)

17.2 Sukuk - secured (Cont'd)

As of 31 December 2015, the Group has Sukuk facilities of RM240,000,000 (2014: 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% (2014: 7.00%) per annum. The Sukuk facilities of RM170 million will be repaid via bullet repayments on September 2016, which is also the maturity date of the Sukuk.

Loan covenants

The Group has various financial covenants based on debt service cover ratio and debt to equity ratio, all of which were complied with as at 31 December 2015 and 2014.

17.3 Finance lease liabilities

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Future minimum lease payments	964,181	1,450,859	644,659	1,264,352
Less: Interest-in- suspense	(83,282)	(167,583)	(55,404)	(144,977)
Present value of minimum lease payments	880,899	1,283,276	589,255	1,119,375
Less than one year	303,748	271,604	240,772	240,772
Between one and five years	577,151	943,368	348,483	810,299
More than five years	-	68,304	-	68,304
Present value of minimum lease payments	880,899	1,283,276	589,255	1,119,375

The average effective profit rate is 2.4% (2014: 2.4%) per annum. Profit rate is fixed at the inception of the lease.

17.4 Revolving credit facilities - unsecured

As of 31 December 2015, the Group has unsecured revolving credits facilities amounting to RM68,750,000 (2014: RM68,692,782) granted by a local financial institution which bear profit at rates ranging from 6.85% - 7.85% (2014: 6.85% - 7.85%) per annum.

17.5 Bridging loan - secured

As of 31 December 2015, the Company has a bridging loan facility of RM60,000,000 granted by a local financial institutions which was utilised by a subsidiary company for part financing of the conversion works of the said subsidiary company FPSO vessel. The said facility bear profit at 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 to be stamped 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.

17. BORROWINGS (CONT'D)

17.5 Bridging loan - secured (Cont'd)

Loan covenants

As of 31 December 2015, the Company has yet to pledge RM62 million in International Commodity Murabahah to the bank. However, the bank has granted a waiver for the compliance of the covenants for a period of 6 months, i.e. until September 2016.

17.6 Overdraft - secured

The overdraft facilities are repayable on demand and bear profit at 7.6% per annum. The facility is secured by proceeds from fabrication projects.

17.7 Trust receipt - secured

Trust receipt are repayable within 180 days and bear profit at 7.6% (2014: 7.6%) per annum. This facility is secured by proceeds from fabrication projects.

18. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
Trade					
Trade payables	18.1	135,844,382	278,241,700	-	-
Amount due to contract customers	11.1	-	236,115	-	-
		135,844,382	278,477,815	-	-
Non-trade					
Other payables	18.2	183,876,933	84,173,987	91,892,513	8,640,210
Accrued expenses	18.3	41,108,789	7,229,544	33,999,397	1,011,696
		224,985,722	91,403,531	125,891,910	9,651,906
		361,260,158	369,881,346	125,891,910	9,651,906

18.1 The normal credit terms granted to the Group ranges from 30 days to 45 days (2014 :30 to 45 days).

18.2 Included in other payables of the Group is an amount of RM33,936,658 (2014: RM33,936,658) relating to advances received from a non-controlling interests. Included in the Group and the Company other payable is an amount of RM83,383,874 (2014 : RM8,640,210) payable to contractors in relation to the conversion works of the Group's FPSO vessel.

18.3 Included in accrued expenses of the Group and of the Company is an amount of RM33,078,517 (2014: RM156,919) represents accrued expenses incurred for the conversion works of the Group's FPSO vessel.

19. REVENUE

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Construction services	98,933,795	340,722,303	-	-
Offshore crane works	1,566,819	3,402,000	-	-
Management fee	-	-	8,965,109	10,886,730
	100,500,614	344,124,303	8,965,109	10,886,730

20. FINANCE COSTS

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Finance costs:					
- term loans		4,708,769	2,762,570	-	-
- bridging loan		7,847,089	-	-	-
- revolving credit		4,989,375	2,472,947	-	-
		17,545,233	5,235,517	-	-
-Sukuk		16,803,356	16,129,102	-	-
- overdraft		209,694	-	-	-
- trust receipt		1,105,726	-	-	-
- finance lease		322,596	8,516	42,238	48,569
- letter of credit		334,202	838,277	69,287	-
- others		361,389	343,162	9,860	22,812
		36,682,196	22,554,574	121,385	71,381
Recognised in profit or loss:					
- finance costs		9,525,805	5,243,397	121,385	71,381
- cost of sales		1,512,446	1,182,075	-	-
		11,038,251	6,425,472	121,385	71,381
Capitalised on qualifying assets:					
- property, plant and equipment	5.4	25,643,945	16,129,102	-	-
		36,682,196	22,554,574	121,385	71,381

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

21. (LOSS)/PROFIT BEFORE TAX

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

		Group		Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
Amortisation of intangible assets	6	45,472	50,137	-	-
Auditors' remuneration					
- Statutory audit		250,000	300,000	100,000	105,000
- Other services		190,000	90,000	190,000	-
Depreciation of property, plant and equipment	5	15,906,776	12,812,952	666,059	569,510
Impairment loss on investment in joint venture	9	-	-	2,500,000	-
Impairment loss on trade receivables	26.3	650,000	12,250,000	-	-
Allowance for inventories obsolescence	10	250,604	-	-	-
Inventories written off	10	7,560	471,763	-	-
Personnel expenses including key management personnel:					
- Salaries,wages and others		29,602,648	48,402,150	5,735,563	5,661,594
- Contributions to EPF		3,062,171	4,823,465	616,396	654,133
Realised loss/ (gain) on foreign exchange-net		30,208,630	(86,440)	29,745,342	(84,740)
Rental of computers		65,528	49,260	58,148	-
Rental of office		921,022	1,260,431	603,215	493,707
Rental of photocopiers and office equipment		241,628	227,740	59,634	74,325
Rental of motor vehicles		47,700	87,145	-	-
Rental of storage		7,700	-	7,700	-
Unrealised (gain)/loss on foreign exchange-net		(43,756,508)	(1,163,940)	2,452,444	(293,505)
Gain on disposal on property, plant and equipment		(139,977)	(27,999)	(139,977)	(27,999)
Interest income from deposit placed in licensed banks		(1,335,674)	(799,438)	(115,544)	(735,550)
Allowance for doubtful debt no longer required for other receivables	26.3	(2,000,000)	-	-	-
Gain on decrease in investment in a subsidiary		-	-	-	(14,557,326)

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

22. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Directors fees:				
- Current year	423,397	640,082	390,904	440,000
- Overprovision in prior year	-	(19,671)	-	(19,671)
Salaries	930,000	1,572,333	930,000	1,115,000
Other emoluments	703,067	571,250	698,317	539,000
Contributions to EPF	138,840	188,680	138,840	133,800
	2,195,304	2,952,674	2,158,061	2,208,129
Other key management personnel:				
- Short-term employee benefits	5,700,703	3,355,559	2,883,273	1,730,313
- Contributions to EPF	737,257	403,327	324,660	203,743
	8,633,264	6,711,560	5,365,994	4,142,185
Estimated monetary value of benefit-in-kind	303,760	129,290	112,304	149,158

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	
	2015 RM	2014 RM	2015 RM	2014 RM
Current tax				
Current year	-	(190,000)	-	(190,000)
Overprovision in prior years	297,664	1,698,801	297,664	1,704,924
	297,664	1,508,801	297,664	1,514,924
Deferred tax (Note 16)				
Origination and reversal of temporary differences	-	(10,554,831)	-	-
Overprovision in prior years	-	1,437,691	-	-
	-	(9,117,140)	-	-
Total income tax credit/(expense)	297,664	(7,608,339)	297,664	1,514,924

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

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

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

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
(Loss)/Profit before tax	(54,621,528)	(106,297,897)	(33,037,522)	12,660,630
Income tax credit/(expense) calculated using Malaysian tax rates of 25% (2014: 25%)	13,655,382	26,574,474	8,259,380	(3,165,158)
Tax effect of:				
Non-deductible expenses	(1,505,132)	(645,984)	(1,070,880)	(448,271)
Income not subject to tax for a subsidiary company in Labuan	9,532,500	-	-	-
Non-taxable income	-	3,644,489	-	3,644,489
Deferred tax assets not recognised	(20,815,440)	(40,317,810)	(6,900,960)	(221,060)
Effect on deferred tax due to reduction in tax rate	(867,310)	-	(287,540)	-
Overprovision in prior years	297,664	3,136,492	297,664	1,704,924
	297,664	(7,608,339)	297,664	1,514,924

24. LOSS PER ORDINARY SHARE

Basic loss per ordinary share

The calculation of basic loss per ordinary share as at 31 December 2015 was based on the loss attributable to ordinary shareholders of RM45,335,111 (2014: RM76,466,454) and the weighted average number of ordinary shares outstanding during the year of RM1,118,255,272 (2014: RM1,006,533,584).

	Group	
	2015 Unit	**2014 Unit**
Issued ordinary shares at beginning of year	1,111,077,190	985,191,698
Issuance of shares via private placement	7,178,082	10,848,564
Conversion of warrants to shares	-	10,493,322
Weighted average number of ordinary shares in issue	1,118,255,272	1,006,533,584
Basic loss per ordinary share (sen)	(4.05)	(7.60)

24. LOSS PER ORDINARY SHARE (CONT'D)

Diluted loss per ordinary share

The calculation of diluted loss per ordinary share as at 31 December 2015 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	
	2015 Unit	**2014 Unit**
Weighted average number of ordinary shares at 31 December (basic)	1,118,255,272	1,006,533,584
Effect of conversion of ICPS-i	325,479,452	-
Weighted average number of ordinary shares in issue	1,443,734,724	1,006,533,584
Diluted loss per ordinary share (sen)	(3.14)	(7.60)

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.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

25. OPERATING SEGMENTS (CONT'D)

Segment capital expenditure

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

Geographical segment

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

Group	Construction services RM	Offshore crane works RM	Others RM	Elimination RM	Total RM
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

25. OPERATING SEGMENTS (CONT'D)

Group	Construction services RM	Offshore crane works RM	Others RM	Elimination RM	Total RM
2014					
Segment profit/(loss)					
Total revenue	424,709,214	3,402,000	10,886,730	(94,873,641)	344,124,303
Total cost of sales	(455,644,834)	(2,808,400)	-	83,986,911	(374,466,323)
Other income	2,186,980	291,924	16,364,801	(14,557,320)	4,286,385
Administrative expenses	(68,684,257)	(4,949,298)	(14,531,627)	10,886,730	(77,278,452)
Other expenses	(12,275,567)	(33,390)	(31,503)	-	(12,340,460)
Finance costs	(4,927,557)	(12,177)	(303,663)	-	(5,243,397)
Share of profit of equity-accounted associate	-	-	15,755,112	-	15,755,112
Share of loss of equity-accounted joint venture	-	-	(1,135,065)	-	(1,135,065)
Tax credit/(expense)	(9,231,123)	-	1,514,924	107,860	(7,608,339)
(Loss)/Profit for the year	(123,867,144)	(4,109,341)	28,519,709	(14,449,460)	(113,906,236)
Segment assets	598,856,495	41,498,578	757,467,833	(279,308,594)	1,118,914,312
Segment liabilities	553,786,300	39,514,403	325,802,046	(203,936,581)	715,166,168
Capital expenditure	49,664,243	1,124,137	56,314,254	-	107,102,634
Depreciation and amortisation	11,687,806	605,773	569,510	-	12,863,089

Major customers

Revenue of approximately RM69,823,337 (2014: RM312,116,368) representing 69% (2014: 91%) of the Group's revenue is derived from four (4) external customers (2014: four (4) external customers) from the following segments:

	2015 RM	2014 RM	Segment
Customer A	60,391,463	95,842,687	Construction services
Customer B	-	2,226,564	Construction services
Customer C	5,505,205	136,090,826	Construction services
Customer D	381,565	77,956,291	Construction services
Customer E	3,545,104	-	Construction services
	69,823,337	312,116,368	

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

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").

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)
2014		
Group		
Financial assets		
Trade and other receivables	89,956,971	89,956,971
Cash and cash equivalents	109,411,655	109,411,655
	199,368,626	199,368,626
Financial liabilities		
Borrowings	(345,070,773)	(345,070,773)
Trade and other payables	(369,645,231)	(369,645,231)
	(714,716,004)	(714,716,004)
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)

26.1 Categories of financial instruments (Cont'd)

2014	Carrying amount RM	L & R (FL) RM
Company		
Financial assets		
Trade and other receivables	233,674,794	233,674,794
Cash and cash equivalents	19,948,050	19,948,050
	253,622,844	253,622,844
Financial liabilities		
Borrowings	(1,119,375)	(1,119,375)
Trade and other payables	(9,651,906)	(9,651,906)
	(10,771,281)	(10,771,281)

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.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

26. FINANCIAL INSTRUMENTS (CONT'D)

26.3 Credit risk management (Cont'd)

Receivables (cont'd)

Exposure to credit risk, credit quality and collateral (cont'd)

The Group has no significant concentration of credit risk except for amount due from five (5) major customers (2014: five (5) customers) which constitute approximately 96% (2014: 57%) 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
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 than 120 days	34,230,025	(15,377,969)	18,852,056
	38,007,513	(15,377,969)	22,629,544
2014			
Not past due	6,426,982	-	6,426,982
Past due 1 - 30 days	6,718,374	-	6,718,374
Past due 31 - 120 days	5,828,599	-	5,828,599
Past due more than 120 days	36,974,384	(14,727,969)	22,246,415
	55,948,339	(14,727,969)	41,220,370

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

	Group 2015 RM	Group 2014 RM
At beginning of year	14,727,969	2,477,969
Impairment loss recognised during the year (Note 21)	650,000	12,250,000
At end of year	15,377,969	14,727,969

26. FINANCIAL INSTRUMENTS (CONT'D)

26.3 Credit risk management (Cont'd)

Receivables (cont'd)

Exposure to credit risk, credit quality and collateral (cont'd)

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

Group	Gross RM	Individual impairment RM	Net RM
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
2014			
Not past due	-	-	-
Past due 1 - 30 days	-	-	-
Past due 31 - 120 days	-	-	-
Past due more than 120 Days	9,596,232	(9,398,060)	198,172
	9,596,232	(9,398,060)	198,172

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
At beginning of year	9,398,060	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	9,398,060	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.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

26. FINANCIAL INSTRUMENTS (CONT'D)

26.3 Credit risk management (Cont'd)

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the 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 of 31 December 2015, the current liabilities of the Group have exceeded the current assets by RM405,046,555. The current liabilities of the Group arose mainly from borrowings totalling RM341,563,347, which comprise mainly Sukuk of RM189,771,850, bridging loan of RM60,000,000 and revolving credits facilities of RM68,750,000 as of 31 December 2015. The Group is currently negotiating with its bankers to reschedule due dates of certain of its borrowing and is also concurrently working on refinancing and restructuring of certain of the said borrowings. In addition, the Group is pursuing plans to unlock the value of its assets to generate cash flows in order to meet its short-term obligation as and when they fall due.

Furthermore, in managing the Group's liquidity risk, the Group has also taken initiatives to manage its working capital by securing new stream of income, improving production efficiency and carrying out cost reduction measures.

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:

Group	Carrying amount RM	Contractual profit rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2015							
Finance lease liabilities - secured	880,899	2.40-2.50	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	-	-	-	-
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*	-	-	-	-	-	-	
2014							
Finance lease liabilities - secured	1,283,276	2.40-2.50	1,450,859	295,540	295,540	749,509	110,270
Term loans - secured	30,769,504	6.85	46,288,605	-	5,549,598	40,739,007	-
Sukuk - secured	239,162,330	7.00	272,370,685	-	272,370,685	-	-
Revolving credit - unsecured	68,692,782	6.85-7.85	70,936,966	70,936,966	-	-	-
Trust receipt – secured	5,162,881	7.00	5,162,881	5,162,881	-	-	-
Trade and other payables	369,645,231	-	369,881,346	369,881,346	-	-	-
Financial guarantee*	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

26. FINANCIAL INSTRUMENTS (CONT'D)

26.4 Liquidity risk (Cont'd)

Maturity analysis

Company	Carrying amount RM	Contractual profit rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
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	-	-	-	-
Trade and other Payables	125,891,910	-	125,891,910	125,891,910	-	-	-
Financial guarantee*	-	-	-	-	-	-	-
2014							
Finance lease liabilities	1,119,375	2.40	1,264,352	257,776	257,776	748,800	-
Trade and other Payables	9,651,906	-	9,651,906	9,651,906	-	-	-
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.

Exp*osure 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 2015* RM/USD**
Borrowing	169,814,251
Payables	117,162,548
	286,976,799

* No comparative figures are shown as the subsidiary company changed its functional currency from Ringgit Malaysia to United States Dollar during the financial year 2015.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

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

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% 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.

Liabilities	Group 2015* RM/USD
Borrowing	16,981,425
Payables	11,716,255
	28,697,680

26.5.2 Interest rate risk

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

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 loan, 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.

26. FINANCIAL INSTRUMENTS (CONT'D)

26.5 Market risk management (Cont'd)

26.5.2 Interest rate risk (cont'd)

Exposure to interest rate risk

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Fixed rate instruments				
Deposits placed with licensed banks	46,595,517	49,306,164	2,522,000	4,223,965
Finance lease liabilities	(880,899)	(1,283,276)	(589,255)	(1,119,375)
Sukuk	(239,547,399)	(239,162,330)	-	-
Bridging loan	(60,000,000)	-	(60,000,000)	-
Overdraft	(11,560,458)	-	-	-
Revolving credit	(68,750,000)	(68,692,782)	-	-
Trust receipt	(2,819,381)	(5,162,881)	-	-
	(336,962,620)	(264,995,105)	(58,067,255)	3,104,590
Floating rate Instrument				
Term loans	(23,785,941)	(30,769,504)	-	-

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, in particular foreign currency rates, remained constant.

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

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

26. FINANCIAL INSTRUMENTS (CONT'D)

26.5 Market risk management (Cont'd)

26.5.2 Interest rate risk (cont'd)

Cash flow sensitivity analysis for variable rate instruments (cont'd)

	Group Profit or loss	
	50 bp increase RM	50 bp decrease RM
2014		
Floating rate instruments	(115,000)	115,000
Cash flow sensitivity (net)	(115,000)	115,000

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.

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

	Fair value of financial instruments not carried at fair value		Total fair value	Carrying amount
2015	**RM**	**RM**	**RM**	**RM**
Financial liabilities				
Term loan – secured	(27,477,685)	(27,477,685)	(27,477,685)	(23,785,941)
Sukuk – secured	(238,025,554)	(238,025,554)	(238,025,554)	(239,547,399)
Finance lease liabilities	(873,150)	(873,150)	(873,150)	(880,899)
2014				
Financial liabilities				
Term loan – secured	(28,010,863)	(28,010,863)	(28,010,863)	(30,769,504)
Sukuk – secured	(210,216,000)	(210,216,000)	(210,216,000)	(239,162,330)
Finance lease liabilities	(1,323,154)	(1,323,154)	(1,323,154)	(1,283,276)

26. FINANCIAL INSTRUMENTS (CONT'D)

26.6 Fair value information (Cont'd)

Company	Fair value of financial instruments not carried at fair value RM	RM	Total fair value RM	Carrying amount RM
2015				
Financial liabilities				
Finance lease liabilities	(732,259)	(732,259)	(732,259)	(589,255)
2014				
Financial liabilities				
Finance lease liabilities	(1,152,793)	(1,152,793)	(1,152,793)	(1,119,375)

Policy on transfer between levels

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

Level 1 fair value

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

Level 2 fair value

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

Non-derivative financial liabilities

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

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2014: 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.

26. FINANCIAL INSTRUMENTS (CONT'D)

26.6 Fair value information (Cont'd)

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 2015 and 2014 were as follow:

		Group		Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
Total borrowings	17	407,344,078	345,070,773	60,589,255	1,119,375
Less: Cash, bank balances and deposits	12	(78,119,224)	(109,411,655)	(26,964,788)	(19,948,050)
Net debt/(cash)		329,224,854	235,659,118	33,624,467	(18,828,675)
Total equity		664,318,729	403,748,144	670,568,446	425,291,133
Debt-to-equity ratio		0.49	0.58	0.05	N/A

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

28. CAPITAL COMMITMENTS

	Group	
	2015 RM	2014 RM
Property, plant and equipment		
Contracted but not provided for	555,739,000	463,926,000
Authorised but not contracted for	204,494,000	562,856,000
	760,233,000	1,026,782,000

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:

(i) THHE Fabricators Sdn Bhd ("THFSB"), a subsidiary of the Company instituted a suit against Global Fabricators Sdn. Bhd. ("GFSB") to declare that THFSB does not have any outstanding balance with GFSB. A counter claim of RM4,632,778 (2014: RM4,632,778) was brought by GFSB for work done on the Melor and Kumang projects. THFSB filed an application to stay as the respective contracts had an arbitration clause.

GFSB had agreed to resolve the disputes by way of arbitration. A Notice of Arbitration was served to THFSB in March 2012. In response to the said Notice of Arbitration, THFSB had nominated an arbitrator and proposed consolidation of both arbitrations. To date, no arbitrator had been appointed and the arbitration proceedings is still pending.

Therefore, the Group's solicitors are of the opinion that THFSB has a good case to defeat the counterclaim brought by GFSB.

(ii) Dynac Sdn Bhd ("DYNAC") has brought an action against THFSB seeking a judgment in relation to supplies and services rendered for the Murphy's Sarawak SK 311 Permas Development Project ("PERMAS Project") and Bertam Field Development Project ("BERTAM Project") for the sum of RM4,021,935.42, including interests and costs.

On 11 December 2015, THFSB filed an application to stay on the basis of proceeding to arbitration to resolve DYNAC's claims as the awards made for the PERMAS Project and BERTAM Project contain an arbitration agreement.

On 4 February 2016, the High Court granted an order to stay on the claim by Dynac. However, both parties have yet to initiate the arbitration process. Therefore, the Directors are unable to ascertain whether there would be any material financial impact on the Group.

(iii) Alaf Pentawaris Sdn Bhd ("ALAF") has brought an action against THFSB seeking a 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 RM17,967,946.47 or alternatively damages and/or compensation, including interests and costs.

On 23 September 2015, THFSB filed an application to stay ALAF's action on the basis of proceeding to arbitration to resolve ALAF's claims as the contract awarded to ALAF contains an arbitration agreement. However, both parties have yet to initiate the arbitration process. Therefore, the Directors are unable to ascertain whether there would be any material financial impact on the Group.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

30. CONTINGENCIES

(i) THHE Fabricators Sdn Bhd ("THFSB"), a subsidiary of the Company received a letter dated 5 January 2016 from one of its customer notifying THFSB of its failure to achieve certain milestone scheduled to be achieved on 28 December 2015 in respect of THFSB's project with the customer. The customer also notified THFSB that they are exercising their contractual right of imposing liquidated damages to THFSB commencing from 29 December 2015. In accordance with the provision of the contract entered into between THFSB and the customer, the maximum amount of liquidated damages that the customer could impose on THFSB is RM9,648,781.

THFSB had via its letter to the customer dated 14 January 2016 expressed its disagreement on the imposition of the liquidated damages at the present stage of the project as the project is still on-going; and THFSB shall complete the outstanding works prior to the next milestone of the project.

Furthermore, THFSB had also via its letter dated 3 February 2016 notified the customer that it considered the milestone to be achieved on 28 December 2015 was already achieved on that date with certain outstanding works, which are to be completed before the next milestone of the project become due.

Based on the above fact and circumstances, the Directors are of the opinion that the imposition of the liquidated damages by the customer at the present stage of the project is inappropriate as THFSB is presently completing the outstanding works.

(ii) Contingent liabilities in respect of guarantees given by the Company for borrowings and other credit facilities obtained and utilised by subsidiaries company are as follows:

	The Company	
	2015	**2014**
	RM	**RM**
Subsidiary companies	94,379,839	85,162,881

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	
	2015 **RM**	**2014** **RM**
Subsidiaries		
Management fees receivables	8,042,615	10,886,730
Advances to/(from) subsidiaries	347,485,210	(112,390,143)
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.

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	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Total (accumulated losses)/retained profits of the Company and its subsidiaries:				
- realised	(390,767,717)	(301,512,712)	22,722,933	53,010,347
- unrealised	52,981,508	10,388,940	(2,452,444)	-
	(337,786,209)	(291,123,772)	20,270,489	53,010,347
Add: Consolidation adjustments	275,536,964	274,209,638	-	-
Total (accumulated losses)/retained profits	(62,249,245)	(16,914,134)	20,270,489	53,010,347

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 2015 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 126 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

DATO' JOHAN BIN ABDULLAH

NUSRAL BIN DANIR

Kuala Lumpur
13 April 2016

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 13 April 2016.

SUHAIMI BADRUL JAMIL

Before me:

LIST OF PROPERTIES

The properties of the group as at 31 December 2015 are as folows:

Title/Location	Description and Existing Use	Land Area/ Built-Up Area	Approximate Age of Building	Tenure	Audited Net Book Value at 31.12.2015	Date of Acquisition
Pulau Indah Integrated Fabrication Yard HS (D) 70909, PT No. 90866 Section 1, Mukim and District of Klang State of Selangor	Heavy Engineering/ Offshore Oil and Gas Fabrication Facility	56.79 acres	14 years	Leasehold (99 years)	RM95,154,191	10-Aug-12

ANALYSIS OF SHAREHOLDINGS

AS AT 15 APRIL 2016

SHARE CAPITAL

Authorised share capital	:	RM1,100,000,000.00 divided into: (a) 3,200,000,000 ordinary Shares of RM0.25 each; and (b) 1,200,000,000 Islamic Irredeemable Convertible Preference Shares of RM0.25 each ("ICPS-i")
Issued and paid up share capital	:	RM555,269,297.50 (a) RM280,269,297.50 comprising 1,121,077,190 Ordinary Shares of RM0.25 each (b) RM275,000,000 comprising 1,100,000,000 ICPS-i of RM0.25 each
Classes of shares	:	(a) Ordinary Shares of RM0.25 each (b) ICPS-i of RM0.25 each
Number of shareholders	:	(a) 26,377 (Ordinary Shares) (b) 339 (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 OF RM0.25 EACH

DISTRIBUTION SCHEDULE OF SHAREHOLDERS
(based on the Record of Depositors as at 15 April 2016)

SIZE OF HOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES HELD	% OF ISSUED CAPITAL
1 – 99	5,890	22.33	425,165	0.04
100 – 1,000	7,957	30.17	2,807,634	0.25
1,001 – 10,000	6,208	23.54	34,773,997	3.10
10,001 – 100,000	5,265	19.96	190,915,161	17.03
100,001 – 56,053,858 (*)	1,056	4.00	557,993,126	49.77
56,053,859 and above (**)	1	0.00	334,162,107	29.81
Total	26,377	100.00	1,121,077,190	100.00

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

ANALYSIS OF SHAREHOLDINGS
AS AT 15 APRIL 2016
(CONT'D)

(A) ORDINARY SHARES OF RM0.25 EACH (CONT'D)

DIRECTORS' INTEREST IN SHARES
(based on the Register of Directors' Shareholdings as at 15 April 2016)

Ordinary Shares of RM0.25 each

Name of Directors	Nationality	No. of shares beneficially held Direct	%	Indirect	%
Dato' Johan Bin Abdullah	Malaysian	0	0.00	0	0.00
Dato' Ghazali Bin Awang					
Dato' Dr. Md. Yusof Bin Omar	Malaysian	0	0.00	0	0.00
Nusral Bin Danir	Malaysian	0	0.00	0	0.00
Roslan Bin Mohd Latif	Malaysian	0	0.00	0	0.00
Datuk Rozaida Binti Omar	Malaysian	0	0.00	0	0.00
Dr. Ir. Samad Bin Solbai	Malaysian	0	0.00	0	0.00
Too Kok Leng	Malaysian	0	0.00	0	0.00

SUBSTANTIAL SHAREHOLDER
(based on the Register of Substantial Shareholdings as at 15 April 2016)

Ordinary Shares of RM0.25 each

Name of Substantial Shareholders	No. of shares held Direct	%	Indirect	%
Lembaga Tabung Haji	334,162,107	29.81	0	0.00

LIST OF THIRTY (30) LARGEST ORDINARY SHARES ACCOUNTS HOLDERS

NO.	NAME	NO. OF SHARES HELD	%
1	LEMBAGA TABUNG HAJI	334,162,107	29.81
2	PELABURAN MARA BERHAD	51,696,345	4.61
3	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR QUEK KON SEAN	10,000,000	0.89
4	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR MAK NGIA NGIA @ MAK YOKE LUM	7,635,900	0.68
5	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VERTICAL SOURCE SDN BHD	7,444,300	0.66
6	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	7,172,700	0.64
7	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	6,912,734	0.62
8	CHIN CHIN SEONG	6,747,000	0.60
9	MADHAVANKUTTY A/L KUMARAN	6,544,000	0.58

ANALYSIS OF SHAREHOLDINGS
AS AT 15 APRIL 2016 (CONT'D)

(A) ORDINARY SHARES OF RM0.25 EACH (CONT'D)

LIST OF THIRTY (30) LARGEST ORDINARY SHARES ACCOUNTS HOLDERS (CONT'D)

NO.	NAME	NO. OF SHARES HELD	%
10	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG CHAI GO	6,500,000	0.58
11	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE	6,480,044	0.58
12	FRANCIS CHAI KIM LUNG	6,250,000	0.56
13	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BHD FOR BIMB I DIVIDEND FUND	6,112,000	0.55
14	NG CHAI GO	6,000,000	0.54
15	MAK NGIA NGIA @ MAK YOKE LUM	5,658,600	0.50
16	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW WENG CHOY	5,200,000	0.46
17	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO. LTD.	4,950,000	0.44
18	CIMB GROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR DBS BANK LTD	4,490,000	0.40
19	SU-AZIAN @ MUZAFFAR SYAH BIN ABD RAHMAN	3,990,000	0.36
20	RHB NOMINEES (TEMPATAN) SDN BHD KOH KWEE HWA	3,500,000	0.31
21	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MD. SHAH BIN ABU HASAN	3,474,700	0.31
22	NG CHAI GO	3,300,000	0.29
23	LEE CHEE BENG	3,100,000	0.28
24	MD. SHAH BIN ABU HASAN	3,100,000	0.28
25	ANNIE LOO YEAN LAY	3,000,000	0.27
26	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR NAZRI BIN ABDULLAH @ NAZRI BHUPALAN	3,000,000	0.27
27	LEONG YOU TONG	3,000,000	0.27
28	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD YONG LOY HUAT	3,000,000	0.27
29	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HARBANS KAUR A/P SAUDAGAR SINGH	2,970,000	0.26
30	RHB NOMINEES (TEMPATAN) SDN BHD SOO WING CHING	2,922,300	0.26
	TOTAL	**528,312,730**	**47.13**

ANALYSIS OF SHAREHOLDINGS
AS AT 15 APRIL 2016
(CONT'D)

(B) ISLAMIC IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES OF RM0.25 EACH ("ICPS-I")

DISTRIBUTION SCHEDULE OF ICPS-i HOLDERS
(based on the Record of Depositors as at 15 April 2016)

SIZE OF ICPS-i HOLDING	NO. OF ICPS-i HOLDERS	% OF ICPS-i HOLDERS	NO. OF ICPS-i HELD	% OF ISSUED ICPS-i
1 – 99	5	1.47	406	0.00
100 – 1,000	184	54.28	39,196	0.00
1,001 – 10,000	86	25.37	327,904	0.03
10,001 – 100,000	58	17.11	1,427,175	0.13
100,001 – 54,999,999 (*)	5	1.47	976,584	0.09
55,000,000 and above (**)	1	0.29	1,097,228,735	99.75
Total	339	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 15 April 2016)

Name of Directors	Nationality	No. of ICPS-i beneficially held Direct	%	Indirect	%
Dato' Johan Bin Abdullah	Malaysian	0	0.00	0	0.00
Dato' Ghazali Bin Awang	Malaysian	0	0.00	0	0.00
Dato' Dr. Md. Yusof Bin Omar	Malaysian	0	0.00	0	0.00
Nusral Bin Danir	Malaysian	0	0.00	0	0.00
Roslan Bin Mohd Latif	Malaysian	0	0.00	0	0.00
Datuk Rozaida Binti Omar	Malaysian	0	0.00	0	0.00
Dr. Ir. Samad Bin Solbai	Malaysian	0	0.00	0	0.00
Too Kok Leng	Malaysian	0	0.00	0	0.00

LIST OF THIRTY (30) LARGEST ICPS-i ACCOUNTS HOLDERS

NO.	NAME	NO. OF ICPS-i BENEFICIALLY HELD	%
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

ANALYSIS OF SHAREHOLDINGS
AS AT 15 APRIL 2016 (CONT'D)

(B) ISLAMIC IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES OF RM0.25 EACH ("ICPS-I") (CONT'D)

LIST OF THIRTY (30) LARGEST ICPS-i ACCOUNTS HOLDERS (CONT'D)

NO.	NAME	NO. OF ICPS-i BENEFICIALLY HELD	%
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	RHB NOMINESS (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW CHONG KHENG	53,233	0.00
15	CHOONG YAT CHIN @ CHONG YAT CHIN	45,866	0.00
16	LEO JEOK KWI	44,800	0.00
17	CHEW TATT AIK	37,760	0.00
18	ONG LEA PING	34,133	0.00
19	ONG TENG HOR	32,000	0.00
20	RHB NOMINEES (TEMPATAN) SDN BHD AMARA INVESTMENT MANAGEMENT SDN BHD FOR AHMAD YUSMADI BIN MOHAMED YUSOFF	31,900	0.00
21	LIEW WHAI HOE	25,000	0.00
22	TING SEU NGUONG	24,500	0.00
23	HASHIM BIN SHARIF	23,893	0.00
24	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KUM JEN SEN	22,400	0.00
25	NG SWEE CHIOW	22,000	0.00
26	YAP LAI PING	22,000	0.00
27	SIH LAI PENG	21,500	0.00
28	LEONG MUN SIEW	21,500	0.00
29	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SOON CHENG WAI	21,333	0.00
30	LIEW HAN HUEI	20,000	0.00
	TOTAL	**1,099,166,689**	**99.92**

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the TWELFTH 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 23 May 2016 at 2:30 p.m. or at any adjournment thereof for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 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 for the financial year ended 31 December 2015. **(Resolution 1)**

3. To re-elect Roslan Bin Mohd Latif who retires pursuant to Article 95 of the Company's Articles of Association, and being eligible, has offered himself for re-election. **(Resolution 2)**

4. To re-elect Too Kok Leng 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 Dato' Johan Bin Abdullah who retires pursuant to Article 101 of the Company's Articles of Association, and being eligible, has offered himself for election. **(Resolution 4)**

6. To re-elect Dato' Ghazali Bin Awang who retires pursuant to Article 101 of the Company's Articles of Association, and being eligible, has offered himself for election. **(Resolution 5)**

7. To re-elect Datuk Rozaida Binti Omar who retires pursuant to Article 101 of the Company's Articles of Association, and being eligible, has offered herself for election. **(Resolution 6)**

8. To re-appoint Messrs. Deloitte as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Resolution 7)**

9. **AS SPECIAL BUSINESS**

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

ORDINARY RESOLUTION **(Resolution 8)**
- **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**

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

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

ORDINARY RESOLUTION **(Resolution 9)**
PROPOSED RETENTION OF TOO KOK LENG AS INDEPENDENT NON-EXECUTIVE DIRECTOR

"THAT subject to the passing of Resolution 3, Too Kok Leng, who would on 28 January 2017, have served the Board as an Independent Non-Executive Director for a cumulative term of nine (9) years, be and is hereby retained as Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting."

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

BY ORDER OF THE BOARD

CHUA SIEW CHUAN (MAICSA 0777689)
TAN LEY THENG (MAICSA 7030358)

Company Secretaries

Kuala Lumpur
Dated: 29 April 2016

EXPLANATORY NOTE A

This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence this Agenda item is not put forward for voting.

EXPLANATORY NOTE TO SPECIAL BUSINESS:

Resolution 8

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

The Company had been granted a general mandate by its shareholders at the Eleventh AGM of the Company held on 28 May 2015 (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 AGM. The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/ or acquisitions.

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

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

Resolution 9

Too Kok Leng who was appointed as an Independent Non-Executive Director of the Company on 28 January 2008, would on 28 January 2017 have served in that capacity for a cumulative term of nine (9) years. 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.
- he does not derive any remuneration and benefits apart from Directors' fees and meeting expenses.

NOTES:

(1) In respect of deposited securities, only members whose names appear in the Record of Depositors on 16 May 2016 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.

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

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

(6) 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.

(7) The instrument appointing a proxy must be deposited at the Company's registered office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time 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 Twelfth Annual General Meeting of the Company.

PROXY FORM

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

of (full address) ....

.... being

a *member/members of TH HEAVY ENGINEERING BERHAD ("the Company"), hereby appoint (full name in capital letters)

.... of (full address) ....

....

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

of (full address) ....

....

or failing *him/her, the *CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us and on *my/our behalf at the Twelfth Annual General Meeting of the Company to be held at Ballroom 1, First Floor, Main Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Monday, 23 May 2016 at 2.30 p.m. and at any adjournment thereof.

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

First Proxy (1) .... %

Second Proxy (2) .... %

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

RESOLUTION NO.	RESOLUTIONS	FOR	AGAINST
1	Directors' Fees for the financial year ended 31 December 2015.		
2	Re-election of Roslan Bin Mohd Latif		
3	Re-election of Too Kok Leng		
4	Re-election of Dato'Johan Bin Abdullah		
5	Re-election of Dato' Ghazali Bin Awang		
6	Re-election of Datuk Rozaida Binti Omar		
7	Re-appointment of Auditors		
8	Ordinary Resolution – Pursuant to Section 132D of the Companies Act, 1965		
9	Ordinary Resolution – Proposed retention of Too Kok Leng as Independent Non-Executive Director of the Company		

* Strike out whichever not applicable

As witness my/our hand(s) this .... day of ...., 2016

....

Signature of Member/Common Seal

Notes:

(1) In respect of deposited securities, only members whose names appear in the Record of Depositors on 16 may 2016 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.

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

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

(6) 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.

(7) The instrument appointing a proxy must be deposited at the Company's registered office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.

Fold here

AFFIX STAMP

To:

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

Fold here

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

www.thhe.com.my