THHEAVY ENGINEERING BERHAD

An associate company of Tabung Haji

(634775-D)

DELIVERING EXCELLENCE

ANNUAL REPORT 2014

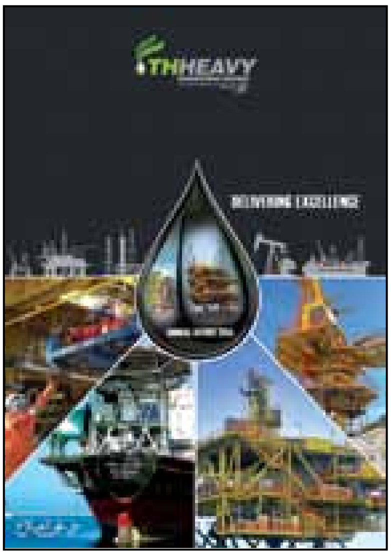
OUR YARD

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 yard areas. The capacity of the yard is around 10,000MT 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.

COVER RATIONALE



The droplet centered around the various subsidiaries, assets and capabilities of TH Heavy symbolizing TH Heavy remains steadfast in overseeing the holistic development of the core businesses to achieve optimal growth. It has also reflected that TH Heavy aligned and enhanced all aspects of its business as we build on our strength to capitalize on the opportunities that continue to unfold in a dynamic environment. Supported by our vast expertise and experience, coupled with a highly skilled and professional workforce, TH Heavy will remain committed and continue to push boundaries in order to excel and deliver distinctive value.

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

ABOUT

TH HEAVY ENGINEERING BERHAD

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

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

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

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

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

CONTENTS

CORPORATE STRUCTURE

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

100%

- O&G WORKS SDN. BHD. (732045-A)
- FLOATECH (M) SDN. BHD. (963331-V)
- THHE OPTIMA SDN. BHD. (720110-M)
- THHE TRAINING SERVICES SDN. BHD. (730421-K)
- 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 ENGINEERING SDN. BHD. (1045937-T)
- THHE MCDERMOTT PROJECT SERVICES SDN. BHD. (1045954-T)

- JV Company
- Subsidiary
- Dormant

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

Nusral Bin Danir
Executive Director
(Redesignated on 1st March 2015)

Too Kok Leng
Independent Non-Executive Director

Roslan Bin Mohd. Latif
Independent Non-Executive Director

Datuk Seri Mohamad Norza Bin Zakaria
Independent Non-Executive Director

Dr. Samad Bin Solbai
Independent Non-Executive Director

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

AUDIT COMMITTEE

Datuk Seri Mohamad Norza Bin Haji Zakaria (Chairman)
Too Kok Leng
Dr. Samad Bin Solbai

SECRETARIES

Chua Siew Chuan (MAICSA 0777689)
Tan Ley Theng (MAICSA 7030358)

AUDITORS

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

REGISTERED OFFICE

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

CORPORATE OFFICE

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

PRINCIPAL BANKERS

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

SOLICITORS

Noor Amran & Co.
Mohanadass Partnership
Cheang & Ariff
Mah-Kamariyah & Philip Koh
Mohamed Ridza & Co.
Rithauddin & Azlin
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 the Main Market of Bursa Malaysia
Stock Name : THHEAVY
Stock Code : 7206
ANALYST TICKERS AND CODE
Reuters THHE.KL

BOARD OF DIRECTORS

FROM LEFT TO RIGHT

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

TOO KOK LENG
Independent Non-Executive Director

NUSRAL BIN DANIR
Executive Director

DATO' AZIZAN BIN ABD RAHMAN
Non-Independent Non-Executive Director / Chairman

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

DATUK SERI MOHAMAD NORZA BIN HAJI ZAKARIA
Independent Non-Executive Director

DR. SAMAD BIN SOLBAI
Independent Non-Executive Director

ROSLAN BIN MOHD. LATIF
Independent Non-Executive Director

* 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.

DIRECTORS' PROFILE

DATO' AZIZAN BIN ABD RAHMAN

Non Independent Non-Executive Director/ Chairman

Dato' Azizan Bin Abd Rahman, a Malaysian, aged 65, was appointed Chairman and Director of the Company on 11 June 2009.

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

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

DATUK NOR BADLI MUNAWIR BIN MOHAMAD ALIAS LAFTI

Managing Director & Chief Executive Officer

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

Previously he held directorships in several private companies which he co-founded, involved in various activities ranging from the supply of specialised production, process and safety equipment; HSE consultancy and marine logistics which currently service both the upstream and downstream sectors of the oil and gas industry in Malaysia. Presently, he is the President of Malaysian Offshore Contractors Association (MOCA), a position he has held since April 2012.

Datuk Nor Badli served in the financial services industry for over 10 years where he accumulated significant merchant banking and financial advisory experiences. He was with Arab-Malaysian Merchant Bank Berhad ("AMMB") Corporate Finance Division from 1992 to 1999. Prior to AMMB, Datuk Nor Badli started as an Associate Consultant with Arthur Andersen & Co, a leading International public Accounting and Management Consultancy firm. He rose to the rank of Senior Consultant before joining AMMB in 1992.

ENCIK NUSRAL BIN DANIR
Executive Director

Nusral Bin Danir, a Malaysian, aged 58, was appointed to the Board as an Independent Non-Executive Director on 23 August 2013.

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

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

He was redesignated as an Executive Director of TH Heavy Engineering Berhad on 1st March 2015.

MR. TOO KOK LENG
Independent Non-Executive Director

Mr. Too Kok Leng, a Malaysian, aged 56, was appointed a Director of the Company on 28 January 2008.

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

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

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

DIRECTORS' PROFILE
(cont'd)

ENCIK ROSLAN BIN MOHD LATIF
Independent Non-Executive Director

En. Roslan Bin Mohd Latif, a Malaysian, aged 60, was appointed to the Board as an Independent Non-Executive Director on 11 June 2009.

He holds a Diploma in Business Studies from ITM in 1977 before pursuing a Bachelor and MBA degrees in USA from 1979 to 1983. He attended the Advance Management Program in Denver, Colorado in 1985 and the Advance Masters in Business Practice from the University of South Australia in 2009. He also attended the Harvard Business School's ASEAN Senior Management Development Program in 2014.

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 was the Special Officer and the Media Advisor to the Minister of Communication and Multimedia Malaysia.

DATUK SERI MOHAMAD NORZA BIN ZAKARIA
Independent Non-Executive Director

Datuk Seri Mohamad Norza Bin Zakaria, a Malaysian, aged 48, was appointed Director of the Company on 24 March 2011.

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

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

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

Datuk Seri Norza's direct contribution in the government sector was when he became the Political Secretary to the Minister of Finance II from April 2004 to March 2008, before becoming the President and CEO of Citaglobal Sdn Bhd since April 2008. Datuk Seri Norza is also a Director of Bintulu Port Holdings Berhad, Pelikan International Corporation Berhad and TH Plantations Berhad.

DATO' DR. MD. YUSOP BIN OMAR

Independent Non-Executive Director

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

Dato' 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 Politic & Election Studies of Malaysia Leadership & Strategy Foundation.

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

DR. SAMAD BIN SOLBAI

Independent Non-Executive Director

Dr. Samad Solbai, a Malaysian, aged 63, was appointed to the Board on 25 May 2012. He is a registered Professional Engineer and Fellow of the Instituition of Engineers, Malaysia. He is an Independent Non-Executive Director of TH Heavy Engineering Bhd. He has a wide, hands-on experience in the fabrication of oil & gas platforms projects. Dr. Samad's employment career included 13 years in academia (including as an Associate Professor and Dean of Mechanical Engineering, Universiti Teknologi Malaysia) and more than 20 years in the Oil & Gas Industry. He holds a Ph.D. in Chemical Engineering from the University of Cambridge, M.Eng.Sc. in Materials Engineering from Monash University, B.Eng. (Mechanical) from Caulfield Institute of Technology and Graduate Diploma in Islamic Studies from the International Islamic University, Malaysia. He also attended Advanced Management (Executive Programs) courses at the Wharton School of Business at the University of Pennsylvania and GE's training centre at Crotonville, New York.

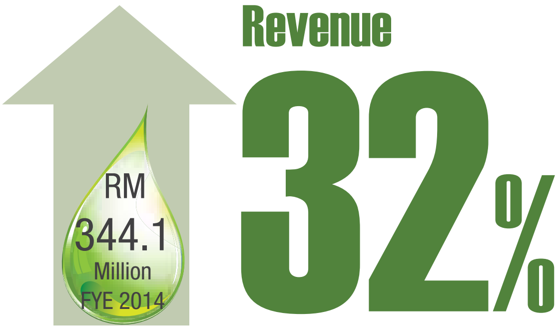
Prior to his retirement from full-time employment, Dr. Samad was the CEO of PT. Gunanusa Utama Fabricators, Indonesia from 2005 to 2011. He also held other key positions within the oil & gas-related companies in Malaysia including 9 years in the Sime Darby Group as Group General Manager of the Oil &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

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

CHAIRMAN'S STATEMENT

"2014 has been a very challenging year, to say the least. We started the year on a good note with the winning of two major contracts"

DATO' AZIZAN BIN ABD RAHMAN
Chairman



Dear Valued Shareholders,

2014 has been a very challenging year, to say the least. We started the year on a good note with the winning of two major contracts; namely, the Kinabalu NAG Phase 2 development project from Petronas Carigali and the FPSO Layang project from JX Nippon Oil & Gas Exploration (Malaysia) Limited. With the winning of these contracts, TH Heavy Engineering Berhad's ("the Group's") order books are at a record high of almost RM1.5 billion.

World oil prices suddenly slumped in the fourth quarter to a 4-year low towards the end of 2014. The reduction in world oil prices had a significant impact on the oil and gas (O&G) industry, with many major oil companies announcing capital expenditure (CAPEX) cuts, as well as the deferment or cancellation of some projects. The Group is not immune to these CAPEX cuts and saw some targeted fabrication projects being deferred or cancelled. However, the uncertainty surrounding the fabrication business is mitigated by the new FPSO business, which the Group anticipates will provide steady and positive earnings for the next 7.5 years, especially from the FPSO Layang award.

FINANCIAL PERFORMANCE

As compared to 2013, the Group's revenues have increased from RM259.9 million to RM344.1 million by 32%. This is mainly due to the Group's subsidiary winning and commencing the Kinabalu gas development project for Petronas Carigali in offshore Sabah, as well as the completion of works for the Bertam Field Development Project ("Bertam Project") on behalf of Lundin Malaysia B.V.

The Group experienced net losses after tax of RM113.9 million, due mainly to lower realised margins from various projects, higher costs incurred in recruiting additional manpower in anticipation of the award of new large contracts and the impairment loss on receivables. As the fabrication outlook in the immediate future looks uncertain, the Group has taken the proactive step of streamlining its staff force strength towards the end of the year to be in line with the anticipated business needs.

While the Group's net tangible assets decreased by RM28 million due to the current year's loss, our disposal of 20% interest in Floatech (L) Ltd. led to an increase in the Group's retained earnings by RM19 million, while the Group's cash balance increased by RM22 million, mainly from the 5% private placement and the conversion of warrants towards the later part of the year before the expiry of the Detachable Warrants 2004/2014 in December 2014.

QUALITY AND SAFETY

The Group has always set a very high priority on the safety of every one of its personnel. Indeed, it has managed to clock in 22.4 million man-hours of work without any Lost Time Injury (LTI) to date, a very impressive achievement and a testament to the Group's standards of care. In addition to this commendable safety record, the Group has completed the recertification of its Integrated Management System, ensuring that it continues to maintain the highest levels of quality across all of its business processes.

CHAIRMAN'S STATEMENT (cont'd)

A FURTHER CHALLENGING YEAR AHEAD

2015 looks to be shaping up as a year for the global O&G industry to take stock. The recent downturn in world oil prices has adversely affected the Group's marketing plans, as major oil companies reconsidered their overall plans for exploration and production activities, which is then reflected in the need for the fabrication of O&G-related structures. Due to this, the Group must also remain flexible and consider all possible new revenue sources.

With that end in mind, given the current slowdown in upstream developments, the Group will aggressively endeavour to penetrate and expand into the downstream sector, as this is an area of growth and development. In addition, the Group will also be looking to secure further upstream projects; that being the core business of the Group in regards to operating the fabrication yard at Pulau Indah. The Group will further gear itself up to engage with clients on downstream and civil-related projects within the O&G industry.

With world oil prices likely stabilising in 2015, companies in the O&G sector will be able to perform improved long-term planning. As a result, the Group expects the latter half of 2015 to be better than the first half in terms of opportunities available. In addition, with ever-closer ties within the ASEAN Economic Community, there may also be regional O&G contracts that the Group is able to participate in and secure. Regardless, the Group will strive towards maintaining its current upward trajectory in terms of revenues earned, and strengthen its reputation for quality and excellence.

ACKNOWLEDGEMENTS

As Chairman of the Group, I would like to once again take this opportunity to thank my fellow board members and the Group's senior management team. Their hard work and effort in steering the Group has been exemplary, and I look forward to working together with all of them again in 2015.

At this time, I also wish to express my deepest thanks to all the shareholders and stakeholders of the Group. Your support and commitment to the Group throughout 2014 is greatly appreciated, and we hope that you will continue to be with us on our journey to become the preferred engineering and marine EPCIC contractor in Malaysia and around the region.

DATO' AZIZAN BIN ABD RAHMAN
Chairman

MANAGING DIRECTOR &
CHIEF EXECUTIVE OFFICER'S REVIEW

"Strong headwinds during the latter part of the year has slowed down and impacted our growth plans as the entire industry face significant challenges"

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

Dear Valued Shareholders,

2014 was a challenging year for TH Heavy Engineering Bhd. ("the Group"), where we faced several heart-breaking moments during the year. Amidst significant investments and preparations, we had missed our target to seize the opportunity to secure our maiden Central Processing Platform (CPP) EPCIC project via our joint venture company with McDermott International Ltd. We remain resolved to try even harder for the future, as we hope for the global oil market to recover from the oil price slump that hit the world in the latter part of 2014. As we navigate through this difficult market environment, we will keep our costs in check, commensurate with our level of operations and new operating cost structure.

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER'S REVIEW (cont'd)

COMPLETED PROJECTS

We continue to excel and deliver satisfaction to our clients. The Group, via one of its major subsidiaries, THHE Fabricators Sdn. Bhd. ("TH Fabricators"), has successfully fabricated and loaded out two major projects in 2014. The first project delivered was an engineering, procurement, construction and commissioning (EPCC) contract for the Permas oil field's PR-PA platform (topsides) on behalf of Murphy Sarawak Oil Co. Ltd. The project was awarded in April 2013, and was loaded out in June 2014.

This was followed by the second project which was completed in October 2014 for Lundin Malaysia B.V. It involved the fabrication of a wellhead platform for Block PM307 of the Bertam Field Development project. A one-off project awarded towards the end of 2013, the work was completed in record time, with handover to the client in October 2014.

AWARDED PROJECTS

Through TH Fabricators, the Group had won a new contract from Petronas Carigali Sdn. Bhd. ("Petronas Carigali") in January 2014 for the procurement, construction and commissioning (PCC) of the KNPG-B Topside PH II, Kinabalu non-associated gas development project, located at the Kinabalu Deep & East block, offshore Sabah (situated approximately 55km west-northwest of Labuan). Scheduled to be completed in 18 months from its starting time, this project is part of the Sabah Integrated Gas Development Project.

Several additional projects were awarded to another subsidiary of the Group, O&G Works Sdn. Bhd. ("OGW"). In July, OGW won a contract from Sabah Shell for the provision of a 6MT pedestal crane for the SF-KA platform. Later in October, two other contracts were awarded; one from Asian Offshore Services Sdn. Bhd. involving structural fabrication works for 20 living quarter cabins. The second contract, was for the supply of a swivel stack and ancillary equipment, 9 mooring chains and connectors, mooring and riser pull-in winches and HPUs, and winch wires, to Orwell Offshore Ltd. Towards the end of 2014, Petronas Carigali further awarded OGW a small contract involving the provision of crane maintenance services for the FSO Abu rectification works.

Our big break came in the second quarter of 2014, when THHE was awarded an engineering, procurement, construction, installation and commissioning (EPCIC) contract from JX Nippon Oil & Gas Exploration (Malaysia) Ltd. for the supply and bareboat lease of a floating production storage and offloading (FPSO) unit. Our FPSO "Deep Producer 1" will be deployed in the Layang oil and gas field located in Block SK10, offshore Sarawak. The EPCIC contract

is for a primary lease period of 7.5 years, with an additional potential of up to ten extension options of 1 year each. Barring any unforeseen circumstances, this FPSO contract is expected to generate steady cash flows and contribute positively towards giving earnings visibility for the Group in the medium to long term. Our efforts to diversify away from fabrication and complement this core business will hopefully bear results, as we move to evaluate more opportunities in the floater business segment.

ONGOING AND FUTURE PROSPECTS

In 2014, the Group, via its various subsidiaries, has accumulated new Petronas registration and licence categories. This will help diversify our future earnings base beyond our core business of major fabrication. The slowdown in offshore fabrication has necessitated the Group to explore downstream fabrication opportunities such as RAPID. In addition, we are also exploring several prospects in the non-O&G markets such as defence and infrastructure.

With the newly-upgraded facilities at our Pulau Indah Fabrication Yard, the Group achieved new capacity and efficiency levels. Lower production costs becomes an important differentiator as we expand activities beyond the shores of Malaysia. We are now ready to deliver better value to our clients, especially when we bid for regional and international project prospects, where we expect competition to be more intense.

MOVING FORWARD

The Group has highlighted and identified the expansion into several niche areas and new geographical target markets, as well as more aggressive project bidding and rapid project completion, to be critical towards retaining the Group's standing within the O&G sector. With our impressive portfolio of major offshore facilities fabrication projects completed for key O&G industry players, and our new capability of providing quality and innovative "end-to-end" solutions to satisfy the demanding needs of clients, the Group is poised to make a name for itself both regionally and internationally.

The Group continues to stand for ensuring its people's safety, welfare and well-being. Achieving ever-greater project successes requires the Group to continually improve safety records, mitigating against health and environmental hazards that could stall production and increase downtime. The Group's major achievement is reflected in the growing number of accident-free man-hours, surpassing 22.4 million man-hours without LTI as at the end of December 2014, continuing 2013's trend. The Group will continue to invest in high-quality safety standards, continuous and vigorous training for its people, as it implements and enforce its IMS certification in governing its line of work, in order to enhance and maintain its reputation as being a safe employer that delivers on time. We will not stop to promote the highest safety culture throughout our organisation, and will not hesitate to intervene when and where necessary to prevent accidents from happening.

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER'S REVIEW (cont'd)

ACKNOWLEDGEMENTS

On behalf of the management team, I thank all of the dedicated employees of the Group who have worked hard and given their best, amid the present difficult period and challenging circumstances. Their unstinting enthusiasm and commitment are critical in maintaining and ensuring that the Group excels even further. The Group recognises all their work, and in turn will continue to promote and provide a warm and safe working environment for all. Needless to say, it is every employer's responsibility to know when due recognitions are to be accorded to those most appropriately deserving for their accomplishments.

In closing, I would like to convey a special thanks and gratitude to Lembaga Tabung Haji, our major shareholder, for its continued unwavering support given to the Board and the Group's leadership to date. The year 2014 was indeed full of challenges. Dark skies loom over us now. However, over a longer term horizon, we are confident we will weather the storm and continue to drive growth and profitability in the years to come. Thank you once again.

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

LIST OF EVENTS

DEC
10

1ST STEEL CUT CEREMONY FABRICATION OF WELLHEAD PLATFORM (WHP) FOR BLOCK PM307 BERTAM FIELD DEVELOPMENT PROJECT
10 DECEMBER 2013

MAR
25-28

OFFSHORE TECHNOLOGY CONFERENCE ASIA 2014
25-28 MARCH 2014

APR
08

BERTAM WELLHEAD PLATFORM HSE DAY
8 APRIL 2014

APR
30

KNPG-B TOPSIDE PH II, KINABALU NON-ASSOCIATED GAS (NAG) DEVELOPMENT PROJECT CONTRACT SIGNING
30 APRIL 2014

MAY
07

EPCC PERMAS PRODUCTION (PR-PA) TOPSIDE HSE DAY
7 MAY 2014

LIST OF EVENTS
(cont'd)

JUN
11

10TH ANNUAL GENERAL MEETING
11 JUNE 2014

JUL
15

CORPORATE SOCIAL RESPONSIBILITY (CSR) - JOM SHOPPING RAYA 2014
15 JULY 2014

JUL
15

MAJLIS IFTAR RAMADHAN BERSAMA KARIAH MASJID AL – QAYYUM, PULAU INDAH
15 JULY 2014

AUG
06

TH HEAVY ENGINEERING BERHAD CORPORATE OPEN HOUSE 2014
6 AUGUST 2014

AUG
08

MAJLIS MERAIKAN 5 JUTA MASA BEKERJA TANPA KEMALANGAN YANG MENYEBABKAN HILANG MASA BEKERJA & SAMBUTAN HARI RAYA AIDILFITRI
8 AUGUST 2014

AUG
08

1ST STEEL CUT CEREMONY FABRICATION OF KNPG-B TOPSIDE PH II, KINABALU NON-ASSOCIATED GAS (NAG) DEVELOPMENT PROJECT
8 AUGUST 2014

SEP
09

LAUNCHING OF HAZARD HUNT CAMPAIGN FOR BERTAM PROJECT
9 SEPTEMBER 2014

SEP
18

1[ST] STEEL CUT CEREMONY PROVISION OF ONE UNIT SIX MT PEDESTAL CRANE FOR SFK-A PLATFORM SABAH SHELL PETROLEUM CO.LTD
18 SEPTEMBER 2014

OCT
30

SUCCESSFUL COMPLETION OF BERTAM WELLHEAD PLATFORM DINNER
30 OCTOBER 2014

DEC
19

A DAY WITH CEO
19 DECEMBER 2014

PERFORMANCE
HIGHLIGHTS

The year under review saw the ramping up of activities with the total group turnover increased by 32% from RM259.93 million in 2013 to RM344.12 million in the current financial year. The group successfully loaded out during the current financial year the Murphy Sarawak Oil Co. Ltd and Lundin Malaysia B.V jobs worth approximately RM214.05 million. The Group via its subsidiary secured approximately RM281.9 million worth of new contracts from the offshore fabrication sector. New contracts secured is mainly from Petronas Carigali Sdn Bhd.

With the completion of existing contracts and new contracts being secured during the year, the Group registered an improved turnover of RM344.12 million but posted Net Loss After Tax of RM113.9 million as compared to Net Profit After Tax of RM 1.56 million in 2013. The huge loss for the year is mainly due to lower realized margin on completed jobs, provisions made on some disputed claims and damages and higher operating costs to support future projects under bidding.

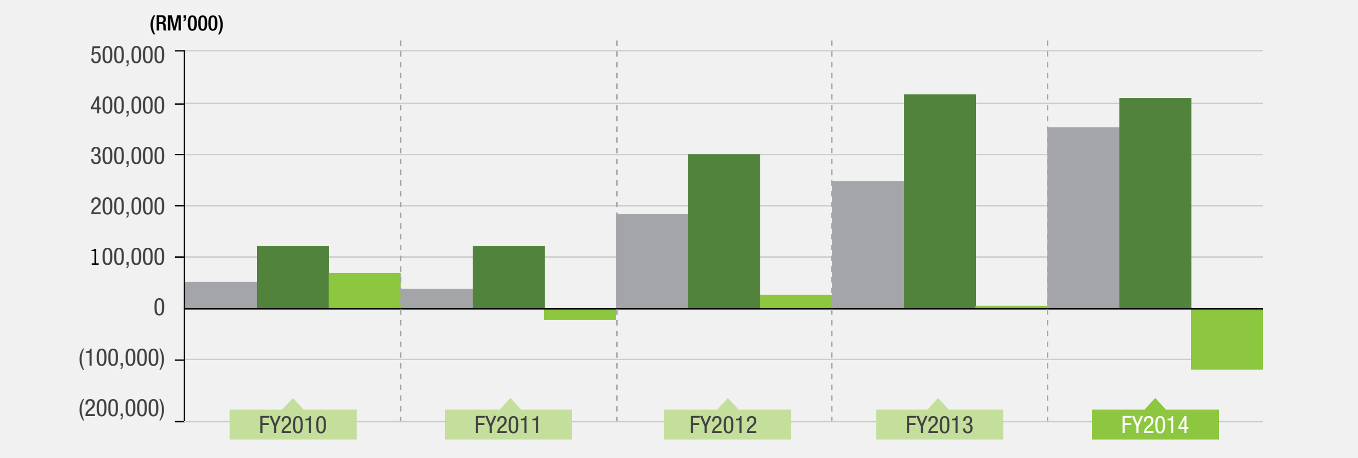
DESCRIPTION	GROUP (RM'000)	COMPANY (RM'000)
(Loss)/Profit attributable to the Owners of the Company	(76,446)	14,175
Accumulated profits brought forward	40,351	38,835
Changes in ownership interests in a subsidiary	19,181	-
Accumulated (losses)/ profits carried forward	(16,914)	53,010

The Group anticipates an improved performance in the financial year ending 31 December 2015.

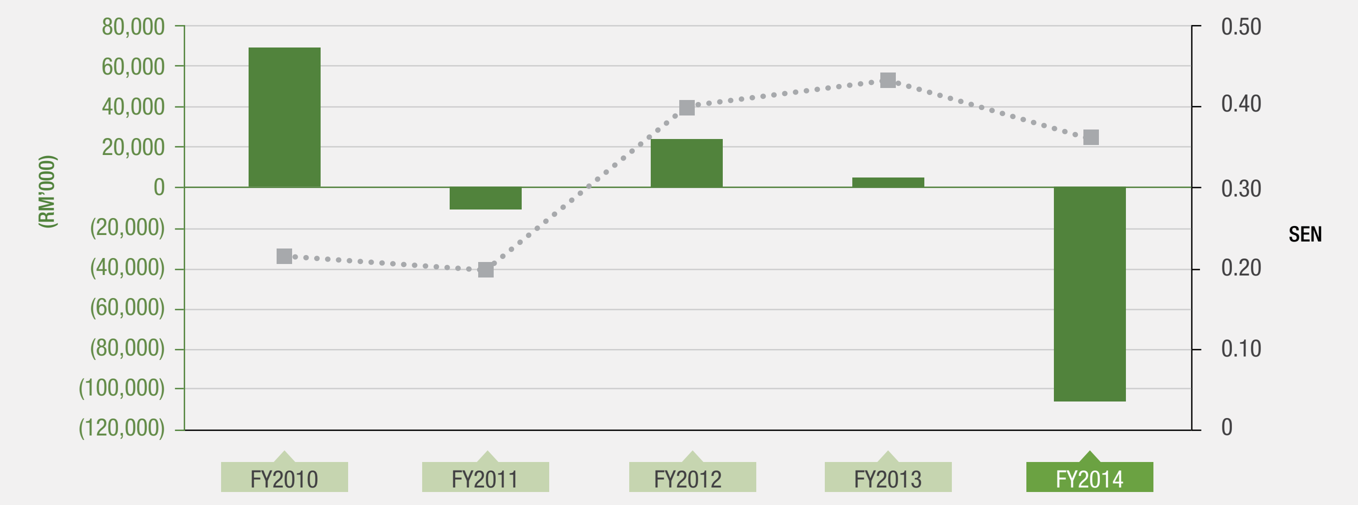
The Group 5 year financial performance:-

IN RM'000 UNLESS OTHERWISE STATED	FY2010	FY2011	FY2012	FY2013	FY2014
Revenue	34,865	22,842	190,374	259,932	344,124
Gross profit / (loss)	(47,747)	13,051	66,810	44,391	(30,342)
Operating cost	39,012	43,230	36,359	53,099	89,619
Net profit / (loss)	65,786	(11,441)	24,172	1,556	(113,906)
NTA	139,480	134,067	306,743	423,010	404,222
NTA per share (sen)	0.21	0.20	0.40	0.43	0.36
EPS Basic (sen)	10.14	(1.73)	3.15	0.83	(7.60)

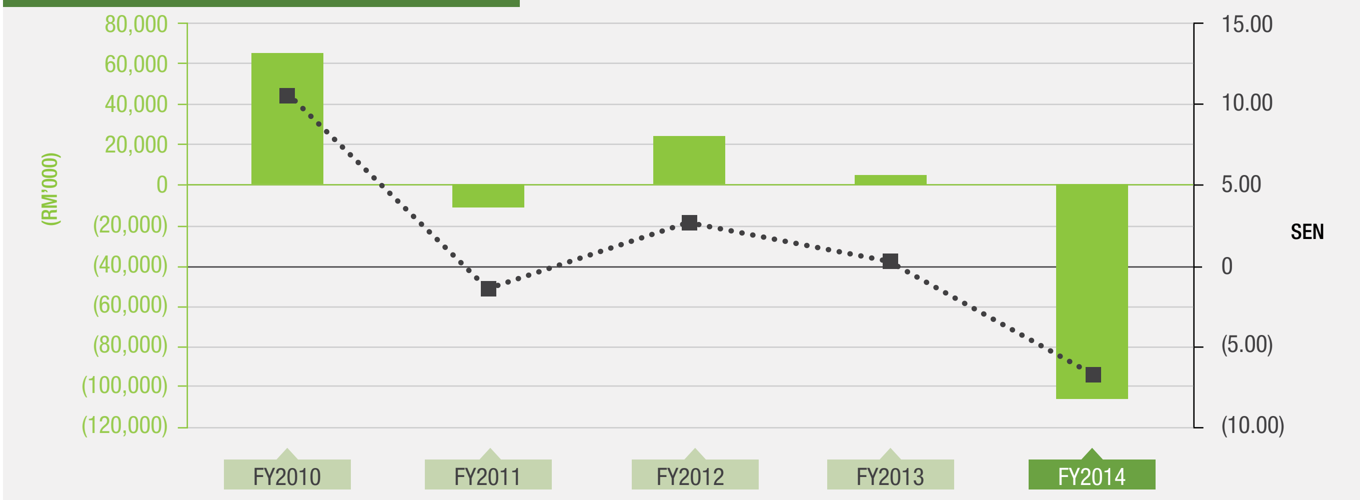
REVENUE, NTA & NET PROFIT / (LOSS)



NTA PER SHARE & 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 2014.

1. MEMBERS

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

Chairman	
Datuk Seri Mohamad Norza Bin Haji Zakaria	Independent Non-Executive Director
Members	
Too Kok Leng	Independent Non-Executive Director
Nusral Bin Danir (Resigned on 1 March 2015, following his re-designation from Independent Non-Executive Director to Executive Director on the same date)	Executive Director
Dr. Samad Bin Solbai (Appointed on 1 March 2015)	Independent Non-Executive Director

Datuk Seri Mohamad Norza Bin Haji Zakaria, the Audit Committee Chairman holds a Bachelor of Commerce (Major in Accounting) from University of Wollongong, New South Wales, Australia. He is qualified Chartered Accountant of the Malaysian Institute of Accountants and a Fellow of CPA Australia. In this respect, the Company is in compliance with Paragraph 15.10 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

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

The Audit Committee held nine (9) meetings during the financial year ended 31 December 2014. The details of the attendance of each Audit Committee member are as follows:-

Name	Attendance
Datuk Seri Mohamad Norza Bin Haji Zakaria	9/9
Too Kok Leng	8/9
Nusral Bin Danir (Resigned on 1 March 2015)	9/9
Dr. Samad Bin Solbai (Appointed on 1 March 2015)	Not Applicable

During the financial year ended 31 December 2014, the Audit Committee carried out the following activities:-

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

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

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

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

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

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;

(iii) 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;

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

(v) Monitored the status and progress of the Internal Audit assignments, including the summary of audit reports issued, audit recommendations provided by Internal Auditors and Management's responses to these recommendations;

(vi) 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;

(vii) 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.

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

(ix) 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. All 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").

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

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

(i) Composition of Members (Cont'd)

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

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

(iii) Authority

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

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

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

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

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

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

(iv) Duties and Responsibilities

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

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

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

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

(iv) Duties and Responsibilities (Cont'd)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(iv) Duties and Responsibilities (Cont'd)

(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. 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, limit of authority, guidelines and statutory requirements;
- reliability and integrity of financial and operational information;
- safeguarding of assets; and
- operational effectiveness and efficiency.

As part of its broader effort to ensure its system of checks and balances are operating as designed, the Board has co-sourced the internal audit function of the Group to an external firm. The Group's Internal Audit and the Internal Auditors' report independently to the Audit Committee on key findings and progress of areas audited to the Audit Committee on a regular basis.

The outsourced Internal Auditors' service was discontinued on 20 November 2014.

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

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 cost incurred in relation to the Internal Audit function for the year is RM295,082.

5. Statement on Share Issuance Scheme

There was no Share Issuance Scheme in place during the financial year ended 31 December 2014.

STATEMENT OF CORPORATE GOVERNANCE

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

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

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

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Clear Functions of the Board and Management

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

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

Clear Roles and Responsibilities

The Board amongst others assumes the following duties and responsibilities:

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

The Board has delegated certain functions to several Committees namely:

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

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

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

Composition of the Committees

(i) Audit Committee

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

Chairman	:	Datuk Seri Mohamad Norza Bin Zakaria (Independent Non-Executive Director)
Members	:	Too Kok Leng (Independent Non-Executive Director)
		Dr. Samad Bin Solbai (Independent Non-Executive Director) (Appointed w.e.f. 1 March 2015)
		Nusral Bin Danir (Executive Director)* (Resigned w.e.f. 1 March 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 and 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.

* Nusral Bin Danir was re-designated from Independent Non-Executive Director to Executive Director on 1 March 2015

(ii) Nomination Committee

The Nomination Committee comprises entirely 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.

The Nomination Committee carried out the following activities for the financial year ended 31 December 2014:-

- Assessment and evaluation of the performance of the Board of Directors;
- Recommendation of renewal of the employment contract of the Company's Managing Director & Chief Executive Officer;
- Recommendation of renewal of the employment contract of the Company's Chief Operating Officer for THHE Fabricators Sdn. Bhd., a subsidiary of the Company; and
- Recommendation of the appointment of Chief Operating Officer for Floatech (M) Sdn. Bhd., a subsidiary of the Company.

(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. 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.

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

Composition of the Committees (Cont'd)

(iv) Risk & Investment Committee

The Risk & Investment Committee is made up of three (3) Independent Non-Executive Director and one (1) Executive Director, comprising the following members:

Chairman	:	Nusral Bin Danir (Executive Director)*
Members	:	Dr. Samad Bin Solbai (Independent Non-Executive Director)
		Roslan Bin Mohd Latif (Independent Non-Executive Director)
		Too Kok Leng (Independent Non-Executive Director)

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

* Nusral Bin Danir was re-designated to Executive Director on 1 March 2015

(v) Executive Committee

The Executive Committee comprises the following Directors:-

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

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

Formalised Ethical Standards through Code of Ethics

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

Strategies Promoting Sustainability

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

Access to Information and Advice

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

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

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

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.

Board Charter

The Board Charter is important to set out the key values and key principles of the Company. 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, who assesses and recommends 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 Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Bursa Securities Listing Requirements").

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.

The details of the remuneration of the Directors who served during the financial year ended 31 December 2014 are as follows:

Aggregate Remuneration By Category	Executive Directors (RM)	Non-Executive Directors (RM)
Basic salaries, bonuses and EPF	1,248,800.00	-
Fees and allowances	-	979,000.00
Total	1,248,800.00	979,000.00

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

Range of Remuneration	Number of Executive Directors	Number of Non-Executive Directors
RM50,000 & below	-	-
RM50,001 – RM100,000	-	3
RM100,001 - RM200,000	-	3
RM200,001 - RM300,000	-	1
RM1,000,001- RM1,250,000	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 has the necessary skills and experience to bring an independent judgement. With their combined experience and knowledge, they provide sound advice and impartial judgement for the benefit of the Company, its shareholders and stakeholders.

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

The Board, through the Nomination Committee, assesses the independence of its Independent Directors annually, using the Board and Board Committee Effectiveness Assessment questionnaire. The assessment takes into account the individual Director's ability to exercise independent judgement to enhance the Board's accountability.

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

Tenure of Independent Directors

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

Separation of Positions of the Chairman and Managing Director

The roles of the Non-Independent Non-Executive Chairman and Managing Director & Chief Executive Officer position are distinct and separate to ensure that there is a balance of power and authority. Dato' Azizan Bin Abd. Rahman is the Non-Independent Non-Executive Chairman.

The Chairman is responsible for leadership, effectiveness and governance of the Board. Datuk Nor Badli Munawir Bin Mohamad Alias Lafti is the Managing Director & Chief Executive Officer and is responsible for day-to-day management of the business and implementation of the Board's policies and decisions.

Composition of the Board

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

As at the date of this Statement, the Board consists of eight (8) members comprising one (1) Non-Independent Non-Executive Director, two (2) Executive Directors and five (5) Independent Non-Executive Directors. There is effective check and balance on the Board with three quarter of the Board Members being Independent Non-Executive Directors.

Composition of the Board members reveals their varied background as outlined on pages 06 to 09 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.

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. Currently, there is no female representation on the Board but the Board is not gender biased. 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.

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)

Composition of the Board (Cont'd)

The Group is an equal opportunity employer and all appointments and employments are based strictly on merits. The Group does not practise any form of gender, ethnicity and age group biasness as all candidates shall be given fair and equal treatment.

The Board is satisfied with the current mix of skills, experiences, and industry-specific knowledge gained to-date by the respective Directors. Nevertheless, the Board will remain mindful of the gender diversity guideline when considering future changes to the Board's composition.

FOSTER COMMITMENT

Time Commitment

Board meetings are held quarterly with additional meetings held when necessary. The Board met five (5) times during the year under review and all Directors attended more than 50% of the total Board meetings held during the financial year ended 31 December 2014. During these meetings, the Board reviews, amongst others, the Group's quarterly financial results, reports and updates on the Group's operations, minutes of meetings of Board Committees and any other strategic issues relating to the Group's businesses.

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

Board of Directors Meetings

	Meeting Attendance	%
Dato' Azizan Bin Abd Rahman	5/5	100
Datuk Nor Badli Munawir Bin Mohamad Alias Lafti	5/5	100
Nusral Bin Danir	5/5	100
Too Kok Leng	5/5	100
Roslan Bin Mohd Latif	5/5	100
Datuk Seri Mohamad Norza Bin Zakaria	5/5	100
Dato' Dr. Md. Yusop Bin Omar	5/5	100
Dr. Samad Bin Solbai	5/5	100

Audit Committee Meetings

Directors	No. of Meetings Attended	Percentage (%)
Datuk Seri Mohamad Norza Bin Haji Zakaria (Chairman)	9/9	100
Too Kok Leng	8/9	89
Nusral Bin Danir (Resigned w.e.f. 1 March 2015)	9/9	100
Dr. Samad Bin Solbai (Appointed w.e.f. 1 March 2015)	Not Applicable	-

FOSTER COMMITMENT (CONT'D)

Training

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

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

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

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 2014, the Directors attended the following training programmes:-

- Directors Breakfast series with Beverly Behan: "Great Companies Deserve Great Boards"
- Global Competitiveness and the Malaysian Experience
- Corporate Compliance, Focussing on Director's Duties, Liabilities and Expectations
- Shareholders' Activism & Predicting Financial Crime – Detection, Prevention and Remediation
- 6th Harvard Business Asean Senior Management Development Program
- Implementation and Corporate Effect of GST Workshop
- Seminar Pengarah Wakil-Wakil TH 2013

UPHOLD INTEGRITY IN FINANCIAL REPORTING

Compliance with Applicable Financial Reporting Standards

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

The Audit Committee assists the Board in scrutinising information for disclosure to ensure accuracy, adequacy and completeness. The composition, summary of activities and summary of terms of reference of the Audit Committee can be found in the Audit Committee Report on pages 22 to 26 of the Annual Report.

The Statement of Directors' Responsibility in respect of the Audited Financial Statements pursuant to paragraph 15.26(a) of Bursa Securities Listing Requirements is set out on page 35 of this Annual Report.

Assessment of Suitability and Independence of External Auditors

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

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

RECOGNISE AND MANAGE RISKS

Sound Framework to Manage Risks

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

RECOGNISE AND MANAGE RISKS (CONT'D)

Internal Audit Function

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

The overview of the state of internal controls and risk management within the Group is presented in the Statement on Risk Management and Internal Control of page 38 to 40 of this Annual Report.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policy

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

Leverage on Information Technology for Effective Dissemination of Information

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

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Encourage Shareholders Participation at General Meeting

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

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

Encourage Poll Voting

The Board takes note of the 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.

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 2014.

The financial statements of the Company and the Group for the financial year in review are set out on pages 49 to 106 of this Annual Report.

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

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

ADDITIONAL
COMPLIANCE INFORMATION

1. Share Buy-Back

   The Company did not enter into any share buy-backs transactions during the financial year ended 31 December 2014.

2. Options, Convertible Securities Exercised or Share Issuance Scheme

   Detachable Warrants 2004/2014

   On 20 December 2004, a total of 237,800,000 Detachable Warrants 2004/2014 were issued.

   The Detachable Warrants 2004/2014 carry the rights to subscribe for new shares in the Company at an exercise price of RM0.51 per share.

   During the financial year ended 31 December 2014, a total of 37,482,104 new ordinary shares of RM0.25 each were issued pursuant to the conversion of Detachable Warrants 2004/2014 at an exercise price of RM0.51 per warrant for cash.

   The Company had Nil (2013: 237,306,966) units of unexercised warrants at the end of the financial year as these warrants expired on 22 December 2014.

   The Detachable Warrants 2004/2014 were removed from the Official List of Bursa Malaysia Securities Berhad with effect from 23 December 2014.

   Share Issuance Scheme

   There is no Share Issuance Scheme established during the financial year under review.

3. Depository Receipt ("DR") Programme

   The Company did not sponsor any DR programme during the financial year ended 31 December 2014.

4. Imposition of Sanctions and/or Penalties

   On 17 December 2004, Bursa Malaysia Securities Berhad imposed a public reprimand on the Company for failing to ensure that the Company's announcement dated 28 February 2014 on the fourth quarterly report for the financial year ended 31 December 2013 took into account the adjustments which were made in the annual audited accounts for the financial year ended 31 December 2013 announced on 30 April 2014.

   The failure to take into account the adjustments was in contravention of Paragraph 9.16(1)(a) of the Bursa Malaysia Securities Main Market Listing Requirements ("Main LR") where a listed issuer must ensure that each announcement made is factual, clear, unambiguous, accurate, succinct and contains sufficient information to enable investors to make informed investment decisions. The public reprimand was imposed on the Company pursuant to Paragraph 16.19(1) of the Main LR by Bursa Malaysia Securities Berhad.

   Save for the aforesaid, there were no material sanctions and/or penalties which were made public, imposed on the Group and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year ended 31 December 2014.

5. Non-Audit Fees

   Non-audit fees incurred during the financial year ended 31 December 2014 amounted to approximately RM90,000.

6. Variation in Results

   There was no material variation between the audited results for the financial year ended 31 December 2014 and the unaudited results announced by the Company earlier.

7. Profit Forecast/Projection

There was no profit forecast/projection provided by the Company for the financial year ended 31 December 2014.

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 2014, save those as disclosed in Note 27 in the financial statements.

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

There are recurrent related party transactions of a revenue or trading nature during the financial year ended 31 December 2014 as per disclosed in Note 27 in financial statement.

10 Status of Utilisation of proceeds

Private Placement

That the Company had undertaken a private placement of up to ten percent (10%) of the issued and paid-up share capital of the Company, pursuant to the general mandate ("General Mandate") obtained at its Tenth Annual General Meeting held on 11 June 2014 pursuant to Section 132D of the Companies Act, 1965 ("Private Placement").

Pursuant to the Private Placement under the General Mandate obtained at the Tenth Annual General Meeting of the Company held on 11 June 2014, the Company had placed out shares to third party investors as follows:

(a) On 16 October 2014, the Company issued the first tranche of 52,796,345 ordinary shares of RM0.25 each, at an issue price of RM0.80 per share for a total cash consideration of RM42,237,076.

(b) Subsequent to the financial year end, on 9 April 2015, the Company issued the second tranche of 10,000,000 ordinary shares of RM0.25 each, at an issue price of RM0.33 per share for a total cash consideration of RM3,300,000.

The gross proceeds of RM45,537,076 that had been raised from the Private Placement, had been utilised for working capital purposes, to execute some of its projects secured, one of which is the Provision of Engineering, Procurement, Construction, Installation and Commissioning ("EPCIC") of its Floating Production Storage and Offloading ("FPSO") facilities; as well as to meet its additional working capital requirements mainly comprising payment of trade and non-trade creditors, overheads and other operating expenses. The Company received the award from JX Nippon Oil & Gas Exploration (Malaysia) Limited for, amongst others, the EPCIC of its FPSO facilities vide a letter dated 9 May 2014.

As at the date of this Annual Report, the Company had utilised RM17,918,353 for the purpose of working capital.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("the Board") of TH Heavy Engineering Berhad ("THHE") 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 2014 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 operations except for an associated company.

BOARD RESPONSIBILITY

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

To facilitate its responsibilities, the Board had tasked the Management to identify and assess principal risks faced by the Group and thereafter design, implement and monitor appropriate internal control to manage those 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 objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system of 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 weaknesses in the internal control and the Board is satisfied that the on-going process of quarterly reviewing, evaluating and monitoring the risk management and internal control systems are reasonably effective and adequate within the Group.

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

INTERNAL CONTROL SYSTEM

INTERNAL AUDIT FUNCTION

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

The outsourced Internal Auditors' service was discontinued on 20 November 2014.

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

RISK MANAGEMENT FRAMEWORK

The Group has established 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, Legal and Compliance General Manager and Corporate Services General Manager and members of RIC comprise 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.

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

INTERNAL CONTROL SYSTEM (CONT'D)

RISK MANAGEMENT FRAMEWORK (CONT'D)

The key aspects of the risk management process are:-

- Risk Owners and Risk Champions which mainly comprise heads of department 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, detailing the adequacy and overall effectiveness of risk management, its implementation 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 objectives, strategies and initiatives with appropriate consideration to risk.

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 investments and major financial decisions.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

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

CLEAR AND STRUCTURED ORGANISATIONAL REPORTING LINES

The Group has an 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 system has been accredited by international standards such as ISO 9001:2008 for Quality Management System, ISO 14001:2004 for Environmental Management System and OHSAS 18001:2007 for the Occupational Health and Safety Management System both at the corporate office and business units.

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

OTHER KEY ELEMENTS OF INTERNAL CONTROL (CONT'D)

STRATEGIC BUSINESS PLANNING, BUDGETING AND REPORTING

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

ASSURANCE FROM MANAGEMENT

The Board has received assurance from the Managing Director & 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 2014. Their review was performed in accordance with the Recommended Practice Guide ("RPG") 5 (Revised) issued by the Malaysian Institute of Accountants.

RPG 5 (Revised) does not require the External Auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and Management thereon. 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 effectiveness of the risk management and internal control system within the Group.

FINANCIAL STATEMENTS

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group RM	Company RM
(Loss)/Profit for the year attributable to:		
Owners of the Company	(76,446,454)	14,175,554
Non-controlling interests	(37,459,782)	-
	(113,906,236)	14,175,554

RESERVES AND PROVISIONS

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

DIVIDEND

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

DIRECTORS OF THE COMPANY

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

Dato' Azizan Bin Abd. Rahman (Chairman)
Datuk Nor Badli Munawir Bin Mohamad Alias Lafti
Nusral Bin Danir
Too Kok Leng
Roslan Bin Mohd Latif
Datuk Seri Mohamad Norza Bin Zakaria
Dato' Dr. Md. Yusop Bin Omar
Dr. Samad Bin Solbai

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares of RM0.25 each			
	At 1.1.2014	**Bought**	**Sold**	**At 31.12.2014**
Direct interest				
Datuk Nor Badli Munawir Bin Mohamad Alias Lafti	1,400,000	-	-	1,400,000

	Number of warrants				
	At 1.1.2014	**Bought**	**Sold**	**Expired**	**At 31.12.2014**
Direct interest					
Roslan Bin Mohd Latif	7,906	-	-	(7,906)	-

None of the other Directors holding office at 31 December 2014 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than Datuk Nor Badli Munawir Bin Mohamad Alias Lafti who is a Director in a company which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 27 in the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares 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 from RM255,199,687 to RM277,769,297 by way of:

(i) Issuance of 52,796,345 new ordinary shares of RM0.25 each pursuant to a private placement at RM0.80 per share for cash for working capital purposes, and

(ii) Issuance of 37,482,104 new ordinary shares of RM0.25 each pursuant to the conversion of Detachable Warrants 2004/2014 at an exercise price of RM0.51 per warrant for cash.

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

There were no other changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DETACHABLE WARRANTS 2004/2014

On 20 December 2004, a total of 237,800,000 Detachable Warrants 2004/2014 were issued. The Company had Nil (2013: 237,306,966) units of unexercised warrants at the end of the financial year as these warrants expired on 22 December 2014 and removed from the Official List of Bursa Malaysia Securities Berhad with effect from 23 December 2014.

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

OTHER STATUTORY INFORMATION

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

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

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

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

In the opinion of the Directors, except for those disclosed in the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2014 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

SIGNIFICANT EVENTS DURING THE YEAR

Significant events during the year are disclosed in Note 28 to the financial statements.

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

....	....
Dato' Azizan Bin Abd. Rahman	**Datuk Nor Badli Munawir Bin Mohamad Alias Lafti**

Kuala Lumpur

Date: 28 April 2015

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

In the opinion of the Directors, the financial statements set out on pages 49 to 105 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 2014 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 29 on page 106 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' Azizan Bin Abd. Rahman

....

Datuk Nor Badli Munawir Bin Mohamad Alias Lafti

Kuala Lumpur

Date: 28 April 2015

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 financial statements set out on pages 49 to 106 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur in the Federal Territory on 28 April 2015.

....

Suhaimi Badrul Jamil

Before me:

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 at 31 December 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 49 to 105.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014, 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

b) We have considered the unaudited financial statements of Ramunia International Services Ltd. as indicated in Note 5 to the financial statements.

c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

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

OTHER REPORTING RESPONSIBILITIES

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 29 on page 106 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

KPMG
Firm Number: AF 0758
Chartered Accountants

Hasman Yusri Yusoff
Approval Number: 2583/08/16(J)
Chartered Accountant

Petaling Jaya

Date: 28 April 2015

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Assets					
Property, plant and equipment	3	586,356,673	492,588,596	2,721,176	1,861,593
Intangible assets	4	526,741	55,274	-	-
Investments in subsidiaries	5	-	-	99,636,700	70,600,006
Investment in associate	6	103,173,438	82,839,072	77,926,000	77,926,000
Investment in joint venture	7	714,935	-	1,850,000	-
Deferred tax assets	8	-	9,010,951	-	-
Total non-current assets		690,771,787	584,493,893	182,133,876	150,387,599
Inventories	9	6,317,372	5,717,238	-	34,385
Trade and other receivables	10	310,781,831	211,418,614	233,674,794	165,554,592
Prepayments		1,631,667	2,171,188	305,694	547,961
Cash and cash equivalents	11	109,411,655	86,837,811	19,948,050	38,727,041
Total current assets		428,142,525	306,144,851	253,928,538	204,863,979
Total assets		1,118,914,312	890,638,744	436,062,414	355,251,578
Equity					
Share capital	12	277,769,297	255,199,687	277,769,297	255,199,687
Share premium		94,511,489	57,256,473	94,511,489	57,256,473
Revaluation reserves		28,317,138	28,317,138	-	-
Other reserves		4,491,958	(87,296)	-	-
(Accumulated losses)/ Retained profits		(16,914,134)	40,351,508	53,010,347	38,834,793
Total equity attributable to owners of the Company		388,175,748	381,037,510	425,291,133	351,290,953
Non-controlling interests		15,572,396	51,146,664	-	-
Total equity		403,748,144	432,184,174	425,291,133	351,290,953
Liabilities					
Deferred tax liabilities	8	214,049	107,860	-	-
Borrowings	13	270,943,506	272,883,816	878,603	261,426
Total non-current liabilities		271,157,555	272,991,676	878,603	261,426
Current liabilities					
Trade and other payables	14	369,881,346	154,892,648	9,651,906	1,633,842
Borrowings	13	74,127,267	28,570,246	240,772	65,357
Current tax liabilities		-	2,000,000	-	2,000,000
Total current liabilities		444,008,613	185,462,894	9,892,678	3,699,199
Total liabilities		715,166,168	458,454,570	10,771,281	3,960,625
Total equity and liabilities		1,118,914,312	890,638,744	436,062,414	355,251,578

The notes on pages 55 to 105 are an integral part of these financial statements

STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

		Group		Company	
		2014	2013	2014	2013
	Note	RM	RM	RM	RM
Revenue	15	344,124,303	259,932,186	10,886,730	9,002,966
Cost of sales		(374,466,323)	(215,541,025)	-	-
Gross (loss)/profit		(30,342,020)	44,391,161	10,886,730	9,002,966
Other income		4,286,385	9,387,854	15,749,607	108,412,746
Administrative expenses		(77,278,452)	(52,290,898)	(13,873,023)	(10,898,027)
Other expenses		(12,340,460)	(808,369)	(31,303)	(49,608,745)
Results from operating activities		(115,674,547)	679,748	12,732,011	56,908,940
Finance costs	16	(5,243,397)	(6,653,914)	(71,381)	(52,483)
Share of profit of equity-accounted associate, net of tax	6	15,755,112	5,000,368	-	-
Share of loss of equity-accounted joint venture, net of tax	7	(1,135,065)	-	-	-
(Loss)/Profit before tax	17	(106,297,897)	(973,798)	12,660,630	56,856,457
Tax expense	19	(7,608,339)	2,529,868	1,514,924	(2,156,183)
(Loss)/Profit for the year		(113,906,236)	1,556,070	14,175,554	54,700,274
Other comprehensive income/(expense), net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Share of profit/(loss) of equity-accounted associate	6	4,579,254	(87,296)	-	-
Total other comprehensive income/(expense) for the year, net of tax	20	4,579,254	(87,296)	-	-
Total comprehensive (expense)/income for the year		(109,326,982)	1,468,774	14,175,554	54,700,274
Profit attributable to:					
Owners of the Company		(76,446,454)	8,188,424	14,175,554	54,700,274
Non-controlling interests		(37,459,782)	(6,632,354)	-	-
(Loss)/Profit for the year		(113,906,236)	1,556,070	14,175,554	54,700,274
Total comprehensive (expense)/income attributable to:					
Owners of the Company		(71,867,200)	8,101,128	14,175,554	54,700,274
Non-controlling interests		(37,459,782)	(6,632,354)	-	-
Total comprehensive (expense)/income for the year		(109,326,982)	1,468,774	14,175,554	54,700,274
Basic (loss)/earnings per ordinary share (sen)	21	(7.60)	0.83		
Diluted (loss)/earnings per ordinary share (sen)	21	(7.60)	0.67		

The notes on pages 55 to 105 are an integral part of these financial statements

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Attributable to owners of the Company							
	Non-distributable							
Group	Share capital RM	Share premium RM	Revaluation reserve RM	Other reserve RM	(Accumulated losses)/ *Distributable* Retained profits RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 January 2013	231,993,834	38,690,208	28,317,138	-	12,016,102	311,017,282	-	311,017,282
Other comprehensive income								
- Foreign currency translation differences of an associate	-	-	-	(87,296)	-	(87,296)	-	(87,296)
- Profit for the year	-	-	-	-	8,188,424	8,188,424	(6,632,354)	1,556,070
Total comprehensive income for the year	-	-	-	(87,296)	8,188,424	8,101,128	(6,632,354)	1,468,774
Contributions by owners of the Company								
- Issuance of shares	23,199,250	18,559,400	-	-	-	41,758,650	-	41,758,650
- Conversion of warrants to shares	6,603	6,865	-	-	-	13,468	-	13,468
	23,205,853	18,566,265	-	-	-	41,772,118	-	41,772,118
Changes in ownership interests in a subsidiary	-	-	-	-	20,146,982	20,146,982	57,779,018	77,926,000
Total transactions with owners of the Company	23,205,853	18,566,265	-	-	20,146,982	61,919,100	57,779,018	119,698,118
At 31 December 2013/1 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
- Profit for the year	-	-	-	-	(76,446,454)	(76,446,454)	(37,459,782)	(113,906,236)
Total comprehensive expense 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 (Note 28)	-	-	-	-	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
	Note 12	Note 12	Note 12	Note 12				

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Attributable to owners of the Company			
	Non-distributable			
			(Accumulated losses)/	
			Distributable	
	Share	Share	Retained	Total
	capital	premium	profits	equity
Company	**RM**	**RM**	**RM**	**RM**
At 1 January 2013	231,993,834	38,690,208	(15,865,481)	254,818,561
Profit/Total and comprehensive income for the year	-	-	54,700,274	54,700,274
Contributions by owners of the Company				
Issuance of shares	23,199,250	18,559,400	-	41,758,650
Conversion of warrants to shares	6,603	6,865	-	13,468
Total transactions with owners of the Company	23,205,853	18,566,265	-	41,772,118
At 31 December 2013/1 January 2014	255,199,687	57,256,473	38,834,793	351,290,953
Profit/Total and 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
Total transactions with owners of the Company	22,569,610	37,255,016	-	59,824,626
At 31 December 2014	277,769,297	94,511,489	53,010,347	425,291,133
	Note 12	Note 12	Note 12	

The notes on pages 55 to 105 are an integral part of these financial statements

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Cash flows from operating activities					
(Loss)/Profit before tax		(106,297,897)	(973,798)	12,660,630	56,856,457
Adjustments for:					
Amortisation of intangible assets		50,137	28,068	-	-
Bad debts recovered		-	(246,398)	-	(246,398)
Depreciation of property, plant and equipment		12,812,952	8,867,499	569,510	209,648
Discounts received from third parties		(802,077)	(4,248,564)	-	-
Gain on disposal of property, plant and equipment		(27,999)	-	(27,999)	-
Gain on decrease in investment in a subsidiary		-	-	(14,557,326)	-
Finance costs		6,425,472	6,656,262	71,381	52,483
Finance income		(799,438)	(1,204,797)	(735,550)	(1,180,304)
Inventories written off		471,763	290,634	-	-
Impairment loss on trade receivables		12,250,000	-	-	-
Reversal of impairment loss on					
- Investments in subsidiaries		-	-	-	(99,000,000)
- Trade receivables		-	(206,805)	-	-
- Other receivables		-	(96,076)	-	(96,076)
Reversal of inventories written down		-	(24,063)	-	-
Share of profit of associate		(15,755,112)	(5,000,368)	-	-
Share of loss of joint venture		1,135,065	-	-	-
Unrealised gain on foreign exchange		(1,163,940)	-	(293,505)	-
Loss on disposal of a subsidiary		-	-	-	49,574,000
Operating (loss)/profit before changes in working capital		(91,701,074)	3,841,594	(2,312,859)	6,169,810
Changes in working capital:					
Inventories		(1,071,897)	(5,153,076)	34,385	(17,749)
Trade and other receivables and prepayments		(111,073,696)	(88,045,878)	(67,877,935)	1,237,612
Trade and other payables		216,954,715	56,380,396	8,311,569	(570,247)
Net cash from / (used in) operations		13,108,048	(32,976,964)	(61,844,840)	6,819,426
Interests received		799,438	1,204,797	735,550	1,180,304
Interests paid		(6,425,472)	(5,714,048)	(71,381)	(52,483)
Tax paid		(491,199)	(324,159)	(485,076)	(310,210)
Net cash from/(used in) operating activities		6,990,815	(37,810,374)	(61,665,747)	7,637,037
Cash flows from investing activities					
Additional intangible assets		(521,604)	(12,344)	-	-
Acquisition of property, plant and equipment	*(i)*	(105,567,361)	(64,836,354)	(415,425)	(69,803)
Acquisition of investment in associate		-	(77,926,000)	-	(77,926,000)
Additional investments in subsidiaries		-	-	(35,545,694)	(32,000,000)
Investment in joint venture		(1,850,000)	-	(1,850,000)	-
(Increase)/Decrease in pledged deposits placed with licensed banks		(25,956,418)	25,166,291	(40,647)	10,922,834
Proceeds from disposal of property, plant and equipment		28,000	-	28,000	-
Proceeds from decrease in investment in a subsidiary		21,066,326	77,926,000	21,066,326	77,926,000
Net cash used in investing activities		(112,801,057)	(39,682,407)	(16,757,440)	(21,146,969)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014
(cont'd)

	Note	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Cash flows from financing activities					
Proceeds from issuance of shares		59,824,626	41,772,118	59,824,626	41,772,118
Repayment of term loan		-	(201,300,000)	-	-
Proceeds from other borrowings, net		42,853,099	302,046,156	-	-
Repayment of finance lease liabilities		(250,057)	(32,573)	(221,077)	(4,907)
Net cash from financing activities		102,427,668	142,485,701	59,603,549	41,767,211
Net (decrease)/increase in cash and cash equivalents		(3,382,574)	64,992,920	(18,819,638)	28,257,279
Cash and cash equivalents at beginning of year		81,609,455	16,616,535	38,270,740	10,013,461
Cash and cash equivalents at end of year	***(ii)***	78,226,881	81,609,455	19,451,102	38,270,740

(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 RM106,581,030 (2013: RM65,168,044) and RM1,429,094 (2013: RM401,493) of which RM1,013,669 (2013: RM331,690) and RM1,013,669 (2013: RM331,690) respectively were acquired by means of finance lease.

(ii) Cash and cash equivalents

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

	Note	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Cash and bank balances	11	60,105,491	63,938,077	15,724,085	18,265,730
Deposit placed with licensed banks	11	49,306,164	22,899,734	4,223,965	20,461,311
		109,411,655	86,837,811	19,948,050	38,727,041
Less: Pledged deposits	11	(31,184,774)	(5,228,356)	(496,948)	(456,301)
		78,226,881	81,609,455	19,451,102	38,270,740

The notes on pages 55 to 105 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2014 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 Company is principally engaged in investment holding and provision of management services, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 28 April 2015.

1. BASIS OF PREPARATION

(a) Statement of compliance

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.

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

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

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

MFRSs, *Interpretations and amendments effective for annual periods beginning on or after 1 January 2016*

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 10, *Consolidated Financial Statements,* MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

MFRSs, *Interpretations and amendments effective for annual periods beginning on or after 1 January 2016 (continued)*

- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141*, Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

MFRSs, *Interpretations and amendments effective for annual periods beginning on or after 1 January 2017*

- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, *Interpretations and amendments effective for annual periods beginning on or after 1 January 2018*

- MFRS 9, *Financial Instruments (2014)*

The Group and the Company plan to apply the abovementioned standards, interpretations and amendments:

- from the annual period beginning on 1 January 2015 for those standards, interpretations or amendments that are effective for annual periods beginning on or after 1 July 2014, except for Amendments to MFRS 1, Amendments to MFRS 2 and Amendments to MFRS 140 which are not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2016 for those standards, interpretations or amendments that are effective for annual periods beginning on or after 1 January 2016, except for MFRS 14 and Amendments to MFRS 141, which are not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2017 for those standards, interpretations or amendments that are effective for annual periods beginning on or after 1 January 2017.

- from the annual period beginning on 1 January 2018 for those standards, interpretations or amendments that are effective for annual periods beginning on or after 1 January 2018.

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

MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts,* MFRS 118*, Revenue,* IC Interpretation 13*, Customer Loyalty Programmes,* IC Interpretation 15*, Agreements for Construction of Real Estate,* IC Interpretation 18*, Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services.*

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

MFRS 9, *Financial Instruments*

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

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

Amendments to MFRS 10, *Consolidated Financial Statements,* MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*

The amendments to MFRS 10, MFRS 12 and MFRS 128 require an investment entity parent to fair value a subsidiary that provides investment-related services that itself is an investment entity, an intermediate parent owned by an investment entity group can be exempted from preparing consolidated financial statements and a non-investment entity investor can retain the fair value accounting applied by its investment entity associate or joint venture.

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

1. BASIS OF PREPARATION (CONT'D)

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

(i) Critical judgement made in applying accounting policies

Construction contract

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

Construction contract accounting 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.

Contingent liabilities

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

Impairment loss on receivables

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

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

The Group 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(ii) Business combinations

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

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

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

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

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

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

(iii) Acquisitions of non-controlling interests

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

(iv) Loss of control

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

(v) Associates

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(v) Associates (Cont'd)

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.

(vi) Joint arrangements

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

Joint arrangements are classified and accounted for as follows:

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

(vii) Non-controlling interests

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

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

(viii) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity accounted associates 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency transactions

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

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

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

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

(c) Financial instruments

(i) Initial recognition and measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

Loans and receivables

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

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

All financial assets are subject to review for impairment (see Note 2(j)(i)).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

(iii) Regular way purchase or sale of financial assets

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

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

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

(iv) Derecognition

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

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(i) Recognition and measurement (Cont'd)

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

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

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively in profit or loss.

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

	2014	2013
Buildings	50 years	50 years
Furniture, fittings and equipment	10 years	10 years
Renovation	10 years	10 years
Plant and machinery	3 years – 17 years	3 years – 17 years
Motor vehicles	5 years	5 years
Yard infrastructure	10 years	10 years
Computers	3 years	3 years

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leased assets

(i) Finance lease

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

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

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

(ii) Operating lease

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

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

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

(f) Intangible assets

(i) Goodwill

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

(ii) Research and development

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Intangible assets (Cont'd)

(ii) Research and development (Cont'd)

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

(iii) 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.

(iv) Subsequent expenditure

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

(v) Amortisation

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

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:

	2014	2013
• License fees	3 years	3 years
• Development costs	20 years	-

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

(g) Inventories

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

The cost of inventories is measured based on the weighted average cost formula, and includes expenditure incurred in acquiring the inventories 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 and the estimated costs necessary to make the sale.

(h) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Construction work-in-progress (Cont'd)

Construction work-in-progress is presented as part of trade and other receivables as amount due from contract customers in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as amount due to contract customers which is part of the trade and other payables in the statement of financial position.

(i) Cash and cash equivalents

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

(j) Impairment

(i) Financial assets

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

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

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

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

(ii) Other 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 if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment (Cont'd)

(ii) Other assets (Cont'd)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (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.

(k) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Preference share capital

Preference share capital is classified as equity if it is not redeemable, or is redeemable but only at the Company's option, and any dividend is discretionary. Dividends thereon are recognised as distributions within equity.

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

(l) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Employee benefits (Cont'd)

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer to those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(m) Provisions

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

(n) Revenue and other income

(i) Construction contracts

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

The stage of completion is assessed by reference to 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Borrowing costs

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

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

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

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

(p) Income tax

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

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

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

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

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

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

(q) Earnings per ordinary share

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

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

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director & 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.

(s) Contingencies

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and 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.

(t) Fair value measurements

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

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

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

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

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

3. PROPERTY, PLANT AND EQUIPMENT

Group	Long term leasehold land and buildings RM	Yard infra-structure RM	Plant and machineries 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 2013	99,049,998	20,954,114	20,829,684	1,433,311	1,018,594	935,026	7,002,956	-	151,223,683
Additions	2,621,502	3,734,872	27,913,929	1,018,485	-	378,275	1,001,480	28,499,501	65,168,044
Transferred from asset held for sale	-	-	-	-	-	-	-	289,278,260	289,278,260
At 31 December 2013/ 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	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
Accumulated depreciation									
At 1 January 2013	-	-	754,781	393,350	210,889	555,454	2,299,418	-	4,213,892
Depreciation for the year	2,136,177	2,393,109	2,498,095	236,381	99,517	116,284	1,387,936	-	8,867,499
At 31 December 2013/ 1 January 2014	2,136,177	2,393,109	3,252,876	629,731	310,406	671,738	3,687,354	-	13,081,391
Depreciation 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	4,322,793	5,543,357	8,271,223	1,060,880	420,754	744,504	5,340,833	-	25,704,344
Carrying amounts									
At 1 January 2013	99,049,998	20,954,114	20,074,903	1,039,961	807,705	379,572	4,703,538	-	147,009,791
At 31 December 2013/ 1 January 2014	99,535,323	22,295,877	45,490,737	1,822,065	708,188	641,563	4,317,082	317,777,761	492,588,596
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

3. 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 2013	1,022,654	1,018,594	326,065	256,462	2,623,775
Additions	30,318	-	352,275	18,900	401,493
At 31 December 2013/1 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	1,258,682	1,018,594	1,045,894	941,192	4,264,362
Accumulated depreciation					
At 1 January 2013	205,556	217,035	297,564	233,872	954,027
Depreciation for the year	76,456	93,371	28,499	11,322	209,648
At 31 December 2013/1 January 2014	282,012	310,406	326,063	245,194	1,163,675
Depreciation for the year	149,333	110,348	185,979	123,850	569,510
Disposal	-	-	(189,999)	-	(189,999)
At 31 December 2014	431,345	420,754	322,043	369,044	1,543,186
Carrying amounts					
At 1 January 2013	817,098	801,559	28,501	22,590	1,669,748
At 31 December 2013/1 January 2014	770,960	708,188	352,277	30,168	1,861,593
At 31 December 2014	827,337	597,840	723,851	572,148	2,721,176

3.1 *Security*

At 31 December 2014, the capital work-in-progress with a carrying value of RM301,836,694 (2013: RM289,278,260) is charged to the banks for the sukuk facilities granted to a subsidiary. (Note 13)

At 31 December 2014, the long term leasehold land and buildings with a carrying amount of RM97,348,707 (2013: RM99,535,323) are charged to the banks for the sukuk facilities granted to a subsidiary. (Note 13)

3.2 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 2012 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 RM64,246,223 (2013: RM65,684,086) and RM20,068,177 (2013: RM21,274,866) respectively.

3.3 Assets under finance lease

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 RM869,787 (2013: RM551,278) and RM723,851 (2013: RM352,275), respectively.

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

3.4 Capitalisation of financing cost

Included in the Group's capital work-in-progress are financing costs capitalised amounting to RM44,941,860 (2013: RM28,812,758).

3.5 Long term leasehold land and buildings

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

4. INTANGIBLE ASSETS

	Group License fees RM	Developments cost RM	Total RM
Cost			
At 1 January 2013	96,321	-	96,321
Additions during the year	12,344	-	12,344
At 31 December 2013/1 January 2014	108,665	-	108,665
Additions during the year	-	521,604	521,604
At 31 December 2014	108,665	521,604	630,269
Accumulated amortisation			
At 1 January 2013	25,323	-	25,323
Amortisation for the year	28,068	-	28,068
At 31 December 2013/1 January 2014	53,391	-	53,391
Amortisation for the year	35,911	14,226	50,137
At 31 December 2014	89,302	14,226	103,528
Carrying amounts			
At 1 January 2013	70,998	-	70,998
At 31 December 2013/1 January 2014	55,274	-	55,274
At 31 December 2014	19,363	507,378	526,741

5. INVESTMENTS IN SUBSIDIARIES

	Company 2014 RM	2013 RM
At cost:		
Unquoted shares	330,636,707	301,600,013
Less: Accumulated impairment losses	(231,000,007)	(231,000,007)
	99,636,700	70,600,006

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of subsidiary	Countries of incorporation	Principal activities	Effective ownership interest and voting interest 2014 %	2013 %
THHE Fabricators Sdn. Bhd.	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.	Malaysia	Provision of services such as maintenance at offshore workplace, hook-up and commissioning offshore punch list coordination	70	70
Globe World Realty Sdn. Bhd.	Malaysia	Dormant	100	100
THHE Training Services Sdn. Bhd.	Malaysia	Dormant	100	100
THHE Optima Sdn. Bhd.	Malaysia	Dormant	100	100
Ramunia International Services Ltd.*	Hong Kong	Dormant	100	100
Floatech (M) Sdn. Bhd.	Malaysia	Dormant	100	100
Floatech (L) Ltd.	Malaysia	Ownership in a FPSO^	80	100

* Consolidated based on management accounts for the financial year ended 31 December 2014 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

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

5.1 Non-controlling interest in subsidiaries

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

	THHE Fabricators Sdn. Bhd. RM	THHE Offshore Services Sdn. Bhd. RM	Floatech (L) Ltd RM	Total RM
2014				
NCI percentage of ownership interest and voting interest	30%	30%	20%	
Carrying amount of NCI	18,249,507	(4,741,918)	2,063,807	15,571,396
(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				
Non-current assets	224,773,020	-	310,305,969	535,078,989
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)	10,195,137	55,265,331
Year ended 31 December				
Revenue	326,765,648	66,510,746	-	393,276,394
Loss/Total comprehensive expenses	(110,344,511)	(15,119,074)	-	(125,463,585)
Cash flows from operating activities	37,006,315	65,296	32,505,274	69,576,885
Cash flows from investing activities	(77,712,998)	-	(8,469,005)	(86,182,003)
Cash flows from 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

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

	THHE Fabricators Sdn. Bhd. RM	Other immaterial subsidiary RM	Total RM
2013			
NCI percentage of ownership interest and voting interest	30%	30%	
Carrying amount of NCI	51,352,860	(206,196)	51,146,664
Loss allocated to NCI	(6,426,158)	(206,196)	(6,632,354)
Summarised financial information before intra-group elimination			
As at 31 December			
Non-current assets	195,807,535		
Current assets	255,629,962		
Non-current liabilities	(103,236,507)		
Current liabilities	(176,980,891)		
Net assets	171,220,099		
Year ended 31 December			
Revenue	257,007,873		
Profit/ Total comprehensive income	10,131,516		
Cash flows from operating activities	(68,484,315)		
Cash flows from investing activities	(34,673,197)		
Cash flows from financing activities	141,525,346		
Net increase in cash and cash equivalents	38,367,834		

6. INVESTMENT IN ASSOCIATE

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Unquoted shares, at cost	77,926,000	77,926,000	77,926,000	77,926,000
Share of post acquisition reserves	25,247,438	4,913,072	-	-
	103,173,438	82,839,072	77,926,000	77,926,000

6. INVESTMENT IN ASSOCIATE (CONT'D)

Details of the material associate are as follows:

Name of entity	Principal place of business/ Country of incorporation	Nature of the relationship	Effective ownership interest and voting interest 2014 %	Effective ownership interest and voting interest 2013 %
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 Group's material associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate.

Group	Note	2014 RM	2013 RM
Summarised financial information			
As at 31 December			
Non-current assets		230,919,130	183,422,000
Current assets		55,595,394	269,512,554
Non-current liabilities		(90,580)	(86,158)
Current liabilities		(46,243,521)	(229,699,009)
Net assets		240,180,423	223,149,387
Year ended 31 December			
Profit from continuing operations		52,518,039	64,928,313
Other comprehensive income		15,264,180	2,831,937
Total comprehensive income		67,782,219	67,760,250
Included in the total comprehensive income is:			
Revenue		440,701,217	1,003,409,416
Reconciliation of net assets to carrying amount			
As at 31 December			
Group's share of net assets	6.1	72,054,127	51,719,761
Goodwill	6.1	31,119,311	31,119,311
Carrying amount in the statement of financial position		103,173,438	82,839,072
Group's share of results for the year ended 31 December			
Group's share of profit or loss from continuing operations		15,755,112	5,000,368
Group's share of other comprehensive income		4,579,254	(87,296)
Group's share of total comprehensive income		20,334,366	4,913,072

6. INVESTMENT IN ASSOCIATE (CONT'D)

Other information
No dividend was received by the Group for the financial years ended 31 December 2014 and 2013.

Contingent liabilities
There were no contingent liabilities incurred jointly with the other investors as at 31 December 2014 and 2013.

6.1 Group's share of net assets and goodwill
The Group's share of net assets as of 31 December 2013 has been adjusted from RM66,944,816 as previously disclosed to RM51,719,761 pursuant to the sale and purchase agreement on the acquisition of Berlian McDermott Sdn. Bhd. which allows for adjustments on the net assets of the associate within twelve months from the date of acquisition. Consequently, the goodwill arising from the acquisition of associate has been adjusted accordingly from RM15,894,256 as previously disclosed to RM31,119,311. The adjustments do not have any financial impact to the Group and the Company.

7. INVESTMENT IN JOINT VENTURE

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Unquoted shares, at cost	1,850,000	-	1,850,000	-
Share of post acquisition reserves*	(1,135,065)	-	-	-
	714,935	-	1,850,000	-

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

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	
			2014 %	2013 %
THHE McDermott Engineering Sdn. Bhd.	Malaysia	To engage in the provision of front-end engineering and design, construction and installation services	50	-

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

Group	2014 RM	2013 RM
Summarised financial information		
As at 31 December		
Non-current assets	214,255	-
Current assets	3,412,855	-
Current liabilities	(2,496,842)	-
Net assets	1,130,268	-

7. INVESTMENT IN JOINT VENTURE (CONT'D)

Group	2014 RM	2013 RM
As at 31 December		
Loss from continuing operations	(2,270,130)	-
Other comprehensive income	-	-
Total comprehensive expense	(2,270,130)	-
Included in the total comprehensive expense is:		
Revenue	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 statement of financial position	714,935	-
Group's share of results for the year ended 31 December		
Group's share of total comprehensive loss	(1,135,065)	-

Other information

No dividend was received by the Group for the financial years ended 31 December 2014 and 2013.

Contingent liabilities

There were no contingent liabilities incurred jointly with the other investors as at 31 December 2014 and 2013.

8. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2014 RM**	**2013 RM**	**2014 RM**	**2013 RM**	**2014 RM**	**2013 RM**
Taxable temporary difference	-	-	-	(125,605)	-	(125,605)
Tax loss carry-forward	9,225,000	18,467,745	-	-	9,225,000	18,467,745
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	18,467,745	(9,439,049)	(9,564,654)	(214,049)	8,903,091
Set off of tax	(9,225,000)	(9,456,794)	9,225,000	9,456,794	-	-
Net tax assets/(liabilities)	-	9,010,951	(214,049)	(107,860)	(214,049)	8,903,091

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

Recognised deferred tax assets/(liabilities) (Cont'd)

Movement in temporary differences during the year

Group	At 1.1.2013 RM	Recognised in profit or loss (Note 19) RM	At 31.12.2013/ 1.1.2014 RM	Recognised in profit or loss (Note 19) RM	At 31.12.2014 RM
Taxable temporary difference	(125,605)	-	(125,605)	125,605	-
Tax loss carry-forward	13,767,745	4,700,000	18,467,745	(9,242,745)	9,225,000
Revaluation of property, plant and equipment	(9,439,049)	-	(9,439,049)	-	(9,439,049)
	4,203,091	4,700,000	8,903,091	(9,117,140)	(214,049)

Unrecognised deferred tax assets

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

	Group	
	2014 RM	2013 RM
Tax losses carry-forward	270,816,000	235,273,000
Other deductible temporary differences	7,201,000	7,474,000
Property, plant and equipment	(25,905,000)	(57,154,000)
	252,112,000	185,593,000

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

9. INVENTORIES

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Raw materials and consumables	6,317,372	5,717,238	-	34,385
Recognised in profit or loss:				
Inventories recognised as cost of sales	7,554,930	12,781,616	-	-
Inventories written off	471,763	290,634	-	-
Reversals of write-down	-	(24,063)	-	-

The write-off and reversal are included in other expenses and other income respectively.

10. TRADE AND OTHER RECEIVABLES

	Note	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Current					
Trade					
Trade receivables		55,948,339	56,983,255	-	-
Less: Impairment loss	10.1	(14,727,969)	(2,477,969)	-	-
		41,220,370	54,505,286	-	-
Amount due from contract customers	10.2	220,824,860	141,796,454	-	-
		262,045,230	196,301,740	-	-
Non-trade					
Amount due from subsidiaries	10.3	-	-	224,038,652	164,702,096
Amount due from joint venture	10.3	740,710	-	740,710	-
Other receivables	10.4	9,596,232	9,662,935	4,402,028	4,508,772
Less : Impairment losses		(9,398,060)	(9,398,060)	(4,402,028)	(4,402,028)
		198,172	264,875	-	106,744
Advances to suppliers		46,386,536	13,948,535	8,439,682	207,448
Deposits		1,411,183	903,464	455,750	538,304
		48,736,601	15,116,874	233,674,794	165,554,592
		310,781,831	211,418,614	233,674,794	165,554,592

10.1 Bad debts written off against allowance for impairment losses of the Group's trade receivables amounted to Nil (2013: RM206,805).

10.2 Amount due from contract customers

	Note	2014 RM	2013 RM
Aggregate costs incurred to date		1,023,619,273	586,693,009
Add: Attributable profits		107,978,068	142,690,886
		1,131,597,341	729,383,895
Less: Progress billings		(911,008,596)	(588,288,735)
		220,588,745	141,095,160
Amount due to contract customers	14	236,115	701,294
Amount due from contract customers		220,824,860	141,796,454
Additions to aggregate costs incurred during the financial year include:			
Depreciation		-	136,513
Hire of equipment		2,147,519	1,962,133
Loan interest		1,182,075	2,348

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

10.4 Bad debts written off against allowance for impairment losses of the Group's and the Company's other receivables amounted to Nil (2013: RM96,076) and Nil (2013: RM96,076) respectively.

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Cash and bank balances	60,105,491	63,938,077	15,724,085	18,265,730
Deposits placed with licensed banks	49,306,164	22,899,734	4,223,965	20,461,311
	109,411,655	86,837,811	19,948,050	38,727,041

Included in the deposits placed with licensed banks of the Group and of the Company are RM31,184,774 (2013:RM5,228,356) and RM496,948 (2013: RM456,301) respectively which are pledged to banks for bank facilities granted to subsidiaries.

12. CAPITAL AND RESERVES

(i) Share capital

	Group and Company	
	Amount RM	Number of shares
Authorised:		
Ordinary shares of RM 0.25 each		
At 1 January 2013/31 December 2013/ 1 January 2014/31 December 2014	800,000,000	3,200,000,000
Non-redeemable preference shares of RM 0.25 each		
At 1 January 2013/31 December 2013/ 1 January 2014/31 December 2014	55,000,000	220,000,000
Issued and fully paid:		
Ordinary shares of RM 0.25 each		
At 1 January 2013	231,993,834	927,975,336
Issuance of shares	23,199,250	92,797,000
Conversion of warrants to shares	6,603	26,405
At 31 December 2013/1 January 2014	255,199,687	1,020,798,741
Issuance of shares	13,199,086	52,796,345
Conversion of warrants to shares	9,370,524	37,482,104
At 31 December 2014	277,769,297	1,111,077,190

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.

(ii) Share premium

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

12. CAPITAL AND RESERVES (CONT'D)

(iii) Detachable Warrants 2004/2014

On 20 December 2004, a total of 237,800,000 Detachable Warrants 2004/2014 were issued. The Company has Nil (2013: 237,306,966) units of unexercised warrants at the end of the financial year as these warrants expired on 22 December 2014.

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

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

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

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

(iv) Revaluation reserves (non-distributable)

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

(v) Other reserves (non-distributable)

The other reserves comprise of translation reserve attributable to an associate company.

13. BORROWINGS

		Group		Company	
		2014	2013	2014	2013
	Note	RM	RM	RM	RM
Non-current					
Term loan - secured	13.1	30,769,504	33,514,433	-	-
Sukuk - secured	13.2	239,162,330	238,938,242	-	-
Finance lease liabilities - secured	13.3	1,011,672	431,141	878,603	261,426
		270,943,506	272,883,816	878,603	261,426
Current					
Revolving credit facilities - unsecured	13.4	68,692,782	28,000,000	-	-
Trust receipt - secured		5,162,881	481,723	-	-
Finance lease liabilities - secured	13.3	271,604	88,523	240,772	65,357
		74,127,267	28,570,246	240,772	65,357
		345,070,773	301,454,062	1,119,375	326,783

13. BORROWINGS (CONT'D)

13.1 Term loan - secured

	Group 2014 RM	Group 2013 RM
Secured term loan	30,890,254	33,564,433
Less: Transaction costs	(135,000)	(50,000)
	30,755,254	33,514,433
Accreted interest	14,250	-
	30,769,504	33,514,433

Term loans of the Group are subject to profit rate at 6.85% (2013: 7.60%) per annum.The term loans will be repaid via bullet repayments in February and December 2018.

Security

The term loan 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 from the Company.

13.2 Sukuk - secured

	Group 2014 RM	Group 2013 RM
Secured sukuk	240,000,000	240,000,000
Less: Transaction costs	(1,159,327)	(1,187,766)
	238,840,673	238,812,234
Accreted interest	321,657	126,008
	239,162,330	238,938,242

Sukuk facilities of the Group are subject to profit rate at 7.00% (2013: 7.00%) per annum. The sukuk facilities will be repaid via bullet repayments in August 2016 and September 2016.

Security

The sukuk facilities of the Group 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 3).

Loan covenants

The Group and the Company have various financial covenants based on debt service cover ratio and debt to equity ratio, all of which were complied with as at 31 December 2014 and 2013.

13. BORROWINGS (CONT'D)

13.3 Finance lease liabilities

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Future minimum lease payments	1,450,859	586,967	1,264,352	366,743
Less: Interest expense	(167,583)	(67,303)	(144,977)	(39,960)
Present value of minimum lease payments	1,283,276	519,664	1,119,375	326,783
Less than one year	271,604	88,523	240,772	59,275
Between one and five years	943,368	400,343	810,299	267,508
More than five years	68,304	30,798	68,304	-
Present value of minimum lease payments	1,283,276	519,664	1,119,375	326,783

13.4 Unsecured revolving credit facilities

The revolving credits bear profit at the rate of 6.85% - 7.85% (2013: 7.60%) per annum.

14. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2014 RM	2013 RM	2014 RM	2013 RM
Trade					
Trade payables		278,241,700	127,749,200	-	-
Amount due to contract customers	10.2	236,115	701,294	-	-
		278,477,815	128,450,494	-	-
Non-trade					
Other payables		84,173,987	22,415,718	8,640,210	863,181
Accrued expenses		7,229,544	4,026,436	1,011,696	770,661
		91,403,531	26,442,154	9,651,906	1,633,842
		369,881,346	154,892,648	9,651,906	1,633,842

Included in other payables of the Group is an amount of RM33,936,658 (2013 : RM Nil) relating to advances received from a non-controlling interest in relation to the conversion works of the Group's FPSO.

15. REVENUE

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Construction services	340,722,303	256,405,795	-	-
Offshore crane works	3,402,000	3,526,391	-	-
Management fee	-	-	10,886,730	9,002,966
	344,124,303	259,932,186	10,886,730	9,002,966

16. FINANCE COSTS

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Finance costs of financial liabilities that are not at fair value through profit or loss:				
- term loan	18,454,292	13,690,818	-	-
- sukuk	3,664,932	4,265,887	-	-
	22,119,224	17,956,705	-	-
- others	435,350	94,667	71,381	52,483
	22,554,574	18,051,372	71,381	52,483
Recognised in profit or loss:				
- finance costs	5,243,397	6,653,914	71,381	52,483
- cost of sales	1,182,075	2,348	-	-
	6,425,472	6,656,262	71,381	52,483
Capitalised on qualifying assets:				
- property, plant and equipment	16,129,102	11,395,110	-	-
	22,554,574	18,051,372	71,381	52,483

17. (LOSS)/PROFIT BEFORE TAX

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
(Loss)/Profit before tax is arrived at after charging:				
Amortisation of intangible assets	50,137	28,068	-	-
Auditors' remuneration				
- Statutory audit	300,000	250,000	105,000	105,000
- Other services	90,000	45,000	-	-
Depreciation of property, plant and equipment	12,812,952	8,867,499	569,510	209,648
Impairment loss on trade receivables	12,250,000	-	-	-
Inventories written off	471,763	290,634	-	-
Personnel expenses including key management personnel:				
- Salaries, wages and others	48,402,150	39,879,213	5,661,594	4,804,493
- Contributions to Employees' Provident Fund	4,823,465	4,490,147	654,133	574,106
Realised loss on foreign exchange	23,712	-	-	5,275
Rental of computers	49,260	197,652	-	-
Rental of office	1,260,431	1,163,750	493,707	458,973
Rental of photocopiers and office equipment	227,740	198,199	74,325	58,594
Rental of motor vehicles	87,145	15,688	-	-
Loss on disposal of a subsidiary	-	-	-	49,574,000
and after crediting:				
Bad debts recovered	-	246,398	-	246,398
Discount received from third party	802,077	4,248,564	-	-
Gain on disposal of property, plant and equipment	27,999	-	27,999	-
Gain on decrease in investment in a subsidiary	-	-	14,557,326	-
Interest income of financial assets that are not at fair value through profit or loss:				
- cash and cash equivalents	799,438	1,204,797	735,550	1,180,304
Realised gain on foreign exchange	110,152	390,679	84,740	-
Unrealised gain on foreign exchange	1,163,940	-	293,505	-
Reversal of inventories written down	-	24,063	-	-
Reversal of impairment loss on:				
- Investments in subsidiaries	-	-	-	99,000,000

18. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Directors fees				
- Current year	640,082	252,329	440,000	252,329
- Overprovision in prior year	(19,671)	-	(19,671)	-
Other emoluments	571,250	-	539,000	-
Contributions to Employees' Provident Fund ("EPF")	188,680	161,952	133,800	109,200
Remuneration	1,572,333	1,349,508	1,115,000	910,000
	2,952,674	1,763,789	2,208,129	1,271,529
Other key management personnel				
- Short-term employee benefits	3,355,559	3,538,407	1,730,313	1,870,977
- Contributions to EPF	403,327	421,764	203,743	222,684
	6,711,560	5,723,960	4,142,185	3,365,190
Estimated monetary value of benefit-in-kind	129,290	610,193	149,158	550,397

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.

19. TAX EXPENSE

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Current tax expense				
Current year	190,000	2,000,000	190,000	2,000,000
(Over)/Under provision in prior year	(1,698,801)	170,132	(1,704,924)	156,183
	(1,508,801)	2,170,132	(1,514,924)	2,156,183
Deferred tax expense				
Origination and reversal of temporary differences	10,554,831	(4,700,000)	-	-
(Over)/Under provision in prior year	(1,437,691)	-	-	-
	9,117,140	(4,700,000)	-	-
Share of tax of equity-accounted associate	-	45	-	-
Total income tax expense	7,608,339	(2,529,823)	(1,514,924)	2,156,183

19. TAX EXPENSE (CONT'D)

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Reconciliation of tax expense				
(Loss)/Profit for the year	(113,906,236)	1,556,070	14,175,554	54,700,274
Total income tax expense	7,608,339	(2,529,823)	(1,514,924)	2,156,183
(Loss)/Profit excluding tax	(106,297,897)	(973,753)	12,660,630	56,856,457
Income tax calculated using Malaysian tax rates of 25% (2013: 25%)	(26,574,474)	(243,438)	3,165,158	14,214,114
Non-deductible expenses	645,984	3,823,325	448,271	10,989,243
Tax-exempt income	(3,644,489)	(1,335,678)	(3,644,489)	(22,835,619)
Changes in unrecognised temporary differences	40,317,810	(4,944,164)	221,060	(367,738)
Under/(Over) provision in prior year	(3,136,492)	170,132	(1,704,924)	156,183
	7,608,339	(2,529,823)	(1,514,924)	2,156,183

20. OTHER COMPREHENSIVE INCOME

	Group Before tax RM	Group Tax expense RM	Group Net of tax RM
2014			
Items that are or may be reclassified subsequently to profit or loss			
Share of profit of equity-accounted associate	4,579,254	-	4,579,254
2013			
Items that are or may be reclassified subsequently to profit or loss			
Share of loss of equity-accounted associate	(87,296)	-	(87,296)

21. (LOSS)/EARNINGS PER ORDINARY SHARE

Basic (loss)/earnings per ordinary share

The calculation of basic (loss)/earnings per ordinary share at 31 December 2014 was based on the (loss)/profit attributable to ordinary shareholders of (RM76,466,454) (2013: RM8,188,424) and a weighted average number of ordinary shares outstanding during the year of 1,006,533,584 (2013: 985,191,698).

21. (LOSS)/EARNINGS PER ORDINARY SHARE (CONT'D)

Basic (loss)/earnings per ordinary share (Cont'd)

Weighted average number of ordinary shares

	Group	
	2014 RM	2013 RM
Issued ordinary shares at the beginning of year	985,191,698	927,975,336
Issuance of shares via private placement	10,848,564	57,203,630
Conversion of warrants to shares	10,493,322	12,732
Weighted average number of ordinary shares in issue	1,006,533,584	985,191,698
Basic (loss)/earnings per ordinary share (sen)	(7.60)	0.83

Diluted (loss)/earnings per ordinary share

The calculation of diluted (loss)/earnings per ordinary share at 31 December 2014 was based on (loss)/profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	Group	
	2014 RM	2013 RM
Weighted average number of ordinary shares at 31 December (basic)	1,006,533,584	985,191,698
Effect of conversion of warrants	-	237,306,966
Weighted average number of ordinary shares in issue	1,006,533,584	1,222,498,664
Diluted (loss)/earnings per ordinary share (sen)	(7.60)	0.67

22. OPERATING SEGMENTS

The Group has three (3) reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business unit, the Group Managing Director & 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 profit before tax, finance costs, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group Managing Director & Chief Executive Officer, the chief operating decision maker.

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

22. OPERATING SEGMENTS (CONT'D)

Segment assets

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group Managing Director & 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 Group Managing Director & Chief Executive Officer.

Segment capital expenditure

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

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
2014					
Segment profit/(loss)					
Total revenue	424,709,214	3,402,000	10,886,730	(94,873,641)	344,124,303
Total cost	(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 associate	-	-	15,755,112	-	15,755,112
Share of profit of joint venture	-	-	(1,135,065)	-	(1,135,065)
Tax expense	(9,231,123)	-	1,514,924	107,860	(7,608,339)
	(123,867,144)	(4,109,341)	28,519,709		(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

22. OPERATING SEGMENTS (CONT'D)

Group	Construction Services RM	Offshore crane works RM	Others RM	Elimination RM	Total RM
2013					
Segment profit/(loss)					
Total revenue	257,007,873	20,288,557	9,002,966	(26,367,210)	259,932,186
Total costs	(214,565,722)	(18,204,546)	-	17,229,243	(215,541,025)
Other income	5,495,058	617,556	110,011,867	(106,736,627)	9,387,854
Administrative expenses	(41,706,715)	(4,675,663)	(15,046,486)	9,137,966	(52,290,898)
Other expenses	(751,957)	(7,302)	(49,623,110)	49,574,000	(808,369)
Finance costs	(36,868)	(3,461)	(14,350,212)	7,736,627	(6,653,914)
Share of profit of associate	-	-	5,000,368	-	5,000,368
Tax expense	4,689,847	(3,796)	(2,156,183)	-	2,529,868
	10,131,516	(1,988,655)	42,839,210		1,556,070
Segment assets	451,437,497	15,727,120	657,195,820	(233,721,693)	890,638,744
Segment liabilities	280,217,398	13,937,903	332,486,337	(168,187,068)	458,454,570
Capital expenditure	51,097,437	1,122,754	12,960,197	-	65,180,388
Depreciation and amortisation	8,318,342	367,577	209,648	-	8,895,567

Major customers

Revenue of approximately RM312,116,368 (2013: RM244,135,103) representing 91% (2013: 94%) of the Group revenue is derived from four (4) external customers (2013: three (3) external customers) from the following segments:

	2014 RM	2013 RM	Segment
Customer A	95,842,687	-	Construction services
Customer B	2,226,564	90,128,470	Construction services
Customer C	136,090,826	137,462,021	Construction services
Customer D	77,956,291	16,544,612	Construction services
	312,116,368	244,135,103	

23. FINANCIAL INSTRUMENTS

23.1 Categories of financial instruments

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

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

23. FINANCIAL INSTRUMENTS (CONT'D)

23.1 Categories of financial instruments (Cont'd)

2014	Carrying amount RM	L & R (FL) RM
Group		
Financial assets		
Trade and other receivables	310,781,831	310,781,831
Cash and cash equivalents	109,411,655	109,411,655
	420,193,486	420,193,486
Financial liabilities		
Borrowings	(345,070,773)	(345,070,773)
Trade and other payables	(369,881,346)	(369,881,346)
	(714,952,119)	(714,952,119)
2013		
Group		
Financial assets		
Trade and other receivables	211,418,614	211,418,614
Cash and cash equivalents	86,837,811	86,837,811
	298,256,425	298,256,425
Financial liabilities		
Borrowings	(301,454,062)	(301,454,062)
Trade and other payables	(154,892,648)	(154,892,648)
	(456,346,710)	(456,346,710)
2014		
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)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.1 Categories of financial instruments (Cont'd)

2013	Carrying amount RM	L & R (FL) RM
Company		
Financial assets		
Trade and other receivables	165,554,592	165,554,592
Cash and cash equivalents	38,727,041	38,727,041
	204,281,633	204,281,633
Financial liabilities		
Borrowings	(326,783)	(326,783)
Trade and other payables	(1,633,842)	(1,633,842)
	(1,960,625)	(1,960,625)

Net gains and losses arising from financial instruments

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Net (losses)/gains arising on:				
Loans and receivables	(10,580,127)	1,754,076	735,550	9,259,405
Financial liabilities measured at amortised cost	(5,243,451)	(6,265,579)	306,864	(57,758)
	(15,823,578)	(4,511,503)	1,042,414	9,201,647

23.2 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

23.3 Credit risk

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

23. FINANCIAL INSTRUMENTS (CONT'D)

23.3 Credit risk (Cont'd)

Receivables (Cont'd)

Exposure to credit risk, credit quality and collateral

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

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

As at the end of reporting period, approximately 57% (2013: 80%) of the Group's trade receivables are from five (5) major customers (2013: three (3) customers) which have good credit history with the Group. The geographical exposure of credit risk of the Group is mainly domestic.

Impairment losses

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

Group	Gross RM	Individual impairment RM	Net RM
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
2013			
Not past due	33,586,964	-	33,586,964
Past due 1 - 30 days	300,132	-	300,132
Past due 31 - 120 days	5,053,574	-	5,053,574
Past due more than 120 days	18,042,585	(2,477,969)	15,564,616
	56,983,255	(2,477,969)	54,505,286

23. FINANCIAL INSTRUMENTS (CONT'D)

23.3 Credit risk (Cont'd)

Receivables (Cont'd)

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

	Group	
	2014 RM	2013 RM
At 1 January	2,477,969	2,684,774
Impairment loss recognised	12,250,000	-
Impairment loss written off	-	(206,805)
At 31 December	14,727,969	2,477,969

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

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

23.4 Liquidity risk

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

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

As part of its financial planning to meet its financial obligations, subsequent to the financial year end, the Company's application of a term loan facility up to USD45 million, equivalent to approximately RM165 million was approved and funding was received in April 2015. The term loan facility obtained is to fund the conversion works of the Group's FPSO.

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

23. FINANCIAL INSTRUMENTS (CONT'D)

23.4 Liquidity risk (Cont'd)

Maturity analysis

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

Group	Carrying amount RM	Contractual profit rate %	Contractual cash flow RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2014							
Finance lease liabilities							
- secured	1,283,276	2.40-2.50	1,450,859	295,540	295,540	749,509	110,270
Term loan – secured	30,769,504	6.85	46,288,605	2,774,799	2,774,799	40,739,007	-
Sukuk – secured	239,162,330	7.00	272,370,685	16,800,000	255,570,685	-	-
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	-	369,645,231	369,645,231	-	-	-
2013							
Finance lease liabilities							
- secured	519,664	2.40-2.50	586,967	111,648	111,648	328,787	34,884
Term loan – secured	33,514,433	7.60	49,063,404	2,774,799	2,774,799	43,513,806	-
Sukuk – secured	238,938,242	7.00	285,791,667	16,800,000	16,800,000	252,191,667	-
Revolving credit							
- unsecured	28,000,000	7.60	29,064,000	29,064,000	-	-	-
Trust receipt							
- secured	481,723	7.00	490,153	490,153	-	-	-
Trade and other payables	154,191,354	-	154,191,354	154,191,354	-	-	-
Company							
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	-	-	-
2013							
Finance lease liabilities	326,783	2.40	366,743	73,884	73,884	218,975	-
Trade and other payables	1,633,842	-	1,633,842	1,633,842	-	-	-

23.5 Market risk

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.

23. FINANCIAL INSTRUMENTS (CONT'D)

23.5 Market risk (Cont'd)

23.5.1 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 U.S. Dollar ("USD").

Risk management objectives, policies and processes for managing the risk

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

Exposure to foreign currency risk

The exposure to foreign currency risk of Group entities is not material and hence, the details of the Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period and sensitivity analysis are not presented.

23.5.2 Interest rate risk

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

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, 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.

23. FINANCIAL INSTRUMENTS (CONT'D)

23.5 Market risk (Cont'd)

23.5.2 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	
	2014 RM	2013 RM	2014 RM	2013 RM
Fixed rate instruments				
Deposits placed with licensed banks	49,306,164	22,899,734	4,223,965	20,461,311
Finance lease liabilities	(1,283,276)	(519,664)	(1,119,375)	(326,783)
Sukuk	(239,162,330)	(238,938,242)	-	-
Revolving credit	(68,692,782)	(28,000,000)	-	-
Trust receipt	(5,162,881)	(481,723)	-	-
	(264,995,105)	(245,039,895)	3,104,590	20,134,528
Floating rate instrument				
Term loan	(30,769,504)	(33,514,433)	-	-

Interest rate risk sensitivity analysis

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
2014		
Floating rate instruments	(115,000)	115,000
Cash flow sensitivity (net)	(115,000)	115,000

23. FINANCIAL INSTRUMENTS (CONT'D)

23.5 Market risk (Cont'd)

23.5.2 Interest rate risk (Cont'd)

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

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

23.6 Fair values 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.

23. FINANCIAL INSTRUMENTS (CONT'D)

23.6 Fair values information (Cont'd)

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

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
Group 2014	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**	**Total fair value RM**	**Carrying amount RM**
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)
2013										
Financial liabilities										
Term loan - secured	-	-	-	-	-	-	(26,523,563)	(26,523,563)	(26,523,563)	(33,514,433)
Sukuk - secured	-	-	-	-	-	-	(198,125,159)	(198,125,159)	(198,125,159)	(238,938,242)
Finance lease liabilities	-	-	-	-	-	-	(482,141)	(482,141)	(482,141)	(519,664)
Company 2014										
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	(1,152,793)	(1,152,793)	(1,152,793)	(1,119,375)
2013										
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	(305,312)	(305,312)	(305,312)	(326,783)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.6 Fair values information (Cont'd)

Policy on transfer between levels

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

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the 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 (2013: 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 reporting date.

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.

24. CAPITAL MANAGEMENT

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

24. CAPITAL MANAGEMENT (CONT'D)

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

		Group	
	Note	2014 RM	2013 RM
Total borrowings	13	345,070,773	301,454,062
Less: Cash and cash equivalents	11	(109,411,655)	(86,837,811)
Net debt		235,659,118	214,616,251
Total equity		403,748,144	432,184,174
Debt-to-equity ratio		0.58	0.50

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

25. CAPITAL COMMITMENTS

	Group	
	2014 RM	2013 RM
Property, plant and equipment		
Contracted but not provided for	463,926,000	29,960,000
Authorised but not contracted for	562,856,000	20,000,000
	1,026,782,000	49,960,000

26. CONTINGENCIES

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

	2014 RM	2013 RM
Litigation (unsecured)		
Being claims from third parties in dispute	4,632,778	4,632,778

Save as disclosed below, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has or will have a material effect on the financial position 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:

Litigations

(a) A subsidiary of the Group instituted a suit against Global Fabricators Sdn. Bhd. ("GFSB") to declare that the Group does not have any outstanding balance with GFSB and a counter claim of RM4,632,778 (2013: RM4,632,778) was brought by GFSB for work done on the Melor and Kumang projects. A stay application was filed as the respective contract has an arbitration clause and GFSB has agreed to resolve the disputes by way of Arbitration. A Notice of Arbitration was served to the subsidiary in March 2014. In response to the Notice of Arbitration, the subsidiary has nominated an arbitrator and proposed consolidation of both arbitrations. To date, no arbitrator has been appointed as yet and the arbitration proceedings is still pending.

    The Group's solicitors are of the opinion that the subsidiary has a good case to defeat the counter claim brought by GFSB.

26. CONTINGENCIES (CONT'D)

Litigations (Cont'd)

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

The matter is fixed for trial on 14 to 18 and 21 September 2015. The Group's solicitors are of the view that the Group has a fair chance of defending the counterclaim brought by PFCE.

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

Though the matter is fixed for trial from the 14 to 18 and 21 September 2015, the case is subjected to pre-trial case management proceedings similar to the suit mentioned per item (b). It shall be noted that this matter would be heard in one instance with that mentioned in item (b) because both matters have been consolidated per Order 92 of the Rules of Court 2012. The Group's solicitors are of the view that the Group has a fair chance of defending the counterclaim brought by PFCE.

27. RELATED PARTIES

Identity of related parties

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

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

The Company has related party relationships with its subsidiaries and key management personnel (Note 5).

Significant related party transactions

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

	Transaction amounts for the year ended 31 December	
	2014 RM	**2013 RM**
Subsidiaries		
Interest income	-	7,736,627
Management fees receivables	10,886,730	9,002,966
Advances to subsidiaries	(112,390,143)	(164,702,096)
Company in which a key management personnel is a Director		
Purchases of IT equipment	3,913,884	3,987,392
Rental of IT equipment	49,260	279,492

27. RELATED PARTIES (CONT'D)

Significant related party transactions (Cont'd)

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

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

28. SIGNIFICANT EVENTS DURING THE YEAR

28.1 Disposal of shares in Floatech (L) Ltd

On 18 February 2014, the Company entered into a Share Sale Agreement ("SSA") with Global Mariner Offshore Services Sdn. Bhd. ("GMOS") to dispose of 2,000,000 ordinary shares of USD1.00 each in Floatech (L) Ltd ("Floatech"), representing 20% of the equity interest to GMOS, for a total cash consideration of RM21,066,326.

Subsequently on 10 April 2014, the Group increase its investment in Floatech (L) Ltd. through an increase of additional 9,999,998 ordinary shares of USD 1.00 each amounting to RM32,544,994 via the capitalisation of amount due from the subsidiary.

Upon completion of the disposal, Floatech becomes an 80% subsidiary of the Group. The net asset as at the date of disposal amounts to RM9,427,570. Consequently, the Group recognised a non-controlling interest of RM1,885,514 and a gain on disposal of RM19,180,812 in retained earnings. There were no other changes to the equity on even date.

On 14 April 2014, conditions precedent pertaining to the SSA have been fulfilled and the disposal is deemed completed on the even date.

28.2 Acquisition of shares in THHE McDermott Engineering Sdn. Bhd.

On 19 February 2014, the Group invested 50% in a joint venture, THHE McDermott Engineering Sdn. Bhd., which was newly set up during the year. The Group invested RM1,850,000 in the joint venture to engage in the provision of front-end engineering and design, construction and installation services.

28.3 Additional investment in O & G Works Sdn. Bhd.

On 31 December 2014, the Group increased its investment in O & G Works Sdn. Bhd., a wholly-owned subsidiary of the Group by an amount of RM3,000,000 via the capitalisation of amount due from the subsidiary. There is no change to effective interest of the Group in the subsidiary.

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

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

	Group		Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
Total (accumulated losses)/retained profits of the Company and its subsidiaries:				
- realised	(281,898,772)	(158,812,372)	53,010,347	38,834,793
- unrealised	(9,225,000)	(18,342,140)	-	-
	(291,123,772)	(177,154,512)	53,010,347	38,834,793
Add: Consolidation adjustments	274,209,638	217,506,020	-	-
Total (accumulated losses) /retained profits	(16,914,134)	40,351,508	53,010,347	38,834,793

The determination of realised and unrealised profits is based on the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.

LIST OF PROPERTIES

The properties of the group as at 31 December 2014 are as follows:

Title/Location	Description and Existing Use	Land Area/ Built-Up Area	Approximate Age of Building	Tenure	Audited Net Book Value at 31.12.2013	Date of Acquisition
Pulau Indah Integrated Fabrication Yard HS(D) 70909, PT No. 90866 Section 1, Mukim and District of Klang, State of Selangor	Heavy Engineering/ Offshore Oil and Gas Fabrication Facility	56.79 acres	15 years	Leasehold (99 years)	97,348,707.00	10-Aug-12

ANALYSIS OF SHAREHOLDINGS
AS AT 10 APRIL 2015

SHARE CAPITAL

Authorised share capital	:	RM855,000,000.00 divided into 3,200,000,000 Ordinary Shares of RM0.25 each; and 220,000,000 Irredeemable Convertible Preference Shares of RM0.25 each
Issued and paid up share capital	:	RM280,269,297.50
Class of shares	:	Ordinary Shares of RM0.25 each
Total number of shares issued	:	1,121,077,190 Ordinary Shares of RM0.25 each
Number of shareholders	:	26,655 (Ordinary Shares)
Voting rights	:	One vote per Ordinary Share held

(A) Ordinary Shares of RM0.25 Each

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

(based on the Record of Depositors as at 10 April 2015)

SIZE OF HOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES HELD	% OF ISSUED CAPITAL
1 – 99	5,906	22.16	426,722	0.04
100 – 1,000	7,876	29.55	2,815,446	0.25
1,001 – 10,000	6,804	25.53	38,537,529	3.44
10,001 – 100,000	5,193	19.48	178,541,859	15.93
100,001 – 56,053,858 (*)	875	3.28	566,593,527	50.54
56,053,859 and above (**)	1	0.00	334,162,107	29.81
Total	26,655	100.00	1,121,077,190	100.00

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

DIRECTORS' INTEREST IN SHARES

(based on the Register of Directors' Shareholdings as at 10 April 2015)

Ordinary Shares of RM0.25 each

Name of Directors	Nationality	No. of shares beneficially held Direct	%	Indirect	%
Dato' Azizan Bin Abd. Rahman	Malaysian	0	0.00	0	0.00
Nusral Bin Danir	Malaysian	0	0.00	0	0.00
Too Kok Leng	Malaysian	0	0.00	0	0.00
Roslan Bin Mohd. Latif	Malaysian	0	0.00	0	0.00
Datuk Seri Mohamad Norza Bin Haji Zakaria	Malaysian	0	0.00	0	0.00
Dato' Dr. Md. Yusop Bin Omar	Malaysian	0	0.00	0	0.00
Dr. Samad Bin Solbai	Malaysian	0	0.00	0	0.00
Datuk Nor Badli Munawir Bin Mohamad Alias Lafti	Malaysian	1,400,000	0.12	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	ASSETS NOMINEES (ASING) SDN BHD GUOLINE CAPITAL LIMITED	54,901,900	4.90
3	PELABURAN MARA BERHAD	51,696,345	4.61
4	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR QUEK KON SEAN	27,839,000	2.48
5	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SECTOR SELECT FUND	17,588,000	1.57
6	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ABDUL RAHMAN BIN MOHAMED SHARIFF	13,000,000	1.16
7	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	10,142,200	0.90
8	HONG LEONG INVESMENT BANK BERHAD CLR FOR HONG LEONG FUND MANAGEMENT SDN BHD	10,056,100	0.90
9	OCBC BANK (MALAYSIA) BERHAD AS BENEFICIAL OWNER	10,000,000	0.89
10	CHIN CHIN SEONG	6,747,000	0.60
11	MADHAVANKUTTYA A/L KUMARAN	6,544,000	0.58
12	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG CHAI GO	6,500,000	0.58
13	LEONG YOU TONG	6,500,000	0.58
14	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE	6,480,044	0.58
15	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BHD FOR BIMB I DIVIDEND FUND	6,112,000	0.55
16	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO. LTD.	4,950,000	0.44
17	MAYBANK NOMINEES (ASING) SDN BHD DBS BANK FOR KOH ALAN	4,490,000	0.40
18	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	4,455,100	0.40
19	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	3,854,334	0.34
20	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HARBANS KAUR A/P SAUDAGAR SINGH	3,595,000	0.32

ANALYSIS OF SHAREHOLDINGS
AS AT 10 APRIL 2015
(cont'd)

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

NO.	NAME	NO. OF SHARES HELD	%
21	RHB NOMINEES (TEMPATAN) SDN BHD KOH KWEE HWA	3,500,000	0.31
22	LEE CHEE BENG	3,100,000	0.28
23	ANNIE LOO YEAN LAY	3,000,000	0.27
24	RHB NOMINEES (TEMPATAN) SDN BHD SOO WING CHING	2,922,300	0.26
25	MD SHARIF BIN SHAMSUDDIN	2,900,000	0.26
26	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CH'NG CHENG BOON	2,800,000	0.25
27	HO KAI HSU	2,695,800	0.24
28	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR SI THO YOKE MENG	2,500,000	0.22
29	ANURADHA CHEMMALA	2,480,000	0.22
30	AMSEC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH ALAN	2,300,000	0.21
	TOTAL	617,811,230	55.11

SUBSTANTIAL SHAREHOLDINGS

(based on the Register of Substantial Shareholdings as at 10 April 2015)

Ordinary Shares of RM0.25 each

	No. of shares held			
Name of Substantial Shareholders	**Direct**	**%**	**Indirect**	**%**
Lembaga Tabung Haji	334,162,107	29.81	0	0.00
GuoLine Capital Assets Limited	0	0.00	64,958,000[2]	5.80
Davos Investment Holdings Private Limited	0	0.00	64,958,000[2]	5.80
Kwek Leng Kee	0	0.00	64,958,000[2]	5.80
Quek Leng Chye	0	0.00	64,958,000[2]	5.80
Hong Realty (Private) Limited	0	0.00	64,958,000[2]	5.80
Hong Leong Investment Holdings Pte Ltd	0	0.00	64,958,000[2]	5.80
Kwek Holdings Pte Ltd	0	0.00	64,958,000[2]	5.80
Kwek Leng Beng	0	0.00	64,958,000[2]	5.80
GuoLine Capital Limited	64,958,000	5.80	0	0.00
Hong Leong Company (Malaysia) Berhad	0	0.00	64,958,000[2]	5.80
HL Holdings Sdn Bhd	0	0.00	64,958,000[2]	5.80
Tan Sri Quek Leng Chan	0	0.00	92,797,000[1]	8.28

Note:

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

2 Deemed interested through GuoLine Capital Limited

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ELEVENTH ANNUAL GENERAL MEETING of the Company will be held at Ballroom 1, First Floor, Main Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 28 May 2015 at 10:30 a.m. or at any adjournment thereof for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 together with the Reports of the Directors' and the Auditors' thereon.

2. To approve the payment of Directors' Fees for the financial year ended 31 December 2014. (Resolution 1)

3. To re-elect Dato' Dr. Md. Yusop Bin Omar who is retiring pursuant to Article 95 of the Company's Articles of Association, and being eligible, has offered himself for re-election. (Resolution 2)

4. To re-elect Dr. Samad Bin Solbai who is retiring pursuant to Article 95 of the Company's Articles of Association, and being eligible, has offered himself for re-election. (Resolution 3)

5. To re-elect Datuk Nor Badli Munawir Bin Mohamad Alias Lafti who is retiring pursuant to Article 95 of the Company's Articles of Association, and being eligible, has offered himself for re-election. (Resolution 4)

6. To 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 5)

   Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed and marked as Annexure "A" in the 2014 Annual Report had been received by the Company for the nomination of Messrs. Deloitte for appointment as Auditors of the Company and of the intention to propose the following Ordinary Resolution:-

   "THAT Messrs. Deloitte, having consented to act, be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs. KPMG, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be agreed between the Directors and the Auditors."

7. **As Special Business** (Resolution 6)

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

   ORDINARY RESOLUTION
   - AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

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

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

BY ORDER OF THE BOARD

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

Kuala Lumpur
Dated: 6 May 2015

Explanatory Note to Special Business:

Resolution 6

The Company wishes to renew the mandate on the authority to issue shares pursuant to Section 132D of the Companies Act, 1965 at the Eleventh 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 Tenth AGM of the Company held on 11 June 2014 (hereinafter referred to as the "Previous Mandate").

As at the date of this notice, the Company had placed out 62,796,345 new ordinary shares to investors which raised a total proceeds of RM45,537,076 pursuant to the Previous Mandate. The Company had utilised RM17,918,353 for utilised for working capital purposes, to execute some of its projects secured, one of which is the Provision of Engineering, Procurement, Construction, Installation and Commissioning of its Floating Production Storage and Offloading facilities; as well as to meet its additional working capital requirements mainly comprising payment of trade and non-trade creditors, overheads and other operating expenses.

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

Notes:

(1) In respect of deposited securities, only members whose names appear in the Record of Depositors on 21 May 2015 ("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 Eleventh Annual General Meeting of the Company.

NOTICE OF
NOMINATION OF AUDITORS

Annexure "A"

Datuk Nor Badli Munawir Bin Mohamad Alias Lafti
No. 11, Jalan Duta U1/12C,
Glenhill Saujana, Section U1,
40150 Shah Alam,
Selangor Darul Ehsan

Date: 28 April 2015

The Board of Directors
TH HEAVY ENGINEERING BERHAD
Level 7, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
Damansara Heights,
50490 Kuala Lumpur

Dear Sirs,

NOTICE OF NOMINATION OF AUDITORS

I, the undersigned, being a registered shareholder of TH Heavy Engineering Berhad (**"the Company"**), hereby nominate, Messrs. Deloitte, for appointment as new Auditors of the Company in place of the retiring Auditors, Messrs. KPMG at the forthcoming Annual General Meeting of the Company, pursuant to Section 172(11) of the Companies Act, 1965.

Therefore, I propose that the following resolution be considered at the forthcoming Annual General Meeting of the Company:-

"THAT Messrs. Deloitte, having consented to act, be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs. KPMG, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be agreed between the Directors and the Auditors."

Yours faithfully,

Datuk Nor Badli Munawir Bin Mohamad Alias Lafti

FORM OF PROXY

*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 Eleventh Annual General Meeting of the Company to be held at Ballroom 1, First Floor, Main Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 28 May 2015 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 2014.		
2	Re-election of Dato' Dr. Md. Yusop Bin Omar		
3	Re-election of Dr. Samad Bin Solbai		
4	Re-election of Datuk Nor Badli Munawir Bin Mohamad Alias Lafti		
5	Appointment of Auditors		
6	Special Business – Ordinary Resolution – Authority to Issue Shares		

* Strike out whichever not applicable

As witness my/our hand(s) this..day of ...., 2015

CDS Account Number :

Number of shares held :

....

Signature of Member/Common Seal

Notes:

(1) In respect of deposited securities, only members whose names appear in the Record of Depositors on 21 May 2015 (“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 23, Tower B, Menara UOA Bangsar,
No.5, Jalan Bangsar Utama 1, 59000 Kuala Lumpur.
Tel: (+603)-2787 9000
Fax: (+603)-2787 9001
www.thhe.com.my