

**SECTION 8**

# LEADERSHIP

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# OUR BOARD AT A GLANCE

## COMPOSITION

Senior Independent Non-Executive Director SINED



Independent Non-Executive Director INED



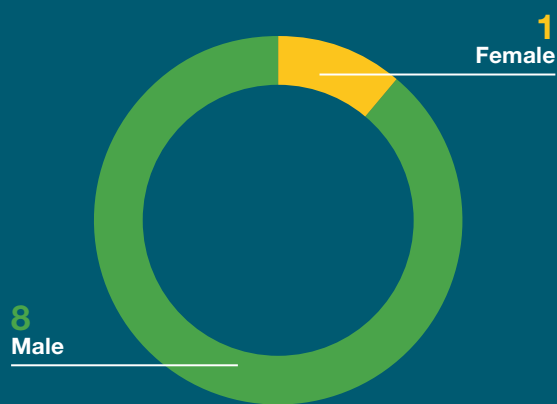
Non-Independent Non-Executive Director NINED



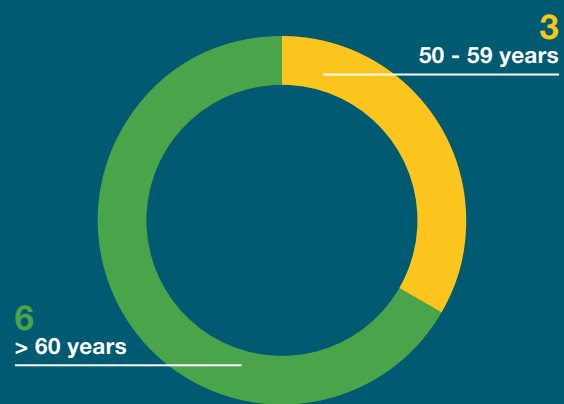
Non-Independent Executive Director NIED



## GENDER DIVERSITY



## AGE



# PROFILES OF THE BOARD OF DIRECTORS

## DATUK NASARUDIN MD IDRIS



Chairman/Independent Non-Executive Director



Number of Board Meetings Attended in 2021

12/12

### Date of Appointment

- 23 February 2017 - Chairman/Independent Non-Executive Director
- 15 June 2010 - Chairman/Non-Independent Non-Executive Director

Length of Service (as at 16 February 2022)

4 years and 11 months (as Independent Non-Executive Director)

### Academic/Professional Qualifications

- Masters Degree in Business Administration, Henley Management College (Brunel University), United Kingdom
- Bachelor of Arts (Honours) Degree, University of Malaya, Malaysia
- Stanford Executive Programme at Stanford University, United States of America

### Skills and Experience

- Corporate Planning & Development
- Operations
- Shipping
- Human Resource
- Finance
- Risk Management
- Corporate Governance
- Oil & Gas
- Commercial/Marketing
- Procurement
- Economics
- Audit

### Present Directorships

#### LISTED ISSUERS:

- MISC Berhad
- Malaysia Marine and Heavy Engineering Holdings Berhad
- Bintulu Port Holdings Berhad

#### OTHER PUBLIC COMPANY:

NIL

### Present Appointments

- Chairman, NRC, MISC Berhad
- Member, BAC, MISC Berhad
- Chairman, MHB
- Chairman, Finance & Investment Committee, Bintulu Port Holdings Berhad

### Past Experience

- President and Group Chief Executive Officer, MISC Berhad
- Group Chief Executive Officer, KLCC Holdings Berhad
- Vice President, Corporate Planning and Development, PETRONAS
- Senior General Manager, Corporate Planning and Development Division, PETRONAS
- General Manager, Group Strategic Planning, PETRONAS
- General Manager, Corporate Development, PETRONAS
- General Manager, Marketing, PETRONAS Dagangan Berhad
- Executive Assistant to the President, PETRONAS

## Profiles of the Board of Directors

## CHOY KHAI CHOON



Senior Independent Non-Executive Director

Number of  
Board Meetings  
Attended in 2021

12/12

## Date of Appointment

- 1 November 2017 - Senior Independent Non-Executive
- 5 February 2013 - Independent Non-Executive Director

Length of Service  
(as at 16 February 2022)

9 years

## Academic/Professional Qualifications

- Fellow, Certified Public Accountant (CPA), Australia
- Professional Qualification in Accounting, The Malaysian Institute of Accountants
- Master in Business Administration, Oklahoma University, United States of America
- Bachelor Degree in Commerce, University of New South Wales, Australia

## Skills and Experience

- Accounts
- Finance
- Audit
- Risk Management
- Economics
- Corporate Planning & Development
- Commercial & Marketing
- Human Resource
- Project Management
- Corporate Governance

## Present Directorships

## LISTED ISSUERS:

- Malaysia Marine and Heavy Engineering Holdings Berhad
- Hap Seng Plantations Holdings Berhad
- MSM Malaysia Holdings Berhad
- Kenanga Investment Bank Berhad

## OTHER PUBLIC COMPANY:

- Deutsche Bank Malaysia Berhad
- Zurich Life Insurance Malaysia Berhad
- Zurich General Insurance Malaysia Berhad
- Labuan Financial Services Authority (Labuan FSA)

## Present Appointments

- Chairman, BAC, MHB
- Member, NRC, MHB
- Independent Director, Hap Seng Plantations Holdings Berhad
- Chairman, Zurich General Insurance Malaysia Berhad
- Chairman, Zurich Life Insurance Malaysia Berhad
- Public Interest Director, Federation of Investment Managers Malaysia
- Independent Director, Bond & Sukuk Information Platform Sendirian Berhad
- Independent Director, Asian Banking School Sendirian Berhad
- NINED, Kenanga Investment Bank Berhad

## Past Experience

- President/Chief Executive Officer, Cagamas Berhad
- Senior General Manager, Group Head, RHB Banking Group
- Chief Executive Officer, Morley Fund Management Ltd, Singapore
- Regional Finance & Planning Director, Asia, Aviva Insurance Asia
- General Manager, Commercial Union Assurance Berhad
- Assistant General Manager, Commercial Union Assurance Berhad

## Profiles of the Board of Directors

# KEITH TAYLOR



Independent Non-Executive Director



Number of Board Meetings Attended in 2021

12/12

Date of Appointment

1 June 2019

Length of Service (as at 16 February 2022)

2 years and 8 months

### Academic/Professional Qualifications

- Higher National Certificate Business Studies, United Kingdom

### Skills and Experience

- Oil & Gas
- Operations
- Procurement
- Corporate Planning & Development
- Risk Management
- Commercial/Marketing
- Project Management
- Finance
- Audit
- Engineering
- Human Resource

### Present Directorships

#### LISTED ISSUERS:

- Malaysia Marine and Heavy Engineering Holdings Berhad

#### OTHER PUBLIC COMPANY:

NIL

### Present Appointments

- Chairman, BRC, MHB
- Member, BAC, MHB
- Board Member, Semco Maritime A/S
- Director, Versa UK Ltd
- Director, Atlas Inexco UK Ltd

### Past Experience

- Managing Director, Genesis Oil & Gas Consultants Ltd
- Vice President Offshore Product Line & Technology, Technip Group
- Chief Operating Officer, Onshore and Offshore Technip Asia Pacific

## Profiles of the Board of Directors

IR WAN YUSOFF  
WAN HAMAT

Independent Non-Executive Director

## Present Directorships

## LISTED ISSUERS:

- Malaysia Marine and Heavy Engineering Holdings Berhad

## OTHER PUBLIC COMPANY:

NIL

## Present Appointments

- Chairman, NRC, MHB
- Member, BRC, MHB

## Past Experience

- Executive Project Director for Refinery and Petrochemical Integrated Development (RAPID) Project
- MD & CEO, MMHE/MHB
- Managing Director and Chief Executive Officer of PETRONAS Penapisan (Terengganu) Sdn Bhd
- JV (Mitsubishi Corp./Exxon Chemicals) Project Director, Aromatics Complex, Kerteh Terengganu
- JV (Conoco Phillips) Engineering Manager, PETRONAS Second Refinery 2, Melaka
- Project Control Manager, PETRONAS Second Refinery 1, Melaka
- Head of Engineering, Petrochemical Department, PETRONAS
- Deputy Project Director, Terengganu Refinery Project

Number of  
Board Meetings  
Attended in 2021

12/12

## Date of Appointment

15 September 2020

Length of Service  
(as at 16 February 2022)

1 year and 5 months

## Academic/Professional Qualifications

- Honours Degree in Engineering Production, University of Birmingham, United Kingdom
- Member, Institute of Engineers, Malaysia

## Skills and Experience

- Oil & Gas
- Operations
- Engineering
- Project Management
- Corporate Planning & Development
- Risk Management
- Procurement
- Human Resource
- Audit

## Profiles of the Board of Directors

# GLADYS LEONG



Independent Non-Executive Director



Number of Board Meetings Attended in 2021

12/12

Date of Appointment

15 September 2020

Length of Service (as at 16 February 2022)

1 year and 5 months

### Academic/Professional Qualifications

- Member, Malaysian Institute of Certified Public Accountants (MICPA)
- Member, Malaysian Institute of Accountants (MIA)
- Member, Institute of Internal Auditors (IIA), Malaysia

### Skills and Experience

- Finance
- Accounts
- Audit
- Procurement
- Risk Management
- Operations
- Corporate Governance
- Project Management
- Human Resource

### Present Directorships

#### LISTED ISSUERS:

- Malaysia Marine and Heavy Engineering Holdings Berhad
- Public Bank Berhad

#### OTHER PUBLIC COMPANY:

NIL

### Present Appointments

- Member, BAC, MHB
- Member, NRC, Public Bank Berhad
- Member, Risk Management Committee, Public Bank Berhad
- Member, Compliance Committee, Public Bank Berhad

### Past Experience

- Partner, Ernst & Young PLT (EY)
- Partner, Arthur Andersen
- Manager, Hanafiah Raslan & Mohamad

#### Other responsibilities:

- Asia Pacific Advisory Chief Operating Officer, EY
- ASEAN Advisory Chief Operating Officer, EY
- Chief Financial Officer, EY Malaysia

## Profiles of the Board of Directors

## DATUK YEE YANG CHIEN



Non-Independent Non-Executive Director

## Present Directorships

## LISTED ISSUERS:

- MISC Berhad
- Malaysia Marine and Heavy Engineering Holdings Berhad

## OTHER PUBLIC COMPANY:

NIL

## Present Appointments

- Chairman and Board Member of various companies in MISC Group
- Director of the Members' Committee, The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited (UK P&I Club)
- Member of the Advisory Council, Global Maritime Forum
- Member of the Advisory Board, Lloyd's Register

## Past Experience

- Chief Operating Officer, MISC Berhad
- Vice President, Corporate Planning, MISC Berhad
- Group Vice President, Corporate Planning, AET Group
- Senior Manager, Research and Evaluation, Corporate Planning and Development Unit, MISC Berhad
- Auditor, undertaking both external and internal audit assignments and progressed on to equity research and investment banking work with various local and international financial institutions

Number of  
Board Meetings  
Attended in 2021

12/12

## Date of Appointment

1 April 2008

Length of Service  
(as at 16 February 2022)

13 years and 10 months

## Academic/Professional Qualifications

- Double-degree in Financial Accounting/ Management and Economics, University of Sheffield, United Kingdom

## Skills and Experience

- Finance
- Audit
- Economics
- Commercial & Marketing
- Operations
- Corporate Planning & Development
- Shipping
- Human Resource
- Risk Management
- Oil & Gas
- Project Management

## Profiles of the Board of Directors

# SYED HASHIM SYED ABDULLAH



Non-Independent Non-Executive Director



Number of  
Board Meetings  
Attended in 2021

12/12

Date of Appointment

1 January 2016

Length of Service  
(as at 16 February 2022)

6 years and 1 month

### Academic/Professional Qualifications

- Diploma in Industrial Chemistry, Institute Technology MARA
- Senior Management Development Program, INSEAD

### Skills and Experience

- Finance
- Audit
- Operations
- Corporate Planning & Development
- Shipping
- Risk Management
- Oil & Gas
- Procurement
- Project Management
- Engineering
- Corporate Governance

### Present Directorships

#### LISTED ISSUERS:

- Malaysia Marine and Heavy Engineering Holdings Berhad

#### OTHER PUBLIC COMPANY:

NIL

### Present Appointments

- Member, NRC, MHB
- Member, BRC, MHB
- Board member in several subsidiaries and joint venture companies within the MISC Group

### Past Experience

- General Manager, Asset Management, Offshore Business, MISC Berhad
- General Manager, JV Operations, PETRONAS Carigali Sdn Bhd
- General Manager, Production Operations, PETRONAS Carigali Sdn Bhd

## Profiles of the Board of Directors

## AUSMAL KARDIN



Non-Independent Non-Executive Director

## Present Directorships

## LISTED ISSUERS:

- Malaysia Marine and Heavy Engineering Holdings Berhad

## OTHER PUBLIC COMPANY:

NIL

## Present Appointments

- Member, BAC, MHB
- Board member in several subsidiaries and joint venture companies within the MISC/MHB Group

## Past Experience

- Company Secretary, MHB
- Senior General Manager, Legal, Corporate Secretarial & Compliance and Human Resource, MHB
- Senior General Manager, Legal & Corporate Secretarial Affairs, MHB
- General Manager, Legal, Corporate Secretarial and Administration, MHB
- General Manager, Legal & Administration, MHB
- Vice President, Legal & Secretarial, Bumi Armada

Number of  
Board Meetings  
Attended in 2021

1/1

Date of Appointment

3 November 2021

Length of Service  
(as at 16 February 2022)

3 months

## Academic/Professional Qualifications

- Bachelor's Degree in Law from the University of Wales, Aberystwyth, United Kingdom
- Licensed Company Secretary

## Skills and Experience

- Legal & Regulatory
- Corporate Governance
- Human Resource
- Oil & Gas
- Shipping

## Profiles of the Board of Directors

# PANDAI OTHMAN



Age  
52

Managing Director & Chief Executive Officer  
Non-Independent Executive Director



Number of  
Board Meetings  
Attended in 2021

12/12

Date of Appointment

1 October 2020

Length of Service  
(as at 16 February 2022)

1 year and 4 months

### Academic/Professional Qualifications

- Bachelor in Mechanical Engineering, University of Manchester Institute of Science and Technology (UMIST), Manchester, England
- Senior Management Development Program, INSEAD
- Advanced Management Program, Wharton

### Skills and Experience

- Oil & Gas
- Engineering
- Operations
- Procurement
- Risk Management
- Corporate Planning & Development
- Human Resource
- Corporate Governance
- Project Management
- Legal & Regulatory

### Present Directorships

#### LISTED ISSUERS:

- Malaysia Marine and Heavy Engineering Holdings Berhad

#### OTHER PUBLIC COMPANY:

NIL

### Present Appointments

- Board Member of several subsidiaries and jointly controlled entities within the PETRONAS and MHB Group

### Past Experience

- Senior General Manager, Integrated Hydrocarbon Management, Malaysia Petroleum Management, PETRONAS
- Senior General Manager, Plant Division, Malaysia LNG Sdn Bhd
- Project Director, PETRONAS LNG Train Project and Chief Executive Officer PETRONAS LNG 9 Sdn Bhd
- Project Director Downstream, GLNG Project, Brisbane, Australia
- Shareholders' Representative, Dragon LNG Project, Wales, United Kingdom
- Executive Assistant to the President, President's Office, PETRONAS
- Project Director, PML MegaMethanol Project, PETRONAS Methanol (Labuan) Sdn Bhd
- Engineering Manager, Egyptian LNG Project, Egypt
- Senior Project Engineer, MLNG Tiga Plant Project
- Project Engineer, Centralized Utilities Facilities (CUF) Project, PETRONAS Gas Berhad (PGB)
- Project Engineer, MLNG Tiga Plant Project
- Project Engineer, LPG Facilities Project
- Engineer (Developmental), MLNG Dua Plant Project

## Profiles of the Board of Directors

### Additional Information of the Board of Directors:

- Family Relationship: None of the Directors has any family relationship with any Director and/or major shareholder of MHB
- Conflict of Interest: Save as disclosed in this Integrated Annual Report, none of the Directors has any conflict of interest with MHB
- Conviction for Offences: None of the Directors has any conviction for offences, other than traffic offenses, if any, for the past 5 years
- Public Sanction or Penalty: None of the Directors has any sanction or penalty imposed on them by any regulatory bodies during the FY2021

# PROFILES OF THE MANAGEMENT COMMITTEE

## PANDAI OTHMAN



Managing Director & Chief Executive Officer  
Non-Independent Executive Director



### Date of Appointment

1 October 2020

### Length of Service (as at 16 February 2022)

1 year and 4 months

### Academic/Professional Qualifications

- Bachelor in Mechanical Engineering, University of Manchester Institute of Science and Technology (UMIST), Manchester, England
- Senior Management Development Program, INSEAD
- Advanced Management Program, Wharton

### Past Experience

- Senior General Manager, Integrated Hydrocarbon Management, Malaysia Petroleum Management, PETRONAS
- Senior General Manager, Plant Division, Malaysia LNG Sdn Bhd
- Project Director, PETRONAS LNG Train Project and Chief Executive Officer PETRONAS LNG 9 Sdn Bhd
- Project Director Downstream, GLNG Project, Brisbane, Australia
- Shareholders' Representative, Dragon LNG Project, Wales, United Kingdom
- Executive Assistant to the President, President's Office, PETRONAS
- Project Director, PML MegaMethanol Project, PETRONAS Methanol (Labuan) Sdn Bhd
- Engineering Manager, Egyptian LNG Project, Egypt
- Senior Project Engineer, MLNG Tiga Plant Project
- Project Engineer, Centralized Utilities Facilities (CUF) Project, PETRONAS Gas Berhad (PGB)
- Project Engineer, MLNG Tiga Plant Project
- Project Engineer, LPG Facilities Project
- Engineer (Developmental), MLNG Dua Plant Project

### Present Appointments

Board member in several subsidiaries and jointly controlled entities within MHB Group

## AHMAD ZAKRI MD SALLEH



Chief Financial Officer



### Date of Appointment

1 June 2019

### Length of Service (as at 16 February 2022)

2 years 8 months

### Academic/Professional Qualifications

- Bachelor of Commerce Degree majoring in Accounting and Finance, University of Melbourne, Australia
- Fellow of the Chartered Accountants Australia and New Zealand (CA ANZ)
- Fellow of the Institute of Chartered Accountants in England & Wales (ICAEW)
- Chartered Financial Analyst (CFA) Charterholder

### Past Experience

- Senior Manager, Business & Financial Planning and Performance, Finance Division, PETRONAS Dagangan Berhad
- Chief Financial Officer, PETRONAS Australia Pty Ltd
- Manager, President Special Assistant Unit, Office of President, PETRONAS
- Manager, Corporate Strategic Planning, PETRONAS
- Executive, Group Internal Audit, PETRONAS
- Senior Associate, Assurance & Business Advisory, PwC

### Present Appointments

Board member in several subsidiaries and jointly controlled entities within MHB Group

## Profiles of the Management Committee

**IR HISHAM  
HARON**

Senior General Manager, Marine Business

**Date of Appointment**

16 July 2016

**Length of Service (as at 16 February 2022)**

5 years 6 months

**Academic/Professional Qualifications**

- Bachelor of Engineering Degree in Marine Engineering, State University of New York, Maritime College, Fort Schuyler, New York, United States of America
- Professional Engineer with Practising Certificate in Marine Engineering, Board of Engineers Malaysia

**Past Experience**

- General Manager, Commercial of Marine Repair Business Unit, MMHE
- General Manager, Marine Repair and Conversion Division, MMHE
- Head of Divisional Planning, Marine Repair Division, MMHE

**Present Appointments**

- Chief Executive Officer, MMHE LNG Sdn Bhd
- President, Malaysian Offshore Contractors Association

**THIERRY  
RAVELET**

Senior General Manager, Heavy Engineering Operations

**Date of Appointment**

10 June 2019

**Length of Service (as at 16 February 2022)**

2 years 8 months

**Academic/Professional Qualifications**

- Master of Science in Operations Research: Florida Institute of Technology (FIT)
- Master Degree in Engineering - Operations Research: EISTI- Ecole International des Sciences du Traitement de l'Information
- BTEC Higher National Diploma - Civil Works: DUT Civil Works - LYON
- BTEC National Diploma - Mechanical: Baccalaureat Technologic serie E

**Past Experience**

- Deputy General Manager, Petromar (a Joint Venture of Saipem and Sonangol (Angolan Oil Company))
- Project Manager, PT Saipem Indonesia

**Present Appointments**

NIL

## Profiles of the Management Committee

### SHAHNIN ALBAKRI MUSTAFA ALBAKRI



Senior General Manager, Legal, Corporate Secretarial & Compliance



#### Date of Appointment

17 September 2020

#### Length of Service (as at 16 February 2022)

1 year 4 months

#### Academic/Professional Qualifications

- Bachelor of Laws (Honours), University of Malaya
- Member of Malaysian Association of Company Secretaries (MACS)

#### Past Experience

- Head of Legal, Uzma Berhad
- Head of Legal, Valesto Energy Berhad (formerly known as UMW Oil & Gas Corporation Berhad)
- Head, Legal and Compliance, Gas Malaysia Berhad
- General Manager, Compliance and Legal, Port of Tanjung Pelepas
- Vice President 2 Legal, Sime Darby Property Berhad
- Partner, Messrs Khairil & Co.
- Legal Assistant, Messrs Abraham Ooi & Partner

#### Present Appointments

NIL

### BADROL-IZAM BAHAROM



Senior General Manager, Human Resource



#### Date of Appointment

2 November 2020

#### Length of Service (as at 16 February 2022)

1 year 3 months

#### Academic/Professional Qualifications

- Bachelor of Science in Industrial Technology & Management, Texas A&I University Kingsville
- Professional Certification, Talent Management, Penn State University
- Certified Industrial Relations Manager accredited by MIHRM

#### Past Experience

- General Manager, HR Operations, Sapura Energy Berhad
- Industrial Relations Advisor (Asia-Pacific), TechnipFMC
- Head, HR, Technip Malaysia

#### Present Appointments

NIL

## Profiles of the Management Committee

**MOHAMAD  
YUSOF AHMAD**

Senior General Manager, Marine Operations

**Date of Appointment**

1 January 2021

**Length of Service (as at 16 February 2022)**

1 year 1 month

**Academic/Professional Qualifications**

- Bachelor Degree in Naval Architecture & Offshore Engineering, University of Strathclyde, Glasgow, United Kingdom

**Past Experience**

- Head, Marine Operations, MMHE
- MD & CEO, MMHE-EPIC Marine & Services Sdn Bhd
- General Manager in Kurnia Alliance Marine & Offshore Sdn Bhd
- General Manager in PT Surf Marine Indonesia
- Country Manager (Malaysia, Brunei and Indonesia), American Bureau of Shipping
- Director of Technology and Business Development in Qatar, Dubai and United Arab Emirates; American Bureau of Shipping
- Director of Offshore Project for Asia Pacific; American Bureau of Shipping

**Present Appointments**

Board member of MMHE-EPIC Marine &amp; Services Sdn Bhd

**AZAMAN @ AZMAN  
ABDUL RAHMAN**

Senior General Manager, Supply Chain &amp; Site Services

**Date of Appointment**

16 August 2021

**Length of Service (as at 16 February 2022)**

6 months

**Academic/Professional Qualifications**

- Bachelor of Science in Electrical Engineering, Louisiana State University, United States of America

**Past Experience**

- Head of Engineering, Building, Construction, Maintenance & Equipment, ENGEN Petroleum South Africa
- Head, Mechanical – Group Procurement, PETRONAS
- Head, Mechanical – Turbine, Generator & Compressor, PrimeSourcing International Sdn Bhd
- Head, Contract & Procurement, PETRONAS FLNG Satu Project
- Category Manager, Group SCM Division, PETRONAS
- Senior Facilities Engineer (Trans Thai-Malaysia Gas Plant Project), PETRONAS Gas Sdn Bhd
- Senior Electrical & Instrument Engineer, PETRONAS Gas Sdn Bhd
- Electrical & Instrument Engineer, PETRONAS Gas Sdn Bhd
- Production Superintendent, SGS-Thomson Microelectronics

**Present Appointments**

NIL

## Profiles of the Management Committee

### Additional Information of the Management Committee Members:

- Family Relationship: None of the Management Committee members has any family relationship with any Director and/or major shareholder of MHB
- Conflict of Interest: Save as disclosed in this Integrated Annual Report, none of the Management Committee members has any conflict of interest with MHB
- Conviction for Offences: None of the Management Committee members has any conviction for offences, other than traffic offenses, if any, for the past 5 years
- Public Sanction or Penalty: None of the Management Committee members has any sanction or penalty imposed on them by any regulatory bodies during the FY2021

# GOVERNANCE

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# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of MHB firmly believes that good corporate governance framework and practices are fundamental for the Company not only in attracting capital, creating shareholders' value and safeguarding other stakeholders' interest but also in building a resilient and sustainable business that could survive and thrive amidst future challenges. Over the years, the Company has weathered business and economic challenges and is currently geared up for transitioning into the recovery phase of the COVID-19 pandemic.

Following the Update of MCCG 2021 issued by the Securities Commission of Malaysia on 28 April 2021, the Board and Management will continue to enhance good governance practices in strategies and innovations and strive to operate responsibly to achieve short, medium and long-term objectives with conscious consideration on the impact to stakeholders.

This Corporate Governance Overview Statement (CG Overview Statement) sets out the Company's corporate governance processes and practices applied during the FY2021, in compliance with Para 15.25 (1) of Main Market Listing Requirement (MMLR) and guided by the principles and recommendations set out in the MCCG 2021 along with the Companies Act 2016 and Corporate Governance Guide (4<sup>th</sup> Edition) issued by Bursa Malaysia. Where applicable, this CG Overview Statement makes reference to the Integrated Annual Report which is available on the Company's website at [www.mhb.com.my](http://www.mhb.com.my).

This CG Overview Statement is to be read in conjunction with the Corporate Governance Report Card (CG Report) which is available on the Company's website at [www.mhb.com.my](http://www.mhb.com.my).

The CG Report provides details on how the Company has generally applied the practices under MCCG 2021 as well as the departures and alternative measures in place within the Company during the financial year under review and demonstrates the commitment of the Board and Management of the Company in applying and embracing the high standards of corporate governance in the organisation.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### Corporate Governance Structure

The table below illustrates the Group's governance structure, an overview of the key Board Committees and Management committees:



The CG Framework is supplemented by the Board Charter, TOR of the respective Board Committees and the MHB Group LOA.

## Corporate Governance Overview Statement

### 1. Board Charter

The Board's and the Individual Directors' roles and responsibilities are documented in the Board Charter which reflects the corporate governance framework and practices of the MHB Group. The Board Charter also outlines, amongst others, the role of the MD & CEO, the role of the Company Secretaries, Board processes, Board functions, Board development and Board Diversity Policy. The Board Charter is periodically reviewed to ensure its compliance and relevance to the prevailing laws, rules, regulation and best practices.

The Board Charter is available in the Corporate Governance section on the Company's website at [www.mhb.com.my](http://www.mhb.com.my).

In addition to the Board Charter, the governance framework of MHB is supported by the MHB Group LOA which defines further the matters as well as the applicable limits specifically reserved for the Board's approval and those delegated to the MD & CEO and Management.

The MHB's Group LOA was revised on 1 December 2021.

### 2. Board Roles and Responsibilities

The Board's main tasks are to provide strategic guidance for the Company and effective oversight of Management. In addition, the Board oversees the overall strategy and business direction of the Group and to provide assurance to the stakeholders that their interests are being met in the best possible manner. The Board deals with and decides on pertinent matters for the Company including:-

- strategies and business plan;
- business conduct and key operational initiatives;
- financial plans, annual budget and performance reviews;
- major investments, expansions, divestments, funding proposals and diversification of business;
- major human resource matters vis-à-vis succession planning and talent development for key management positions;
- risk management;
- corporate governance best practices.

Some of the key responsibilities of the Board are further elaborated in this Integrated Annual Report.

### 3. Strategic and Business Plans

The Board plays an active role in the development of the Company's strategies and business plan. A dedicated Special Board Meeting is held in the third quarter of each year to give guidance or specific advice on the Company's strategic business objectives and Management's proposed strategic initiatives covering short-term, medium-term and long-term scenarios. Based on the guiding parameters provided by the Board and Board Committees as well as results obtained from comprehensive research on the macro environment as well as Company's internal capability, Management develops the Company's business plan and budget, as well as scorecard for the next financial year which are presented to the Board at a Special Board Meeting, held before the end of the year. During deliberation of the proposed business plans, budget and scorecard of the Company, the Board Committees and subsequently, the Board will challenge Management's perspectives and assumptions applied in formulating the plan to ensure the best outcomes are achieved.

### 4. Sustainability Management

The Board together with Management acknowledge their responsibility for promoting sustainability in areas covering health, safety and environment as well as social and governance. Further information on MHB's approach towards sustainability is provided in the Sustainability Statement on pages 106 to 183 of this Integrated Annual Report.

### 5. Ethics and Compliance

In keeping with the principles of sound corporate governance, the Board is committed to promote a culture of integrity and ethical values. MHB has put in place its set of CoBE, which includes the Whistleblowing Policy and the No Gift Policy. The CoBE is applicable to all Directors and employees within the Group as well as third parties performing works or services for and on behalf of the Company. It promotes the desired standard of behaviour and ethical conduct expected from each individual and party to whom the CoBE applies.

Apart from the CoBE, the Board has adopted the ABC Manual. The ABC Manual explains the principles of anti-corruption and provides guidance to supplement the CoBE and is the basis on which the Company has established adequate procedures to prevent any person associated with the Group from engaging in any inappropriate conduct in the course of doing business.

## Corporate Governance Overview Statement

MHB is certified to ISO 37001: 2016 Anti-Bribery Management System by SIRIM QAS International Sdn Bhd. ISO 37001 is designed to guide organisations to prevent, detect, respond to and comply with laws, regulations and other requirements and to make voluntary commitments to combat bribery. It also provides the requirements and guidance for establishing, implementing, maintaining and improving an anti-bribery management system.

The Board has also adopted the Human Rights Commitment, Modern Slavery Policy and Modern Slavery Statement on 18 February 2021.

Additional details on these codes and policies can be found in the Sustainability Statement on pages 106 to 183 of this Integrated Annual Report.

### 6. Board Composition and Diversity

The Board consists of nine (9) Directors, all of whom are non-executive, except for the MD & CEO. Of the eight (8) NEDs, five (5) are Independent Directors, which exceeds the requirement for one-third (1/3) of the Board members to be independent as set out under Paragraph 15.02 of the MMLR.

The composition of the Board is also in line with Practice 5.2 of MCCG 2021, by virtue of the fact that 56% of its composition are Independent Directors. The role of Independent Directors are crucial particularly in the area of related party transactions where their presence is imperative to protect the interests of the minority shareholders.

The nine (9) members of the Board are persons of high integrity and calibre who have sound knowledge and understanding of MHB's business and provide a diversity of breadth in experience and knowledge.

They are industry leaders and professionals who possess the background and expertise in specialised fields such as strategic planning, engineering and construction, corporate finance and accounting, oil and gas industry, procurement and management, legal and governance which are critical to the Group's business and sustainability. Each Director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made in the best interest of the Group.

The Board is of the view that its composition is adequate in terms of size, skills and experience, diversity of age and background to ensure well-balanced views to facilitate effective decision making.

The size and composition of the Board are reviewed annually, taking into account the scope, nature and diversity of the business operations of the Group.

As of 16 February 2022, the Board composition is as follows:

Director's Name	Age	Gender	Nationality	Date of Appointment
Datuk Nasarudin Md Idris	67	Male	Malaysian	23 February 2017
Choy Khai Choon	65	Male	Malaysian	5 February 2013
Keith Taylor	70	Male	British	1 June 2019
Ir Wan Yusoff Wan Hamat	69	Male	Malaysian	15 September 2020
Gladys Leong	61	Female	Malaysian	15 September 2020
Datuk Yee Yang Chien	54	Male	Malaysian	1 April 2008
Syed Hashim Syed Abdullah	66	Male	Malaysian	1 January 2016
Ausmal Kardin	52	Male	Malaysian	3 November 2021
Pandai Othman	52	Male	Malaysian	1 October 2020

## Corporate Governance Overview Statement

Each Director is expected to devote sufficient time in carrying out their duties and responsibilities to the Company. The Chairman will be notified before the Directors accept any new directorship outside the Group. The notification would include an indication of the time commitment required for the new appointment. In accordance with the MMLR, none of the Board members hold more than five (5) directorships in listed companies.

Board Skills and Experience Matrix									
	Datuk Nasarudin Md Idris	Choy Khai Choon	Keith Taylor	Ir Wan Yusoff Wan Hamat	Gladys Leong	Datuk Yee Yang Chien	Syed Hashim Syed Abdullah	Ausmal Kardin	Pandai Othman
Corporate Planning & Development	•	•	•	•		•	•		•
Risk Management	•	•	•	•	•	•	•		•
Oil & Gas	•		•	•		•	•	•	•
Operations	•		•	•	•	•	•		•
Procurement	•		•	•	•		•		•
Commercial/Marketing	•	•	•			•			
Project Management		•	•	•	•	•	•		•
Economics	•	•				•			
Shipping	•					•	•	•	
Engineering			•	•			•		•
Human Resource	•	•	•	•	•	•		•	•
Corporate Governance	•	•			•		•	•	•
Legal & Regulatory								•	•
Finance	•	•	•		•	•	•		
Accounts		•			•				
Audit	•	•	•	•	•	•	•		

## Corporate Governance Overview Statement

The Company endeavours to fulfil gender diversity provided by MCCG 2021 in its Board renewal exercise as well as the appointment of Senior Management. Nonetheless, the main criteria of the MHB Board's candidate is meritocracy based on relevant qualifications, experience, knowledge and expertise that will enhance the Board's value.

The diversity policy which is embedded in the Board Charter may be referred to [www.mhb.com.my](http://www.mhb.com.my).

*For more information on the Board members, please refer to their respective profiles on pages 187 to 195 of this Integrated Annual Report.*

### 7. Demarcation of Responsibilities

The positions of Chairman and MD & CEO are held separately by Datuk Nasarudin Md Idris and Pandai Othman, respectively. Separation in the role of the Chairman and the MD & CEO is imperative as both roles have different expectations and provide the necessary checks and balances.

#### **Chairman**

The Independent Chairman provides leadership for the Board and is primarily responsible to ensure the Board fulfils its obligations to the Company effectively. This includes setting the agenda, style and tone of Board discussions so as to promote constructive debate, effective decision-making, instilling and monitoring good corporate governance practices and leading all Board meetings and general meetings.

The Board may decide whether additional Board Committees are required to support their role.

The Chairman of MHB is not a member of the BAC, NRC or BRC. This practice is aligned with Practice 1.4 of MCCG 2021.

#### **MD & CEO**

The MD & CEO leads the overall operations of the business and organisational effectiveness with the support of the Management Committee. In addition, the MD & CEO coordinates the development and implementation of policies and business strategies and ensures that business affairs, financial and risk management are carried out transparently, ethically and in compliance with the relevant laws and regulations in the interest of the stakeholders.

All Board authorities conferred on the Management is delegated through the MD & CEO and this will be considered as the MD & CEO's authority and accountability.

#### **Independent Non-Executive Directors**

The INEDs are independent of management and free from any business or other relationships that could interfere with their independent judgment in deliberating matters of the Board. MHB has applied Practice 5.3 of the MCCG 2021 where the INEDs tenure will not exceed a cumulative term limit of nine (9) years. For the year under review, the INEDs have reaffirmed their independence based on the criteria on Independent Directors as provided in the MMLR.

The NEDs ensure that the strategies proposed by Management are fully deliberated and examined in the long-term interest of the Group, the shareholders and other stakeholders.

#### **Senior Independent Non-Executive Director**

The SINED was appointed in accordance with the MMLR on 1 November 2017.

As a SINED, his responsibilities include:

- acting as a sounding board for the Chairman;
- acting as an intermediary for other Directors and/or Chairman when necessary;
- acting as a point of contact for shareholders and other stakeholders on areas that cannot be resolved through the normal channel of contact with the Chairman or MD & CEO; and
- to execute such other roles as designated by the Board from time to time.

All queries relating to the Group can be channelled to the SINED's email address, [steven.choy@mmhe.com.my](mailto:steven.choy@mmhe.com.my) or directed to the following address:

#### **Choy Khai Choon**

Senior Independent Non-Executive Director  
Malaysia Marine and Heavy Engineering Holdings Berhad  
Level 31, Menara Dayabumi  
Jalan Sultan Hishamuddin  
50050 Kuala Lumpur  
Malaysia

## Corporate Governance Overview Statement

### 8. Board Meetings, Information, Access to Management, Company Secretaries and External Experts

The Board of Directors' meetings together with tentative agenda are scheduled in advance of any new financial year to enable Directors to plan and fit the proposed meetings into their schedules. The Board meets quarterly and additional meetings are held as and when required.

Scheduled Board meetings agenda include review of financial and non-financial information matters covering amongst others, strategic, operational, regulatory, governance and human resource issues. There are matters reserved specifically for the Board's decision, including the approval of the Group's plans and budget, major investments, acquisitions and divestments, appointment of key management positions, corporate scorecard, performance evaluation of key management as well as establishment of key policies and procedures. Urgent papers may be presented and tabled at meetings under the item "Any Other Business", subject to the approval of both the Chairman and MD & CEO.

Board papers on each item on the agenda, are distributed to the Directors within a reasonable period prior to the Board meeting to ensure that Directors have sufficient time to evaluate and review the proposals to facilitate better discussion and deliberation at the meetings. However, sensitive and highly confidential matters may be provided on the meeting day.

Access to Board papers is provided electronically through a software which allows the Directors to securely access, read and review Board documents anytime and anywhere.

Presentations and briefings by Management, Chairmen of Board Committees and relevant external consultants, where applicable, are also held at Board meetings to provide further clarity to the Board. In this regard, relevant information is furnished and clarifications are given to assist the Board in making an informed decision.

The Directors also have direct access to the advice and services of the Company Secretaries and are regularly updated on new statutory and regulatory requirements relating to the duties and responsibilities of the Directors.

In FY2021, the Board has in its meeting deliberated among others, the following matters:-

- strategies and business plan;
- key operational activities and initiatives;

- financial plans, annual budget and performance reviews;
- investments, divestments, diversification of business;
- succession planning and talent development for the Board and key management positions;
- risk management;
- corporate governance best practices;
- sustainability framework and roadmap;
- major bid submissions.

Due to the COVID-19 pandemic, all twelve (12) Board meetings during the financial year under review were held virtually. All Directors complied with the requirements of Paragraph 15.05(3) (c) of the MMLR which stipulates a minimum of 50% attendance of the Board meetings held in a financial year.

Details of each Board member's attendance are as follows:-

Members	No. of Meetings attended
Datuk Nasarudin Md Idris (Chairman)	12 out of 12
Choy Khai Choon	12 out of 12
Keith Taylor	12 out of 12
Ir Wan Yusoff Wan Hamat	12 out of 12
Gladys Leong	12 out of 12
Datuk Yee Yang Chien	12 out of 12
Syed Hashim Syed Abdullah	12 out of 12
Ausmal Kardin (appointed on 3 November 2021)	1 out of 1
Pandai Othman	12 out of 12
Emran Othman (retired on 1 August 2021)	7 out of 7

It is a practice in all MHB Board and Board Committee meetings that in the event a Director has an interest in a particular matter or proposal to be considered in the meeting, said Director is required to declare the nature of his or her interest prior to the deliberation. The interested Director is required to abstain from deliberating and voting on the particular matter. Where necessary, he or she would also excuse himself or herself and leave the meeting during the deliberation of the matter concerned.

The Board's deliberations and decisions are properly recorded in minutes of the Board meetings and distributed by the Company Secretaries in a timely manner.

## Corporate Governance Overview Statement

### 9. Directors' Training and Development

The Company Secretaries facilitate the orientation of new directors and assist in directors' training and development.

All Board members of the Company have attended the Mandatory Accreditation Programme as required by the MMLR.

The Directors are also encouraged to attend continuous education programmes, talks, seminars, workshops, conferences and other training programmes to enhance their skills and knowledge and to keep abreast with new developments in the business environment.

Training programmes, conferences and seminars deemed beneficial to the Directors are identified on an ongoing basis and the Company allocates a training budget to support the continuous development of the Directors. In addition, an in-house training programme on topics of relevance for the Directors based on their specific training needs is jointly organised with the parent company, MISC Berhad, on an annual basis.

Virtual training programmes, conferences and forums attended by the Directors during the financial year under review among others, were as follows:-

DIRECTOR	TRAINING ATTENDED	ORGANISER	DATE
Datuk Nasarudin Md Idris	• (Session 2) - Offshore Wind Industry Market Outlook	MISC Berhad	8 June 2021
	• (Session 3) - Oil Tankers, LNG Carrier and Marine Repair Markets Outlook	MISC Berhad	9 June 2021
	• (Session 3) - LNG and LNG Shipping Markets Outlook	MISC Berhad	10 June 2021
	• AET Compliance & Maritime Security Training	AET TANKERS	24 August 2021
	• MISC Group Directors' Training FY2021	MISC Berhad	1 December 2020
Choy Khai Choon	• 6 <sup>th</sup> PETRONAS Board Audit Committee (BAC) Forum	PETRONAS	7 September 2021
	• MISC Group Directors' Training FY2021	MISC Berhad	1 December 2021
	• Audit Oversight Board Conversation with Audit Committees	SECURITIES COMMISSION OF MALAYSIA	6 December 2021
	• Industry Briefing on Finance Bill	DELOITTE	17 December 2021
	• Briefing on Malaysian Budget 2022	BOARDROOM CORPORATE SERVICES SDN BHD	21 December 2021
Keith Taylor	• Webinar Series : Audit Committee Conference 2021	MALAYSIAN INSTITUTE OF ACCOUNTANTS	15 – 16 March 2021
	• (Session 1) - Offshore Oil & Gas Business Market Outlook	MISC Berhad	3 June 2021
	• (Session 3) - Oil Tankers, LNG Carrier and Marine Repair Markets Outlook	MISC Berhad	9 June 2021
	• (Session 5) - Digitalisation and Decarbonisation in the Maritime Industry	MISC Berhad	11 June 2021
	• MISC Group Directors' Training – Global Energy Outlook & Trends	MISC Berhad	6 July 2021
	• 6 <sup>th</sup> PETRONAS BAC Forum	PETRONAS	7 September 2021
	• Audit Oversight Board Conversation with Audit Committees	SECURITIES COMMISSION OF MALAYSIA	6 December 2021

## Corporate Governance Overview Statement

DIRECTOR	TRAINING ATTENDED	ORGANISER	DATE
Ir Wan Yusoff Wan Hamat	<ul style="list-style-type: none"> <li>Board Directors 101 Series:               <ol style="list-style-type: none"> <li>Module 1 on 13 July at 9.00 am: Appreciation of Corporate Governance</li> <li>Module 2 on 14 July at 9.00 am: Board Financial &amp; Risk Oversight</li> <li>Module 3 on 15 July at 9.00 am: Board Dynamics</li> </ol> </li> </ul>	BOARDROOM CORPORATE SERVICES IN COLLABORATION WITH LEADWOMEN SDN BHD.	13 – 15 July 2021
	<ul style="list-style-type: none"> <li>MISC Group Directors' Training FY2021</li> </ul>	MISC Berhad	1 December 2021
Gladys Leong	<ul style="list-style-type: none"> <li>Webinar Series: Audit Committee Conference 2021</li> </ul>	MALAYSIAN INSTITUTE OF ACCOUNTANTS	15 – 16 March 2021
	<ul style="list-style-type: none"> <li>(Session 2) - Offshore Wind Industry Market Outlook</li> </ul>	MISC Berhad	8 June 2021
	<ul style="list-style-type: none"> <li>(Session 3) - Oil Tankers, LNG Carrier and Marine Repair Markets Outlook</li> </ul>	MISC Berhad	9 June 2021
	<ul style="list-style-type: none"> <li>(Session 4) - LNG and LNG Shipping Market Outlook</li> </ul>	MISC Berhad	10 June 2021
	<ul style="list-style-type: none"> <li>(Session 5) - Digitalisation and Decarbonisation in the Maritime Industry</li> </ul>	MISC Berhad	11 June 2021
	<ul style="list-style-type: none"> <li>MISC Group Directors' Training – Global Energy Outlook &amp; Trends MISC</li> </ul>	MISC Berhad	6 July 2021
	<ul style="list-style-type: none"> <li>FORUM Engagement Session on Board Leadership Framework</li> </ul>	FIDE FORUM	18 August 2021
	<ul style="list-style-type: none"> <li>Webinar on The Board's Role &amp; Responsibilities in Crisis Communication</li> </ul>	FIDE FORUM	19 August 2021
	<ul style="list-style-type: none"> <li>6<sup>th</sup> PETRONAS BAC Forum</li> </ul>	PETRONAS	7 September 2021
	<ul style="list-style-type: none"> <li>Understanding Board Decision-Making Process</li> </ul>	ICLIF EXECUTIVE EDUCATION CENTER	12 – 13 October 2021
	<ul style="list-style-type: none"> <li>FORUM Dialogue on The 2050 Net Zero Carbon Emissions Target: Finance's Role</li> </ul>	FIDE FORUM	12 November 2021
	<ul style="list-style-type: none"> <li>MISC Group Directors' Training FY2021</li> </ul>	MISC Berhad	1 December 2021
	<ul style="list-style-type: none"> <li>Annual Dialogue with Governor of Bank Negara Malaysia</li> </ul>	FIDE FORUM	3 December 2021
	<ul style="list-style-type: none"> <li>Audit Oversight Board Conversation with Audit Committees</li> </ul>	SECURITIES COMMISSION OF MALAYSIA	6 December 2021
Datuk Yee Yang Chien	<ul style="list-style-type: none"> <li>(Session 1) - Offshore Oil &amp; Gas Business Market Outlook</li> </ul>	MISC Berhad	3 June 2021
	<ul style="list-style-type: none"> <li>(Session 2) - Offshore Wind Industry Market Outlook</li> </ul>	MISC Berhad	8 June 2021
	<ul style="list-style-type: none"> <li>(Session 3) - Oil Tankers, LNG Carrier and Marine Repair Markets Outlook</li> </ul>	MISC Berhad	9 June 2021
	<ul style="list-style-type: none"> <li>(Session 4) - LNG and LNG Shipping Market Outlook</li> </ul>	MISC Berhad	10 June 2021
	<ul style="list-style-type: none"> <li>(Session 5) - Digitalisation and Decarbonisation in the Maritime Industry</li> </ul>	MISC Berhad	11 June 2021
	<ul style="list-style-type: none"> <li>MISC Group Directors' Training FY2021</li> </ul>	MISC Berhad	1 December 2021
Syed Hashim Syed Abdullah	<ul style="list-style-type: none"> <li>MISC Group Directors' Training FY2021</li> </ul>	MISC Berhad	1 December 2021
Ausmal Kardin	<ul style="list-style-type: none"> <li>MISC Group Directors' Training FY2021</li> </ul>	MISC Berhad	1 December 2021
	<ul style="list-style-type: none"> <li>Audit Oversight Board Conversation with Audit Committees</li> </ul>	SECURITIES COMMISSION OF MALAYSIA	6 December 2021

## Corporate Governance Overview Statement

DIRECTOR	TRAINING ATTENDED	ORGANISER	DATE
Pandai Othman	<ul style="list-style-type: none"> <li>Mandatory Accreditation Programme</li> </ul>	ICLIF EXECUTIVE EDUCATION CENTRE	31 March 2021 – 2 April 2021
	<ul style="list-style-type: none"> <li>MISC Group Directors' Training FY2021</li> </ul>	MISC Berhad	1 December 2021
	<ul style="list-style-type: none"> <li>Audit Oversight Board Conversation with Audit Committees</li> </ul>	SECURITIES COMMISSION OF MALAYSIA	6 December 2021

## 10. Directors' Remuneration

The Company aims to set remuneration for Directors at levels which are sufficient to attract and retain persons of calibre to guide the Group, taking into consideration the workload, scopes and responsibilities involved. The level of remuneration for NEDs reflects the level of responsibilities undertaken and contributions made by them. MHB's policy for remunerating its Directors is based on the PETRONAS Public Listed NEDs' Remuneration Guidelines and Package, details as follows:-

Description	Chairman	NED
Monthly Fixed Fees	RM20,000/month	RM10,000/month
Meeting Allowance	RM3,500/meeting	RM3,500/meeting

Notes:-

- Directors' fees and meeting allowances payable to the NINED are paid directly to MISC Berhad instead of the individual Directors
- INEDs are entitled to RM6,000 of fuel allowance per annum and Group Directors' and Officers' Insurance coverage of up to RM1.29 billion per occurrence and in aggregate

Remuneration paid to the NEDs is approved by shareholders at the AGM.

For the financial year under review, the Remuneration which comprises fees, meeting allowances and other benefits received by each Director is as listed below:-

Name of Directors	Fees (RM)	Allowance (RM)	Benefits-in-kind (RM)	Total (RM)
Datuk Nasarudin Md Idris (Chairman)	240,000	42,000	-	282,000
Choy Khai Choon	120,000	84,000	6,000	210,000
Keith Taylor	120,000	98,000	-	218,000
Ir Wan Yusoff Wan Hamat	120,000	94,500	6,000	220,500
Gladys Leong	120,000	63,000	6,000	189,000
*Datuk Yee Yang Chien	120,000	42,000	-	162,000
*Syed Hashim Syed Abdullah	120,000	94,500	-	214,500
*Ausmal Kardin (appointed on 3 November 2021)	19,333	3,500	-	22,833
*Emran Othman (retired on 1 August 2021)	70,000	38,500	-	108,500
<b>TOTAL</b>	<b>1,049,333</b>	<b>560,000</b>	<b>18,000</b>	<b>1,627,333</b>

Notes:

- The amounts are provided before any tax adjustments
- \* Fees paid directly to MISC Berhad as management fees

## Corporate Governance Overview Statement

### 11. Company Secretaries

To ensure the effective functioning of the Board, all Directors have the support of suitably qualified and competent Company Secretaries. The Company Secretaries play an advisory role to the Board in relation to compliance with relevant laws, rules, regulations and governance best practices, boardroom effectiveness and Directors' duties and responsibilities.

The Company Secretaries ensure that deliberations at meetings of the Board and Board Committees are properly captured, minuted and communicated to Management for necessary action.

In FY2021, the Company Secretaries were Shahrin Albakri Mustafa Albakri and Haniza Sabaran. Shahrin Albakri is a qualified legal professional whereas Haniza Sabaran is a Fellow of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA). Both Shahrin Albakri and Haniza Sabaran are qualified to act as company secretaries under Section 235(2) of the Companies Act 2016.

### 12. Board Committees

The Board Committees are committed to the highest standards of good governance and provide excellent support to the Board and Management.

The Board is supported by the following Board Committees:

- i) NRC;
- ii) BAC; and
- iii) BRC

On 8 February 2021, the Board approved the formation of the BRC in line with the Step-Up Practice 10.3 of the MCCG 2021. The Board Committees' compositions are in accordance with the best practices as prescribed by the MCCG 2021 to ensure their effectiveness and to efficiently discharge their duties and responsibilities. Each Board Committee operates within its own TOR, which clearly defines its role and functions.

The Chairman of each Committee will report to the Board on the deliberations, discussions and outcome of the Committee meetings.

### PRINCIPLE B: EFFECTIVE RISK MANAGEMENT AND INTERNAL CONTROL

#### Board Audit Committee

The BAC, previously known as Board Audit & Risk Committee was established to assist the Board in ensuring the integrity of financial reporting and the existence of a sound internal control system within the Group. The BAC also monitors compliance with established policies and procedures and assesses the suitability, objectivity and independence of both the external and internal audit functions.

The main functions of the BAC are enumerated in the BAC Report as set out on pages 220 to 223 of this Integrated Annual Report.

#### Risk Management and Internal Control

The Board continues to maintain and review its risk management process and procedures to safeguard shareholders' investment and the assets of the Company and its Group through the establishment of the BRC.

The main functions of the BRC are set out in the BRC Report on page 225 of this Integrated Annual Report.

The Statement on Risk Management and Internal Control provides an overview of the risk management and internal controls within MHB Group and further details can be found on pages 226 to 233 of this Integrated Annual Report.

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

#### Communication with Stakeholders

The Board takes cognisance of the importance in having effective, transparent and regular communication with the Company's stakeholders.

Further details on the Company's efforts on stakeholder communication can be found on page 106 to 183 of the Sustainability Statement which is embedded in the Company's Integrated Annual Report.

#### Integrated Reporting

MHB has adopted integrated reporting based on a globally recognised framework in view to improving the quality of information available for investors and promoting greater transparency and accountability on the part of the Company, in line with the MCCG 2021.

## Corporate Governance Overview Statement

The Company has adopted the <IR> framework on a staggered basis since 2017. The Company's Annual Report 2018, 2019 and 2020 were prepared based on the integrated reporting framework. For the Integrated Annual Report FY2021, more enhancement has been incorporated and the Company is proud to publish its inaugural Integrated Annual Report this year.

### Annual General Meeting

The AGM is the principal forum of dialogue with shareholders and also an avenue for the Chairman and Board members to communicate directly with shareholders. Shareholders are encouraged to attend, participate, speak and vote at the Company's general meetings.

The COVID-19 pandemic has prompted the Company to leverage technology to facilitate hosting virtual AGM since FY2020 and made available remote participation and voting in absentia for shareholders.

In view to encouraging participation of remote shareholders and ensuring cyber-hygiene at the virtual AGM, the Company has in place the following measures:-

- Issued a comprehensive Administrative Guide as guidance to shareholders
- Enabled electronic lodgement of Form of Proxy
- Broadcasted the AGM proceeding via a web portal and mobile application
- Addressed the Questions raised by the Minority Shareholders Watch Group (MSWG) and the responses at the AGM
- Enabled questions from shareholders to be submitted through the virtual AGM platform or via email
- The MD & CEO presented the business and financial highlights prior to the AGM proceedings and responded to the questions received from shareholders wherein the compilation of questions and answers were published on the Company's website at **[www.mhb.com.my](http://www.mhb.com.my)**.

All Boards members attended the FY2021 AGM virtually except for the Chairman and the MD & CEO who were present at the broadcast venue. The Notice of AGM was issued more than 28 days as recommended by the MCCG and in accordance with Paragraph 8.29A1 of the MMLR, the Company has conducted electronic polling at the AGM. The poll results were verified by the appointed scrutineers and announced by the Chairman. The summary of key matters discussed at the AGM, was published on the Company's website as soon as practicable.

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board of Directors passed on 18 February 2022.

# NOMINATION AND REMUNERATION COMMITTEE REPORT

## Overview

In compliance with Paragraph 15.08A of the MMLR, the Nomination Committee (NC) and Remuneration Committee (RC) were established on 9 July 2010. Effective from 5 February 2013, the NC and RC were combined and became the Nomination and Remuneration Committee (NRC).

## Terms of Reference

The TOR of the NRC which set out the authority, duties and responsibilities of the NRC are consistent with the requirements of the MMLR and the MCGG 2021.

For more information on TOR of the NRC, please refer to the Company's website [www.mhb.com.my](http://www.mhb.com.my).

## Composition

The NRC comprises of two (2) INEDs and one (1) NINED. The composition complies with the requirement of Paragraph 15.08A(1) of the MMLR, which provides that the NRC must comprise exclusively non-executive directors, the majority of whom are independent directors. As of the date of this report, the composition of the NRC is as follows:

Members	Designation
Ir Wan Yusoff Wan Hamat <i>(Independent Non-Executive Director)</i>	Chairman
Choy Khai Choon <i>(Senior Independent Non-Executive Director)</i>	Member
Syed Hashim Syed Abdullah <i>(Non-Independent Non-Executive Director)</i>	Member

## Meetings

The NRC meets not less than twice a year with additional meetings convened as and when necessary.

The MD & CEO attends the NRC meetings to facilitate the discussion, as well as to provide appropriate information and advice on relevant matters for the NRC. The Company Secretaries act as the Secretaries of the NRC.

NRC meetings together with the tentative agenda scheduled in advance of any new financial year to allow the NRC members to plan and incorporate the proposed meetings into their respective schedules.

The agenda and meeting papers are distributed to the NRC members via secured collaborative software, which eases the process of distribution of meeting papers and minimises leakage of sensitive information, as well as enabling the Directors to have access to the papers electronically, anytime and anywhere. All proceedings of the NRC meetings are duly recorded in the minutes and are properly kept by the Company Secretaries. Minutes of the NRC meeting were tabled for confirmation at the following scheduled quarterly NRC meeting, after which they were presented to the Board for notation.

Details of each NRC member's attendance are as follows:

Members	No. of meetings attended
Ir Wan Yusoff Wan Hamat	5 out of 5
Choy Khai Choon	5 out of 5
Syed Hashim Syed Abdullah	5 out of 5

## Functions of the NRC and related activities in FY2021

### Board Membership - Appointment/Re-election of Directors and Succession Planning

The NRC is responsible to ensure the appropriate succession planning of Directors and Senior Management. The NRC reviews the Board's required mix of skills and experience, tenure of Independent Directors and proposes re-appointment or re-election of Directors that take place at the AGM.

MHB practices a formal and transparent process on the appointment of new Directors. The nomination of NINEDs to the Board is made by MISC Berhad being the majority shareholder of the Company. The nomination of INEDs to the Board may be made via the recommendations from the Board members and/or through the engagement of a professional recruiting firm to find the most suitable candidates to fill any vacancy.

The potential candidates to assume the role of INEDs are first tabled to the NRC for consideration and evaluated based on merit, suitability with the Company's objectives and required mix of skills, knowledge, expertise, experience, professionalism, integrity, personal attributes and time commitment required to effectively fulfil his or her role as a Director. Diversity in terms of age, gender and ethnicity is also considered during the selection process.

## Nomination and Remuneration Committee Report

During the year under review, the NRC conducted its annual review of the Board succession plan to identify the circumstances giving rise to a Board vacancy, including casual vacancy, tenure and gaps in Board diversity. Arising therefrom, the NRC obtained the Board's endorsement to commence the search for candidates, through independent search firms and recommendations in view to find a replacement of the retiring Director.

### Directors' Re-election and Re-appointment

The NRC is also responsible for recommending to the Board, Directors who are standing for re-appointment or re-election at the AGM pursuant to Rules 21.7 and 21.8 of MHB's Constitution, respectively.

During the year under review, the NRC endorsed the re-election of the following Directors pursuant to Rule 21.7 and 21.8 of MHB's Constitution at the MHB's 32<sup>nd</sup> AGM:

<p><b>Rule 21.7</b></p> <ul style="list-style-type: none"> <li>• Ir Wan Yusoff Wan Hamat</li> <li>• Gladys Leong</li> </ul>	<p><b>Rule 21.8</b></p> <ul style="list-style-type: none"> <li>• Choy Khai Choon</li> <li>• Syed Hashim Syed Abdullah</li> </ul>
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In line with the practice recommended by the MCCG 2021, the Board has adopted a policy whereby the INEDs total tenure is capped at nine (9) years.

Choy Khai Choon, having served the Board for nine (9) years will vacate his office as a Board member at the conclusion of the 33<sup>rd</sup> AGM.

### Board Performance Evaluation - Board and Board Committees' and Individual Directors' Assessment

The performance of the Board and the Board Committees is tracked annually against the Board Key Performance Indicators (KPIs), using a Performance Evaluation Sheet as a tool. The Board KPIs focus on achievements of measurable 'hard targets' based on three criteria, i.e. Board Structure, Board Operations and Board Roles and Responsibilities. Each Director is required to give Rating '1' for Best Practice, Rating '2' for Meets Requirement or Rating '3' for Areas of Improvement. The final ratings are then reviewed by the NRC and Board.

During the year under review, the following areas has been assessed:

Board Performance Evaluation	<p><b>Board and Management Structure</b></p> <ul style="list-style-type: none"> <li>• Composition</li> <li>• Board Committees Evaluation</li> <li>• Orientation, Training &amp; Development</li> </ul> <p><b>Board Operations</b></p> <ul style="list-style-type: none"> <li>• Timeliness</li> <li>• Adequacy of Information</li> <li>• Access to Management</li> </ul> <p><b>Board Roles and Responsibilities</b></p> <ul style="list-style-type: none"> <li>• Strategic Vision</li> <li>• Risk Management &amp; Internal Controls</li> <li>• Succession Planning</li> <li>• Investor Relations</li> </ul>
Board Committees Performance Evaluation	<ul style="list-style-type: none"> <li>• Effectiveness</li> <li>• Discharge of functions, duties and responsibilities in accordance with the TOR</li> </ul>

## Nomination and Remuneration Committee Report

During the year under review, the Board Effectiveness Evaluation (BEE) questionnaire was circulated through a digital platform and the observations are as follows:-

- Generally, the Board Members have rated the performance of the Board Committees satisfactory in the discharge of their respective responsibilities and in providing useful and timely recommendations to the Board for decision making.
- In terms of Board independence, the current composition of Independent Directors on the MHB Board is sufficient to provide unbiased, balanced and independent views in the best interest of the Company.

The performance of the individual Directors was assessed using peer and self-evaluation. The Individual Directors Performance Assessment (IDPA) Questionnaire for the assessment was adopted from the template provided in the Corporate Governance Guide (3<sup>rd</sup> Edition) issued by Bursa Malaysia.

The IDPA Questionnaire covers three (3) broad criteria enumerated below, which are useful in reviewing the performance effectiveness of each director in discharging his or her role as a director and addressing leadership issues if any and observation of the individual directors' behavioural dynamics at the Board meetings.

- (A) Fit and proper;
- (B) Contribution and performance; and
- (C) Calibre and personality.

Based on the IDPA results, it is observed that there are no adverse findings on any Directors. Individual reports for each Director have also been prepared on an anonymous basis, for analysis purposes and subsequently shared with the Board Members, individually.

An annual review of Directors Skills and Experience is carried out to identify any skill gaps in which material input is useful in the board's succession planning programme. The identified gaps in new skills especially will be considered as Directors' need for training and professional developments.

### Senior Management - Appointment and Succession Planning

The NRC is tasked with making the appropriate recommendations to the Board for the appointment or renewal of contracts of employment of the MD & CEO and Management Committee (MC) members of the Company, taking into account diversity in addressing the MC composition.

During the year under review, having conducted all relevant reviews and assessments, the NRC deliberated and recommended the appointment of the following MC members:

- Mohamad Yusof Ahmad, (appointed as Senior General Manager, Marine Operations with effect from 1 January 2021)
- Azaman@Azman Abdul Rahman (appointed as Senior General Manager, Supply Chain & Site Services with effect from 16 August 2021)

The NRC also has the responsibility for ensuring appropriate succession planning for MC members.

### Directors' and Senior Management Remuneration

The Company's policy for remunerating its Board members is based on the PETRONAS Public Listed Companies Non-Executive Directors' Guidelines and Remuneration Package. The Remuneration package is aligned with the Company's objective strategies for the short, medium and long term that allow the Group to attract, motivate and retain good talent.

The fee structure for NEDs of MHB is as follows:

Description	Chairman	NED
Monthly Fixed Fees	RM20,000/month	RM10,000/month
Meeting Allowance:	RM3,500/meeting	RM3,500/meeting
Other Benefits	<ul style="list-style-type: none"> <li>• Fuel allowance for NEDs</li> <li>• Directors' and Officers' Insurance coverage</li> </ul>	

*Note:-  
INEDs are entitled to RM6,000 of fuel allowance per annum and Group Directors' and Officers' Insurance coverage of up to RM1.29 billion per occurrence and in aggregate*

The fees and allowances for NEDs are subject to the approval of the shareholders of MHB. The breakdown of the detailed Directors' Remuneration paid during the year under review is disclosed in the Corporate Governance Overview Statement on page 212 of this Integrated Annual Report.

The Directors' fees and meeting allowances for NINEDs who are employees of MISC Berhad are paid directly to MISC Berhad.

The remuneration package for the Executive Director of MHB is balanced between fixed and performance-linked elements. A portion

## Nomination and Remuneration Committee Report

of the Executive Director's remuneration package is variable and is KPI based, which includes the Group's performance. As an Executive Director, he or she is not entitled to receive Directors' fees or meeting allowance.

The Senior Management's remuneration reflects the Company's commitment to be compliant with the best practices in the areas of review, retention & reward to attract and retain excellent & great talent and regularly evaluated against market survey.

### Company and MD & CEO Performance Appraisal

During the year under review, the Company's performance against the Balanced Scorecard which is translated as the achievement of the MD & CEO was deliberated by the NRC. The performance appraisal covered the following Scorecard dimensions, whereby specific ratings were given to each dimension based on "Minimum", "Base" or "Stretch" achievements:

- Financial
- Strategic Initiatives
- Operations
- Health, Safety and Environment (HSE)
- People Development

### **Overview of the NRC's activities in respect of FY2021**

#### Board Membership

1. Considered matters relating to the appointment of Directors
2. Reviewed the mix of skills, diversity in terms of gender, ethnicity, age, education and business experience as well as other qualities, including core competencies of the Directors
3. Recommended the Directors who are eligible for re-election and re-appointment at the AGM

#### Succession Planning

1. Commenced the search for new INEDs
2. Endorsed the creation of a new MC position – Senior General Manager, Supply Chain & Site Services
3. Endorsed the Employment Contract for MC position – Senior General Manager, Marine Operations
4. Reviewed and endorsed Human Resource Strategy and Succession Planning

#### Performance Management

1. Reviewed and endorsed MHB's Balanced Scorecard Results
2. Proposed New MHB Management Organisation Structure
3. MHB FY2021 Scorecard Mid Year Review
4. Reviewed and endorsed the MHB Group FY2022 Balanced Scorecard
5. Reviewed the Company's negative financial position and mitigation plans

#### Board Performance Evaluation

1. Carried out Board and Board Committees' Effectiveness Evaluation (BEE)
2. Carried out Individual Directors' Performance Evaluation

#### Annual Reporting

1. Reviewed and endorsed the NRC Report for inclusion in the Integrated Annual Report

### **IR WAN YUSOFF WAN HAMAT**

Chairman

*Nomination and Remuneration Committee*

# BOARD AUDIT COMMITTEE REPORT

## **Overview**

Previously the BAC is a part of the combined Board Audit and Risk Committee BARC. On 8 February 2021, the Board of Directors had approved the restructuring of the BARC into a separate BAC and established a BRC.

The BAC's functions are to assist the Board in ensuring the integrity of financial reporting and the existence of a sound internal control system within the Group. Its main responsibilities are to ensure that there are effective audit assessment and compliance procedures in place and to act in the interest of shareholders in respect of matters or issues that affect the performance of the group.

## **Terms of Reference**

The BAC is governed by its TOR, which is consistent with the requirements of the MMLR and best practices of the MCCG 2021. The BAC's TOR may be referred to the Company's website at [www.mhb.com.my](http://www.mhb.com.my).

## **Composition**

The BAC consists of four (4) members, all of whom are Non-Executive Directors with three (3) being Independent Directors and one (1) a Non-Independent Director.

The composition of the BAC complies with Paragraph 15.09(1) of the MMLR. Both Choy Khai Choon and Gladys Leong are members of the Malaysian Institute of Accountants. Therefore, the requirement of Paragraph 15.09(1)(c) of the MMLR where at least one (1) member of the BAC must be a qualified accountant has been complied with.

<b>Members</b>	<b>Designation</b>
Choy Khai Choon <i>(Senior Independent Non-Executive Director)</i>	Chairman
Keith Taylor <i>(Independent Non-Executive Director)</i>	Member
Gladys Leong <i>(Independent Non-Executive Director)</i>	Member
Ausmal Kardin <i>(Non-Independent Non-Executive Director)</i> <i>Appointed with effect from 3 November 2021</i>	Member
Emran Othman <i>(Non-Independent Non-Executive Director)</i> <i>Retired with effect from 1 August 2021</i>	Member

## **Meetings**

The BAC meets quarterly with additional meetings convened as and when necessary.

The MD & CEO, Chief Financial Officer and Head of Group Internal Audit GIA attend BAC meetings to facilitate the discussion, as well as to provide appropriate information and advice and/or clarifications on relevant matters for the BAC. The Company Secretaries act as Secretaries to the BAC.

BAC meetings together with the tentative agenda are scheduled in advance of any new financial year to allow the BAC members to plan and incorporate the proposed meetings into their respective schedules.

## Board Audit Committee Report

The agenda and meeting papers are distributed to the BAC members via a secured collaborative software, which eases the process of distribution of meeting papers and minimises leakage of sensitive information, as well as enabling the Members to have access to the papers electronically, anytime and anywhere. All proceedings of the BAC meetings are duly recorded in the minutes and are properly kept by the Company Secretaries. Minutes of the BAC meeting are tabled for confirmation at the following scheduled quarterly BAC meeting, after which they are presented to the Board for notation.

Details of each BAC members' attendance are as follows:-

Members	No. of meetings attended
Choy Khai Choon	6 out of 6
Keith Taylor	6 out of 6
Gladys Leong	6 out of 6
Ausmal Kardin <i>Appointed with effect from 3 November 2021</i>	-*
Emran Othman <i>Retired with effect from 1 August 2021</i>	4 out of 4*

Note:

\* Reflects the number of meetings held during the time the Director held office as a member of the BAC

### Summary of the BAC's Activities In 2021

#### a. Financial and Annual Reporting

- Reviewed the unaudited quarterly financial statements, the related press releases and announcements, in particular the change in accounting policies, significant matters in relation to financial issues, going concern assumption, compliance with accounting standards and other regulatory requirements, before recommending the same for approval by the Board
- Reviewed the annual audited financial statements of the Company to ensure the statements comply with the financial reporting standards
- Reviewed the significant judgments made by Management and significant matters highlighted by the auditors on accounting and auditing matters
- Reviewed and recommended for the Board's approval, the Corporate Governance Overview Statement and Corporate Governance Report Card, the Statement on Risk Management and Internal Control and the BAC Report for inclusion in the Integrated Annual Report

#### b. Internal Audit

- Reviewed the long-term and annual internal audit strategy and plan, to ensure adequate scope and comprehensive coverage over the activities of the Group
- Reviewed the internal audit reports issued by GIA on the effectiveness and adequacy of governance, risk management, operational and compliance processes
- Reviewed the adequacy and effectiveness of agreed corrective actions taken by the Management on all significant and secondary audit issues raised and ensure all major findings raised are properly investigated
- Reviewed the effectiveness and adequacy of the audit process, manpower of GIA's members and the resource requirements on financial budget to execute audit exercises
- Assessed the performance of GIA on half yearly basis in terms of experience and technical knowledge of internal auditors, objectivity of GIA, quality of audit findings and recommendation made on corrective actions, adequacy of assurance to the Board in respect of governance and internal controls and the relevancy of audit findings to the business operations of the Company
- The Chairman of BAC held private sessions with the Head of GIA on audit reports and any internal audit related matters when there were issues of concern

## Board Audit Committee Report

### c. External Audit

- Reviewed the external auditors' terms of engagement, audit plan and strategy and scope of work for the financial year
- Assessed the suitability, objectivity and independence of the external auditor
- Reviewed the results and significant issues on accounting and auditing matters arising from the external audit for the financial year and the resolution of issues highlighted in their report to the BAC and Management's response
- Assessed the performance, effectiveness and independence or objectivity of the external auditors and made recommendations to the Board on their appointment and audit fee
- Met with the external auditors twice during the year without the presence of Management to ensure there were no restrictions on the scope of their audit and to discuss any matters that they may wish to present

### d. Related Party Transactions

- Reviewed the related party transaction and recurrent related party transaction entered into by the Group on a quarterly basis and ensure all transactions are carried out on arm's length basis

### e. Other Activities

- Deliberated and recommended the restructuring of BAC to establish a standalone audit committee
- Received Quarterly update on Whistleblowing cases summary from Compliance Unit

### Internal Audit Functions And Activities

The BAC is supported by the MHB GIA Division in the discharge of its duties through independent scheduled audits to ensure there are effective risk monitoring, internal controls, governance process and compliance procedures to provide the level of assurance required by the Board. GIA was headed by Lau Jung Ching, the General Manager of GIA, who has a double degree: Bachelor of Business (major in Accounting) and Bachelor of Computing (major in Information System). In addition, he is a member of the Certified Practising Accountant (CPA) of Australia and a Certified Internal Auditor awarded by The Institute of Internal Auditors (IIA). The Head of GIA is supported by a team of fourteen (14) personnel. The internal audit personnel are free from any relationship or conflicts of interest, which could impair their objectivity and independence.

In executing the internal audit engagement, GIA refers to the standards and guidelines outlined in the Institute of Internal Auditors' International Professional Practices Framework IPPF and the Integrated Internal Control Framework by the Committee of Sponsoring Organisations of the Treadway Commission. The conduct of internal audit works is also governed by the MHB Internal Audit Charter and GIA's established procedures and guidelines.

In conducting their independent audits, GIA places emphasis on a risk-based auditing approach which forms an integral part of the audit plans. The key in solving lapses in internal control is the disciplined execution of the audit plans, submission of audit findings, recommendations on audit issues and close follow-up of the Agreed Corrective Actions which are encompassed in the audit reports. Such regular monitoring is essential to ensure the integrity and effectiveness of the Group's system of internal control.

GIA submits their findings and recommendations on audit issues to the MD & CEO of the Company at audit close-out meetings to share the issues that may have arisen during such audits. Subsequently, the reports together with deliberations at the audit close-out meetings are tabled at the BAC meetings for decisions.

At the Board of Directors' meetings, the Chairman of the BAC highlights key audit issues and overall decisions and resolutions made during the BAC meetings to the Board members. Annually, an assessment of GIA's performance and independence would be carried out by BAC.

During the year under review, GIA had conducted the following audits as per the approved internal audit plan:

#### **Audit on MMHE**

1. Human Resource and Finance – Payroll Activities
2. Marine Operations – Project Management Activities
3. Health, Safety, Security and Environment
4. Anti-Bribery Management System
5. Facilities and Asset Services – Asset Management, Admin Services and Yard Optimization
6. Heavy Engineering Operations – Construction Activities
7. Marine Business Activities
8. Post Completion Review of Dry Dock No. 3
9. Heavy Engineering Operations – Kasawari Project Management Activities
10. Heavy Engineering Operations – Jerun Project Management Activities
11. Marine Operations – Production and Operations Activities

## Board Audit Committee Report

In addition, the Investigation Unit of GIA investigated 17 cases comprising mostly security-related matters occurring in the yard. The results of these investigations were reported to the Management for further action.

The total cost incurred for the internal audit function for the year under review was RM2.04 million.

### **Statement On Recurrent Related Party Transactions (RRPTs)**

The Group has put in place procedures, guidelines and internal controls to ensure that related party transactions RPTs and recurrent related party transactions RRPTs are entered into on normal commercial terms and on terms which are or will not be more favourable to the related parties than those generally available to third parties dealing at arm's length and are not or will not be to the detriment of the Company's minority shareholders.

The BAC reviews, from time to time:

- (i) any RPTs/RRPTs and conflicts of interests that may arise within the Group; and
- (ii) the procedures set by the Company to monitor RPTs/RRPTs to ensure that these transactions are carried out on normal commercial terms not more favourable to the related parties than those generally available to third parties dealing at arm's length and are not to the detriment of the Company's minority shareholders.

The internal guidelines pertaining to the governance of RPTs and RRPTs are summarised as follows:

- (i) Information on related parties and procedures applicable to all RPTs/RRPTs which involve interest, direct or indirect, of such related parties shall be disseminated to all MHB's business units, service units and MHB's subsidiaries from time to time, for their reference in ensuring that all transactions with such related parties are undertaken on arm's length basis and on normal commercial terms which are not or will not be more favourable to the related parties than those generally available to the public;
- (ii) All operating divisions and MHB's subsidiaries review their existing information systems on an ongoing basis to ensure that features are incorporated into the systems for capturing information on RPTs/RRPTs at the source. All heads of departments in the Group are advised to report on all transactions with related parties;
- (iii) Proper records shall be maintained to record all transactions with related parties which are entered into and a database which contains the information on all RRPTs within the Group is being maintained;

(iv) RPTs/RRPTs will only be undertaken by the Company and subsidiaries after the Company or the relevant subsidiary has ascertained that the transaction prices, rentals, terms and conditions, quality of products/services will be comparable with those prevailing in the market and will meet industry standards. The transaction prices will be based on the prevailing market rates/prices of the service or product or will otherwise accord with the normal commercial terms and applicable industry norms. The interests of non-interested shareholders will also be taken into account when entering into RPTs/RRPTs to ensure that their rights and interests are upheld;

(v) Where possible, other contemporaneous/similar transactions with unrelated third parties for similar products/services and/or quantities will be used as a comparison to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities;

In the event that quotation or comparative pricing from unrelated third parties cannot be obtained, the transaction price will be based on prevailing market rates or prices that are agreed upon under similar commercial arrangements for transactions with third parties, business practices and policies and other methods of price comparison and on terms which are generally in line with industry norms in order to ensure that the RRPTs are not detrimental to the Company or the Group;

- (vi) Ongoing awareness sessions with employees and stakeholders to ensure sufficient knowledge on RPTs/RRPTs in order to comply with the MMLR;
- (vii) Internal audit shall review the internal control process and records of RPTs/RRPTs within the affected scope during the course of audit engagements to verify that the relevant approvals have been obtained and procedures in respect of such transactions are adhered to. Any divergence will be reported to the BAC;
- (viii) The BAC shall review the audit reports and any other reports required from time to time to ascertain that the procedures established to monitor RPTs/RRPTs have been complied with;
- (ix) In the event that a member of the BAC or Board has an interest and/or deemed interest in any particular RPT/RRPT, he or she shall declare his or her interest therein and will have to refrain from any deliberation and also abstain from voting and if necessary and as guided by the Chairman, leave the room during the discussion of the matter at the BAC meeting or Board meeting in respect of that transaction;



# BOARD RISK COMMITTEE REPORT

## **Overview**

Prior to 8 February 2021, risk management is part of the responsibilities of the Board Audit and Risk Committee (BARC). During the year under review and in line with the Step-Up Best Practice 9.3 of the MCCG 2017 (which was applicable during the material time), the Board has approved the restructuring of BARC and Board Bid Committee (BBC) into two (2) standalone committees, namely the BAC and BRC. The BBC's main function was to review bid proposals and it has changed its name to BRC.

The BRC currently oversees MHB's risk management framework, policies and practices and MHB's sustainability matters including environmental, social and governance. It continues to review and evaluate any major bids as well as corporate proposals to ensure the Group's interests are protected by assessing the risk exposure during the course of bidding and negotiations.

## **Terms of Reference**

The TOR of the BRC which set out the authority, duties and responsibilities of the BRC are guided by the best practice of the MCCG 2021.

For more information on TOR of the BRC, please refer to the Company's website at [www.mhb.com.my](http://www.mhb.com.my)

## **Composition**

The composition of the BRC complies with Step-Up Practice 10.3 of MCCG 2021 which recommends that the BRC should comprise a majority of independent directors.

Members	Designation
Keith Taylor <i>(Independent Non-Executive Director)</i>	Chairman
Ir Wan Yusoff Wan Hamat <i>(Independent Non-Executive Director)</i>	Member
Syed Hashim Syed Abdullah <i>(Non-Independent Non-Executive Director)</i>	Member

## **Meetings**

The BRC meets quarterly with additional meetings convened as and when necessary.

The MD & CEO and General Manager, Corporate Planning and Risk Management attend the BRC meetings to facilitate the discussion, as well as to provide appropriate information and advice on relevant matters for the BRC. The Company Secretaries act as Secretaries to the BRC.

The BRC meetings together with the tentative agenda are scheduled in advance of any new financial year to allow the BRC members to plan and incorporate the proposed meetings into their respective schedules. The agenda and meeting papers are distributed to the BRC members via secured collaborative software, which eases the process of distribution of meeting papers and minimises leakage of sensitive information, as well as enabling the Directors to have access to the papers electronically, anytime and anywhere. All proceedings of the BRC meetings are duly recorded in the minutes and properly kept by the Company Secretary.

## Board Risk Committee Report

Details of each BRC member's attendance are as follows:

Members	No. of meetings attended
Keith Taylor	10 out of 10
Ir Wan Yusoff Wan Hamat	10 out of 10
Syed Hashim Syed Abdullah	10 out of 10

### Functions And Activities FY2021

#### 1. Risk Management

The BRC focuses on matters relating to risk management which is previously under the purview of the BARC. During the year under review, the BRC has reviewed, evaluated and made appropriate recommendations to the Board on the following matters:

- Adequacy and effectiveness of MHB's Risk Management Framework and ongoing activities (for identifying, evaluating, monitoring and mitigating risks);
- Enterprise Risk Management Risk Register on a quarterly basis to ensure that appropriate systems and processes are in place to effectively monitor and manage the identified risks;
- Determination of MHB'S level of risk tolerance; and
- Any other matters as defined by the Board and Board Committees.

#### 2. Bid Submission

The BRC will ensure that the bid proposals are comprehensive and in the best interest of the Group to allow the Group to make a reasonable profit margin that commensurates with the project risks. The BRC's recommendation of any bid proposals will be based on, amongst others, Management's confirmation that proper risk assessments have been done and mitigation factors are identified, that the Group has the technical capabilities and competencies to meet potential technical challenges and the financial position of the Group is adequate to undertake the projects.

During the year under review, in accordance with the MHB LOA, the BRC has reviewed and recommended bid proposals for several large value projects.

#### 3. Sustainability

Being a key feature of MHB's long-term strategy, the Board considers sustainability to be of paramount importance when determining the Board's agenda.

The BRC shall have oversight on ESG matters, including climate change, health and safety and cybersecurity. The BRC will review, evaluate, report and make appropriate recommendations to the Board on the determination of the Company's sustainability strategy in alignment with its business strategy.

During the year under review, in accordance with the MHB LOA, BRC has endorsed and recommended to the Board, the MHB Sustainability Framework and Governance Structure as well as reviewed the proposed sustainability matrix enabling the development of detailed initiatives by the relevant departments' focal persons in accordance with MHB's approved strategic priorities.

### KEITH TAYLOR

*Chairman*

*Board Risk Committee*

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL



MHB HAS A STRUCTURED RISK MANAGEMENT FRAMEWORK AND STRONG INTERNAL CONTROLS SYSTEMS IN PLACE TO ENSURE THE SMOOTH RUNNING OF OUR BUSINESS.”

MHB’s Board of Directors (“Board”) is pleased to provide this Statement on Risk Management and Internal Control which outlines the nature and scope of the Group’s risk management and internal controls for FY2021 that is in accordance with Paragraph 15.26(b) of MMLR of Bursa Securities.

## **ACCOUNTABILITY OF THE BOARD**

The Board acknowledges the importance of maintaining a sound internal control system and a robust risk management practice for good corporate governance with the objective of safeguarding the shareholders’ investment and the Group’s assets.

The Group has established a process for identifying, evaluating, treating, monitoring and managing critical risks that may materially affect the achievement of our corporate objectives. The Board monitors the critical risks regularly.

The Board further affirms its overall responsibility for reviewing the adequacy and integrity of the Group’s risk management and internal control systems. In discharging its responsibilities, the Board is supported by MHB’s Board Risk Committee (“BRC”) and Board Audit Committee (“BAC”) to oversee the risk management and internal control system during the FY2021.

The Board recognises that these internal control systems can only provide a reasonable and not absolute assurance that significant risks which may impact the Group’s strategies and objectives are within levels appropriate to the Group’s business as approved by the Board.

## **RISK GOVERNANCE STRUCTURE**

Our risk governance structure facilitates the flow of information and effective oversight on the execution of risk management initiatives within MHB Group. The structure provides clear roles and responsibilities, facilitates the implementation with guidelines and tools and it consists of different layers of responsibilities explained below:

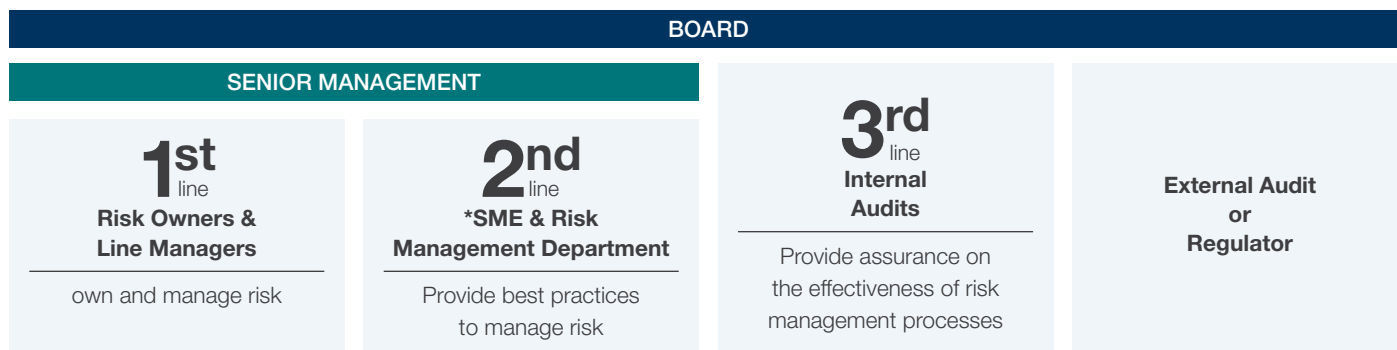
<b>RISK GOVERNANCE STRUCTURE</b>	
<b>BOARD OF DIRECTORS (BOD)</b> Responsible for the overall effective oversight of MHB Group’s risk management system and activities	
<b>BOARD COMMITTEE LEVEL</b>	<b>BOARD RISK COMMITTEE (BRC)</b> → Responsible for guidance and oversight of MHB Group risk management activities → Review and endorse the Group’s risk profile → Deliberate risk assessment for high impact business matters
<b>MANAGEMENT LEVEL</b>	<b>RISK COMMITTEE (RC)</b> → Responsible for ensuring the implementation and effectiveness of MHB Group risk management practices
<b>CUSTODIAN LEVEL</b>	<b>RISK MANAGEMENT DEPARTMENT</b> → RC Secretariat → Reviews and monitors risk reporting quarterly
<b>OPERATIONAL LEVEL</b>	<b>RISK OWNERS</b> → Responsible for implementing risk management processes at respective units

The RC meets at least on a quarterly basis to assess and discuss risk management issues affecting the Group prior to deliberation at the BRC and BOD.

## **THREE LINES OF DEFENCE MODEL**

Apart from our risk governance structure, our risk management is supported by the 3 Lines of Defence Model that distinguishes the three groups which are involved in effective risk management.

## Statement on Risk Management and Internal Control



\* SME refers to Subject Matter Experts such as MISC Corporate Planning Department and PETRONAS Group Risk Management (GRM)

### RISK POLICY

The MHB's Risk Policy emphasises our commitment to become a risk resilient organisation with a stronger risk culture and ownership within the organisation. The Policy has been adopted and communicated across the Group as follows:

MHB is committed to become a risk resilient organisation.

MHB shall continuously strive to implement:

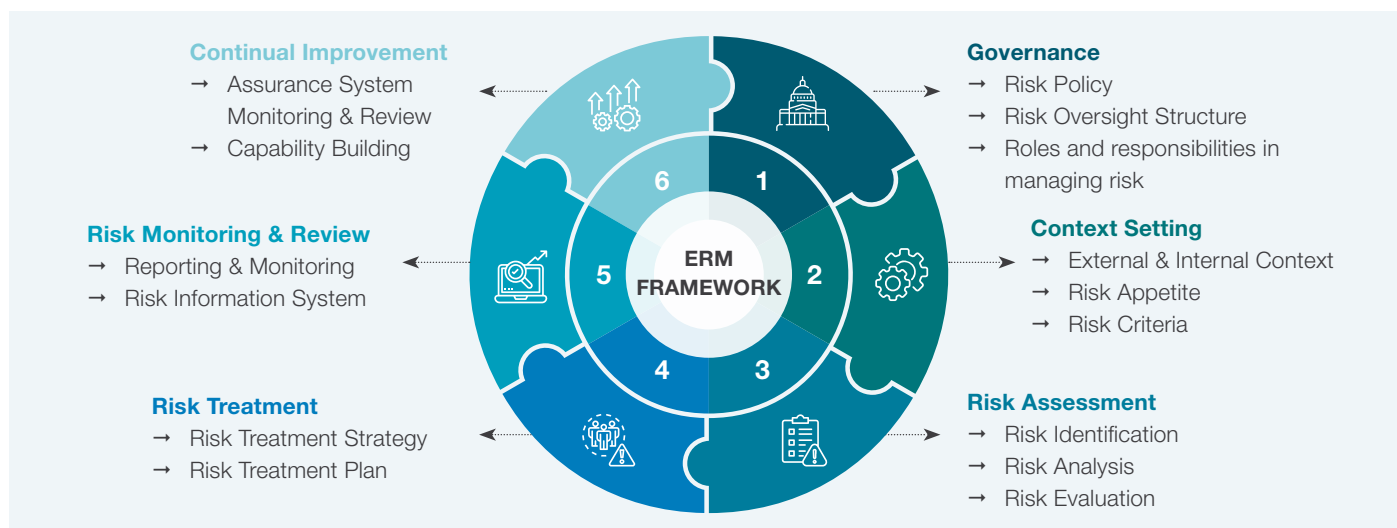
- Risk management best practices to protect and create value within the set boundaries; and
- Risk based decision making by providing a balanced and holistic view of exposure to achieve business objectives.

Managing risk is everyone's responsibility.

### ENTERPRISE RISK MANAGEMENT

#### Risk Management Framework

The Group has adopted PETRONAS Enterprise Risk Management Framework (ERMF) in managing risk across the Group. Our Framework and relevant guidelines are also aligned with the Principles and Guidelines of ISO 31000:2009.



## Statement on Risk Management and Internal Control

### Corporate Risk Profile

Our Corporate Risk Profile (CRP) is developed based on the ERMF where the status of key risk indicators (KRIs) and implementation of risk mitigation plans are deliberated at RC, BRC and BOD on quarterly basis.

### Annual Risk Profiling

Annual risk profiling workshop has been conducted to identify the critical risks (i.e., strategic in nature) which may impede the achievement of MHB Business Plan for 2022.

### Risk Assessment in Decision Making

All meeting papers under the category of decision and debate or discussion that go to MHB Board or Board Committee or MHB Subsidiary Board will require risk assessment to ensure that decision makers make fully informed decision making, considering the level of risks they want to take and implement necessary controls to achieve the desired business objectives.

### Project Risk Assessment

Enhancement on our Project Risk Assessment (PRA) Guideline has been completed during the year. The Guideline is essential in managing risks arising from project tender and execution.

### PETRONAS Resiliency Model

MHB has also adopted the PETRONAS Resiliency Model which comprises the Enterprise Risk Management (ERM), Crisis Management (CM), Business Continuity Management (BCM) framework that provides an integrated approach to:

- **REDUCE** the likelihood and impact of all identified risks;
- **RESPOND** to immediate risk events; and
- **RECOVER** from prolonged disruption to meet business obligations.

### **SUSTAINABILITY & CLIMATE-RELATED RISK**

MHB's sustainability risks cover a broad range of issues, with Climate Change representing one of our main risks. The Group recognises the importance of sustainability risks and the potential impacts of Climate Change on our business operations and services.

In response to its sustainability risks, including Climate Change, the Group has developed and implemented its Sustainability Strategy, which comprises five key Sustainability Pillars i.e. Financial, Environmental, Social, Governance and Stakeholder Engagement. MHB's approach in addressing climate-related risks can be found within the 'Climate-related risks and Opportunities Management' strategic priority under the Financial Pillar as well as the 'Toward Decarbonisation' and 'Circular Economy' strategic priorities under the Environmental Pillar.

MHB manages our sustainability risks via materiality assessment exercise which enables us to identify and prioritises the Material Matters with significant impacts on the business and stakeholders and manages these Material Matters in accordance with the requirements of FTSE4Good and GRI Indicators. In 2021, MHB has added a new initiative to analyse how to effectively manage climate-related risks by adopting the recommendations of the *Task Force on Climate-Related Financial Disclosures* (TCFD) to assess the impacts of Climate Change and strengthen the Group's resilience in response to Climate Change across the value chain.

Sustainability and climate risks are managed in the same way as other business risks, as part of MHB overall risk management system. By addressing these risks, MHB would be able to future proof the business and demonstrate leadership in sustainability among its peers. Further information on MHB's approach towards sustainability is provided in the Sustainability Statement on pages 106 to 182 of the Integrated Annual Report and the TCFD Statement which can be found on pages 173 to 182 of the Sustainability Statement.

## Statement on Risk Management and Internal Control

### **KEY PROCESSES OF GROUP INTERNAL CONTROL SYSTEM**

The process of governing the effectiveness and integrity of the internal control system is carried throughout the various areas as follows:

1. **BAC** was chaired by Mr Choy Khai Choon, a Senior Independent Non-Executive Director and operated within its terms of reference in ensuring that there was effective financial risk monitoring, internal controls and corporate governance to provide the level of assurance required by the Board.
2. **MHB Group Internal Audit Division (“GIA”)**, which functionally reported directly to BAC, performed independent planned approved audits and initiatives within the Group in evaluating and assessing the effectiveness of risk management, internal controls and governance processes. GIA also conducted additional assurance assignments and special reviews arising from any potential irregularities upon request by the Management or BAC. BAC reviewed, deliberated and endorsed the annual and long-term audit plans and strategies including the scope of work and resources. Results of the audit engagements were presented and deliberated during quarterly BAC meetings.

The Group focused on disciplined execution of audit plans, submission of audit findings, recommendations on audit issues and close follow-up of the Agreed Corrective Actions (“ACAs”) which were incorporated in the audit reports. GIA monitored the status of implementation of these ACAs through the Quarterly Audit Status Report which were recorded and analysed. The consolidated reports were submitted and presented to the BAC for deliberation and endorsement on a quarterly basis.

In addition, BAC conducted half yearly and yearly review and assessment on the adequacy of GIA’s scope of work, functions and resources including its annual plan and strategy. The execution and conduct of internal audit work were governed by the Internal Audit Charter which was approved by the BAC.

GIA had also performed investigations on security-related incidents occurring in the yard, of which results were reported to the Management for further action.

3. **Bid Approval Committee (“BiAC”)**, chaired by the MD & CEO was responsible to ensure various project-related risks were identified and evaluated during the bidding stage. The risk assessment activities included review of bid proposal proposed scope, proposed contract terms and conditions as well as proposed bid qualification clarifications. BiAC will propose bid approach method and negotiation strategy for the bid during the

assessment. BiAC will also ensure the bid proposal is fair and reasonable and likely to allow the Group to make a reasonable profit margin commensurate with the project risk. All BiAC members are Management Committee (“MC”) members. In the event the value of the bid is above a certain threshold, the bid proposal shall be escalated to the BRC.

4. Senior Management sets the tone for an effective control environment and work culture in the organisation through the Group’s vision, mission and brand pillars developed to focus on the importance of our Shared Values:
  - Loyalty – Loyal to the corporation
  - Integrity – Honest and upright
  - Professionalism – Strive for excellence
  - Cohesiveness – United, trust & respect for each other

The importance of these shared values is manifested in the adoption of the MHB Code of Conduct & Business Ethics (“CoBE”) applicable to every staff at all times. Staff are required to strictly adhere to CoBE when performing their duties and in their interface and engagements with external parties and stakeholders. MHB has also introduced the People Agenda to its workforce as a commitment that provides a clear direction and principles in delivering Employee Value Propositions (EVPs) to every employee. The People Agenda comprises 6 EVPs namely Performance, Progression, Purpose, Team, Leadership and Culture, which will be used as directional compass for our strategic decisions and to align the Management’s efforts in creating competitive advantage for the organisation. At the same time, the Management recognises the importance of leadership development in ensuring that the organisation has a continuous pipeline of strong and capable leaders in the future. The MHB Leadership Competencies and MHB Cultural Beliefs are strategically used to steer the actions and behaviours of our current and potential leaders towards the desired direction.

5. The **Management Committee (“MC”)** was established to assist the MD & CEO in the day-to-day operations of the Group focusing on the execution of approved plans, strategies and budgets and to make appropriate recommendations to the Board. The MC is chaired by the MD & CEO and comprise members with the requisite skills, qualifications, experience and industry knowledge to drive the Group towards achieving its business objectives. The profile of the MC members including their academic / professional qualifications and past professional work experience are detailed out on pages 197 to 201 of this Integrated Annual Report.

## Statement on Risk Management and Internal Control

The MC meets at least once every month with participation of certain other key members of Management as and when necessary to ensure a more robust and informed deliberation on specific subject matters.

The MC's main duty is to review the performance of the Group against targets, approved plans and budgets and to deliberate on any measures necessary to improve the Group's performance in line with the Group's vision and mission. During the period under review, the MC has reviewed certain aspects of the Group's operational and quality processes and identified several areas that require improvements to mitigate and prevent issues which have partly contributed to extended project completion dates and cost escalations. The MC will continue to review, monitor and track these improvement actions and undertake the necessary interventions to ensure their smooth and effective implementation. The MC also reviews, deliberates, endorses and recommends all strategic, commercial and operational papers which are to be approved by the Board, as well as the Group's standard operating procedures and guidelines.

6. **Health, Safety and Environment Management Committee ("HSE MC")** is responsible for setting the overall direction on Health, Safety and Environment ("HSE") vision, mission, values, objectives, strategies, action plans, goals and resources; to continuously meet legal compliance, customer expectations, standards alignment and industry best practices. HSE MC also drives Value-added Performance Measurements to ensure HSE risks are managed to As Low As Reasonably Practicable ("ALARP") by carrying out mitigation programs which are reviewed annually.

Every employee of MHB is obligated to work safely, to co-operate and act responsibly to prevent injury to himself / herself and to others and to the environment.

Our HSE objectives are of equal importance with our fundamental business objectives.

In pursuance of this policy and in adherence to all legislative and other requirements with the commitment to achieve continuous improvement, MHB will endeavour to:

- Prevent all accidents, occupational diseases and fire,
- Prevent damage to property, plant and equipment,
- Protect and preserve the environment,
- Implement a safe system of work,

- Promote Health, Safety and Environment (HSE) awareness and provide training to MMHE employees to achieve our HSE objectives,
- Provide forum for consultation and participation of key stakeholders on relevant HSE aspects,
- Regularly reviewing our activities to eliminate hazards and reduce HSE risks,
- Safeguard the relevant interests of the applicable interested parties and
- Ensure that appropriate contingency measures are in place to deal with emergencies.

In light of the increasing threats on cybersecurity, the Group has identified this as a key emerging risk and has taken necessary steps to put in place appropriate mitigation actions and controls including the implementation of comprehensive programmes covering user awareness, cybersecurity processes and technologies. The Group's Information, Communication and Technology ("ICT") department has been designated as the custodian to ensure all these are effectively implemented with progress being tracked and reported through regular HSE MC meetings.

7. **Quality Steering Committee ("QSC")** was established to demonstrate leadership and commitment with respect to develop, implement, maintain and continuously improve the Quality Management System ("QMS") throughout the Group. The Committee's duty is to review, deliberate, endorse and promote the following:

- Quality Policy, Objectives, Quality Target & Performance and action plans,
- Quality improvement plan and its activities,
- Potential opportunities for quality and process improvements Group-wide,
- Essential resources to establish, implement, maintain and improve the QMS that significantly affect the Group's business operations,
- Effective monitoring of non-conformities and the corresponding required corrective and preventive actions,
- Analysis of customer satisfaction and feedback including required corrective actions to address customer feedback and
- Assessment on the adequacy of resources including competent people and infrastructure.

QSC which sits annually during Management Review, is chaired by the MD & CEO and comprises MC members to ensure effective stewardship of the Group's QMS.

## Statement on Risk Management and Internal Control

8. **Corporate Security Department (“CSD”)** provides effective security control measures and enforces their implementation based on clear policies, procedures and framework with the aim to comply with and continuously monitor adherence to established industry security standards as well as international security standards applicable under the International Ship and Port Facility Security Code (ISPS Code) and the Merchant Shipping (Amendment and Extension) Act 2007 in accordance with the Group’s business continuity requirements.

### **OTHER SIGNIFICANT ELEMENTS OF INTERNAL CONTROL SYSTEM**

1. The Board reviewed quarterly reports from Management on key operating performance, legal, environmental and regulatory matters. Financial performance was deliberated at the MC and tabled to the BAC and Board on a quarterly basis.
2. **Limits of Authority (“LOA”)** manual provides a sound framework of authority and accountability within the organisation and facilitates sound and timely corporate decision making at the appropriate level in the organisation’s hierarchy.

A review of the LOA was done during the year to ensure its relevance and effectiveness, taking into account changes to the business and organisational structure. The revised LOA was approved by the Board on 6 October 2021 and came into effect on 1 December 2021.

3. The Group performed a comprehensive **Annual Planning and Budgeting Exercise** which involved the development of business strategies for the next five years to achieve the Group’s Vision. The long-term strategies were supported by initiatives to be accomplished in the upcoming year and for effective implementation, the initiatives were tied to specific measurable indicators which will be evaluated against the relevant business / service units and subsidiaries’ deliverables. The Group’s strategic directions will be reviewed annually taking into account current progress levels and other indicators such as the latest development in the industry, changes in market conditions and significant business risks. In addition to this, the Group’s business plan was translated into budgetary numbers for the next five years and was presented to the Board for deliberation and approval. Key performance indicators, including financial targets were reviewed by the Nomination and Remuneration Committee and the Board on half-yearly basis.

4. The Group continues to implement the **PETRONAS Financial Reporting Control (“FRC”)** with regular updates. The principal objective is to enhance the quality of the Group’s financial reports through a structured process in ensuring the adequacy and effectiveness of key internal controls operating at various levels within the Group at all times. FRC requires among others, documentation of process workflows, key controls and remediation of control gaps as well as regular testing of control effectiveness.

On a semi-annual basis, each key process owner at various management levels is required to complete and submit a Letter of Assurance which provides confirmation of compliance to key controls for the areas of the business for which he / she is accountable.

To ensure the integrity of financial risk management, the Corporate Finance and Financial Risk Management Unit under Finance Division continues to monitor and ensure effective and robust execution of financial risk management through implementation of the new MHB Financial Policy (“the Policy”), which was rolled down from the PETRONAS Financial Policy and MISC Financial Policy. The Policy anchors on MHB Group’s commitment to become a financially resilient organisation. The Policy supports the following objectives:

- i. **Set the overarching philosophy on commitment towards becoming financially resilient** for longer term sustainability through efficient capital and liquidity management principles;
  - ii. **Ensure efficient capital and liquidity management** amidst challenging and volatile business landscape;
  - iii. **Set clear tone in shaping financial management and financial risk management practices** for the organisation; and
  - iv. **Emphasize integration between Finance (Financial Management & Financial Risk Management) with businesses**, to ensure business strategies integrate appropriate financial management and financial risk management consideration in the overall strategy.
5. The Group continues to monitor debt covenants on its external borrowings on a quarterly basis, to ensure that they are observed and complied with under the PETRONAS Debt Compliance Management reporting framework.

## Statement on Risk Management and Internal Control

6. The Group has adopted the PETRONAS and MISC Tax Policy which anchors on MHB Group's commitment to become a responsible taxpayer. This is achieved by complying in good faith with all applicable tax laws, regulations, guidelines and international tax treaties and settling tax obligations when legally due, as company and employer; and maintaining cooperative working relationships with tax authorities. Adherence to this Policy is everyone's responsibility by referring all tax related matters to the appropriate parties.
7. **MHB Credit Committee ("MCC")** assumes an advisory role to MHB Management on matters pertaining to credit risk management and also proactively discuss, review and monitor MHB's credit risk exposure, make recommendations to Management on appropriate credit risk mitigation actions to minimise credit risk exposure and to review specific customer accounts and overall credit performance. The MCC convenes every month and is chaired by the Chief Financial Officer ("CFO") and comprises selected members of Management from different backgrounds to ensure robust quality of deliberation and review.
8. There is a clear procedure for **investment appraisal** for equity investment or divestment or major Capital Expenditure ("CAPEX") / investments. For major CAPEX / investments, a specific review will be conducted by a **Technical Review Committee** to deliberate the technical aspects and risks whilst the commercial feasibility of the CAPEX / investment will be deliberated by Management during the MC meeting before submission to the Board for approval.
9. **Contract Award Committee ("CAC")** is a committee whose role is to review the overall contracting strategies for new projects, strategic procurement contracts, CAPEX and variation orders exceeding certain thresholds and to deliberate on matters pertaining to Tender Secretariat Governance. CAC ensures that procurement costs are within approved budget and tendering activities are conducted in compliance with Group policies, contracting strategy and contractual requirements are in the best interest of the Group and value-for-money and best deals are achieved before the Group enters into any actual procurement activities. CAC is chaired by the Senior General Manager, Marine Business and comprises members from multiple disciplines who provide balanced perspectives and views in defining the required contracting and purchasing strategies.
10. The professionalism and competency of our current employees are enhanced through structured development programmes while potential entrants are subject to a stringent selection process. A Performance Management System has been established with performance and behaviour indicators put in place to review and measure employees' deliverables and conduct. Development plans to address specific employee's needs, in order to bridge their competency gaps, are systematically identified, prepared and implemented in a timely cycle to maximize its impact. This is to ensure that all employees are able to deliver the expected performance within their respective scope of responsibility in order for the Group to achieve its business targets. The development and progression of employees at the levels of senior manager and above are deliberated and closely tracked at the Management Development Committee ("MDC") which is chaired by the MD & CEO, whereas the career growth for the rest of the employees is reviewed and monitored at the Executive Development Committee chaired by the Senior General Manager, Human Resource.

A structured Succession Planning framework was developed and implemented to manage the leadership pipeline in the Group. The selection process takes into account the potential successor's performance track record, leadership capacity and career aspirations. The framework also provides development plan mapped appropriately for each individual in order to prepare the identified successor to assume the critical positions as and when promotion opportunities arise. A special talent review session by the MDC is conducted bi-annually to continuously assess and gauge the identified talent pool's suitability and their readiness level for the higher role. Employees across-the-board were also benchmarked using the Functional Competency framework to ensure that the workforce throughout the organisation meets the expected job requirement. The objective of this framework is to ensure that a set degree of competency and capability is achieved through the holistic developmental process. The framework requires all employees to go through periodic assessment for their respective functional tasks and roles. Thereafter, employees are empowered to identify, propose and manage suitable intervention plans to address their competency gaps through discussion with supervisors or line managers. The Performance Management System, Succession Plan, Development Committees, as well as the Functional Competency and Leadership Competency frameworks clearly demonstrate the Group's strong commitment towards elevating the workforce and future leaders of MHB up to a higher notch.

## Statement on Risk Management and Internal Control

11. **Whistleblowing Committee (“WBC”)** is an independent body to monitor and oversee mainly the Anti-Bribery and Corruption (“ABC”) functions by the Compliance Unit. The WBC is chaired by the CFO and the quorum consists of selected members of the Management. WBC is entrusted with risk management oversight and implementation of the CoBE and ABC Manual adopted by the Group. Integrity and Compliance issues are tabled to the WBC for deliberation and subsequently where necessary, tabled to the BAC which is the Governing Body that leads and commits to Anti-Bribery Management System (“ABMS”) initiatives. Whistleblows involving Senior Management levels are escalated to the BAC.
12. **Information Technology Steering Committee (“ITSC”)** plays an important role to ensure the development of an Information Technology (“IT”) strategic plan that is aligned with the organisation’s business strategy and promotes the optimisation of resources, enhances IT value delivery and enables effective measurement of performance. The ITSC ensures the alignment of all IT initiatives across the organisation, reviews the status of major IT projects, prioritises IT activities and reviews and formulates recommendations on major IT investments and initiatives. The ITSC also evaluates, deliberates, endorses and recommends major initiatives / projects and IT strategic plans for approval in accordance with the MHB LOA. The ITSC comprises selected members of Management and meets quarterly or as and when the need arises and is chaired by the CFO.
13. **The Human Rights Working Committee (“HRWC”)**, chaired by the Senior General Manager, Legal, Corporate Secretarial and Compliance was established to demonstrate MHB’s commitment in upholding the principles of Human Rights in areas of the Group’s operations while complying with its CoBE as well as all applicable local and international laws and regulations. The HRWC is primarily tasked to identify and address Human Rights issues and its impacts from the Group’s operations, by carrying out risk assessments and due diligence, developing relevant policies (including the adoption of a Modern Slavery Policy) and also proposing remedial actions to mitigate any risks identified.
14. The Board did not regularly review the internal control system of its joint ventures, as the Board did not have direct control over their operations. Notwithstanding, the Group’s interests were served through representation on the board of the respective joint ventures, placement of management staff as key employees of the joint ventures and through review of management accounts and inquiries thereon. These representations also provided the Board with information for timely decision making on the performance of the Group’s investments in the joint ventures.
15. The Board has received the assurance from the MD & CEO and the CFO that the risk management and internal control system of the Company and its subsidiaries for the year under review up to the date of approval of the statement is operating adequately and effectively in all material aspects based on the risk management and internal control system of the Group.

### **REVIEW BY EXTERNAL AUDITORS**

The external auditors, Messrs Ernst & Young PLT, have reviewed this Statement on Risk Management and Internal Control for inclusion in the Integrated Annual Report for the financial year ended 31 December 2021, in compliance with paragraph 15.23 of the Listing Requirements in accordance with guidelines issued by the Malaysian Institute of Accountants and reported to the Board that nothing has come to their attention to cause them to believe that the statement intended to be included in the Integrated Annual Report is not prepared, in all material respects, in accordance with disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or that the statement is factually inaccurate.

For the financial year under review, based on enquiry, information and assurance provided, the Board is satisfied that the system of internal control was generally satisfactory. Measures would continuously be taken to ensure ongoing adequacy and effectiveness of internal controls and to safeguard the Group’s assets and shareholders’ investment.

This statement is made in accordance with the resolution of the Board of Directors dated 18 February 2022.

## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible to prepare annual audited financial statements of the Group and of the Company in accordance with the provisions of the Companies Act, 2016 and the requirements of the Malaysian Financial Reporting Standards ("MFRS") issued by the Malaysian Accounting Standards Board ("MASB"). The financial statements also comply with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The Directors are also responsible to ensure that the annual audited financial statements of the Group and of the Company are prepared with reasonable accuracy from the financial records of the Group and of the Company so as to give a true and fair view of the state of affairs of the Group and of the Company as at the financial year end and of their financial performance and the cash flows for the financial year then ended.

In preparing the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021, the Directors have ensured that, the appropriate and relevant accounting policies were adopted and consistently applied, reasonable and prudent estimates were exercised and a going concern basis was adopted.

The Directors have the overall responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Group and of the Company to prevent and detect fraud and other irregularities.

This statement is made in accordance with the resolution of the Board of Directors dated 18 February 2022.

# INVESTOR RELATIONS REPORT



The financial period under review is a twelve-month period which ended on 31 December 2021. Throughout the year, MHB remained resilient in delivering value proposition to its diverse stakeholders while keeping true to its core values.”

Through the Group’s Investor Relations (“IR”), various engagement channels were incorporated in IR Programmes to maintain open communication between stakeholders, Senior Management and the Board with the objective of conveying a fair and accurate representation of MHB.

IR Programmes were developed to include mixed mode of engagements throughout the year. In light of the ongoing COVID-19 pandemic, engagements were still mostly done virtually.

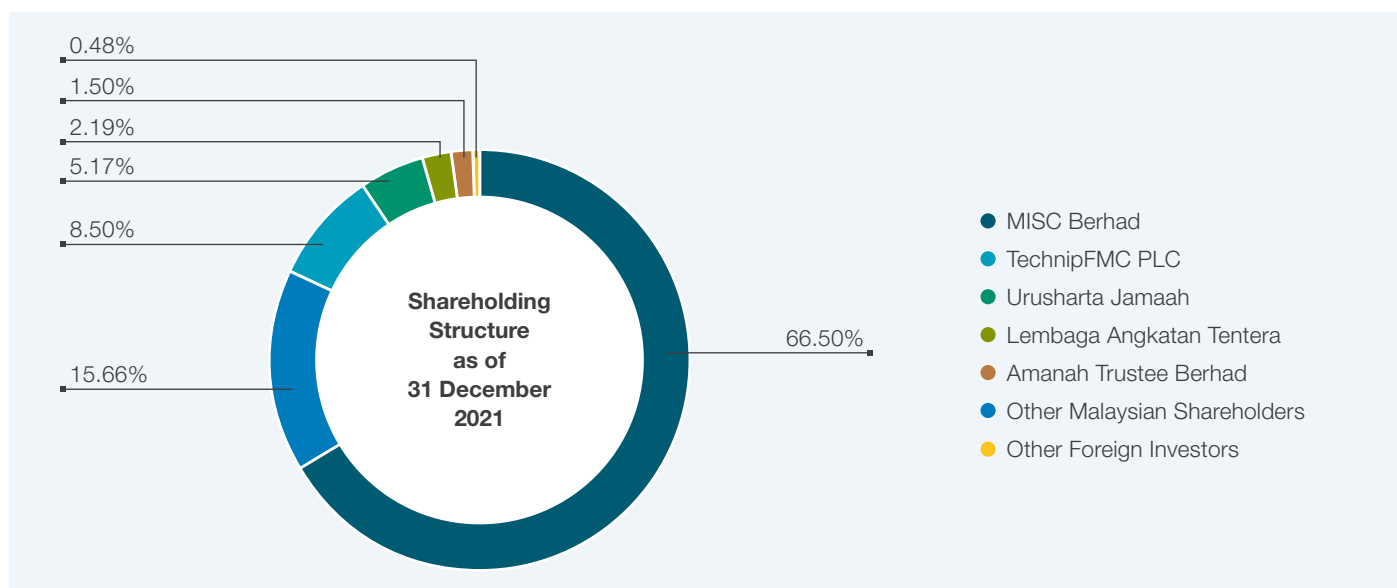


Our corporate website at [www.mhb.com.my](http://www.mhb.com.my) includes the latest and historical quarterly results, Integrated Annual Reports, public announcements to Bursa Securities, corporate presentations, press releases and other relevant corporate news and information. The website is regularly updated to ensure accessibility to the investment community and other stakeholders at large and provides current and comprehensive information on the Group



MHB also recognises the importance of feedback from the investment community. Any queries, feedback and ideas can be directed to the IR Department at [inv.rel@mmhe.com.my](mailto:inv.rel@mmhe.com.my)

## Shareholder Base



MHB’s diverse shareholder base comprises government agencies, corporate, institutional and private/retail shareholders. The Group had a total of 9,392 shareholders as of 31 December 2021.

MISC Berhad and TechnipFMC PLC remained MHB’s substantial shareholders with 66.5% and 8.5% interest respectively.

## Investor Relations Report

### IR Programmes

Comprehensive and effective IR programmes are vital to ensure that the investment community and stakeholders are kept abreast with MHB's latest developments, strategic directions and outlook moving forward. Maintaining timely and accurate dissemination of such information to the market will enable investors to make informed investment decisions and promote greater understanding of MHB's businesses.

Engagement with investors were regularly made through these channels:



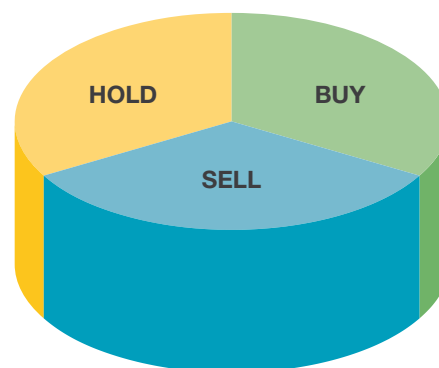
### Quarterly Results and Analyst Briefing

Result	Announcement Date	Type of Meeting
Q4 FY2020	9 February 2021	Virtual Conference
Q1 FY2021	28 April 2021	-
Q2 FY2021	30 July 2021	Virtual Conference
Q3 FY2021	2 November 2021	-

## Investor Relations Report

### Analyst Coverage and Recommendation

No.	Research House
1.	BIMB Securities Research
2.	KAF Investment Bank
3.	Maybank Investment Bank
4.	MIDF Amanah Investment Bank
5.	RHB Research Institute
6.	UOB Kay Hian
7.	Affin Hwang Investment Bank
8.	Hong Leong Investment Bank
9.	TA Securities



As of 31 December 2021

### Annual General Meeting

# 32<sup>nd</sup>

#### Annual General Meeting 14 April 2021

Conference Room 2,  
Level 17, Menara Dayabumi,  
Jalan Sultan Hishamuddin,  
50050 Kuala Lumpur, Malaysia.



Shareholders and  
proxies attended  
virtually:

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### Analyst Yard Visit

A visit for a group of MHB's covering analysts to MMHE West Yard in Pasir Gudang, Johor was organised on 15 December 2021. The objective of this visit was to further enhance understanding of MHB's Heavy Engineering and Marine business operations.

The participants were first brought to Kasawari and Jerun project areas to observe the latest progress and subsequently to the Mega Workshop. During the tour, the participants had the chance to witness the cutting and assembly of parts for the respective ongoing projects up close. They were then brought to the Observation Deck, a lofty vantage point where they could view the entire yard. At the Observation Deck, they were able to observe the PV panels installed on the rooftop of buildings in the yard. The solar panel installation is the largest rooftop installation in a single compound within Malaysia. The visit continued with a tour to the Marine Business facilities and later concluded at the Dry Dock No. 3 before proceeding with the final agenda of the day, a dialogue with Management.



Visit to the Kasawari project area



Explanation on ongoing work progress in the Mega Workshop

## Investor Relations Report



Group photo on the Observation Deck overlooking MMHE West, Pasir Gudang, Johor



Group photo with Encik Pandaj Othman, MD & CEO and Encik Ahmad Zakri Md Salleh, CFO

### Credit Rating

Malaysian Rating Corporation (MARC) has affirmed its AA-*is* rating with a stable outlook on MHB's Sukuk Murabahah Programme of up to RM1.0 billion.

### FTSE4Good Bursa Malaysia Index

FTSE4Good Index Series is designed to measure the performance of companies in demonstrating strong Environmental, Social and Governance (ESG) practices since 2001. MHB has been independently assessed by FTSE Russell according to the FTSE4Good criteria. Following the index review in June 2021, MHB has satisfied the requirements to remain a constituent of the FTSE4Good Index Series. The Group aims to consistently improve its ESG practices, performance, reporting and FTSE Russell ESG Rating.

# ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in accordance with Paragraph 9.25 of the MMLR of Bursa Securities as set out in Appendix 9C thereto.

## **MATERIAL CONTRACTS**

There were no material contracts entered into or subsisting between the Company and its Directors or major shareholders during the financial year except as disclosed in the audited financial statements of this Integrated Annual Report.

## **AUDIT AND NON-AUDIT FEES**

The amount of audit fees payable to the external auditors, Messrs Ernst & Young PLT (EY), for services rendered to the Group and the Company for the financial year ended 31 December 2021 amounted to RM316,250 and RM18,600, respectively.

The amount of non-audit fees paid or payable to external auditors, EY and their affiliated Companies for the services rendered to the Group and the Company for the financial year ended 31 December 2021 amounted to RM77,000 and RM22,000 respectively.

# FINANCIAL STATEMENTS

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## DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and joint ventures are described in Notes 13 and 14 to the financial statements respectively. There have been no significant changes in the nature of the principal activities during the financial year.

### HOLDING COMPANIES

The immediate and ultimate holding companies of the Company are MISC Berhad and PetroliaM Nasional Berhad ("PETRONAS"), both of which are incorporated and domiciled in Malaysia. The immediate holding company is listed on Bursa Malaysia.

### SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 13 to the financial statements.

### RESULTS

	Group RM'000	Company RM'000
Loss for the year	(274,140)	(8,929)
Loss attributable to:		
Equity holders of the Company	(270,406)	(8,929)
Non-controlling interests	(3,734)	-
	(274,140)	(8,929)

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in the financial statements.

### DIVIDENDS

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

## Directors' Report

### DIRECTORS

The names of the directors of the Company in office during the financial year and until the date of this report are:

Datuk Nasarudin bin Md Idris  
Choy Khai Choon  
Datuk Yee Yang Chien  
Syed Hashim bin Syed Abdullah  
Keith Taylor  
Ir. Wan Yusoff bin Wan Hamat  
Gladys Leong  
Pandai bin Othman  
Ausmal bin Kardin  
Emran bin Othman

Appointed on 3 November 2021  
Retired on 1 August 2021

Further to those serving as directors of the Company, the names of directors of the Company's subsidiaries since the beginning of the financial year to the date of this report are as follows:

Suhaizak bin Abd Latif  
Mohamad Yusof bin Ahmad  
Ahmad Zakri bin Md Salleh  
Hisham bin Haron  
Mazli Zakuan bin Mohd Noor  
Tan Yew Kun

Resigned on 9 September 2021  
Resigned on 19 January 2022

### RESERVES AND PROVISIONS

There were no material movements to and from reserves and provisions during the year other than as disclosed in the financial statements.

## Directors' Report

## DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares			31 December 2021
	1 January 2021	Acquired	Sold	
<b>The Company</b>				
<b>- Malaysia Marine and Heavy Engineering Holdings Berhad</b>				
<b>Direct</b>				
Datuk Nasarudin bin Md Idris	10,000	-	-	10,000
Ir. Wan Yusoff bin Wan Hamat	10,000	-	-	10,000
Ausmal bin Kardin	4,000	-	-	4,000
<b>Indirect</b>				
Pandai bin Othman	10,000	10,000	-	20,000
<b>Fellow subsidiary</b>				
<b>- PETRONAS Gas Berhad</b>				
<b>Direct</b>				
Datuk Nasarudin bin Md Idris	3,000	-	-	3,000
Ir. Wan Yusoff bin Wan Hamat	5,000	-	-	5,000
<b>Indirect</b>				
Pandai bin Othman	1,000	-	-	1,000

## Directors' Report

### DIRECTORS' INTERESTS (CONT'D.)

	Number of ordinary shares stapled with KLCC Real Estate Investment Trust Units (Stapled Securities)			
	1 January 2021	Acquired	Sold	31 December 2021
<b>Fellow subsidiary</b>				
<b>- KLCC Property Holdings Berhad</b>				
<b>Direct</b>				
Datuk Nasarudin bin Md Idris	5,000	-	-	5,000
<b>Indirect</b>				
Pandai bin Othman	4,000	-	-	4,000

	Number of ordinary shares			
	1 January 2021	Acquired	Sold	31 December 2021
<b>Fellow subsidiary</b>				
<b>- PETRONAS Chemicals Group Berhad</b>				
<b>Direct</b>				
Datuk Nasarudin bin Md Idris	10,000	-	-	10,000
Pandai bin Othman	6,000	-	-	6,000
<b>Indirect</b>				
Pandai bin Othman	4,000	-	-	4,000

None of the other directors holding office on 31 December 2021 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 or become entitled to receive any benefit (other than the benefits included in the aggregate amount of remunerations received or due and receivable by the Directors or fixed salary of full-time employees of the Company and other related companies as disclosed in Note 8 to the financial statements) by reason of a contract made by the Company or a related company with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquiring shares in or debentures of the Company or any other body corporate.

## Directors' Report

### INDEMNITY AND INSURANCE COSTS

During the financial year, PETRONAS and its subsidiaries (hereinafter referred to as "PETRONAS Group"), including the Company, maintained a Directors' and Officers' Liability Insurance in accordance with Section 289 of the Companies Act, 2016. The total insured limit for the Directors and Officers Liability Insurance effected for the Directors and Officers of the PETRONAS Group is RM1,290 million (2020: RM1,290 million) per occurrence and in the aggregate. The insurance premium for the Group is RM2,650 (2020: RM2,650).

The Directors and Officers shall not be indemnified by such insurance for any negligence, fraud, intentional breach of law or breach of trust proven against them.

### OTHER STATUTORY INFORMATION

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there are no bad debts to be written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts, or the amount of the provision for doubtful debts inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances, which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company, misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

## Directors' Report

### OTHER STATUTORY INFORMATION (CONT'D.)

- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to substantially affect the results of the operations of the Group or of the Company for the financial year in which this report is made.

### AUDITORS

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

The remuneration of the auditors of the Group is disclosed in Note 6 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 February 2022.

**Datuk Nasarudin bin Md Idris**

**Pandai bin Othman**

# STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Datuk Nasarudin bin Md Idris and Pandai bin Othman, being two of the directors of Malaysia Marine and Heavy Engineering Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 254 to 337 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 February 2022.

**Datuk Nasarudin bin Md Idris**

**Pandai bin Othman**

# STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Ahmad Zakri bin Md Salleh, being the officer primarily responsible for the financial management of Malaysia Marine and Heavy Engineering Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 254 to 337 are in my opinion 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 abovenamed Ahmad Zakri bin Md Salleh  
at Kuala Lumpur in the Federal Territory  
on 18 February 2022.

**Ahmad Zakri bin Md Salleh**

Before me,

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

### *Opinion*

We have audited the financial statements of Malaysia Marine and Heavy Engineering Holdings Berhad, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 254 to 337.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of their financial performance and their 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 2016 in Malaysia.

### *Basis for opinion*

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Independence and other ethical responsibilities*

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

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

## Independent Auditors' Report

To the Members of Malaysia Marine and Heavy Engineering Holdings Berhad (cont'd.)  
(Incorporated in Malaysia)

### Key Audit Matters (cont'd.)

Key audit matters	How we addressed the key audit matters
<p><b>Impairment of non-current assets</b> (Refer to Note 11 - Property, plant and equipment and Note 12 - Right-of-use assets)</p> <p>The Group is required to perform an impairment test on cash generating unit ("CGU") whenever there is an indication that the CGU may be impaired.</p> <p>The Group is in a loss-making position and the carrying amount of the Group's net assets exceeded its market capitalisation, thereby indicating potential impairment of the Group's property, plant and equipment and right-of-use assets.</p> <p>Accordingly, the Group estimated the recoverable amount of the property, plant and equipment and right-of-use assets using the value-in-use method based on cash flow projections derived from budgets approved by the Board covering a five-year period including the terminal value. Estimating the value-in-use involves estimating the future cash inflows and outflows and discounting them at an appropriate discount rate.</p> <p>This impairment review was significant to our audit because the assessment process was complex and was based on assumptions that were highly judgmental.</p>	<p>Our audit procedures included, among others, evaluating the assumptions and methodologies used by the Group, in particular those relating to the discount rate and projected cash flows including terminal value for the CGU.</p> <p>The areas that involved significant audit effort and judgement were the assessment of the probability of securing future revenue contracts, possible variations in the amount and timing of cash flows and the determination of an appropriate discount rate.</p> <p>Our procedures to assess management's impairment testing included the following:</p> <ul style="list-style-type: none"> <li>a) obtained an understanding of the relevant internal controls over estimating the recoverable amount of the CGU;</li> <li>b) enquired with business development teams to obtain an understanding of the status of negotiations and the likelihood of securing revenue contracts, for contracts above our testing threshold, including timing of commencement and expected value of those contracts;</li> <li>c) evaluated the reasonableness of the estimated profits to be derived from those revenue contracts above our testing threshold by comparing the estimated margins with the historical margins realised by the Group in the recent years;</li> <li>d) assessed, with the involvement of our internal valuation specialist the appropriateness of methodology and approach applied and the discount rate used to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the CGU; and</li> <li>e) evaluated the reasonableness of the terminal value and growth rate of the expected cash flows.</li> </ul> <p>In addition, we also evaluated the adequacy of the Group's disclosures of each key assumption on which the Group has based its cash flow projections and to which the CGU's recoverable amount is most sensitive, as disclosed in Note 11 to the financial statements.</p>

## Independent Auditors' Report

**To the Members of Malaysia Marine and Heavy Engineering Holdings Berhad (cont'd.)**  
**(Incorporated in Malaysia)**

*Key Audit Matters (cont'd.)*

Key audit matters	How we addressed the key audit matters
<p><b>Recognition of revenue and cost of construction and marine projects –</b> <i>(Refer to Note 4 - Revenue and Note 19 - Amount due from/(to) customers on contracts)</i></p> <p>The Group's revenues and profits are derived from long-term construction and marine projects which span more than one accounting period.</p> <p>The Group uses the percentage-of-completion ("POC") method in accounting for the revenue of these long-term contracts. The stage of completion is measured by reference to the physical completion of the contracts. Cost is recognised based on actual costs incurred to date.</p> <p>We focused on this area because management applies significant judgement and estimates in determining the stage of physical completion in respect of long-term heavy engineering and marine projects and in estimating total project costs.</p>	<p>In addressing this area of audit focus, we obtained an understanding of the relevant internal controls over the accuracy and timing of revenue and cost recognised in the financial statements, including controls performed by the Management in estimating total project costs, profit margin and POC of projects.</p> <p>In addition, we also performed the following:</p> <ul style="list-style-type: none"> <li>a) obtained an understanding of the relevant internal controls over the accuracy and timing of revenue recognised in the financial statements, including controls performed by the Management in estimating budgeted project costs, estimated project margins and stage of physical completion;</li> <li>b) read all key contracts to obtain an understanding of the specific terms and conditions;</li> <li>c) agreed contract revenue to the original signed customer contracts and/or approved variation orders;</li> <li>d) reviewed management meeting minutes to obtain an understanding of the performance and status for the projects above our testing threshold;</li> <li>e) reviewed management's budgeted project costs to ensure adequacy of costs to complete;</li> <li>f) assessed the reasonableness of inputs used in the determination of POC based on supporting evidence such as engineers' reports in relation to marine projects and actual invoices or signed progress reports by third party for heavy engineering projects and tested the underlying calculations of the POC;</li> <li>g) considered the historical accuracy of management's budgeted project margins in assessing the reasonableness of estimated margins of similar projects;</li> <li>h) assessed and ensured that actual project costs including foreseeable losses were appropriately accrued and supported by documentary evidences, such as work completion reports and material acceptance certificates, which represent activities performed to date;</li> <li>i) reperformed the calculations of the revenue based on the POC method and where applicable, considered the implications of any changes in estimates; and</li> <li>j) evaluated the presentation and disclosures of construction contracts in the financial statements, including significant accounting policies.</li> </ul>

## Independent Auditors' Report

To the Members of Malaysia Marine and Heavy Engineering Holdings Berhad (cont'd.)  
(Incorporated in Malaysia)

### *Information Other than the Financial Statements and Auditors' Report*

The directors of the Company are responsible for the other information. The other information comprises the information included in the Group's 2021 Integrated Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon. The Group's 2021 Integrated Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

### *Responsibilities of the Directors for the Financial Statements*

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

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

### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company, as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit 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 Group's and Company's internal controls.

# Independent Auditors' Report

## To the Members of Malaysia Marine and Heavy Engineering Holdings Berhad (cont'd.) (Incorporated in Malaysia)

### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (cont'd.)*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidences regarding the financial information of the entities and business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Other matters**

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

Ernst & Young PLT  
202006000003 (LLP0022760-LCA) & AF:0039  
Chartered Accountants

**Ismed Darwis Bahatlar**  
No. 02921/04/2022 J  
Chartered Accountant

Kuala Lumpur, Malaysia  
18 February 2022

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue	4	1,467,316	1,566,750	-	-
Cost of sales		(1,548,023)	(1,485,935)	-	-
Gross (loss)/profit		(80,707)	80,815	-	-
Other operating income	5	26,796	24,877	1,630	2,189
Selling and distribution expenses		(1,134)	(1,394)	-	-
Administrative expenses		(151,504)	(148,037)	(10,380)	(10,164)
Other operating expenses		(45,643)	(56,472)	(104)	(139)
Impairment loss		(9,010)	(300,000)	-	(541)
Finance costs		(12,938)	(911)	(75)	(144)
Share of results of joint ventures		-	(189)	-	-
Loss before taxation	6	(274,140)	(401,311)	(8,929)	(8,799)
Taxation	9	-	25	-	-
<b>Loss for the year</b>		<b>(274,140)</b>	<b>(401,286)</b>	<b>(8,929)</b>	<b>(8,799)</b>
<b>Other comprehensive loss:</b>					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Fair value gain/(loss) on cash flow hedges	22	15,844	(14,449)	-	-
<b>Total comprehensive loss for the year</b>		<b>(258,296)</b>	<b>(415,735)</b>	<b>(8,929)</b>	<b>(8,799)</b>
<b>Loss attributable to:</b>					
Equity holders of the Company		(270,406)	(396,804)	(8,929)	(8,799)
Non-controlling interests		(3,734)	(4,482)	-	-
		(274,140)	(401,286)	(8,929)	(8,799)
<b>Total comprehensive loss attributable to:</b>					
Equity holders of the Company		(254,562)	(411,253)	(8,929)	(8,799)
Non-controlling interests		(3,734)	(4,482)	-	-
		(258,296)	(415,735)	(8,929)	(8,799)
Loss per share attributable to equity holders of the Company (sen per share)					
Basic	10	(16.90)	(24.80)		
Diluted	10	(16.90)	(24.80)		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	1,524,763	1,579,177	-	-
Right-of-use assets	12	202,747	216,406	681	2,044
Investment in subsidiaries	13	-	-	1,608,205	1,608,205
Investment in joint ventures	14	8,907	8,907	-	-
Deferred tax assets	16	93,293	93,293	-	-
Trade receivable	17	467	-	-	-
		1,830,177	1,897,783	1,608,886	1,610,249
<b>Current assets</b>					
Inventories, at cost		3,608	4,877	-	-
Trade and other receivables	17	831,853	591,728	1,417	2,111
Tax recoverable		204	909	157	817
Cash and bank balances	20	709,913	651,054	67,965	87,890
		1,545,578	1,248,568	69,539	90,818
Non-current asset classified as held for sale	18	14,312	-	-	-
		1,559,890	1,248,568	69,539	90,818
<b>Total assets</b>		<b>3,390,067</b>	<b>3,146,351</b>	<b>1,678,425</b>	<b>1,701,067</b>
<b>Equity and liabilities</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	21	1,618,263	1,618,263	1,618,263	1,618,263
Cash flow hedge reserve	22	(165)	(16,009)	-	-
Retained earnings		88,355	358,761	53,006	61,935
		1,706,453	1,961,015	1,671,269	1,680,198
Non-controlling interests		954	4,688	-	-
<b>Total equity</b>		<b>1,707,407</b>	<b>1,965,703</b>	<b>1,671,269</b>	<b>1,680,198</b>

**Statements of Financial Position**

As at 31 December 2021 (cont'd.)

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Non-current liabilities</b>					
Borrowing	24	335,100	228,537	-	-
Lease liabilities	12	-	6,854	-	930
Derivatives	26	-	7,573	-	-
		335,100	242,964	-	930
<b>Current liabilities</b>					
Trade and other payables	23	1,307,399	904,276	6,296	18,341
Lease liabilities	12	924	1,878	860	1,598
Borrowing	24	34,536	19,859	-	-
Derivatives	26	4,701	11,671	-	-
		1,347,560	937,684	7,156	19,939
<b>Total liabilities</b>		1,682,660	1,180,648	7,156	20,869
<b>Total equity and liabilities</b>		3,390,067	3,146,351	1,678,425	1,701,067

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	← Attributable to equity holders of the Company →				Non-controlling interests RM'000	Total equity RM'000
	Share capital (Note 21) RM'000	Distributable retained earnings RM'000	Cash flow hedge reserve RM'000	Total RM'000		
<b>At 1 January 2021</b>	1,618,263	358,761	(16,009)	1,961,015	4,688	1,965,703
Total comprehensive (loss)/income	-	(270,406)	15,844	(254,562)	(3,734)	(258,296)
<b>At 31 December 2021</b>	1,618,263	88,355	(165)	1,706,453	954	1,707,407
<b>At 1 January 2020</b>	1,618,263	755,565	(1,560)	2,372,268	9,170	2,381,438
Total comprehensive loss	-	(396,804)	(14,449)	(411,253)	(4,482)	(415,735)
<b>At 31 December 2020</b>	1,618,263	358,761	(16,009)	1,961,015	4,688	1,965,703

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Share capital (Note 21) RM'000	Distributable retained earnings RM'000	Total equity RM'000
<b>At 1 January 2021</b>	1,618,263	61,935	1,680,198
Total comprehensive loss	-	(8,929)	(8,929)
<b>At 31 December 2021</b>	1,618,263	53,006	1,671,269
<b>At 1 January 2020</b>	1,618,263	70,734	1,688,997
Total comprehensive loss	-	(8,799)	(8,799)
<b>At 31 December 2020</b>	1,618,263	61,935	1,680,198

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Group	
	2021 RM'000	2020 RM'000
<b>Cash flows from operating activities</b>		
Loss before taxation	(274,140)	(401,311)
Adjustments for:		
Property, plant and equipment		
- Depreciation	78,954	65,577
- Write-offs	240	15
- Impairment loss	9,010	297,708
Right-of-use assets		
- Amortisation	8,696	9,461
- Impairment loss	-	2,292
(Gain)/loss on lease modifications		
- Wharf	(1,768)	-
- Warehouse	918	-
Net allowance for impairment loss of trade and other receivables	5,099	16,042
Interest income		
- Deposits with licensed banks	(10,333)	(13,465)
- Unwinding of interest from a receivable	(4,026)	-
Interest expense	12,938	911
Changes in fair value of hedging derivatives	1,301	3,235
Net unrealised (gain)/loss on foreign exchange	(5,098)	1,467
Share of results of joint ventures	-	189
Operating loss before working capital changes	(178,209)	(17,879)
Inventories	1,269	(518)
Trade and other receivables	(258,398)	(105,340)
Trade and other payables	424,825	259,932
Cash (used in)/generated from operations	(10,513)	136,195
Tax refund	53	-
Tax paid	(9)	(133)
Net cash (used in)/generated from operating activities	(10,469)	136,062
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(48,102)	(230,017)
Interest income from deposits with licensed banks	10,333	13,465
Net cash used in investing activities	(37,769)	(216,552)

## Consolidated Statement of Cash Flows

For the financial year ended 31 December 2021 (cont'd.)

	Group	
	2021 RM'000	2020 RM'000
<b>Cash flows from financing activities</b>		
Drawdown on long term borrowing	149,685	69,525
Payment of principal on long term borrowing	(28,445)	-
Interest paid on borrowing	(11,777)	(9,320)
Payment of lease liabilities	(2,366)	(2,575)
Net cash generated from financing activities	107,097	57,630
<b>Net change in cash and cash equivalents</b>	58,859	(22,860)
<b>Cash and cash equivalents at beginning of the year</b>	638,872	661,732
<b>Cash and cash equivalents at end of the year</b>	697,731	638,872
Cash and cash equivalents at the end of the year comprise the following:		
Cash at banks and in hand (Note 20)	90,117	63,592
IFSSC bank balance (Note 20)	402,167	300,233
Deposits with licensed banks (Note 20)	217,629	287,229
	709,913	651,054
Less: Cash pledged with the bank - restricted	(12,182)	(12,182)
	697,731	638,872

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Company	
	2021 RM'000	2020 RM'000
<b>Cash flows from operating activities</b>		
Loss before taxation	(8,929)	(8,799)
Adjustments for:		
Right-of-use assets		
- Amortisation	1,363	1,498
- Impairment loss	-	541
Interest income	(1,630)	(2,189)
Interest expense	74	144
Operating loss before working capital changes	(9,122)	(8,805)
Trade and other receivables	694	352
Trade and other payables	(11,385)	1,839
Cash used in operations	(19,813)	(6,614)
Net cash used in operating activities	(19,813)	(6,614)
<b>Cash flows from investing activity</b>		
Interest received	1,630	2,189
Net cash generated from investing activity	1,630	2,189
<b>Cash flows from financing activity</b>		
Payment of lease liability	(1,742)	(1,742)
Net cash used in financing activity	(1,742)	(1,742)
<b>Net change in cash and cash equivalents</b>	(19,925)	(6,167)
<b>Cash and cash equivalents at beginning of the year</b>	87,890	94,057
<b>Cash and cash equivalents at end of the year</b>	67,965	87,890
Cash and cash equivalents at the end of the year comprise the following:		
Cash at banks and in hand (Note 20)	174	37
IFSSC bank balance (Note 20)	67,762	87,688
Deposits with licensed banks (Note 20)	29	165
	67,965	87,890

## Statement of Cash Flows

For the financial year ended 31 December 2021 (cont'd.)

Changes in liabilities arising from financing activities:

	<b>Group RM'000</b>
<b>Total borrowing</b>	
At 1 January 2021	248,396
Drawdown of bank borrowing	149,685
Repayment of bank borrowing	(28,445)
At 31 December 2021 (Note 24)	369,636
<b>At 1 January 2020</b>	
Drawdown of bank borrowing	69,525
At 31 December 2020 (Note 24)	248,396

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

### 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The registered office of the Company is located at Level 31, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur.

The immediate and ultimate holding companies of the Company are MISC Berhad and PetroliaM Nasional Berhad ("PETRONAS"), both of which are incorporated and domiciled in Malaysia. The immediate holding company is listed on Bursa Malaysia.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and joint ventures are described in Note 13 and Note 14 to the financial statements respectively. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 18 February 2022.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

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

The financial statements have been prepared on the historical cost basis, other than those disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000), other than those indicated otherwise.

The Group and the Company had, as of 1 January 2021, adopted amendments to MFRSs (referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described in Note 2.3.

#### 2.2 Summary of significant accounting policies

##### (a) Subsidiaries and basis of consolidation

###### (i) Subsidiaries

Subsidiaries are entities controlled by the Company. The Group controls an entity when it is exposed to, 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 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 returns.

In the Company's separate financial statements, investment in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 Summary of significant accounting policies (cont'd.)

##### (a) Subsidiaries and basis of consolidation (cont'd.)

###### (ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, all intra-group balances, income and expenses and unrealised gains or losses resulting from intra-group transactions are eliminated in full. Uniform accounting policies are applied to like transactions and events in similar circumstances.

###### Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. 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 and the Company. The identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the aggregate of the fair value of the consideration transferred. Non-controlling interests are stated either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

When a business combination is achieved in stages, the Group and the Company remeasure their previously held non-controlling equity interest in the acquiree at fair value at the acquisition date, with any resulting gain or loss recognised in profit or loss.

The Group measures goodwill as the excess of the cost of an acquisition, as defined above and the fair values of any previously held interest in the acquiree, over the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

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

###### Non-controlling interests

Non-controlling interests at the reporting period, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and other comprehensive income for the year between the non-controlling interests and shareholders of the Company.

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

## Notes to the Financial Statements

### For the financial year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of significant accounting policies (cont'd.)

#### (a) Subsidiaries and basis of consolidation (cont'd.)

##### (ii) Basis of consolidation (cont'd.)

##### Non-controlling interests (cont'd.)

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's proportionate share of net assets before and after the change and any fair value of consideration received or paid, is recognised directly in equity as transactions with shareholders.

##### Loss of control

Upon the loss of control of a subsidiary, the Group and the Company derecognise the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from its consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group and the Company retain any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for an equity-accounted investee or as a fair value through other comprehensive income ("FVOCI") financial asset depending on the level of influence retained.

#### (b) Joint arrangements

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

Joint arrangements are classified as either joint operation or joint venture. A joint arrangement is classified as a joint operation when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. Meanwhile, a joint arrangement is classified as a joint venture when the Group has rights only to the net assets of the arrangements.

##### (i) Joint ventures

Investment in a joint venture is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in the joint venture is carried in the consolidated statement of financial position at cost, adjusted for post-acquisition changes in the Group's share of net assets of the joint venture. The Group's share of profit or loss of the joint venture is recognised in profit or loss. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the joint venture. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment, as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit or loss. The joint venture is equity accounted for from the date the Group obtains joint control until the date the Group ceases to have joint control over the joint venture.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 Summary of significant accounting policies (cont'd.)

##### (b) Joint arrangements (cont'd.)

###### (i) Joint ventures (cont'd.)

Goodwill relating to a joint venture is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the joint venture's identifiable assets, liabilities and contingent liabilities over the cost of the investments is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the joint venture's profit or loss in the year in which the investment is made.

When the Group's share of losses in the joint venture equals or exceeds its interest in the joint venture, including any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

The most recent available audited financial statements of the joint venture is used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting year. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

###### (ii) Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group, as a joint operator, recognises the following in relation to its interest in a joint operation:

- (i) its assets, including its share of any assets held jointly;
- (ii) its liabilities, including its share of any liabilities incurred jointly;
- (iii) its revenue from the sale of its share of the output arising from the joint operation; and
- (iv) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenue and expenses relating to its interest in joint operations in accordance with the MFRSs applicable to the particular assets, liabilities, revenue and expenses.

Profits and losses resulting from transactions between the Group and its joint operation are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the joint operation.

## Notes to the Financial Statements

### For the financial year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of significant accounting policies (cont'd.)

#### (c) Property, plant and equipment and depreciation

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

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Construction-in-progress are not depreciated as these assets are not available for use.

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

Boats	7% - 10%
Buildings, drydocks and waste plant	2% - 10%
Plant, machinery and electrical installations	4% - 20%
Vehicles and transport equipment	10% - 20%
Furniture and office equipment	5% - 20%
Loose tools	5%

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

#### (d) Impairment of non-financial assets

The carrying amounts of non-financial assets, other than construction contract assets, inventories, deferred tax assets and non-current assets classified as held for sale, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis. If the asset does not generate cash flows that are largely independent of those from other assets, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to.

An asset's recoverable amount is the higher of the asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 Summary of significant accounting policies (cont'd.)

##### (d) Impairment of non-financial assets (cont'd.)

An impairment loss is recognised in profit or loss in the period in which it arises. If the asset is carried at a revalued amount, the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the asset.

An impairment loss for an asset is reversed if and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss. If the asset is carried at revalued amount, such reversal is treated as a revaluation increase.

##### (e) Inventories

Inventories which comprise spares, raw materials and consumables held for own consumption are stated at the lower of cost and net realisable value. Cost is arrived at on a weighted average basis. The cost of raw materials and consumables comprises costs of purchase and other direct charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

##### (f) Financial instruments

###### *Recognition and initial measurement*

A financial asset (unless it is a receivable without a significant financing component) and a financial liability are measured at fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, any directly attributable transaction cost incurred at the acquisition or issuance of the financial instrument.

Regular purchases or sales is a purchase or sale under a contract whose terms require delivery of financial assets within a time frame established by regulation or convention in the marketplace concerned.

###### *Classification and subsequent measurement*

###### **Interest rate benchmark reform**

The Group will apply the practical expedients provided in the amendments to MFRS 7: Financial Instruments: Disclosures, MFRS 9: Financial Instruments, MFRS 139: Financial Instruments: Recognition and Measurement and MFRS 16: Leases (Interest Rate Benchmark Reform - Phase 2) in future periods if they become applicable.

As of 31 December 2021, the Group has had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate.

# Notes to the Financial Statements

## For the financial year ended 31 December 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 Summary of significant accounting policies (cont'd.)

##### (g) Financial assets

###### Initial recognition and measurement

Financial assets are classified as measured at amortised cost, FVOCI and fair value through profit or loss ("FVTPL"), as appropriate.

The Group and the Company determine the classification of financial assets at initial recognition and they are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

###### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

###### Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method ("EIR") and are subject to impairment. Gain and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Interest income and foreign exchange gains and losses are recognised in profit or loss.

The Group's and the Company's financial assets designated as amortised cost comprise trade and other receivables and cash and bank balances.

###### Fair value through other comprehensive income

This category comprises debt instrument where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 Summary of significant accounting policies (cont'd.)

##### (g) Financial assets (cont'd.)

###### Fair value through other comprehensive income (cont'd.)

FVOCI category also comprises investment in equity that is not held for trading and the Group and the Company irrevocably elect to present subsequent changes in the investment's FVOCI. This election is made on an investment-by-investment basis.

Financial assets categorised as FVOCI are subsequently measured at fair value, with unrealised gains and losses recognised directly in other comprehensive income and accumulated under FVOCI reserve in equity. For debt instruments, when the investment is derecognised or determined to be impaired, the cumulative gain or loss previously recorded in equity is reclassified to the profit or loss. For equity instruments, the gains or losses are never reclassified to profit or loss. The Group and the Company have not designated any financial assets as FVOCI.

###### Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or FVOCI, as described above, are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument). On initial recognition, the Group and the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as FVTPL are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

All financial assets, except for those measured at FVTPL and equity investments measured at FVOCI, are subject to impairment.

The Group and the Company have not designated any financial assets at FVTPL.

###### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either
  - (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or
  - (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

## Notes to the Financial Statements

### For the financial year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of significant accounting policies (cont'd.)

#### (g) Financial assets (cont'd.)

##### Derecognition of financial assets (cont'd.)

When the Group and the Company have transferred their rights to receive cash flows from an asset or has entered into a “pass through” arrangement, they evaluate if and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

#### (h) Financial liabilities

Financial liabilities are classified, at initial recognition as financial liabilities at FVTPL or amortised cost, as appropriate.

A financial liability is initially measured at fair value plus or minus, in the case of a financial instrument at amortised cost, any directly attributable transaction cost incurred at the acquisition or issuance of the financial instrument.

##### Classification and subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

##### Financial liabilities at fair value through profit or loss

FVTPL category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as FVTPL are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

The Group's financial liabilities at FVTPL include derivative liabilities.

##### Amortised cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in income statements when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 Summary of significant accounting policies (cont'd.)

##### (h) Financial liabilities (cont'd.)

###### Amortised cost (cont'd.)

The Group's and the Company's financial liabilities designated as amortised cost comprise trade and other payables, lease liabilities and borrowing.

###### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, (including any non-cash assets transferred or liabilities assumed) is recognised in the profit or loss. In the case of waiver of debt from owners, the gain is recognised in equity as other reserve.

##### (i) Financial guarantee contracts

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

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of:

- the best estimate of the expenditure required to settle the present obligation at the reporting date; and
- the amount initially recognised less cumulative amortisation.

##### (j) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if and only if, there is currently a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

##### (k) Fair value measurements

Fair value of an asset or a liability, except for 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.

## Notes to the Financial Statements

### For the financial year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of significant accounting policies (cont'd.)

#### (k) Fair value measurements (cont'd.)

##### (i) Financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business of the reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include: using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models. Where fair value cannot be reliably estimated, assets are carried at cost less impairment losses, if any.

##### (ii) Non-financial assets

For non-financial assets, 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 and the Company use observable market data as far as possible. Fair value is 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 and liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable input).

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.

#### (l) Amortised cost of financial instruments

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and takes into account transaction costs and fees that are an integral part of the effective interest rate.

#### (m) Borrowing costs

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

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 Summary of significant accounting policies (cont'd.)

##### (m) Borrowing costs (cont'd.)

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the assets 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 ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are completed.

In capitalising general borrowing costs, the Group shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate. The capitalisation rate shall be the weighted average of the borrowing costs applicable to all general borrowings of the Group. General borrowing are all borrowings that are outstanding during the period, except for specific borrowings that are made specifically to obtain a qualifying asset that is not yet ready for its intended use or sale. If a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of the Group's general borrowing.

##### (n) Impairment of financial assets and contract assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

The Group and the Company recognise loss allowances for expected credit losses ("ECL") on financial assets measured at amortised cost, contract assets and finance lease receivables.

The Group and the Company measure loss allowances on debt securities at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, other debt securities for which credit risk has not increased significantly since initial recognition and finance lease receivables, which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment (including forward-looking information).

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is past due.

The Group and the Company consider a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument, while 12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date.

## Notes to the Financial Statements

### For the financial year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of significant accounting policies (cont'd.)

#### (n) Impairment of financial assets and contract assets (cont'd.)

ECL are measured as a function of probability of default and loss given default. Probability of default is the likelihood of default over a particular time horizon and is derived using external credit ratings, if they are available, or internal credit ratings based on quantitative or qualitative information for the counterparty. Loss given default is the assumption of the proportion of financial asset that cannot be recovered by conversion of collateral to cash or by legal process and is assessed based on the Group's and the Company's historical experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at FVOCI is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

#### (o) Income tax

##### (i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

##### (ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes as at the reporting date.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or tax loss; and
- in respect of taxable temporary differences associated with investment in subsidiaries, branches and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be utilised.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 Summary of significant accounting policies (cont'd.)

##### (o) Income tax (cont'd.)

##### (ii) Deferred tax (cont'd.)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items related to the underlying transactions are recognised either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if legally enforceable rights exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

##### (p) Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group and the Company, are not recognised in the financial statements but are disclosed as contingent liabilities if the possibility of an outflow of economic resources is not considered as remote.

##### (q) Employee benefits

##### (i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

## Notes to the Financial Statements

### For the financial year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of significant accounting policies (cont'd.)

#### (q) Employee benefits (cont'd.)

##### (ii) Defined contribution plans

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

##### (iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Company recognise termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after reporting date are discounted to present value.

#### (r) Foreign currencies

##### (i) Functional and presentation currency

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

##### (ii) Foreign currency transactions

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

Exchange differences arising on the settlement of monetary items and on the translation of monetary items, are included in profit or loss for the year.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 Summary of significant accounting policies (cont'd.)

##### (r) Foreign currencies (cont'd.)

##### (ii) Foreign currency transactions (cont'd.)

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

##### (s) Revenue and other income recognition

##### (i) Revenue from contracts with customers

The Group recognises revenue from contracts with customers mainly from its Heavy Engineering Segment and Marine Segment. The Heavy Engineering Segment operates in oil and gas engineering and construction whilst Marine Segment operates in marine conversion and repair industry respectively.

The Group recognises revenue when or as it transfers control over a product or service to the customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (ii) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (iii) the Group's performance does not create an asset with an alternative use to the Group and the Group has enforceable rights to payment for performance completed to date.

Revenue from construction contracts is based on stage of completion. The stage of completion is measured by reference to the proportion of physical completion based on technical milestones defined under the contract and taking into account the nature of activities and its associated risks.

If a performance obligation is not satisfied over time in accordance with the above criteria, the Group satisfies the performance obligation and recognises revenue at a point in time.

##### **Performance obligation and satisfaction of performance obligation**

The Group's contract with customers mainly contains one performance obligation where the Group is contracted to construct a specific asset for a customer and to provide repair and maintenance services on customers' marine vessels.

## Notes to the Financial Statements

### For the financial year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of significant accounting policies (cont'd.)

#### (s) Revenue and other income recognition (cont'd.)

##### (i) Revenue from contracts with customers (cont'd.)

##### **Performance obligation and satisfaction of performance obligation (cont'd.)**

The Group considers whether there are other promises in the contract with customers that are separate performance obligations. The Group typically only provides assurance type warranties to assure that the completed project complies with agreed-upon specifications of the contract and therefore, does not give rise to a separate performance obligation.

Where the outcome of a contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred, that is probable to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

##### **Transaction price and variable considerations**

Transaction price comprises the initial amount of consideration agreed in the contract, variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured. Revenue is measured based on the consideration specified in a contract with a customer and exclude amounts collected on behalf of third parties.

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Group's construction contracts contain penalty clauses (i.e. Liquidated and ascertained damages) for late delivery. When it is probable that the construction contract will not be fulfilled on time, the penalty will be deducted from the contract transaction price.

##### **Contract assets and contract liabilities**

Contract assets represent the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. Contract assets are subjected to impairment in accordance to MFRS 9: Financial Instruments. The contract assets of the Group comprise amount due from customers on contracts.

Contract liabilities represent the Group's obligation to transfer goods or services to a customer for which the Group has received consideration, or the amount is due, from the customer. The contract liabilities of the Group comprise amount due to customers on contracts.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 Summary of significant accounting policies (cont'd.)

##### (s) Revenue and other income recognition (cont'd.)

###### (ii) Interest income

Revenue arising from assets yielding interest is recognised on a time proportion basis that takes into account the effective yield on the assets.

###### (iii) Rental income

Revenue arising from rental income of investment properties is recognised on a straight-line basis over the term of the lease under the lease arrangement.

###### (iv) Dividend income

Dividend income is recognised when the Group and the Company's right to receive payment is established.

##### (t) Derivative financial instruments and hedge accounting

The Group uses forward currency contracts as derivative financial instruments to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at each reporting date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge are recognised in the income statement.

The Group applies hedge accounting for certain qualified hedging relationships. For the purpose of hedge accounting, hedging relationships are classified as:

- Fair value hedges, when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk);
- Cash flow hedges, when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

## Notes to the Financial Statements

### For the financial year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of significant accounting policies (cont'd.)

#### (t) Derivative financial instruments and hedge accounting (cont'd.)

Hedges of the Group which meet the strict criteria for hedge accounting are accounted for as follows:

##### (i) Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. The effective portion of changes in the fair value of the hedging instrument that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts (forward points) is accounted for as a cost of hedging, included in the cash flow hedge reserve within equity.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedged item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to income statement as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income must be accounted for depending on the nature of the underlying transaction.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments.

##### (ii) Derivatives that are not designated or do not qualify for hedge accounting

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are directly recognised in profit or loss.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 Summary of significant accounting policies (cont'd.)

##### (u) Leases

###### (i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designs the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

###### (ii) Recognition and initial measurement

###### (a) As a lessee

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate is used. Generally, the Group entities use their incremental borrowing rate as the discount rate.

## Notes to the Financial Statements

### For the financial year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of significant accounting policies (cont'd.)

#### (u) Leases (cont'd.)

##### (ii) Recognition and initial measurement (cont'd.)

##### (a) As a lessee (cont'd.)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group and the Company are reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group and the Company are reasonably certain not to early terminate the contract.

The Group and the Company exclude variable lease payments that are linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group and the Company assess at lease commencement whether it is reasonably certain to exercise the extension options in determining the lease term.

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

##### (b) As a lessor

When the Group and the Company act as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and the Company make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group and the Company apply MFRS 15: Revenue from Contracts with Customers to allocate the consideration in the contract based on the stand-alone selling price.

# Notes to the Financial Statements

For the financial year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of significant accounting policies (cont'd.)

#### (u) Leases (cont'd.)

##### (ii) Recognition and initial measurement (cont'd.)

###### (b) As a lessor (cont'd.)

The Group and the Company recognise assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. The Group and the Company use the interest rate implicit in the lease to measure the net investment in the lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

##### (iii) Subsequent measurement

###### (a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, as follows:

Land use rights	1% - 4%
Warehouse and wharf	5% - 50%
Office premise	33%
Office equipment	30%

The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Depreciation of certain right-of-use assets are subsequently capitalised into carrying amount of other assets whenever they meet the criteria for capitalisation. In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. The Group will reassess whether it is reasonably certain to exercise the extension option if there is a significant change in circumstances within its control.

When the lease liability is remeasured as described in the above paragraph, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

## Notes to the Financial Statements

### For the financial year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of significant accounting policies (cont'd.)

#### (u) Leases (cont'd.)

##### (iii) Subsequent measurement (cont'd.)

###### (a) As a lessee (cont'd.)

When there is a lease modification due to an increase in the scope of lease by adding the right-to-use one or more underlying assets, the Group and the Company will assess whether the lease modification shall be accounted for as a separate lease or similar to reassessment of lease liability. The Group and the Company account for lease modification as a separate lease when the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments.

When there is a lease modification due to decrease in scope, the Group and the Company will decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease. The corresponding gain or loss shall be recognised in profit or loss. Lease liabilities are remeasured for all other lease modifications with corresponding adjustments to the right-of-use assets.

###### (b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease. The Group aims to allocate finance income over the lease term on a systematic and rational basis. The Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9: Financial Instruments (see note 2.2(n)).

#### (v) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

#### (w) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 Summary of significant accounting policies (cont'd.)

##### (x) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable MFRS. Then, on initial classification as held for sale, non-current assets are measured in accordance with MFRS 5: Non-Current Assets Held for Sale and Discontinued Operations that is, at the lower of carrying amount and fair value less costs to sell. Any differences are included in the income statement.

##### (y) Effective interest rate method

Amortised cost is computed using the EIR method. This method uses effective interest rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial instrument. Amortised cost takes into account any transaction costs and any discount or premium on settlement.

#### 2.3 Changes in accounting policies

On 1 January 2021, the Group and the Company adopted the following pronouncements mandatory for annual financial periods beginning on or after 1 January 2021:

##### Effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9: Financial Instruments (Interest Rate Benchmark Reform - Phase 2)
- Amendments to MFRS 139: Financial Instruments: Recognition and Measurement (Interest Rate Benchmark Reform - Phase 2)
- Amendments to MFRS 7: Financial Instruments: Disclosures (Interest Rate Benchmark Reform - Phase 2)
- Amendments to MFRS 4: Insurance Contract (Interest Rate Benchmark Reform - Phase 2)
- Amendments to MFRS 16: Leases (Interest Rate Benchmark Reform - Phase 2)

##### Effective for annual periods beginning on or after 1 April 2021

- Amendments to MFRS 16: Leases (COVID-19 Related Rent Concessions beyond 30 June 2021)

The adoption of the above pronouncements has no material to the financial statements.

#### 2.4 Standards issued but not yet effective

The standards and amendments to standards that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards and amendments to standards, if applicable, when they become effective.

## Notes to the Financial Statements

### For the financial year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.4 Standards issued but not yet effective (cont'd.)

#### Effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 9 Financial Instruments (Annual Improvements to MFRS Standards 2018 - 2020)
- Amendments to Illustrative Examples accompanying MFRS 16 Leases (Annual Improvements to MFRS Standards 2018 - 2020)
- Amendments to MFRS 3 Business Combinations (Reference to the Conceptual Framework)
- Amendments to MFRS 116 Property, Plant and Equipment (Property, Plant and Equipment—Proceeds before Intended Use)
- Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts—Cost of Fulfilling a Contract)

#### Effective for annual periods beginning on or after 1 January 2023

- Amendments to MFRS 17: Insurance Contracts
- Amendments to MFRS 101 Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)
- Amendments to MFRS 101 Presentation of Financial Statements and MFRS Practice Statement 2 (Disclosure of Accounting Policies)
- Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)
- Amendments to MFRS 112 Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)

#### Effective for a date yet to be confirmed

- Amendments to MFRS 10: Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 128: Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company are expected to apply the abovementioned pronouncements beginning from the respective dates the pronouncements become effective. The initial application of the abovementioned pronouncements are not expected to have any material impact to the financial statements of the Group and the Company.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

#### (a) Key sources of estimation uncertainty

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

##### (i) Construction contracts

The Group recognises contract revenue over time by reference to the Group's progress towards completing the construction of the contract work. The stage of completion is measured by reference to the proportion of physical completion of the contract work, which is based on activities performed to date. Revenue recognition policy is as described in Note 2.2(s). Cost is recognised based on actual costs incurred for work performed up to the reporting period.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, the recoverability of the contract costs as well as assessing potential deductions to revenue due to delays in delivery or other contractual penalties. In making these judgements, the Group's evaluation is based on past experience and by relying on the work of internal specialists.

##### (ii) Allowance for impairment loss of trade receivables, amount due from customers on contracts and other receivables

The allowance for impairment loss of trade receivables, amount due from customers on contracts and other receivables are based on the evaluation of the receivables on an individual basis and the amount of outstanding allowances. The customer's credit worthiness is evaluated by reviewing, among other matters, the Group's historical collection experience.

The information on allowance for impairment loss of trade receivables and amount due from customers on contracts is as disclosed in Note 29(b)(ii)(b), whereas the allowance for impairment of other receivables is as disclosed in Note 29(b)(iii).

##### (iii) Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses, unabsorbed capital allowances and unutilised tax allowances to the extent that it is probable that taxable profits will be available against which the losses and tax allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the business plans of the Group, the likely timing and level of future taxable profits together with future tax planning strategies. Estimating future taxable profits requires the Group to make estimates of the expected future projects and forecasted margins. Any changes in the assumptions will affect the probable taxable profits available to the Group.

The information on deferred tax assets is disclosed in Note 16.

##### (iv) Impairment of non-financial assets

The Group tests non-financial assets for impairment when there are indications that the assets may be impaired.

During the financial year, the Group carried out the impairment test based on estimation of the value in use ("VIU") of the cash-generating unit ("CGU") to which the property, plant and equipment and right-of-use assets are allocated. Estimating the VIU requires the Group to make an estimate of the expected future cash flows from the CGU and apply a suitable discount rate in order to calculate the present value of those cash flows. The key assumptions used in VIU calculations are disclosed in Note 11.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

#### (a) Key sources of estimation uncertainty (cont'd.)

##### (v) Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, the Group and the Company use the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group and the Company would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group and the Company estimate the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

### 4. REVENUE

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Heavy engineering construction works	1,217,959	1,204,503	-	-
Marine conversion and repair	249,357	362,247	-	-
	1,467,316	1,566,750	-	-

#### 4.1 Disaggregation of revenue

Revenue is disaggregated by nature of services of heavy engineering and marine conversion and repair as disclosed above.

All services of the Group are transferred over time.

#### 4.2 Contract balances

The following table provides information about gross receivables, contract assets and contract liabilities from contracts with customers.

	2021 RM'000	2020 RM'000
Trade receivables (Note 17)	292,091	431,265
Amount due from customers on contracts (Note 19)	577,131	190,955
Amount due to customers on contracts (Note 19)	(119,192)	(15,394)
	750,030	606,826

Amount due from customers on contracts primarily relates to the Group's rights to consideration for work completed but not billed at the reporting date. Amount due from customers on contracts are transferred to receivables when rights become unconditional. Amount due to customers on contracts primarily relate to the advance consideration received from the customer, for which revenue is recognised over time when the Group progressively satisfies its performance obligation.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

#### 4. REVENUE (CONT'D.)

##### 4.3 Transaction price allocated to the remaining performance obligations

The following table shows revenue expected to be recognised in the future related to performance obligations that are unsatisfied at the reporting date.

	Under 1 year RM'000	1-5 years RM'000	Total RM'000
Heavy engineering construction works	1,435,896	713,803	2,149,699
Marine conversion and repair	20,124	-	20,124
	1,456,020	713,803	2,169,823

#### 5. OTHER OPERATING INCOME

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Rental income	1,906	2,226	-	-
Interest income:				
- Deposits with licensed banks	10,333	13,465	1,630	2,189
- Unwinding of interest from a receivable	4,026	-	-	-
Net unrealised gain on foreign exchange	5,098	-	-	-
Income from scrap disposal	2,733	6,140	-	-
Gain/(loss) on lease modifications				
- Wharf	1,768	-	-	-
- Warehouse	(918)	-	-	-
Others	1,850	3,046	-	-
	26,796	24,877	1,630	2,189

## Notes to the Financial Statements

### For the financial year ended 31 December 2021

#### 6. LOSS BEFORE TAXATION

The following amounts have been included in arriving at the loss before taxation:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Auditors' remuneration:				
- Statutory audit	316	314	19	18
- Others	77	54	22	22
Staff costs (Note 7)	231,100	235,876	7,978	7,344
Property, plant and equipment (Note 11):				
- Depreciation	78,954	65,577	-	-
- Write-offs	240	15	-	-
- Impairment loss	9,010	297,708	-	-
Right-of-use assets (Note 12):				
- Amortisation	8,696	9,461	1,363	1,498
- Impairment loss	-	2,292	-	541
Operating lease rental (i):				
- Office premise	26	306	-	-
- Vehicles	143	616	-	-
- Office equipment	4,026	4,117	-	-
- Plant and machineries	20,535	9,730	-	-
- Tugboat, pushers and barges	4,664	4,724	-	-
Net allowance for impairment loss/(write back):				
- Trade receivables (Note 29(b)(ii)(b))	4,899	16,284	-	-
- Other receivables (Note 29(b)(iii))	200	(242)	-	-
Net loss on foreign exchange:				
- Realised	2,702	1,358	-	-
- Unrealised	-	1,467	-	-
Interest expense on lease liabilities	371	44	74	144
Interest expense on long term loan	12,567	867	-	-
Changes in fair value of hedging derivatives	1,301	3,235	-	-

- (i) The Group and the Company lease vehicles, office equipment, plant and machineries and boats with contract terms of 1 to 4 years. These leases are short term and/or leases of low-value assets. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 7. STAFF COSTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Wages and salaries	177,355	177,677	4,270	4,695
Social security costs	1,794	1,774	23	20
Contributions to a defined contribution plan	20,628	20,850	511	556
Termination benefits	43	1,137	-	-
Management fees in relation to services of key management personnel (Note 28(c))	2,347	1,576	2,347	1,576
Other staff related expenses	28,933	32,862	827	497
	231,100	235,876	7,978	7,344

Included in staff costs of the Group and the Company are executive director's salaries and other emoluments, excluding benefits-in-kind amounting to nil (2020: RM1,010,000) as further disclosed in Note 8.

### 8. DIRECTORS' REMUNERATION

The details of directors' remuneration of the Group and Company during the financial year are as follows:

	Group and Company	
	2021 RM'000	2020 RM'000
Executive director's remuneration*:		
Salaries	-	678
Other emoluments	-	332
Estimated money value of benefits-in-kind	9	3
Total executive director's remuneration (including benefits-in-kind)	9	1,013
Non-executive directors' remuneration**:		
Fees	720	723
Other emoluments	382	406
Estimated money value of benefits-in-kind	18	19
Total non-executive directors' remuneration (including benefits-in-kind)	1,120	1,148
Total directors' remuneration (including benefits-in-kind) (Note 28 (c))	1,129	2,161

## Notes to the Financial Statements

### For the financial year ended 31 December 2021

#### 8. DIRECTORS' REMUNERATION (CONT'D.)

The number of directors of the Group and Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors	
	2021	2020
Executive director*:		
RM1,000,000 - RM1,250,000	-	1
RM1,250,001 - RM1,400,000	-	-
	-	1
Non-executive directors**:		
RM150,000 and below	-	5
RM150,001 - RM200,000	1	-
RM200,001 - RM250,000	3	2
RM250,001 - RM300,000	1	1
	5	8
	5	9

\* Excludes an executive director of the Group who is paid directly by the ultimate holding company of the Group, PETRONAS.

\*\* Excludes non-executive directors of the Group who are paid directly by the immediate holding company of the Group, MISC Berhad.

#### 9. TAXATION

The major components of income tax expense are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current income tax:				
Malaysian income tax	-	-	-	-
Over provision in prior year:				
Malaysian income tax	-	(25)	-	-
	-	(25)	-	-

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 9. TAXATION (CONT'D.)

The major components of income tax expense are as follows (cont'd):

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deferred tax (Note 16):				
Relating to origination and reversal of temporary differences	32,881	(13,816)	-	-
(Over)/under provision in prior year	(32,881)	13,816	-	-
	-	-	-	-
Taxation	-	(25)	-	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2020: 24%) of the estimated assessable profit for the financial year.

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

	2021 RM'000	2020 RM'000
<b>Group</b>		
Loss before taxation	(274,140)	(401,311)
Taxation at Malaysian statutory tax rate of 24% (2020: 24%)	(65,794)	(96,315)
Effect of income not subject to tax	(2,740)	(2,882)
Effect of expenses not deductible for tax purposes	10,180	20,211
Utilisation of investment tax allowance arising from current year	-	(102,743)
Deferred tax assets not recognised	91,235	167,958
(Over)/under provision of deferred tax in prior year	(32,881)	13,816
Over provision of Malaysian current tax expense in prior year	-	(25)
Effect of share of results of joint ventures	-	(45)
Income tax credit for the year	-	(25)

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 9. TAXATION (CONT'D.)

	2021 RM'000	2020 RM'000
<b>Company</b>		
Loss before taxation	(8,929)	(8,799)
Taxation at Malaysian statutory tax rate of 24% (2020: 24%)	(2,143)	(2,112)
Effect of income not subject to tax	(391)	(521)
Effect of expenses not deductible for tax purposes	2,534	2,633
Income tax expense for the year	-	-

### 10. LOSS PER SHARE

Basic loss per share is calculated by dividing loss for the year attributable to ordinary equity holders of the Company by the number of ordinary shares outstanding during the financial year, as follows:

	Group	
	2021	2020
Loss attributable to equity holders of the Company (RM'000)	(270,406)	(396,804)
Number of ordinary shares in issue ('000)	1,600,000	1,600,000
Basic/diluted loss per share (sen)	(16.90)	(24.80)

The Group does not have any financial instruments which may dilute its basic loss per share.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 11. PROPERTY, PLANT AND EQUIPMENT

Group	Cost					At 31.12.2021 RM'000
	At 1.1.2021 RM'000	Additions RM'000	Transfers RM'000	Reclassified to held for sale RM'000 (Note 18)	Write-offs RM'000 (Note 6)	
Boats	154	-	-	-	-	154
Buildings, drydocks and waste plant	2,096,393	-	763	-	(125)	2,097,031
Plant, machinery and electrical installations	783,666	7,113	4,352	(26,985)	(4,570)	763,576
Vehicles and transport equipment	13,693	439	-	-	(370)	13,762
Furniture and office equipment	60,813	275	-	-	(456)	60,632
Loose tools	7,715	-	-	-	-	7,715
Construction-in-progress	11,623	40,275	(5,115)	-	-	46,783
	2,974,057	48,102	-	(26,985)	(5,521)	2,989,653

Group	Accumulated depreciation/impairment losses					Net carrying amount	
	At 1.1.2021 RM'000	Charge for the financial year RM'000 (Note 6)	Impairment loss RM'000 (Note 6)	Reclassified to held for sale RM'000 (Note 18)	Write-offs RM'000 (Note 6)	At 31.12.2021 RM'000	At 31.12.2021 RM'000
Boats	154	-	-	-	-	154	-
Buildings, drydocks and waste plant	860,350	42,373	4,996	-	(121)	907,598	1,189,433
Plant, machinery and electrical installations	450,020	34,782	4,014	(12,673)	(4,341)	471,802	291,774
Vehicles and transport equipment	13,446	409	-	-	(370)	13,485	277
Furniture and office equipment	55,509	1,390	-	-	(449)	56,450	4,182
Loose tools	7,711	-	-	-	-	7,711	4
Construction-in- progress	7,690	-	-	-	-	7,690	39,093
	1,394,880	78,954	9,010	(12,673)	(5,281)	1,464,890	1,524,763

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 11. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group	← Cost →					At 31.12.2020 RM'000
	At 1.1.2020 RM'000	Additions RM'000	Transfers RM'000	Adjustments* RM'000	Write-offs RM'000 (Note 6)	
Boats	154	-	-	-	-	154
Buildings, drydocks and waste plant	1,642,232	430	454,742	(912)	(99)	2,096,393
Plant, machinery and electrical installations	679,933	6,690	97,105	(11)	(51)	783,666
Vehicles and transport equipment	13,633	60	-	-	-	13,693
Furniture and office equipment	60,381	365	98	(31)	-	60,813
Loose tools	7,715	-	-	-	-	7,715
Construction-in-progress	332,142	231,426	(551,945)	-	-	11,623
	2,736,190	238,971	-	(954)	(150)	2,974,057

\* Adjustments relate to reversal of accrued cost after finalisation and closing out of projects for construction of the property, plant and equipment

Group	← Accumulated depreciation/impairment losses →				Net carrying amount	
	At 1.1.2020 RM'000	Charge for the financial year RM'000 (Note 6)	Impairment loss RM'000 (Note 6)	Write-offs RM'000 (Note 6)	At 31.12.2020 RM'000	At 31.12.2020 RM'000
Boats	147	-	7	-	154	-
Buildings, drydocks and waste plant	587,865	30,340	242,229	(84)	860,350	1,236,043
Plant, machinery and electrical installations	365,363	32,907	51,801	(51)	450,020	333,646
Vehicles and transport equipment	12,603	561	282	-	13,446	247
Furniture and office equipment	53,074	1,769	666	-	55,509	5,304
Loose tools	7,711	-	-	-	7,711	4
Construction-in-progress	4,967	-	2,723	-	7,690	3,933
	1,031,730	65,577	297,708	(135)	1,394,880	1,579,177

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 11. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

- (a) Included in the property, plant and equipment are fully depreciated assets which are still in use, with their carrying costs as follows:

	Group	
	2021 RM'000	2020 RM'000
Buildings, drydocks and waste plant	184,432	158,703
Plant, machinery and electrical installations	177,716	171,264
Other property, plant and equipment	62,884	56,610
	425,032	386,577

- (b) The additions to property, plant and equipment were acquired by way of:

	Group	
	2021 RM'000	2020 RM'000
Cash	48,102	230,017
Capitalisation of borrowing cost	-	8,954
	48,102	238,971

- (c) The Group and the Company have performed a review of the recoverable amount of property, plant and equipment and right-of-use assets during the financial year. The review led to the recognition of net impairment losses of RM9,010,000 (2020: RM300,000,000) and nil (2020: RM541,000) for the Group and the Company respectively, as disclosed in Note 6.

The recoverable amount was based on the higher of fair value less costs of disposal or value-in-use and determined at the CGU of each asset.

Recoverable amount determined from fair value less costs of disposal

One of its subsidiaries, MMHE-EPIC Marine & Services Sdn Bhd ("MEMS") has ceased its operation during the year. The fair value of MEMS's floating dock was determined based on valuation performed by independent valuer based on comparable assets.

Impairment of RM1,168,000 (2020: nil) for the Group was recognised using the above basis and the remaining impairment loss of RM7,842,000 (2020: nil) relates to MEMS's property, plant and equipment that were unable to be sold or repurposed for Malaysia Marine and Heavy Engineering Sdn Bhd ("MMHE")'s yard.

Recoverable amount determined from value-in-use ("VIU")

The Group's recoverable amount for property, plant and equipment and right-of-use assets of RM1,734,160,000 (2020: RM1,765,170,000) was determined from the VIU calculations using cash flow projections discounted at rate of 10.13% (2020: ranging from 10.50% to 11.00%). Impairment losses of RM300,000,000 and RM541,000 for the Group and the Company was recognised in the previous financial year using this basis.

## Notes to the Financial Statements

### For the financial year ended 31 December 2021

#### 11. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Recoverable amount determined from value-in-use ("VIU") (cont'd.)

Details of the key assumptions used in the value in use ("VIU") calculation are disclosed below:

##### **Key assumptions used in VIU calculations**

For the purpose of impairment testing, the recoverable amount of the CGU is determined based on VIU calculations using cash flow projections derived from budgets approved by management covering a five-year period. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of the CGU:

**(i) Revenue**

Revenue is estimated based on existing order book and anticipated future projects. In estimating the revenue, the Group considers the probability of securing future revenue contracts as well as possible variations in amounts and timing of the cash flows.

**(ii) Budgeted gross margins**

Gross margins are estimated based on forecast margins for order book, management's expectations and past experience.

**(iii) Discount rates**

The discount rate reflects specific risks relating to the CGU. The discount rate used is 10.13% (2020: 10.50% to 11.00%).

**(iv) Growth rates**

Cash flows beyond the five-year period is extrapolated using growth rate of 2.50% (2020: 1.75% to 2.30%).

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Group	← Cost →					At 31.12.2021 RM'000
	At 1.1.2021 RM'000	Additions RM'000	Transfers RM'000	Lease modifications RM'000	Write-offs RM'000	
	Land use rights *	306,852	-	-	-	
Warehouses and wharf	9,052	-	-	(8,834)	-	218
Office premise	4,899	-	-	-	-	4,899
Office equipment	643	-	-	-	(643)	-
	321,446	-	-	(8,834)	(643)	311,969

Group	← Accumulated depreciation/impairment losses →				Net carrying amount	
	At 1.1.2021 RM'000	Charge for the financial year RM'000 (Note 6)	Lease modifications RM'000	Write-offs RM'000	At 31.12.2021 RM'000	At 31.12.2021 RM'000
	Land use rights *	97,945	6,924	-	-	104,869
Warehouses and wharf	3,628	378	(3,871)	-	135	83
Office premise	2,855	1,363	-	-	4,218	681
Office equipment	612	31	-	(643)	-	-
	105,040	8,696	(3,871)	(643)	109,222	202,747

\* The prepaid leasehold and foreshore land cannot be disposed, charged or subleased without the prior consent of the Johor State Government.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D.)

	← Cost →				At 31.12.2020 RM'000
	At 1.1.2020 RM'000	Additions RM'000	Transfers RM'000	Write-offs RM'000	
<b>Group</b>					
Land use rights *	306,852	-	-	-	306,852
Warehouses and wharf	8,895	157	-	-	9,052
Office premise	4,899	-	-	-	4,899
Office equipment	643	-	-	-	643
	321,289	157	-	-	321,446

	← Accumulated depreciation/impairment losses →				Net carrying amount	
	At 1.1.2020 RM'000	Charge for the financial year RM'000 (Note 6)	Impairment loss RM'000 (Note 6)	Write-offs RM'000	At 31.12.2020 RM'000	At 31.12.2020 RM'000
<b>Group</b>						
Land use rights *	90,574	7,371	-	-	97,945	208,907
Warehouses and wharf	1,483	417	1,728	-	3,628	5,424
Office premise	816	1,498	541	-	2,855	2,044
Office equipment	414	175	23	-	612	31
	93,287	9,461	2,292	-	105,040	216,406

\* The prepaid leasehold and foreshore land cannot be disposed, charged or subleased without the prior consent of the Johor State Government.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D.)

	← Cost →				At 31.12.2021 RM'000
	At 1.1.2021 RM'000	Additions RM'000	Transfers RM'000	Write-offs RM'000	
<b>Company</b>					
Office premise	4,899	-	-	-	4,899

	← Accumulated depreciation/impairment losses →				Net carrying amount
	At 1.1.2021 RM'000	Charge for the financial year RM'000 (Note 6)	Impairment loss RM'000 (Note 6)	At 31.12.2021 RM'000	At 31.12.2021 RM'000
<b>Company</b>					
Office premise	2,855	1,363	-	4,218	681

	← Cost →				At 31.12.2020 RM'000
	At 1.1.2020 RM'000	Additions RM'000	Transfers RM'000	Write-offs RM'000	
<b>Company</b>					
Office premise	4,899	-	-	-	4,899

	← Accumulated depreciation/impairment losses →				Net carrying amount
	At 1.1.2020 RM'000	Charge for the financial year RM'000 (Note 6)	Impairment loss RM'000 (Note 6)	At 31.12.2020 RM'000	At 31.12.2020 RM'000
<b>Company</b>					
Office premise	816	1,498	541	2,855	2,044

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D.)

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	8,732	10,605
Additions	-	157
Accretion of interest	371	545
Lease modifications	(5,813)	-
Payments	(2,366)	(2,575)
At 31 December (Note 23)	924	8,732
Current	924	1,878
Non-current	-	6,854

	<b>Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	2,528	4,126
Accretion of interest	74	144
Payments	(1,742)	(1,742)
At 31 December (Note 23)	860	2,528
Current	860	1,598
Non-current	-	930

The Group and the Company had total cash outflows for lease liabilities of RM2,366,000 (2020: RM2,575,000) and RM1,742,000 (2020: RM1,742,000) respectively. In the previous financial year, the Group had non-cash additions to right-of-use assets and lease liabilities of RM157,000 relating to lease of warehouse for a tenure of two years.

The Group had total cash outflows for short-term leases and low-value assets amounting to RM29,394,000 (2020: RM19,493,000).

The Group leases various land, buildings and office equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 13. INVESTMENT IN SUBSIDIARIES

	Company	
	2021 RM'000	2020 RM'000
Unquoted shares in Malaysia, at cost	1,608,205	1,608,205

The subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Ownership interest and voting interest (%)	
			2021	2020
Malaysia Marine and Heavy Engineering Sdn Bhd ("MMHE")	Malaysia	Oil and gas engineering and construction works and marine conversion and repair	100%	100%
MMHE International Sdn Bhd	Malaysia	Dormant	100%	100%
Subsidiaries of MMHE:				
MMHE LNG Sdn Bhd	Malaysia	Dormant	100%	100%
Techno Indah Sdn Bhd	Malaysia	Dormant	100%	100%
MMHE-EPIC Marine & Services Sdn Bhd	Malaysia	Dormant	70%	70%
MHS Integrated Engineering Sdn Bhd	Malaysia	Plant turnaround & shutdown maintenance	90%	90%
Malaysia Marine and Heavy Engineering Saudi Limited	Saudi Arabia	Oil and gas engineering and construction works for offshore and onshore facilities	100%	100%

The Group regards the non-controlling interest in the subsidiaries as immaterial and as such has not disclosed the summarised financial information of the subsidiaries.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 14. INVESTMENT IN JOINT VENTURES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unquoted shares at cost	16,372	16,372	5,000	5,000
Share of post-acquisition reserves	(7,465)	(7,465)	-	-
Less: Allowance for impairment losses	-	-	(5,000)	(5,000)
	8,907	8,907	-	-

(a) Details of the Group's joint ventures, all of which are incorporated in Malaysia, are as follows:

Name	Ownership interest and voting interest (%)		Nature of activities
	2021	2020	
T.EN MHB Hull Engineering Sdn Bhd (formerly known as Technip MHB Hull Engineering Sdn Bhd)	50%	50%	Note (i)
MMHE-TPGM Sdn Bhd	60%	60%	Note (ii)
MMHE-ATB Sdn Bhd	40%	40%	Note (iii)

(i) T.EN MHB Hull Engineering Sdn Bhd builds and develops hull engineering and provides engineering project management services. It provides its services as subcontractors to the Group's projects as well as to third parties. The entity is considered dormant.

(ii) MMHE-TPGM Sdn Bhd provides engineering, procurement, construction, installation and commissioning services for the Group's activities in Turkmenistan. The entity is considered dormant.

(iii) MMHE-ATB Sdn Bhd is engaged in the manufacturing of pressure vessels and tube heat exchangers. It provides its services as subcontractors to the Group's projects as well as to third parties. During the financial year, the entity had initiated the liquidation via members' voluntary winding up pursuant to Section 439(1)(b) of the Companies Act 2016.

The above joint arrangements are structured via separate entities and provide the Group with the rights to the net assets of the entities under the arrangements. Therefore, these entities are classified as joint ventures of the Group. These joint ventures have the same reporting period as the Group. No quoted market prices are available for the shares of the Group's joint ventures as these companies are private companies.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 14. INVESTMENT IN JOINT VENTURES (CONT'D.)

(b) As none of the Group's joint ventures are individually material to the Group, the summarised financial information for the aggregated assets, liabilities and results of the joint ventures are as follows:

(i) Summarised statements of financial position

	2021 RM'000	2020 RM'000
Cash and cash equivalents	10,896	18,304
Other current assets	1,761	7,113
Total current assets	12,657	25,417
Total assets	12,657	25,417
Current liabilities, representing total liabilities	(5,491)	(12,583)
Net assets	7,166	12,834

(ii) Summarised statements of comprehensive income

	2021 RM'000	2020 RM'000
Interest income	19	-
Impairment loss of fixed assets	(2)	-
Profit/(loss) before tax	17	(826)
Income tax expense	(2)	-
Profit/(loss) after tax	15	(826)

The Group has discontinued recognising its share of losses in a joint venture considering the share of losses in this joint venture exceeds the Group's interest in this joint venture. As such, the Group did not recognise its share of losses of this joint venture in the current year and the Group's cumulative share of unrecognised losses in this joint venture amounted to RM1,622,000 (2020: RM1,627,000) as at 31 December 2021.

### 15. JOINT OPERATIONS

Details of the Group's joint operations are as follows:

Name	% of ownership interest held by the Group	
	2021	2020
Technip MMHE (Malikai) Joint Venture	50%	50%
Technip MMHE (SK316) Joint Venture	50%	50%
Technip MMHE (Kasawari) Joint Venture	60%	60%

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 15. JOINT OPERATIONS (CONT'D.)

Technip MMHE (Malikai) Joint Venture, Technip MMHE (SK316) Joint Venture and Technip MMHE (Kasawari) Joint Venture are unincorporated joint ventures between the Company's subsidiary, MMHE and Technip Geoproduction (M) Sdn Bhd to undertake specific engineering, procurement, construction, installation and commissioning projects.

### 16. DEFERRED TAX

	Group	
	2021 RM'000	2020 RM'000
At 1 January	93,293	93,293
Recognised in profit or loss (Note 9)	-	-
At 31 December	93,293	93,293

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

#### Deferred tax liabilities of the Group:

	Accelerated capital allowances RM'000
At 1 January 2021	84,356
Recognised in profit or loss	2,929
At 31 December 2021	87,285
At 1 January 2020	95,558
Recognised in profit or loss	(11,202)
At 31 December 2020	84,356

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 16. DEFERRED TAX (CONT'D.)

#### Deferred tax assets of the Group:

	Unutilised tax losses and reinvestment allowances RM'000	Unutilised investment tax allowances RM'000	Unutilised capital allowances RM'000	Others RM'000	Total RM'000
At 1 January 2021	(3,544)	(69,523)	(83,542)	(21,040)	(177,649)
Recognised in profit or loss	(47,085)	64,113	(30,345)	10,388	(2,929)
At 31 December 2021	(50,629)	(5,410)	(113,887)	(10,652)	(180,578)
At 1 January 2020	(2,510)	(130,996)	(37,017)	(18,328)	(188,851)
Recognised in profit or loss	(1,034)	61,473	(46,525)	(2,712)	11,202
At 31 December 2020	(3,544)	(69,523)	(83,542)	(21,040)	(177,649)

#### Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2021 RM'000	2020 RM'000
Unutilised tax losses	24,599	22,008
Unabsorbed capital allowances	11,208	9,417
Unutilised investment tax allowances (ITA)	1,077,162	709,378
Other deductible temporary differences	13,735	5,756
	1,126,704	746,559

The availability of the unutilised tax losses, unabsorbed capital allowances and unutilised investment tax allowances for offsetting against future taxable profits of the Group of companies are subject to no substantial change in shareholdings of the Group of companies under Section 44(5A) and Paragraph 75A, Schedule 3 of the Income Tax Act, 1967 ("the Act"). However, the Minister of Finance may exercise his powers under Section 44(5D) and Paragraph 75C, Schedule 3 of the Act to exempt all companies except dormant companies from the provision of Section 44(5A) and Paragraph 75A, Schedule 3 of the Act respectively. The unutilised tax losses can be carried forward and available for use for 7 years starting from the tax losses' respective year of assessment.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Non-current</b>				
Trade receivable				
Third party	467	-	-	-
<b>Current</b>				
Trade receivables				
Third parties	267,601	241,824	-	-
Related companies	24,023	189,441	-	-
Amount due from customers on contracts (Note 19)	577,131	190,955	-	-
	868,755	622,220	-	-
Less: Allowance for impairment losses (Note 29(b)(ii)(b))	(51,804)	(47,271)	-	-
	816,951	574,949	-	-
Other receivables				
Due from:				
- Joint ventures	7,706	7,279	16	16
- Subsidiaries	-	-	805	1,272
Deposits	3,098	3,084	56	287
Prepayments	652	811	-	-
Staff loans	555	704	-	-
Non-trade receivables	5,672	7,267	540	536
GST receivable	1,561	1,776	-	-
	19,244	20,921	1,417	2,111
Less: Allowance for impairment losses (Note 29(b)(iii))	(4,342)	(4,142)	-	-
	14,902	16,779	1,417	2,111
<b>Total current trade and other receivables</b>	<b>831,853</b>	<b>591,728</b>	<b>1,417</b>	<b>2,111</b>
<b>Total trade and other receivables</b>	<b>832,320</b>	<b>591,728</b>	<b>1,417</b>	<b>2,111</b>
Less: Prepayments	(652)	(811)	-	-
Amount due from customers on contracts (Note 29(b)(ii)(b))	(575,741)	(190,078)	-	-
GST receivable	(1,561)	(1,776)	-	-
Add: Cash and bank balances (Note 20)	709,913	651,054	67,965	87,890
<b>Total financial assets carried at amortised cost</b>	<b>964,279</b>	<b>1,050,117</b>	<b>69,382</b>	<b>90,001</b>

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 17. TRADE AND OTHER RECEIVABLES (CONT'D.)

Included in trade receivables due from related companies of the Group are amounts due from:

	Group	
	2021 RM'000	2020 RM'000
(i) Immediate holding company	-	79
(ii) Other related companies		
- PETRONAS Carigali Sdn Bhd	-	133,262
- Eaglestar Shipmanagement (L) Pte Ltd	22,774	13,730
- Malaysia Vietnam Offshore Terminal (L) Limited	-	41,198
- Malaysia Refining Company Sdn Bhd	1,231	1,154

Included in the amount due from customers on contracts of the Group are amounts in respect of projects for:

	Group	
	2021 RM'000	2020 RM'000
(i) Other related companies		
- Malaysia Vietnam Offshore Terminal (L) Limited	-	434
- Eaglestar Shipmanagement (L) Pte Ltd	20,279	7,513
- PETRONAS Carigali Sdn Bhd	548,996	120,131
- Malaysia Refining Company Sdn Bhd	-	7,851

Included in the other receivables of the Group are amounts due from:

	Group	
	2021 RM'000	2020 RM'000
(i) Immediate holding company	79	232
(ii) Joint operation		
- Technip MMHE (Kasawari) Joint Venture	510	139

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 17. TRADE AND OTHER RECEIVABLES (CONT'D.)

Credit terms of trade receivables for the Group, including trade receivables from related companies, range from 30 days to 45 days (2020: 30 days to 45 days).

Credit terms of other receivables, amounts due from joint venture and subsidiaries range from 30 days to 45 days (2020: 30 days to 45 days).

Further information on credit risk is disclosed in Note 29(b).

### 18. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

	Group	
	2021 RM'000	2020 RM'000
Plant and machinery (Note 11)	14,312	-

The above amount represents carrying values of floating dock owned by the Group with the intention of disposal in the immediate future.

Impairment loss of RM1,168,000 was recognised to reduce the carrying amount of the floating dock to its fair value less cost to sell immediately before the classification as held for sale.

### 19. AMOUNT DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group	
	2021 RM'000	2020 RM'000
Aggregate costs incurred and recognised profits	4,474,698	4,667,266
Less: Progress billings	(4,016,759)	(4,491,705)
	457,939	175,561
Amount due from customers on contracts (Note 29(b)(ii)(b))	577,131	190,955
Amount due to customers on contracts (Note 23)	(119,192)	(15,394)
	457,939	175,561

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 19. AMOUNT DUE FROM/(TO) CUSTOMERS ON CONTRACTS (CONT'D.)

The movement of amount due from/(to) customers on contracts is as follows:

	Group	
	2021 RM'000	2020 RM'000
At the beginning of the year	175,561	138,874
Revenue recognised during the year (Note 4)	1,467,316	1,566,750
Progress billings during the year	(1,184,938)	(1,530,063)
At the end of the year	457,939	175,561

Included in amount due from customers on contracts is an allowance for expected credit losses of RM1,390,000 (2020: RM877,000).

### 20. CASH AND BANK BALANCES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash at banks and in hand	90,117	63,592	174	37
IFSSC bank balance	402,167	300,233	67,762	87,688
Deposits with licensed banks	217,629	287,229	29	165
Cash and bank balances	709,913	651,054	67,965	87,890

Since 1 July 2014, to allow for efficient cash management, most of the Group and the Company's cash and bank balances are held in the In-House Account ("IHA") managed by PETRONAS Integrated Financial Shared Services Centre ("IFSSC").

Cash at banks earn interest at floating rates based on daily bank deposit rates. Deposits with licensed banks are made depending on the immediate cash requirements of the Group and of the Company and earn interest rates ranging from 0.95% to 2.00% (2020: 0.95% to 3.25%) per annum. The maturity periods of the Group's deposits with licensed banks as at the reporting date ranged between 1 day to 92 days (2020: 1 day to 92 days).

The deposits with licensed banks of the Group and the Company of RM217,629,000 (2020: RM287,229,000) and RM29,000 (2020: RM165,000) respectively are placed with credible financial institutions.

Included in cash and bank balances of the Group is monies held in a finance service reserve account, restricted for use amounting to RM12,182,000 (2020: RM12,182,000).

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 21. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2021 '000	2020 '000	2021 RM'000	2020 RM'000
<b>Issued and fully paid:</b>				
At 1 January/31 December	1,600,000	1,600,000	1,618,263	1,618,263

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. All ordinary shares rank equally with regard to the Company's residual assets.

### 22. CASH FLOW HEDGE RESERVE

	Group	
	2021 RM'000	2020 RM'000
At 1 January	(16,009)	(1,560)
Recognised in other comprehensive income:		
Fair value gain/(loss) on effective portion of cash flow hedge	15,844	(14,449)
At 31 December	(165)	(16,009)

The cash flow hedge reserve represents the effective portion of the net change in the fair value of the forward currency contracts as at the reporting date being RM165,000 (2020: RM16,009,000). As at 31 December 2021, the aforementioned forward currency contracts are expected to mature in year 2022.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 23. TRADE AND OTHER PAYABLES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade payables				
Third parties	62,432	63,552	-	-
Accruals	1,012,102	662,770	-	-
Retention monies	21,404	17,589	-	-
Amount due to customers on contracts (Note 19)	119,192	15,394	-	-
	1,215,130	759,305	-	-
Other payables				
Due to immediate holding company	122	152	-	-
Due to a subsidiary	-	-	2,114	16,255
Accruals	88,443	134,503	4,182	2,032
Others	3,704	10,316	-	54
	92,269	144,971	6,296	18,341
Total trade and other payables	1,307,399	904,276	6,296	18,341
Add: Borrowing (Note 24)	369,636	248,396	-	-
Add: Lease liabilities (Note 12)	924	8,732	860	2,528
Less: Amount due to customers on contracts (Note 19)	(119,192)	(15,394)	-	-
Total financial liabilities carried at amortised cost	1,558,767	1,146,010	7,156	20,869

Credit terms of trade payables granted to the Group range from 30 days to 60 days (2020: 30 days to 60 days).

Amount due to immediate holding company and a subsidiary are non-trade in nature and arose in the normal course of business.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 23. TRADE AND OTHER PAYABLES (CONT'D.)

Included in trade payables are amounts due to:

	Group	
	2021 RM'000	2020 RM'000
(i) Immediate holding company	-	883

Included in the amount due to customers on contracts of the Group are amounts in respect of projects for:

	Group	
	2021 RM'000	2020 RM'000
(i) Other related companies		
- Malaysia Vietnam Offshore Terminal (L) Limited	-	883
- Malaysia Refining Company Sdn Bhd	874	208

Included in other payables are amounts due to:

	Group	
	2021 RM'000	2020 RM'000
(i) Government linked companies		
- Tenaga Nasional Berhad	1,252	1,765

### 24. BORROWING

	Group	
	2021 RM'000	2020 RM'000
<b>Secured:</b>		
Current	34,536	19,859
Non current	335,100	228,537
Total (Note 23)	369,636	248,396

During the year, the Group made additional drawdowns amounting to RM149,685,000 of term loan from its Tawarruq financing facility to finance the construction of Dry Dock No. 3 and made total repayments of RM28,445,000. The term loan is secured by way of a charge over Dry Dock No. 3 with a carrying amount of RM443,120,000 (2020: RM458,124,000) and insurance of the relevant asset, as well as a corporate guarantee provided by the Company. The term loan is further secured by monies held in a finance service reserve account and is restricted for use as disclosed in Note 17. The loan bears a fixed profit rate of 4% per annum and is payable on a quarterly basis after a grace period of two years from the first drawdown.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 24. BORROWING (CONT'D.)

Details of the outstanding long term borrowing are as follows:

	Group	
	2021 RM'000	2020 RM'000
Amounts repayable:		
Less than one year	34,536	19,859
More than one year but not later than two years	36,213	21,407
More than two years but not later than five years	117,936	69,829
More than five years	180,951	137,301
	369,636	248,396

### 25. COMMITMENTS

	Group	
	2021 RM'000	2020 RM'000
<b>Capital expenditure:</b>		
Property, plant and equipment:		
Approved and contracted for	25,853	11,215
Approved but not contracted for	108,081	34,712
	133,934	45,927

#### Operating lease commitments – as lessee

Future minimum rental payable under non-cancellable operating leases at the reporting date are as follows:

	Group	
	2021 RM'000	2020 RM'000
Not later than 1 year	7,487	6,082
Later than 1 year but not later than 5 years	1,006	2,247
	8,493	8,329

Operating lease payments represent rental payable by the Group for use of office equipment. These payments comprise leases with contract terms of less than 12 months and leases of low value with contract terms of more than 12 months, thus the Group has elected not to recognise the right-of-use assets and lease liabilities for these leases.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 26. DERIVATIVES

	Group			
	2021		2020	
	Contract/ Notional amount RM'000	Fair value of liabilities RM'000	Contract/ Notional amount RM'000	Fair value of liabilities RM'000
<b>Non-current</b>				
Forward currency contracts:				
- Derivative liabilities	-	-	172,171	7,573
<b>Current</b>				
Forward currency contracts:				
- Derivative liabilities	380,057	4,701	424,705	11,671

As at 31 December 2021, the Group held forward currency contracts designated as hedges of future payments denominated in United States Dollars ("USD"), Euro ("EUR") and Sterling Pounds ("GBP"). The forward currency contracts are being used to hedge the foreign currency risk of the highly probable forecasted transactions.

The cash flow hedges of the expected future payments which are expected to mature in year 2022 were assessed. During the year, the Group recognised a net unrealised derivatives gain of RM15,844,000 (2020: loss of RM14,449,000) in its other comprehensive income and derivative loss of RM1,301,000 (2020: RM3,235,000) in profit or loss for the effective and ineffective portion respectively.

### 27. CONTINGENT LIABILITIES

	Group	
	2021 RM'000	2020 RM'000
<b>Unsecured</b>		
Performance bond on contracts extended to customers	465,329	338,993

### 28. RELATED PARTY DISCLOSURES

In addition to related party disclosures elsewhere in the financial statements, set out below are other significant related party transactions. The directors are of the opinion that unless otherwise stated, the transactions below have been entered into in the normal course of business at terms agreed between the parties during the financial year.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 28. RELATED PARTY DISCLOSURES (CONT'D.)

As the ultimate holding company is wholly owned by the Ministry of Finance ("MoF"), the Group is deemed to be related to entities that are controlled, jointly controlled or significantly influenced by the Government of Malaysia.

	Group	
	2021 RM'000	2020 RM'000
<b>(a) Income:</b>		
Provision of services for repairs, engineering and construction works, conversion of vessels and drydocking to		
- immediate holding company	112	3,550
- fellow subsidiaries	59,871	103,698
- other related companies of ultimate holding company	1,134,748	1,088,599
<b>(b) Expenses:</b>		
Rental of office premise and provision of administrative services from other related companies of the ultimate holding company	1,745	1,742
Purchases from:		
- immediate holding company	7,649	1,670
- fellow subsidiary	-	20
- other related companies of the ultimate holding company	26,622	16,700
- government-related entities	19,893	25,216

### (c) Compensation of key management personnel

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company, directly or indirectly, including any director of the Group and of the Company.

The remuneration of members of key management during the financial year are as follows:

	Group	
	2021 RM'000	2020 RM'000
Short-term employee benefits	5,882	7,402
Management fees (Note 7) *	2,347	1,576
Post-employment benefits:		
Defined contribution plan	170	269
	8,399	9,247

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 28. RELATED PARTY DISCLOSURES (CONT'D.)

#### (c) Compensation of key management personnel (cont'd.)

	Company	
	2021 RM'000	2020 RM'000
Short-term employee benefits	1,591	2,195
Management fees (Note 7) *	2,347	1,576
Post-employment benefits:		
Defined contribution plan	51	96
	3,989	3,867

Included in the total remuneration of key management personnel are:

	Group and Company	
	2021 RM'000	2020 RM'000
Directors' remuneration (Note 8)	1,129	2,161

\* Included in the remuneration of key management personnel are management fees in relation to the services of four non-executive directors who are employees of the immediate holding company of the Group, MISC Berhad. Included also is one executive director and one key management personnel who are employees of the ultimate holding company of the Group, PETRONAS.

### 29. FINANCIAL INSTRUMENTS

#### (a) Financial risk management

The Group is exposed to various risks that are related to its core business of oil and gas engineering and construction works and marine conversion and repair. These risks arise in the normal course of the Group's businesses.

The Group monitors and ensures effective and robust execution of financial risk management through implementation of the new MHB Financial Policy ("the Policy"), which was rolled down from the PETRONAS Financial Policy and MISC Financial Policy. The Policy anchors on MHB Group's commitment to become a financially resilient organisation. The Policy supports the following objectives:

- 1) Set the overarching philosophy on commitment towards becoming financially resilient for longer term sustainability through efficient capital and liquidity management principles;
- 2) Ensure efficient capital and liquidity management amidst challenging and volatile business landscape;
- 3) Set clear tone in shaping financial management and financial risk management practices for the organisation;
- 4) Emphasize integration between Finance (Financial Management & Financial Risk Management) with businesses, to ensure business strategies integrate appropriate financial management and financial risk management consideration in the overall strategy.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 29. FINANCIAL INSTRUMENTS (CONT'D.)

#### (a) Financial risk management (cont'd.)

The Group's key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk as summarised below. It is and has been throughout the financial year under review, the Group's policy not to undertake any speculative trading in derivative financial instruments.

#### (b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from its operating activities, mainly from trade receivables and from its investing activities, including deposits with banks and financial institutions.

##### (i) Maximum credit risk exposure

The Group's and the Company's maximum exposure to credit risk is represented by the carrying amounts as disclosed in Notes 17, 19 and 20.

##### (ii) Trade receivables and amount due from customers on contracts

###### (a) Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry sector profile of its receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables and amount due from customers on contracts at the reporting date is as follows:

	Group	
	2021 RM'000	2020 RM'000
Heavy Engineering Segment	659,853	438,081
Marine Segment	209,369	184,139
	869,222	622,220

###### (b) Recognition and measurement of impairment loss

At each reporting date, the Group and the Company assess whether any of the trade receivables and amount due from customers on contract are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partial or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 29. FINANCIAL INSTRUMENTS (CONT'D.)

#### (b) Credit risk (cont'd.)

##### (ii) Trade receivables and amount due from customers on contracts (cont'd.)

#### (b) Recognition and measurement of impairment loss (cont'd.)

The Group performs credit rating assessment of all its counterparties in order to measure expected credit loss ("ECL") of trade receivables for all segments using the PETRONAS Credit Risk Rating System. This credit rating assessment considers quantitative assessment using the counterparties' financial statements or a qualitative assessment of the counterparties, which includes but is not limited to their reputation, competitive position, industry and geopolitical outlook.

In determining the ECLs, the probability of default assigned to each counterparty is based on each individual counterparty's credit rating. This probability of default is derived by benchmarking against available third party and market information, which also incorporates forward looking information. Loss given default is the assumption of the proportion of financial asset that cannot be recovered by conversion of collateral to cash or by legal process and is assessed based on the Group's historical experience.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and amount due from contracts with customers as at 31 December 2021 which are grouped together as they are expected to have similar risk nature.

Credit risk rating	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
<b>2021</b>			
Low risk	42,148	(27)	42,121
Medium risk	673,205	(939)	672,266
High risk	106,366	(3,335)	103,031
	821,719	(4,301)	817,418
Individually impaired	47,503	(47,503)	-
	869,222	(51,804)	817,418
Representing:			
Trade receivables (Note 17)	292,091	(50,414)	241,677
Amount due from customers on contracts (Note 19)	577,131	(1,390)	575,741
	869,222	(51,804)	817,418

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 29. FINANCIAL INSTRUMENTS (CONT'D.)

#### (b) Credit risk (cont'd.)

##### (ii) Trade receivables and amount due from customers on contracts (cont'd.)

#### (b) Recognition and measurement of impairment loss (cont'd.)

Credit risk rating	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
<b>2020</b>			
Low risk	52,770	(31)	52,739
Medium risk	378,947	(1,009)	377,938
High risk	149,827	(5,555)	144,272
	581,544	(6,595)	574,949
Individually impaired	40,676	(40,676)	-
	622,220	(47,271)	574,949
Representing:			
Trade receivables (Note 17)	431,265	(46,394)	384,871
Amount due from customers on contracts (Note 19)	190,955	(877)	190,078
	622,220	(47,271)	574,949

The trade receivables that are neither past due nor impaired, past due but not impaired and impaired are disclosed below:

	Group	
	2021 RM'000	2020 RM'000
Neither past due nor impaired	229,915	172,507
1 to 30 days past due not impaired	2,642	25,398
31 to 60 days past due not impaired	7,074	15,627
61 to 90 days past due not impaired	123	61,037
More than 90 days past due not impaired	1,923	110,302
	11,762	212,364
Impaired	50,414	46,394
	292,091	431,265

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 29. FINANCIAL INSTRUMENTS (CONT'D.)

(b) Credit risk (cont'd.)

(ii) Trade receivables and amount due from customers on contracts (cont'd.)

(b) Recognition and measurement of impairment loss (cont'd.)

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and/or have adequate security in the form of corporate guarantee or collaterals.

The Group has trade receivables that are past due at the reporting date but not impaired amounting to RM11,762,000 (2020: RM212,364,000). These balances are either secured by collaterals or relate mainly to customers who have never defaulted on payments but are slow paymasters and hence, are periodically monitored.

The movements in the allowance for impairment losses of trade receivables and amount due from customer on contracts during the year are as follows:

	Group	
	2021 RM'000	2020 RM'000
At 1 January	47,271	31,687
Net impairment loss recognised (Note 6)	4,899	16,284
Unrealised foreign currency adjustment	(366)	(700)
At 31 December (Note 17)	51,804	47,271

(iii) Other receivables

The Group's other receivables that are impaired at the reporting date are as follows:

	Group	
	2021 RM'000	2020 RM'000
At 1 January	4,142	4,384
Net impairment loss/(written back) (Note 6)	200	(242)
At 31 December (Note 17)	4,342	4,142

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 29. FINANCIAL INSTRUMENTS (CONT'D.)

#### (b) Credit risk (cont'd.)

##### (iv) Other financial assets

With respect to credit risk arising from other financial assets of the Group, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure represented by the carrying amount of these instruments.

Since 1 July 2014, cash and bank balances were held in the IHA managed by PETRONAS IFSSC. The centralisation of fund management allows for effective cash visibility, fund management for the Group and minimise exposure to counterparty credit risk. The beneficiary of these financial assets remain with the Group.

PETRONAS IFSSC, which operates as a treasury management platform, in turn, places all funds under management in licensed financial institutions with strong credit ratings globally and in Malaysia. In addition, the Group's deposits are placed with licensed banks with strong credit ratings in Malaysia.

#### (c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises from mismatches of the maturities of financial assets and financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of term loans and revolving credit facilities.

As at 31 December 2021, the Group and the Company had at its disposal cash and cash equivalents amounting to RM697,731,000 (2020: RM638,872,000) and RM67,965,000 (2020: RM87,890,000) respectively.

The Group's holding of cash and short term deposits, together with committed funding facilities are expected to be sufficient to cover its cash flow requirements.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 29. FINANCIAL INSTRUMENTS (CONT'D.)

#### (c) Liquidity risk (cont'd.)

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

	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
<b>Group</b>				
<b>At 31 December 2021</b>				
Trade and other payables	1,188,207	-	-	1,188,207
Lease liabilities *	935	-	-	935
Borrowing	49,815	199,262	198,745	447,822
Derivatives	4,701	-	-	4,701
	1,243,658	199,262	198,745	1,641,665
<b>At 31 December 2020</b>				
Trade and other payables	888,882	-	-	888,882
Lease liabilities *	2,504	3,345	6,507	12,356
Borrowing	30,494	121,976	152,451	304,921
Derivatives	11,671	7,573	-	19,244
	933,551	132,894	158,958	1,225,403

\* Further information about the maturity of lease liabilities beyond five years is provided in the table below:

	Five to ten years RM'000	Ten to fifteen years RM'000	Fifteen to twenty years RM'000	Total RM'000
<b>Group</b>				
<b>At 31 December 2021</b>				
Lease liabilities	-	-	-	-
<b>At 31 December 2020</b>				
Lease liabilities	3,050	3,050	407	6,507

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 29. FINANCIAL INSTRUMENTS (CONT'D.)

#### (c) Liquidity risk (cont'd.)

	On demand or within one year RM'000	One to five years RM'000	Total RM'000
<b>Company</b>			
<b>At 31 December 2021</b>			
Trade and other payables	6,296	-	6,296
Lease liabilities	871	-	871
	7,167	-	7,167
<b>At 31 December 2020</b>			
Trade and other payables	18,341	-	18,341
Lease liabilities	1,742	871	2,613
	20,083	871	20,954

#### (d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

As the Group has no significant long term interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been placed mostly in time deposits and overnight placements.

As most of the Group's financial liabilities are fixed rate instruments measured at amortised cost, a change in interest rate is not expected to have material impact on the Group's and the Company's profit or loss.

## Notes to the Financial Statements

### For the financial year ended 31 December 2021

#### 29. FINANCIAL INSTRUMENTS (CONT'D.)

##### (e) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Euro ("EUR"), Singapore Dollar ("SGD") and British Pound Sterling ("GBP").

The net unhedged significant financial receivables and payables and cash and bank balances of the Group that are not denominated in their functional currencies are as follows:

Group	USD RM'000	EUR RM'000	SGD RM'000	GBP RM'000	Total RM'000
At 31 December 2021	123,723	(1,042)	6,317	(643)	128,355
At 31 December 2020	405,596	(2,048)	10,877	266	414,691

##### (i) Foreign currency sensitivity

The following table demonstrates the sensitivity of the Group's loss before taxation and other comprehensive loss to a reasonably possible change in the USD, EUR, SGD and GBP exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant:

	Change in currency rate %	Effect on loss before taxation Decrease/ (Increase) RM'000	Effect on other comprehensive loss Decrease/ (Increase) RM'000
<b>31 December 2021</b>			
USD	+10%	47,807	537
	-10%	(47,807)	(537)
EUR	+10%	(23)	277
	-10%	23	(277)
SGD	+5%	392	38
	-5%	(392)	(38)
GBP	+5%	(389)	67
	-5%	389	(67)

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 29. FINANCIAL INSTRUMENTS (CONT'D.)

#### (e) Foreign currency risk (cont'd.)

##### (i) Foreign currency sensitivity (cont'd.)

	Change in currency rate %	Effect on loss before taxation Decrease/ (Increase) RM'000	Effect on other comprehensive loss Decrease/ (Increase) RM'000
<b>31 December 2020</b>			
USD	+10%	47,085	48,695
	-10%	(47,085)	(48,695)
EUR	+10%	(369)	126
	-10%	369	(126)
SGD	+5%	544	-
	-5%	(544)	-
GBP	+5%	38	728
	-5%	(38)	(728)

### 30. CAPITAL MANAGEMENT

The Group's capital management is defined as the process of managing the ratio of its equity and debt structure so as to ensure that it maintains a healthy capital ratio to support its business and maximise shareholders' value. The Group's approach in managing capital is set out in MHB's Financial Policy.

The debt to equity ratio of the Group as at 31 December 2021 and 31 December 2020 are as follows:

	Note	2021 RM'000	2020 RM'000
Borrowing	24	369,636	248,396
Total equity		1,707,407	1,965,703
Gross debt to equity ratio		0.22	0.13

The gearing ratio is not governed by MFRS and its definition and calculation may vary from one group/company to another.

## Notes to the Financial Statements

### For the financial year ended 31 December 2021

#### 31. FAIR VALUE OF FINANCIAL INSTRUMENTS

##### Fair value information

The carrying amounts of cash and bank balances, 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.

The carrying amounts of floating rate loans and borrowings reasonably approximate their fair values as they are repriced to market interest rates on or near the reporting date.

The following table analyses financial assets and financial liabilities of the Group carried at fair value and financial instruments 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.

	Note	Fair value of assets carried at fair value			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<b>Group</b>					
<b>At 31 December 2021</b>					
<b>Non-financial asset</b>					
Non-current asset classified as held for sale	18	-	-	14,312	14,312

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying
					amount RM'000
<b>Fair value of financial instruments not carried at fair value</b>					
<b>Group</b>					
<b>At 31 December 2021</b>					
<b>Financial liability</b>					
Term loans - fixed rate	-	409,339	-	409,339	369,636
<b>At 31 December 2020</b>					
<b>Financial liability</b>					
Term loans - fixed rate	-	271,541	-	271,541	248,396

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 31. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

#### Fair value information (cont'd.)

#### Transfers between Level 1 and Level 2 fair values

There has been no transfers between Level 1 and Level 2 fair values during the financial year.

#### Level 1 fair value measurements

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

#### Level 2 fair value measurements

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

The fair value of the fixed rate loan and borrowings which is determined for disclosure purposes is calculated by discounting expected future cash flows at the market rate of interest at the end of the reporting period.

#### Level 3 fair value measurements

Level 3 fair value is estimated using unobservable inputs that are not based on observable market data.

The fair value of non-current asset held for sale is determined by using market comparable approach with unobservable inputs of transacted comparable floating dock adjusted for the specifications and current condition of the assets.

### 32. SEGMENT INFORMATION

For management purposes, the Group is organised into business segments according to the services provided:

- (i) Heavy Engineering Segment – provision of services for oil and gas engineering, construction and conversion works.
- (ii) Marine Segment – provision of repair services and drydocking of liquefied natural gas carriers.

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 32. SEGMENT INFORMATION (CONT'D.)

	Heavy Engineering segment RM'000	Marine segment RM'000	Others* RM'000	Total RM'000	Adjustments and eliminations RM'000	Note	Consolidated RM'000
<b>31 December 2021</b>							
<b>Revenue</b>							
External customers	1,217,959	249,357	-	1,467,316	-		1,467,316
<b>Result</b>							
Operating loss	(209,132)	(49,390)	6,368	(252,154)	(38)	A	(252,192)
Impairment loss (Note 6)				(9,010)	-		(9,010)
Finance cost				(12,938)	-		(12,938)
Share of results of joint ventures				-	-		-
Loss before taxation				(274,102)	(38)		(274,140)
Taxation				-	-		-
Loss for the year				(274,102)	(38)		(274,140)
<b>Segment assets</b>							
Due from customers on contracts	555,946	19,795	-	575,741			
Trade receivables	82,109	121,299	26,092	229,500			
<b>Total segment assets</b>	<b>638,055</b>	<b>141,094</b>	<b>26,092</b>	<b>805,241</b>	<b>12,177</b>	B	<b>817,418</b>
<b>Segment liabilities</b>							
Due to customers on contracts	(111,311)	(7,881)	-	(119,192)			
<b>Total segment liabilities</b>	<b>(111,311)</b>	<b>(7,881)</b>	<b>-</b>	<b>(119,192)</b>	<b>-</b>	C	<b>(119,192)</b>
<b>Included in operating losses are:</b>							
Depreciation and amortisation	(44,292)	(40,273)	(3,047)	(87,612)	(38)		(87,650)
Assets written off	-	(240)	-	(240)	-		(240)
(Impairment loss)/write back							
- property, plant and equipment				(9,010)	-		(9,010)
- trade and other receivables (net)	-	(7,173)	2,074	(5,099)	-		(5,099)

\* Comprise supporting services provided to the Group

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 32. SEGMENT INFORMATION (CONT'D.)

	Heavy Engineering segment RM'000	Marine segment RM'000	Others* RM'000	Total RM'000	Adjustments and eliminations RM'000	Note	Consolidated RM'000
<b>31 December 2020</b>							
<b>Revenue</b>							
External customers	1,204,503	362,247	-	1,566,750	-		1,566,750
<b>Result</b>							
Operating loss	(92,340)	(9,064)	1,434	(99,970)	(241)	A	(100,211)
Impairment loss (Note 6)				(300,000)	-		(300,000)
Finance cost				(911)	-		(911)
Share of results of joint ventures				(189)	-		(189)
Loss before taxation				(401,070)	(241)		(401,311)
Taxation				25	-		25
Loss for the year				(401,045)	(241)		(401,286)
<b>Segment assets</b>							
Due from customers on contracts	166,019	24,059	-	190,078			
Trade receivables	363,003	20,443	2,147	385,593			
<b>Total segment assets</b>	<b>529,022</b>	<b>44,502</b>	<b>2,147</b>	<b>575,671</b>	<b>(722)</b>	<b>B</b>	<b>574,949</b>
<b>Segment liabilities</b>							
Due to customers on contracts	-	(15,394)	-	(15,394)			
<b>Total segment liabilities</b>	<b>-</b>	<b>(15,394)</b>	<b>-</b>	<b>(15,394)</b>	<b>-</b>	<b>C</b>	<b>(15,394)</b>
<b>Included in operating losses are:</b>							
Depreciation and amortisation	(50,204)	(20,013)	(4,580)	(74,797)	(241)		(75,038)
Assets written off	-	(15)	-	(15)	-		(15)
(Impairment loss)/write back							
- property, plant and equipment				(297,708)	-		(297,708)
- Right-of-use assets				(2,292)	-		(2,292)
- trade and other receivables (net)	1,240	(13,322)	(3,960)	(16,042)	-		(16,042)

\* Comprise supporting services provided to the Group

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 32. SEGMENT INFORMATION (CONT'D.)

Management monitors the assets and liabilities on a group basis and not by operating segments.

Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

#### Note

A Inter-segment revenues and transactions are eliminated on consolidation.

B The following items are deducted from total assets as reported in the statements of financial position to arrive at segment assets:

	2021 RM'000	2020 RM'000
Total assets	3,390,067	3,146,351
Property, plant and equipment	1,524,763	1,579,177
Right-of-use assets	202,747	216,406
Investment in joint ventures	8,907	8,907
Deferred tax assets	93,293	93,293
Inventories	3,608	4,877
Other receivables	14,902	16,779
Non-current asset classified as held for sale	14,312	-
Cash and bank balances	709,913	651,054
Tax recoverable	204	909
Adjustments and eliminations to total assets	2,572,649	2,571,402
Total segment assets	817,418	574,949
The segment assets comprise:		
Due from customers on contracts	575,741	190,078
Trade receivables	241,677	384,871
	817,418	574,949

## Notes to the Financial Statements

For the financial year ended 31 December 2021

### 32. SEGMENT INFORMATION (CONT'D.)

#### Note

C The following items are deducted from total liabilities as reported in the statements of financial position to arrive at segment liabilities:

	2021 RM'000	2020 RM'000
Total liabilities	1,682,660	1,180,648
Trade and other payables	1,188,207	888,882
Derivatives	4,701	19,244
Borrowing	369,636	248,396
Lease liabilities	924	8,732
Adjustments and eliminations to total liabilities	1,563,468	1,165,254
Total segment liabilities	119,192	15,394

The segment liabilities solely comprise of amount due to customers on contracts.

#### Geographical information

Substantially all of the Group's revenue is derived locally and non-current assets are located within Malaysia.

#### Information about major customers

Breakdown of revenue from major customers are as follows:

	2021 RM'000	2020 RM'000
MISC Bhd, immediate holding company - Marine Segment	112	3,550
Malaysia Vietnam Offshore Terminal (L) Limited, a related company - Marine Segment	-	69,550
Eaglestar Shipmanagement (L) Pte. Ltd., a fellow subsidiary - Marine Segment	55,923	34,148
PETRONAS Carigali Sdn Bhd, a related company - Heavy Engineering Segment	1,115,799	1,072,048
Malaysian Refining Company Sdn Bhd, a related company - Marine Segment	6,616	13,252
Vestigo Petroleum Sdn Bhd, a related company - Heavy Engineering Segment	5,711	2,173

## Notes to the Financial Statements

### For the financial year ended 31 December 2021

#### 32. SEGMENT INFORMATION (CONT'D.)

##### Information about major customers (cont'd.)

Breakdown of revenue from major customers are as follows (cont'd.):

	2021 RM'000	2020 RM'000
Technip Geoproduction (M) Sdn Bhd - Heavy Engineering Segment	6,098	14,955
HESS Exploration and Production - Heavy Engineering Segment	7,279	95,196
Tecnicas Reunidas Malaysia Sdn Bhd - Heavy Engineering Segment	-	9,278
SapuraOMV Upstream (Sarawak) Inc. - Heavy Engineering Segment	82,551	-
Idemitsu SM (Malaysia) Sdn Bhd, a related company - Marine Segment	6,518	-

#### 33. SIGNIFICANT EVENTS

##### 33.1 Material litigations

###### (a) **Kebabangan Petroleum Operating Company Sdn Bhd ("KPOC") v MMHE**

MMHE had on 13 March 2019 received a notice of arbitration from KPOC in relation to claims arising from the Kebabangan ("KBB") field project. KPOC claims that MMHE is in breach of the contract in respect of the appointed supplier of the valves per the contract. The actual valves procured were claimed to be defective and thus KPOC has suffered substantial loss and damage.

By way of Final Award dated 23 July 2021 that was made available to MMHE on 3 August 2021 ("Final Award"), Arbitral Tribunal has ordered that MMHE shall pay KPOC the following:-

- i) The sum of RM17,241,178 as damages for the expenses incurred by KPOC for assessment, procurement and replacement of valves in the period of 2016 to 2019, together with interest at the rate of 5% per annum from 11 October 2019 to the date of payment;
- ii) The sum of RM9,820,770 as damages suffered by KPOC in having to procure 1,365 valves and install 1,454 valves in the future, together with interest at the rate of 5% per annum from 11 October 2019 till the date of payment; and
- iii) The sum of RM1,029,167 for its legal fees and expenses.

## Notes to the Financial Statements

### For the financial year ended 31 December 2021

#### 33. SIGNIFICANT EVENTS (CONT'D.)

##### 33.1 Material litigations (cont'd.)

###### (a) **Kebabangan Petroleum Operating Company Sdn Bhd (“KPOC”) v MMHE (cont'd.)**

In the Final Award, the Arbitral Tribunal also dismissed all of KPOC's claim for loss of revenue in the sum of RM28,030,906.

On 30 September 2021, MMHE filed an application to set aside the Final Award pursuant to Section 37 of the Arbitration Act 2005, whereby MMHE seeks for the Final Award to be set aside on grounds, amongst others, that there was a breach of the rules of natural justice in connection with the making of the Final Award.

KPOC, in this regard, has filed an application to seek leave from the High Court to register and enforce the Final Award as a Judgement of the High Court.

The Hearing of both applications were heard on 11 February 2022. During that hearing application, the Judge ordered for both Originating Summons to be heard simultaneously in a single session and a new Hearing date is fixed on 15 April 2022.

The Group is of the view that it has a fair chance to set aside the Final Award and therefore has not made any provisions in respect of this claim.

###### (b) **Boskalis Malaysia Sdn Bhd (“BMSB”) v MMHE**

MMHE had on 16 March 2021 received a Notice of Arbitration from BMSB in relation to claims arising from the Transportation and Installation Works for Topside Float Over for Bokor CPP Project.

Following a full and final settlement reached between MMHE and BMSB, the Arbitral Tribunal had issued an Order dated 15 November 2021 to formally record the termination of the arbitration proceedings.

##### 33.2 Impact of the COVID-19 pandemic

COVID-19 continued to severely impact the Group's financial performance mainly due to disruptions in both the Heavy Engineering and Marine Segments. On the Heavy Engineering side, the constraints from the “new normal” still had an adverse impact on the operational performance as productivity has yet to return to pre-pandemic levels. The Group is aggressively pursuing recovery from customers for COVID-19 costs in order to mitigate the impact. For Marine Segment, even with the recent easing of border restrictions, the segment remains at a disadvantage compared to the neighbouring yards.

###### **Impact on the Group's cash flows, liquidity, financial position and financial performance**

Despite negative impact of lower productivity from the COVID-19 SOPs, the Heavy Engineering Segment recorded a revenue of RM1,217,959,000, slightly higher than the prior year as one of its main ongoing projects progressed further into construction phase during the year. The segment's loss however widened from RM92,340,000 in prior year to RM209,132,000 in the current year mainly due to the additional cost provisions made for ongoing projects due to the extended completion date and COVID-19 impact during the year.

As a result of the extended completion date, certain Heavy Engineering projects may potentially be exposed to risks of significant Liquidated Damages (“LDs”). However, as the extended completion date was mainly caused by COVID-19, the Group expects to be able to defend against any application of the LDs. Furthermore, the customer has agreed in principle to extend certain project milestones which the Group is now striving to meet. As such, the Group did not recognise any impact of the potential LDs in the current financial year. At the same time, the Group is also pursuing COVID-19 cost recovery and other claims from the customer on the same projects. The Group will continue to monitor the situation and will account for any potential LDs and cost recovery claims accordingly.

## Notes to the Financial Statements

### For the financial year ended 31 December 2021

#### 33. SIGNIFICANT EVENTS (CONT'D.)

##### 33.2 Impact of the COVID-19 pandemic (cont'd.)

###### Impact on the Group's cash flows, liquidity, financial position and financial performance (cont'd.)

Marine Segment continued to record losses from the lower revenue of RM249,357,000 in current year compared to RM362,247,000 in prior year. The segment reported higher operating loss of RM49,390,000 against a loss of RM9,064,000 in prior year.

With the above performances of the two segments, the Group posted an operating loss of RM252,192,000, RM151,981,000 higher than the prior year.

Notwithstanding the adverse financial results, as at 31 December 2021, the Group's financial position remains healthy with cash and bank balances of RM709,913,000 with net assets of RM1,707,407,000 and unsatisfied performance obligations of RM2,169,823,000.

###### COVID-19 health and safety measures

As the country reached its herd immunity target and in line with the National Recovery Plan on COVID-19, the Group resumed operations at full capacity since September 2021 whilst continuing to comply with SOP requirements including close monitoring of employees, subcontractors and visitors coming into the yard.

# ADDITIONAL INFORMATION

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## PROPERTIES OWNED BY MHB AND ITS SUBSIDIARIES

No	Location	Description	Tenure & Year Lease Expires	Area in Sq Ft	Existing Use	Age of Building/ Land (Years)	Approx NBV (RM'000)
1.	PTD 22805 Mukim Plentong Johor Bahru	Land, Shipyard	Leasehold/ 2073	13,115,306	Marine Repair, Marine Conversion, Heavy Engineering fabrication yard, ancillary facilities and office buildings	42	40,196
2.	PTD 11549 Mukim Plentong Johor Bahru	Land, Shipyard	Leasehold/ 2075	522,720	Marine Repair, Marine Conversion, Heavy Engineering fabrication yard, ancillary facilities and office buildings	46	728
3.	PTD 101363 Mukim Plentong Johor Bahru	Land	Leasehold/ 2039	2,567,862	Storage Area	12	14,683
4.	PTD 65615 Mukim Plentong Johor Bahru	Land	Leasehold/ 2044	698,266	Staff Quarters	38	1,824
5.	PTD 65618 Mukim Plentong Johor Bahru	Land	Leasehold/ 2044	587,624	Staff Quarters	38	1,535
6.	PTD 65619 Mukim Plentong Johor Bahru	Land	Leasehold/ 2044	128,502	Staff Quarters	38	336
7.	PTD 65616 Mukim Plentong Johor Bahru	Land	Leasehold/ 2044	169,884	Vacant	38	444
8.	PTD 65617 Mukim Plentong Johor Bahru	Land	Leasehold/ 2044	374,180	Vacant	38	977
9.	Pasir Gudang Industrial Estate 81707 Pasir Gudang <b>(erected on land 1 &amp; 2 above)</b>	Warehouse, workshops and office building	Leasehold/ 2073/2075	1,956,881	Marine Repair, Marine Conversion, Heavy Engineering fabrication yard, ancillary facilities and office buildings	44	1,121,670
10.	Rumah Pangsang MMHE 81700 Pasir Gudang <b>(erected on land 4 to 6 above)</b>	4-storey residential flats	Leasehold/ 2044	383,559	Staff Quarters	43	1,862

## Properties Owned by MHB and its Subsidiaries

No	Location	Description	Tenure & Year Lease Expires	Area in Sq Ft	Existing Use	Age of Building/ Land (Years)	Approx NBV (RM'000)
11.	PTD 71056 Mukim Plentong Johor Bahru	Land, Yard	Leasehold/ 2045	1,524,600	Heavy Engineering fabrication yard, ancillary fabrication and office buildings	36	35,762
12.	PTD 109040 Mukim Plentong Johor Bahru	Land	Leasehold/ 2053	217,800	Workshop, ancillary facilities and site office	28	5,728
13.	PTD 200290 Mukim Plentong Johor Bahru	Land, Yard	Leasehold/ 2052	2,424,158	Workshop, ancillary facilities and office buildings	13	65,909
14.	PTD 22768 Mukim Plentong Johor Bahru	Land	Leasehold/ 2040	435,600	Storage Area	41	9,453
15.	LOT 51611 Mukim Plentong Johor Bahru	Land	Leasehold/ 2045	173,514	Ancillary facilities and storage area	25	4,070
16.	PTD 110760 Mukim Plentong Johor Bahru	Land	Leasehold/ 2052	205,603	Workshop, ancillary facilities and office buildings	28	5,259
17.	PTD 110758 Mukim Plentong Johor Bahru	Land	Leasehold/ 2052	59,242	Cabin office and warehouse	28	1,595
18.	PTD 233477 Mukim Plentong Johor Bahru	Land	Leasehold/ 2079	333,197	Heavy Engineering fabrication yard and ancillary facilities	3	13,484

## 30 LARGEST SHAREHOLDERS AS AT 16 FEBRUARY 2022

No	Name of Shareholders	No. of Shares	% of Issued Share Capital
1.	MISC BERHAD	1,064,000,000	66.50
2.	HSBC NOMINEES (ASING) SDN BHD TECHNIPFMC PLC	136,000,000	8.50
3.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN BHD (1)	82,789,700	5.17
4.	LEMBAGA TABUNG ANGKATAN TENTERA	34,980,700	2.19
5.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	23,999,900	1.50
6.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD AIMAN ASSET MANAGEMENT SDN BHD FOR LEMBAGA TABUNG HAJI	5,613,800	0.35
7.	LEOW HONG YEN	5,130,000	0.32
8.	R. RAMESH A/L RAJAHRAM @ RAJARAM	2,559,700	0.16
9.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAY HOCK SOON (MY1055)	2,420,400	0.15
10.	OH MUI HENG	2,048,000	0.13
11.	TAN TUAN SHEE	1,680,000	0.11
12.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VIJAN KUMARAN A/L CHANDRAN	1,607,600	0.10
13.	CHAN HOE HOCK	1,500,000	0.09
14.	CHONG MEE SIN	1,390,000	0.09
15.	THANG GUAN CHUNG	1,350,000	0.08
16.	TOH EAN HAI	1,300,000	0.08
17.	CHENG CHIN HENG	1,296,800	0.08
18.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR TOH HOOI HAK (PB)	1,288,800	0.08
19.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE CHOI FOK @ LEE CHOON FOOK	1,200,000	0.08
20.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BERNADETTE JEANNE DE SOUZA (003)	1,189,500	0.07
21.	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA FAMILY TAKAFUL BERHAD (FAMILY)	1,184,100	0.07
22.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIEW YOON PECK	1,140,000	0.07
23.	CHEOK AH SENG @ CHEOK KIM CHAN	1,134,900	0.07
24.	KENANGA NOMINEES (TEMPATAN) SDN BHD YAP KON FAH (012)	1,120,000	0.07
25.	YONG FOOK MING	1,111,100	0.07
26.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SEAH CHUAN HENG	1,046,800	0.07

## 30 Largest Shareholders

As At 16 February 2022

No	Name of Shareholders	No. of Shares	% of Issued Share Capital
27.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH HANG KONG	1,034,600	0.06
28.	HSBC NOMINEES (ASING) SDN BHD SBL OF MORGAN STANLEY & CO. INTERNATIONAL PLC	1,032,400	0.06
29.	ONG WAN CHIN	1,030,000	0.06
30.	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA FAMILY TAKAFUL BERHAD (FAMILY PIF)	1,014,800	0.06
	<b>TOTAL</b>	<b>1,384,193,600</b>	<b>86.49</b>

# STATISTICS ON SHAREHOLDINGS

AS AT 16 FEBRUARY 2022

Total Number of Issued Shares : 1,600,000,000 ordinary shares  
 Class of Shares : Ordinary shares  
 Voting Rights : One vote per ordinary share in the case of a poll and one vote per person on a show of hands

## ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	101	1.08	861	0.00
100 – 1,000	1,676	17.97	1,344,900	0.09
1,001 – 10,000	4,743	50.87	22,887,014	1.43
10,001 – 100,000	2,374	25.46	80,215,280	5.01
100,001 to less than 5% of issued shares	428	4.59	212,762,245	13.30
5% and above of issued shares	3	0.03	1,282,789,700	80.17
<b>TOTAL</b>	<b>9,325</b>	<b>100.00</b>	<b>1,600,000,000</b>	<b>100.00</b>

## DIRECTORS' INTERESTS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS

### Directors' Interest in the Company

Name	Direct		Indirect	
	No. of shares	%	No. of shares	%
Datuk Nasarudin Md Idris	10,000	0.00	-	-
Ir Wan Yusoff Wan Hamat	10,000	0.00	-	-
Pandai Othman	-	-	20,000	0.00
Ausmal Kardin	4,000	0.00	-	-

### Directors' Interests in Related Corporations

#### PETRONAS Gas Berhad

Name	Direct		Indirect	
	No. of shares	%	No. of shares	%
Datuk Nasarudin Md Idris	3,000	0.00	-	-
Ir Wan Yusoff Wan Hamat	5,000	0.00	-	-
Pandai Othman	-	-	1,000	0.00

## Statistics on Shareholdings

as at 16 February 2022

### PETRONAS Chemicals Group Berhad

Name	Direct		Indirect	
	No. of shares	%	No. of shares	%
Datuk Nasarudin Md Idris	10,000	0.00	-	-
Pandai Othman	6,000	0.00	4,000	0.00

### KLCC Property Holdings Berhad and KLCC Real Estate Investment Trust ("KLCC REIT")

Name	Direct		Indirect	
	No. of Stapled Securities*	%	No. of Stapled Securities*	%
Datuk Nasarudin Md Idris	5,000	0.00	-	-
Pandai Othman	-	-	4,000	0.00

\* Ordinary shares of KLCC Property Holdings Berhad are stapled together with units of KLCC REIT ("Stapled Securities")

### SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

No	Name	Direct		Indirect	
		No. of shares	%	No. of shares	%
1	MISC Berhad	1,064,000,000	66.50	-	-
2	TechnipFMC Plc - shares held through HSBC Nominees (Asing) Sdn Bhd	136,000,000	8.50	-	-
3	Urusharta Jamaah Sdn Bhd	82,789,700	5.17	-	-



# CORPORATE DIRECTORY

## MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD

Level 31, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur, Malaysia

Tel : +603 2273 0266

Fax : +603 2273 8916

www.mhb.com.my

### SUBSIDIARIES

#### MALAYSIA MARINE AND HEAVY ENGINEERING SDN BHD

##### MMHE West

PLO 3, Jalan Pekeliling, P.O. Box 77  
81700 Pasir Gudang

Johor

Malaysia

##### MMHE East

PLO 336, Jalan Suasas, P.O. Box 55  
81700 Pasir Gudang

Johor

Malaysia

Tel : +607 251 2111/268 2111

Fax : +607 252 3701

Email : [enquiries@mmhe.com.my](mailto:enquiries@mmhe.com.my)

Branch Office in Singapore:

31 Rochester Drive

Level 24

Singapore 138637

Tel : +65 6220 7944

Fax : +65 6224 3967

#### MALAYSIA MARINE AND HEAVY ENGINEERING SAUDI LIMITED

Saudi Food Bank Building

ITAAM Business Center

(Near Aramco DOB)

Al Hussam-Al-Khaldiya Dammam

32222

Saudi Arabia

#### TECHNO INDAH SDN BHD

Registered Office:

Level 31, Menara Dayabumi

Jalan Sultan Hishamuddin

50050 Kuala Lumpur

Malaysia

Tel : +603 2273 0266

Fax : +603 2273 8916

#### MMHE LNG SDN BHD

Registered Office:

Level 31, Menara Dayabumi

Jalan Sultan Hishamuddin

50050 Kuala Lumpur

Malaysia

Tel : +603 2273 0266

Fax : +603 2273 8916

#### MMHE EPIC MARINE & SERVICES SDN BHD

Warehouse 18, Kemaman Supply Base

24007 Kemaman

Terengganu

Tel : +609 854 9837

Fax : +609 862 3162

#### MHS INTEGRATED ENGINEERING SDN BHD

9518-A (Lot 356), Jalan PBR 19

Kawasan Perindustrian Bukit Rambai

75250 Bukit Rambai

Melaka

Malaysia

Tel : +606 353 0496

### JOINTLY CONTROLLED ENTITIES

#### MMHE-TPGM SDN BHD

Registered Office:

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50050 Kuala Lumpur

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#### MMHE-ATB SDN BHD

Registered Office:

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50050 Kuala Lumpur

Malaysia

Tel : +603 2273 0266

Fax : +603 2273 8916

#### T.EN MHB HULL ENGINEERING SDN BHD

**(formerly known as Technip MHB Hull Engineering Sdn Bhd)**

Level 15

Menara Technip Energies

38 Jalan Inai

55100 Kuala Lumpur

Malaysia

Tel : +603 2116 7888

Fax : +603 2116 7999

# LIST OF ABBREVIATIONS

Abbreviation	Explanation
ABC	Anti-Bribery and Corruption
ABKPI	Anti-Bribery Key Performance Indicator
ABMS	Anti-Bribery Management System
AESP	Authorised Entrant Standby Person for Confined Space
AFR	Audit Finding Reports
AGM	Annual General Meeting
AGTES	Authorised Gas Tester Entry Supervisor
AMER	North, Central and South America
APAC	Asia Pacific
ARA	Australasian Reporting Awards
AWO	Additional Work Orders
Axens SEA	Axens South East Asia Sdn Bhd
B&P	Blasting & painting
BAC	Board Audit Committee
BARC	Board Audit and Risk Committee
BCM	Business Continuity Management
BiAC	Bid Approval Committee
Board	The Board of Directors of MHB
BOD	Board of Directors
BRC	Board Risk Committee
Bursa Securities	Bursa Malaysia Securities Berhad
Bursa Malaysia	Bursa Malaysia Berhad
BWTS	Ballast Water Treatment System
CA	Collective Agreement
CAC	COVID-19 Assessment Centre
CAGR	Compound annual growth rate
CALM Buoys	Catenary Anchor Leg Mooring Buoys
CAPEX	Capital expenditure
cbm	Cubic metre
CCP	Corporate Critical Positions
CCS	Carbon Containment System
CCUS	Carbon Capture, Utilisation and Storage
CEO	Chief Executive Officer
CePIETSO	Certified Professional in Industrial Effluent Treatment System Operations
CePBFO	Certified Environmental Professional In Bag Filter Operation
CF	Common Functional
CFF	Customer Feedback Follow up Report
CFL	Compact fluorescent light
CFO	Chief Financial Officer
CFR	Customer Feedback Report
CG	Corporate governance
CGU	Cash generating unit
CIDB	Construction Industry Development Board
CII	Carbon Intensity Indicator
CIP	Corporate Integrity Pledge
CISM	Certified Information System Security Manager
CISSP	Certified Information System Security Professional
CLA	Critical Legal Areas
CM	Crisis Management
CMP	Crisis Management Plan
CMS	Culture Maturity Survey
CMT	Crisis Management Team
CO <sub>2</sub>	Carbon dioxide
CO <sub>2</sub> e	Carbon dioxide equivalent
CoBE	Code of Conduct and Business Ethics
CoE	Centre of Excellence
Company/ Corporation	MHB
COP26	2021 United Nations Climate Change Conference
COSO	Committee of Sponsoring Organisations of the Treadway Commission
COVID-19	Coronavirus Disease 2019
CPA	Certified Public Accountant
CPP	Central processing platform
CRA	Corruption Risk Assessment
CSA	Canadian Standard Association
CSF	Cyber Security Framework
CSR	Corporate Social Responsibility
CSS	Customer Satisfaction Surveys
CWB	Canadian Welding Bureau
DD3	Dry Dock No. 3
DoE	Department of Environment
DOSH	Department of Occupational Safety and Health
DSME	Daewoo Shipbuilding and Marine Engineering
DWC	Daily Work Checklist
DWT	Deadweight tonnage
EA	Employment Acts
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EDC	Executive Development Committee
EDP	Executive Development Programme
EEA	European Economic Area
EEDI	Energy Efficiency Design Index
EEXI	Energy Efficiency Existing Ship Index
ELP	Emerging Leaders Programme
EMEA	Europe, the Middle East and Africa
EMT	Emergency Management Team
ENP	Exploration & Production
EOR	Enhanced oil recovery
EPC	Engineering, procurement and construction
EPCC	Engineering, procurement, construction and commissioning
EPCIC	Engineering, procurement, construction, installation and commissioning
EPIC	Eastern Pacific Industrial Corporation Berhad
ERM	Enterprise Risk Management
ERMF	Enterprise Risk Management Framework
ERT	Emergency Response Team
ESG	Environmental, social and governance
EU	European Union
EVP	Employee Value Propositions
F2F	Face-to-face
FAS	Facilities & Asset Services
FC	Functional Competency
FIDs	Final Investment Decisions
FLNG	Floating liquefied natural gas
FPS	Floating production system

## List of Abbreviations

Abbreviation	Explanation
<b>FP</b>	Floating production, storage and offloading
<b>FSO</b>	Floating, storage and offloading
<b>FSRU</b>	Floating storage regasification unit
<b>FSU</b>	Floating storage unit
<b>FTMDP</b>	First-Time Manager Development Programme
<b>FTSE</b>	Financial Times Stock Exchange-Russell Group
<b>FVTPL</b>	Fair value through profit or loss
<b>FY2019</b>	Financial year ended 31 December 2019
<b>FY2020</b>	Financial year ended 31 December 2020
<b>FY2021</b>	Financial year ending 31 December 2021
<b>GDP</b>	Gross Domestic Product
<b>GDPR</b>	General Data Protection Regulation
<b>GHG</b>	Greenhouse gas
<b>GHSSE</b>	Group Health, Safety, Security and Environment
<b>GIA</b>	Group Internal Audit
<b>GLCs</b>	Government-Linked companies
<b>GMF</b>	Global Maritime Forum
<b>GRI</b>	Global Reporting Initiative
<b>Group</b>	MHB and its subsidiaries, associates and joint ventures
<b>GSR</b>	Guided Self Regulation
<b>HEO</b>	Heavy Engineering Operations
<b>HiPo</b>	High Potential
<b>HMM</b>	Harvard ManageMentor
<b>HODs</b>	Heads of Departments
<b>HR</b>	Human Resource
<b>HRPC</b>	Human Resource Performance Committee
<b>HSE</b>	Health, safety and environment
<b>HSEL</b>	Hiap Seng Engineering Limited
<b>HSE MC</b>	Health, Safety and Environment Management Committee
<b>HSO</b>	Home Surveillance Order
<b>HSSE</b>	Health, safety, security and environment
<b>HUC</b>	Hook-up & Commissioning
<b>IAP</b>	Incident Action Plan
<b>IAR</b>	Integrated Annual Report
<b>IASB</b>	International Accounting Standards Board
<b>IATSS</b>	International Asian Traffic Safety and Science
<b>ICE</b>	Integrated Cold Electrode
<b>ICT</b>	Information and communications technology
<b>IDCM</b>	Institute of Corporate Directors Malaysia
<b>IEA</b>	International Energy Agency
<b>IFRS</b>	International Financial Reporting Standards
<b>IIRC</b>	International Integrated Reporting Council
<b>ILD</b>	Individual Learning and Development Programme
<b>ILO</b>	International Labour Organisation
<b>ILP</b>	Industrial Training Institute ( <i>Institut Latihan Perindustrian</i> )
<b>IMF</b>	International Monetary Fund
<b>IMO</b>	International Maritime Organisation
<b>INEDs</b>	Independent Non-Executive Directors
<b>IOT</b>	Internet of things
<b>IPCC</b>	Intergovernmental Panel on Climate Change
<b>IR</b>	Integrated Reporting
<b>ISM</b>	Idemitsu Styrene Monomer

<b>ISO</b>	International Organisation for Standardisation
<b>IWT</b>	International Welding Technologist
<b>KAM</b>	Key Audit Matters
<b>KBR</b>	Kellogg Brown & Root Asia Pacific Pte Ltd
<b>KPI</b>	Key Performance Indicators
<b>KRA</b>	Key Result Areas
<b>KRI</b>	Key Result Indicators
<b>KYC</b>	Know Your Counterparty
<b>LAT</b>	Loss After Tax
<b>LBITDA</b>	Loss Before Interest, Taxes, Depreciation and Amortisation
<b>LCO2</b>	Liquid Carbon Dioxide
<b>LCSC</b>	Legal, Corporate Secretarial and Compliance
<b>LeD</b>	Light-emitting diodes
<b>LNG</b>	Liquefied Natural Gas
<b>LNGC</b>	LNG Carrier
<b>LOA</b>	Limits of Authority
<b>LPG</b>	Liquefied Petroleum Gas
<b>LPGC</b>	LPG Carrier
<b>LTA</b>	Long-term agreement
<b>LT</b>	Lost time injury
<b>LTIF</b>	Lost time injury frequency
<b>MACC</b>	Malaysian Anti-Corruption Commission
<b>MAICSA</b>	The Malaysian Institute of Chartered Secretaries and Administrators
<b>MC</b>	Management Committee
<b>MCCG 2017</b>	Malaysian Code on Corporate Governance 2017
<b>MCO</b>	Movement Control Order
<b>MD &amp; CEO</b>	Managing Director & Chief Executive Officer
<b>MDC</b>	Management Development Committee
<b>MEDAC</b>	Ministry of Entrepreneur Development and Cooperatives
<b>MEF</b>	Malaysia Employer Federation
<b>MFRS</b>	Malaysian Financial Reporting Standards
<b>MHB</b>	Malaysia Marine and Heavy Engineering Holdings Berhad
<b>MICPA</b>	Malaysian Institute of Certified Public Accountants
<b>MIIP</b>	MITI Industrial Immunisation Programme
<b>MISC/MISC Group</b>	MISC Berhad
<b>MMHE</b>	Malaysia Marine & Heavy Engineering Sdn Bhd
<b>MMLR</b>	Main Market Listing Requirements
<b>MOGSC</b>	Malaysia Oil & Gas Services Council
<b>MOPU</b>	Mobile offshore production unit
<b>MoU</b>	Memorandum of Understanding
<b>MRCBS</b>	Malaysia Refining Company Sdn Bhd
<b>MSE</b>	Malaysia Shipyard and Engineering Sdn Bhd
<b>MSOSH</b>	Malaysian Society for Occupational Safety and Health
<b>MT</b>	Metric tonnes
<b>MTI</b>	Ministry of International Trade and Industry
<b>Mtpa</b>	Million tonnes per annum
<b>MWh</b>	Megawatt hour
<b>MYR</b>	Mid-Year Review
<b>MySTEP</b>	My Short Term Employment
<b>NCR</b>	Non-Conformance Reports
<b>NEDs</b>	Non-Executive Directors

## List of Abbreviations

<b>NGO</b>	Non-Governmental Organisation
<b>NINEDs</b>	Non-Independent Non-Executive Directors
<b>NIST</b>	National Institute of Standards and Technology
<b>NOC</b>	North Oil Company
<b>NOx</b>	Nitrogen oxides
<b>NRC</b>	Nomination and Remuneration Committee
<b>O&amp;G</b>	Oil & Gas
<b>ODS</b>	Ozone Depleting Substance
<b>OER</b>	Online Environment Report
<b>OFI</b>	Opportunities for Improvement
<b>OPEX</b>	Operating Expenditure
<b>OSH</b>	Occupational safety and health
<b>OWF</b>	Offshore Wellhead Facilities
<b>P&amp;I</b>	Protection and indemnity
<b>P2P</b>	Procure-to-Pay
<b>PAR</b>	Pre-assembled rack
<b>PAU</b>	Pre-assembled units
<b>PCSB</b>	PETRONAS Carigali Sdn Bhd
<b>PDCA</b>	Plan-Do-Check-Act
<b>PDPA</b>	Personal Data Protection Act
<b>PED</b>	Plan Evacuation Drills
<b>PETRONAS</b>	Petroleum Nasional Berhad / Group PETRONAS and its subsidiaries
<b>PLC</b>	PETRONAS Leadership Center
<b>PMP</b>	Project Management Professional
<b>PMT</b>	Project Management Team
<b>POCS</b>	PETRONAS Organisational Culture
<b>PONC</b>	Price of Non-Conformance
<b>PPE</b>	Property, plant and equipment / Personal protective equipment
<b>PRA</b>	Project Risk Assessment
<b>PRM</b>	PETRONAS Resiliency Model
<b>PS</b>	Polystyrene
<b>PTSM</b>	Plant Turnaround & Shutdown Maintenance
<b>PUSPATRI</b>	Johor Skill Development Centre
<b>QAN</b>	Quality Action Note
<b>QHSE</b>	Quality, Health, Safety and Environment
<b>QSC</b>	Quality Steering Committee
<b>RC</b>	Risk Council
<b>RCP</b>	Representative Concentration Pathways
<b>RFFGI</b>	Ready for Fuel Gas Introduction
<b>RLEC</b>	Rejuvenation, Life Extension & Conversion
<b>RM</b>	Ringgit Malaysia
<b>RMC</b>	Risk Management Committee
<b>RoSPA</b>	Royal Society for the Prevention of Accidents
<b>ROU</b>	Right-of-use assets
<b>RPT</b>	Related Party Transaction
<b>RRPT</b>	Recurrent related party transaction
<b>SASB</b>	Sustainability Accounting Standards Board
<b>SAVE</b>	Subcontractors and Vendors Engagement
<b>SAW</b>	Submerged-Arc Welding
<b>SBSR</b>	Shipbuilding and Ship Repair
<b>SCM</b>	Supply Chain Management
<b>SGD</b>	Strategic Group Discussion
<b>SKM</b>	Sijil Kemahiran Malaysia
<b>SL</b>	Staple Leadership
<b>SLP</b>	Strategic Leaders Programme
<b>SMKDPT</b>	Sekolah Menengah Kebangsaan Dato Penggawa Timur
<b>SOCISO</b>	Social Security Organisation
<b>SOP</b>	Standard operating procedure
<b>SOPs</b>	Standard operating procedures
<b>SORMIC</b>	Statement on Risk Management and Internal Control
<b>SOx</b>	Sulphur oxides
<b>sq ft</b>	Square feet
<b>SRA</b>	Social Risk Assessment
<b>SSOT</b>	Single Source of Truth
<b>SSP</b>	Shared Socioeconomics Pathways
<b>subcons</b>	Subcontractors
<b>SWEC</b>	Standardised Work and Equipment Categories
<b>T</b>	Tonnes
<b>T&amp;I</b>	Transportation & Installation
<b>TA</b>	Turnaround
<b>TA4MS</b>	Turnaround Main Mechanical and Maintenance Mechanical Static
<b>TCFD</b>	Task Force on Climate-Related Financial Disclosures
<b>TE</b>	Technical Executive
<b>TL</b>	Technical Leader
<b>TLP</b>	Tension Leg Platform
<b>TMS</b>	Talent Management System
<b>TNAG</b>	Tembikai Non-Associated Gas
<b>TOR</b>	Terms of reference
<b>TPDC</b>	Talent Performance & Development Cycle
<b>TRCF</b>	Total recordable case frequency
<b>TWI</b>	The Welding Institute
<b>UCUA</b>	Unsafe Condition Unsafe Act
<b>UK</b>	United Kingdom
<b>UMT</b>	Universiti Malaysia Terengganu
<b>UNSDG</b>	United Nations Sustainable Development Goals
<b>USA</b>	United States of America
<b>USD</b>	United States Dollar
<b>UTM</b>	Universiti Teknologi Malaysia
<b>VDPx</b>	Vendor Development Programme
<b>VLCC</b>	Very large crude carrier
<b>VMIS</b>	Vendor Management Integrated System
<b>VOC</b>	Variants of Concern
<b>WBC</b>	Whistleblowing Committee
<b>WCR</b>	Work Completion Report
<b>WDR</b>	Work Done Reports
<b>WFH</b>	Work from home
<b>WtV</b>	Waste-to-Value
<b>WHP</b>	Wellhead platform
<b>YER</b>	Year-End Review
<b>YLP</b>	Young Leaders Programme

**SECTION 12**

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# **ANNUAL GENERAL MEETING**

**352** Notice of Annual General Meeting

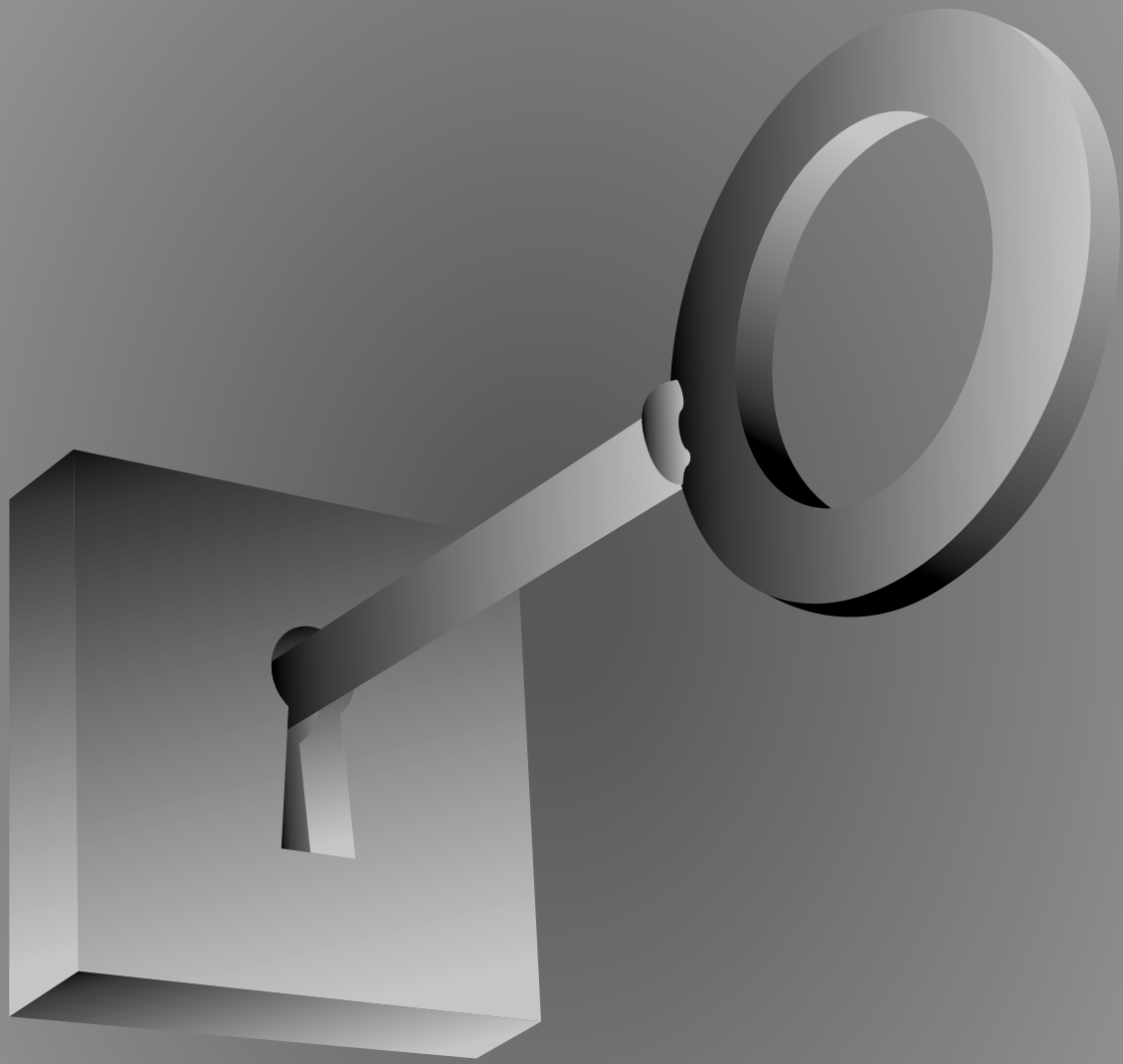
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**356** Administrative Notes

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Form of Proxy

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# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 33<sup>rd</sup> Annual General Meeting (AGM) of Malaysia Marine and Heavy Engineering Holdings Berhad (MHB or Company) will be held **fully virtual and entirely via Remote Participation and Electronic Voting** (Meeting Platform: <https://meeting.boardroomlimited.my>) on the date, time and at the broadcast venue, as follows:

Date : Thursday, 21 April 2022  
 Time : 11.00 a.m.  
 Broadcast Venue : Conference Room 2,  
 Level 17, Menara Dayabumi,  
 Jalan Sultan Hishamuddin,  
 50050 Kuala Lumpur, Malaysia.  
 Meeting Platform : <https://meeting.boardroomlimited.my>

## AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021 together with the Reports of the Directors and Auditors thereon.  
*Refer to Explanatory Note 1*
2. To re-elect Ausmal Kardin who retires pursuant to Rule 21.7 of the Company's Constitution and being eligible, offers himself for re-election.  
*Refer to Explanatory Note 2* **Resolution 1**
3. To re-elect the following Directors, who retire by rotation pursuant to Rule 21.8 of the Company's Constitution and being eligible, offer themselves for re-election:-  
  - (i) Datuk Nasarudin Md Idris **Resolution 2**
  - (ii) Datuk Yee Yang Chien **Resolution 3***Refer to Explanatory Note 3*
4. To approve the payment of Non-Executive Directors' (NEDs) Remuneration up to an amount of RM1,960,000 for the period from 22 April 2022 until the conclusion of the next AGM of the Company to be held in 2023.  
*Refer to Explanatory Note 4* **Resolution 4**
5. To re-appoint Messrs Ernst & Young PLT, as Auditors of the Company, for the financial year ending 31 December 2022 and to authorise the Directors to fix their remuneration.  
*Refer to Explanatory Note 5* **Resolution 5**
6. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 (Act) and the Constitution of the Company.

## By Order of the Board

**Shahrin Albakri Mustafa Albakri** (M01832)  
 SSM Practicing Certificate No. 202108000633  
**Haniza Sabaran** (MAICSA 7032233)  
 SSM Practicing Certificate No. 201908001761  
 Company Secretaries  
 Kuala Lumpur  
 16 March 2022

## Notice of Annual General Meeting

### Explanatory Notes on Ordinary Business

#### 1. Audited Financial Statements for the financial year ended 31 December 2021

This Agenda item is meant for discussion only as Section 340(1) of the Act does not require the Audited Financial Statements to be formally approved by the shareholders. Hence, this Agenda item is not put forward for voting.

#### 2. Re-election of Directors who retire pursuant to Rule 21.7 of the Company's Constitution

Rule 21.7 provides that the Board may, at any time, appoint a Director in addition to the existing Directors or to fill a casual vacancy and a Director appointed under this Rule shall hold office only until the next following AGM of the Company when he/she shall retire and shall be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at the meeting.

Ausmal Kardin who was appointed on 3 November 2021, will retire and being eligible, has offered himself for re-election at the 33<sup>rd</sup> AGM pursuant to Rule 21.7 of the Constitution.

The Board has endorsed the Nomination and Remuneration Committee's recommendation to re-elect Ausmal Kardin as he possesses the required skill set to facilitate and contribute to the Board's effectiveness and value.

The profile of Ausmal Kardin is set out in the Profiles of the Board of Directors on page 194 of the Integrated Annual Report 2021.

#### 3. Re-election of Directors who retire pursuant to Rule 21.8 of the Company's Constitution

Rule 21.8 provides that an election of Directors shall take place each year. All directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. Unless otherwise provided by the terms of his appointment, a Director appointed or confirmed by ordinary resolution shall retire at the AGM in every subsequent year, one-third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3), shall retire from office at the conclusion of the meeting. A retiring Director shall retain office until the close of the meeting at which he retires.

At the 33<sup>rd</sup> AGM, Datuk Nasarudin Md Idris and Datuk Yee Yang Chien will retire and being eligible, have offered themselves for re-election.

The Board has endorsed the Nomination and Remuneration Committee's recommendation to re-elect the above-mentioned Directors based on their satisfactory outcome of their respective Individual Directors Performance Assessment. Further, they possess the required skill set to facilitate and contribute to the Board's effectiveness and value.

The profiles of Datuk Nasarudin Md Idris and Datuk Yee Yang Chien are set out in the Profiles of the Board of Directors on pages 187 and 192 of the Integrated Annual Report 2021.

#### 4. Payment of Remuneration to NEDs for the period from 22 April 2022 until the conclusion of the next AGM of the Company to be held in 2023

Pursuant to Section 230(1) of the Act, shareholders' approval is sought for the proposed payment of NEDs' Remuneration of up to RM1,960,000 for the period from 22 April 2022 until the conclusion of the next AGM of the Company to be held in 2023. The calculation is based on the estimated number of scheduled and/or special Board and Board Committees' meetings and on the assumption that the number of NEDs in office until the next AGM is nine (9). The resolution is to facilitate payments of the NEDs' remuneration for the financial year ending 2022/2023. The details of NEDs' Remuneration for the financial year 2021 is stated on page 212 of the Integrated Annual Report.

The Board will seek shareholders' approval at the next AGM in the event the proposed NEDs' remuneration is insufficient.

## Notice of Annual General Meeting

### 5. Re-appointment of Auditors

The Board and the Board Audit Committee had at their respective meetings on 18 February 2022 and 17 February 2022 recommended the re-appointment of Messrs Ernst & Young PLT for the financial year ending 31 December 2022.

Messrs Ernst & Young PLT have met the criteria prescribed under the Paragraph 15.21 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR) and indicated their willingness to continue their services for the next financial year.

### Abstention from Voting

Any Directors referred to in Ordinary Resolution 1 to 3, who are shareholders of the Company will abstain from voting on the resolution in respect of his/her re-election at the 33<sup>rd</sup> AGM.

All the NEDs who are shareholders of the Company will abstain from voting on Resolution 4 concerning remuneration of the NEDs of the Company, at this 33<sup>rd</sup> AGM.

### Notes:

### FULLY VIRTUAL MEETING

Convening a fully virtual 33<sup>rd</sup> AGM is in accordance with Section 327 of the Act and Clause 18.14 of the Company's Constitution. The virtual 33<sup>rd</sup> AGM will facilitate and enable shareholders to participate in the proceedings without the need to be physically present at the broadcast venue which is in accordance with the Guidance and FAQs on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission.

No shareholders/proxies/corporate representatives should be physically present at the broadcast venue on the day of the 33<sup>rd</sup> AGM. Further information on the remote Participation and Electronic Voting (Meeting Platform: <https://meeting.boardroomlimited.my>) can be referred to the Administrative Notes relating to the 33<sup>rd</sup> AGM.

### GENERAL MEETING RECORD OF DEPOSITORS

In respect of deposited securities, only members whose names appear on the Record of Depositors on 14 April 2022 shall be eligible to participate or appoint proxy(ies) to participate in the meeting and/or vote on his/her behalf.

### PROXY AND/OR AUTHORISED REPRESENTATIVE

1. A member of the Company shall be entitled to appoint another person(s) as his/her proxy(ies) to exercise all or any of his/her rights to attend, participate, speak and vote at a meeting of members of the Company, in accordance with Section 334(1) of the Act.
2. A member may appoint not more than two (2) proxies to attend the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holding to be represented by each proxy. A proxy may but need not be a member of the Company and a member may appoint any person to be his/her proxy without limitation. There shall be no restriction as to the qualification of the proxy.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 (SICDA), it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account and the number of shares to be represented by each proxy must be clearly indicated.

## Notice of Annual General Meeting

4. 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. Where an exempt authorised nominee appoints more than one (1) proxy in respect of each Omnibus Account, the appointment shall not be valid unless the exempt authorised nominee specifies the proportion of the shareholding to be represented by each proxy. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.
5. A member which is a corporation may by resolution of its board or other governing body authorise a person or persons to act as its representative or representatives at this AGM or its adjournment thereof in accordance with Rule 20.13 of the Constitution of the Company.
6. The Form of Proxy must be signed by the appointor of the proxy, or its attorney duly authorised in writing. In the case of a corporation, the Form of Proxy shall be executed under its common seal, or signed by its attorney duly authorised in writing or by a duly authorised officer on behalf of the corporation.

The duly completed Form of Proxy must be deposited at the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd Registration No.: 199601006647 (378993-D) at 11<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time for holding the 33<sup>rd</sup> AGM or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. Alternatively, you may deposit your Form of Proxy by electronic means through the Share Registrar's website, Boardroom Smart Investor Online Portal. Kindly follow the link at **[www.boardroomlimited.my](http://www.boardroomlimited.my)** to login and deposit the same electronically, also forty-eight (48) hours before the meeting.

7. Pursuant to Paragraph 8.29A1 of the MMLR voting at the AGM of the Company will be conducted by poll. Poll Administrator and Independent Scrutineers will be appointed respectively to conduct the polling/e-voting process and to verify the results of the poll.

### Privacy policy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company:

- (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof) and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the Purposes);
- (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and
- (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

# ADMINISTRATIVE NOTES

## FOR THE 33<sup>RD</sup> ANNUAL GENERAL MEETING

### MODE OF MEETING

1. As a precautionary measure to contain the spread of the COVID-19 pandemic and ensuring the health and safety of shareholders and all participants, the Board of MHB has decided that the 33<sup>rd</sup> AGM will be held virtually with proceedings of the AGM being streamed live from the broadcast venue on the date and time as set out below:-

Date : Thursday, 21 April 2022  
Time : 11.00 a.m.  
Broadcast Venue : Conference Room 2,  
Level 17, Menara Dayabumi,  
Jalan Sultan Hishamuddin,  
50050 Kuala Lumpur, Malaysia.

2. Shareholders will be able to access and participate at the 33<sup>rd</sup> AGM through Remote Participation and Electronic Voting facilities (“**RPEV facilities**”), which will be made available on the online portal of Boardroom Share Registrars Sdn Bhd at <https://meeting.boardroomlimited.my> (**Domain Registration No. with MYNIC - D6A357657**)
3. The broadcast venue is only meant to facilitate the conduct of the virtual AGM. **No shareholder or proxy shall be physically admitted to the broadcast venue on the day of the AGM.**

### ENTITLEMENT TO PARTICIPATE AND VOTE REMOTELY

1. A shareholder whose name appears on the Record of Depositors as at Thursday, 14 April 2022 shall be eligible to participate at the 33<sup>rd</sup> AGM or appoint proxy(ies) to participate on his or her behalf.
2. If a shareholder is unable to participate at the 33<sup>rd</sup> AGM, he or she may also appoint the Chairman of the meeting as his or her proxy and indicate the voting instructions in the Form of Proxy.

### VOTING PROCEDURE

1. Voting will be conducted by poll in accordance with Paragraph 8.29A of the MMLR Bursa Securities. The Company has appointed Boardroom Share Registrars Sdn Bhd (**Boardroom**) as the Poll Administrator to conduct the poll by way of electronic voting (e-Voting) and Boardroom Corporate Services Sdn Bhd as Independent Scrutineer to verify the poll results.
2. e-Voting for all the resolutions set out in the Notice of 33<sup>rd</sup> AGM will take place concurrently after the relevant questions in respect of these resolutions have been addressed.
3. Members and proxies are required to use one (1) of the following methods to vote remotely:
  - a. Launch Lumi Online Platform by scanning the QR code given to you in the email along with your remote participation User ID and Password; or
  - b. Access to Lumi Online Platform via website URL <https://meeting.boardroomlimited.my>

For the purpose of this 33<sup>rd</sup> AGM, e-Voting can be carried out by using either personal smart mobile phones, tablets, personal computers or laptops.

4. During the 33<sup>rd</sup> AGM, the Chairman will invite the Poll Administrator to brief on the e-Voting housekeeping rules. The voting session will commence as soon as the Chairman calls for the poll to be opened and until such time when the Chairman announces the closure of poll.
5. The Scrutineer will verify the report of poll results upon closure of the poll session by the Chairman. Thereafter, the Chairman will announce and declare whether the resolutions put to vote were successfully carried or otherwise.

## Administrative Notes for the 33<sup>rd</sup> Annual General Meeting

### LODGEMENT OF FORM OF PROXY

1. If you are unable to attend the 33<sup>rd</sup> AGM via RPEV facilities and wish to appoint the Chairman of the 33<sup>rd</sup> AGM as your proxy to vote on your behalf, please deposit your proxy form at the office of the Poll Administrator, Boardroom at Ground Floor or **11<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan** not less than forty-eight (48) hours before the time of holding the 33<sup>rd</sup> AGM, i.e. latest by Tuesday, 19 April 2022 at 11.00 a.m. Any alteration to the Form of Proxy must be initialled.
2. Alternatively, the Form of Proxy may also be lodged electronically at <https://investor.boardroomlimited.com>, which is free and available to all individual shareholders, not less than forty-eight (48) hours before the time of holding the 33<sup>rd</sup> AGM, i.e. latest by Tuesday, 19 April 2022 at 11.00 a.m. For further information, kindly refer to the "Online Registration Procedure" below.
3. **If you wish to participate at the 33<sup>rd</sup> AGM yourself, please do not submit any Form of Proxy for the 33<sup>rd</sup> AGM. You will not be allowed to participate at the 33<sup>rd</sup> AGM together with a proxy appointed by you.**

### REVOCAION OF PROXY

1. If you have submitted your Form of Proxy prior to the 33<sup>rd</sup> AGM and subsequently decide to appoint another person or wish to participate at the 33<sup>rd</sup> AGM yourself, please email to [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com) to revoke the earlier appointed proxy(ies) at least forty-eight (48) hours before the 33<sup>rd</sup> AGM. On revocation, your proxy(ies) will not be allowed to participate in the AGM. In such event, you should advise your proxy(ies) accordingly.

### ONLINE REGISTRATION PROCEDURE

1. All shareholders including (i) individual shareholders; (ii) corporate shareholders; (iii) authorised nominees; and (iv) exempt authorised nominees shall use the RPEV facilities to participate and vote remotely at the AGM. Shareholders are able to view a live webcast of the meeting, ask questions and submit your votes in real time whilst the meeting is in progress.
2. Kindly note that the quality of the live streaming is highly dependent on the bandwidth and stability of the internet connection of the participants. Therefore, kindly ensure that connectivity for the duration of the meeting is maintained.
3. Kindly follow the steps below to request for your login ID and password and usage of the RPEV facilities:

Before the day of the AGM	
Procedure	Action
i. Register Online with Boardroom Smart Investor Portal <b>(for first time registration only)</b>	<p><i>(Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register again. You may proceed to Step (ii) – Submit request for remote participation.)</i></p> <ol style="list-style-type: none"> <li>a. Access website <a href="https://investor.boardroomlimited.com">https://investor.boardroomlimited.com</a></li> <li>b. Click &lt;&lt;<b>Register</b>&gt;&gt; to sign up as a user.</li> <li>c. Complete the registration and upload a softcopy of your MyKAD/Identification Card (front and back) or Passport in JPEG, PNG or PDF format.</li> <li>d. Please enter a valid email address and wait for Boardroom's email verification.</li> <li>e. Your registration will be verified and approved within one (1) business day and an email notification will be provided.</li> </ol>

## Administrative Notes for the 33<sup>rd</sup> Annual General Meeting

### Before the day of the AGM

Procedure	Action
ii. Submit Request for Remote Participation (User ID and Password)	<i>(Note: Registration for remote access will be opened on Thursday, 17 March 2022. Please note that the closing time to submit your request is not less than forty-eight (48) hours before the time of holding the AGM, i.e. latest by Tuesday, 19 April 2022 at 11.00 a.m.)</i>

#### Individual Members

- Login to <https://investor.boardroomlimited.com> using your user ID and password from Step (i) above.
- Select "**MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD 33<sup>RD</sup> ANNUAL GENERAL MEETING**" from the list of Corporate Meetings and click "**Enter**".
- Click on "**Register for RPEV**".
- Read and agree to the Terms & Conditions and click "**Next**".
- Enter your CDS Account and thereafter submit your request.

#### Appointment of Proxy – Individual members




- Log in to <https://investor.boardroomlimited.com> using your user ID and password from Step (i) above.
- Select **MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD 33<sup>RD</sup> ANNUAL GENERAL MEETING** from the list of Corporate Meetings and click "**Enter**".
- Click on "**Submit eProxy Form**".
- Read and accept the General Terms and Conditions by clicking "**Next**".
- Enter your CDS Account Number and number of securities held.  
Select your proxy – either the Chairman of the meeting or individual named proxy(ies) and enter the required particulars of your proxy(ies).
- Indicate your voting instructions – **FOR** or **AGAINST** or **ABSTAIN**. If you wish to have your proxy(ies) to act upon his/her discretion, please indicate **DISCRETIONARY**.
- Review and confirm your proxy appointment.
- Click "**Apply**".
- Download or print the e-Proxy form as acknowledgement.

#### Corporate Shareholders, Authorised Nominee and Exempt Authorised Nominee

- Please email your request to [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com) by providing the name of shareholder, CDS account number accompanied with the Certificate of Appointment of Corporate Representative or Form of Proxy (as the case may be) to submit the request.
- Please provide a copy of corporate representative's MyKad/Identification Card (front and back) or Passport in JPEG, PNG or PDF format as well as his/her email address.

iii. Email Notification	<ol style="list-style-type: none"> <li>You will receive notification from Boardroom that your request(s) has been received and is being verified.</li> <li>Upon system verification against the Record of Depositories of the 33<sup>rd</sup> AGM as at Thursday, 14 April 2022, you will receive an email from Boardroom either approving or rejecting your registration for remote participation.</li> <li>If your registration is approved, you will also receive your remote access user ID and password in the same email from Boardroom after the closing date.</li> <li>Shareholders are encouraged to register at least forty-eight (48) hours before the commencement of the Meeting i.e., by Tuesday, 19 April 2022 at 10.00 a.m. to avoid any delay in the registration process.</li> </ol>
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## Administrative Notes for the 33<sup>rd</sup> Annual General Meeting

On the day of the AGM	
Procedure	Action
iv. Login to Virtual Meeting Platform	<p>a. The Virtual Meeting portal will be opened for login two (2) hours before the commencement of the 33<sup>rd</sup> AGM at 9.00 a.m. on Thursday, 21 April 2022, which can be accessed via one of the following methods:</p> <ul style="list-style-type: none"> <li>• Launch Lumi Online Platform by scanning the QR Code provided in the email notification;</li> <li>• Access to Lumi Online Platform via website at <a href="https://meeting.boardroomlimited.my">https://meeting.boardroomlimited.my</a></li> </ul> <p>b. Insert the Meeting ID No. and sign in with the user ID and password provided to you via the email notification in Step (iii) above.</p>
v. Participate	<p>(Note: Questions submitted online will be moderated before being sent to the Chairman to avoid repetition.)</p> <p>a. If you would like to view the live webcast, select the broadcast icon .</p> <p>b. If you would like to ask a question during the AGM, select the messaging icon .</p> <p>c. Type your message within the chat box, once completed click the send button.</p>
vi. Voting	<p>a. Once the Meeting is opened for voting, the polling icon  will appear with the resolutions and your voting choices.</p> <p>b. To vote, select your voting direction from the options provided. A confirmation message will appear to show your vote has been received.</p> <p>c. To change your vote, re-select another voting direction.</p> <p>d. If you wish to cancel your vote, please press "Cancel".</p>
vii. End of Participation	<p>a. Upon the announcement by the Chairman on the closure of the 33<sup>rd</sup> AGM, the live webcast will end.</p> <p>b. You can now logout from the virtual meeting platform.</p>

### SUBMISSION OF QUESTIONS

- Shareholders may submit questions in advance on the 33<sup>rd</sup> AGM resolutions and Integrated Annual Report 2021 commencing from Thursday, 17 March 2022 and in any event no later than 11.00 a.m., Monday, 11 April 2022 via Boardroom's website at <https://investor.boardroomlimited.com> using the same user ID and password provided in Step (i) above and select "SUBMIT QUESTION" to pose questions ("Pre-AGM Meeting Questions").

Alternatively, shareholders may submit questions relating to the 33<sup>rd</sup> AGM to the following email address: [inv.rel@mmhe.com.my](mailto:inv.rel@mmhe.com.my)

- Thereafter, on the morning of the 33<sup>rd</sup> AGM, shareholders may also submit questions via the messaging box on Lumi AGM webportal at <https://meeting.boardroomlimited.my> starting at 9.00 a.m. This webportal will remain open throughout the virtual AGM session.
- The Board will endeavour to respond to Pre-AGM Meeting Questions and questions submitted from 9.00 a.m. on the day of the 33<sup>rd</sup> AGM and throughout the meeting. However, in the interest of time, if there are questions not answered during the meeting, the responses will be posted on the Company's website as soon as practicable.

### E-VOUCHER

Shareholders and proxy holders who participate at the 33<sup>rd</sup> AGM will receive an e-Voucher. The communication regarding the e-Voucher will be sent to the eligible shareholders'/proxy holders' via email within five (5) working days after the 33<sup>rd</sup> AGM.

## Administrative Notes for the 33<sup>rd</sup> Annual General Meeting

### RECORDING OR PHOTOGRAPHY

No recording or photography of the 33<sup>rd</sup> AGM proceedings is allowed without the prior written permission of the Company.

### ENQUIRY

If you have any enquiries prior to the 33<sup>rd</sup> AGM or if you wish to request for technical assistance to participate in the fully virtual meeting, please contact Boardroom during office hours from Monday to Friday (8.30 a.m. to 5.30 p.m.), details as follows:

Boardroom Share Registrars Sdn Bhd

Address : 11<sup>th</sup> Floor, Menara Symphony  
No. 5 Jalan Professor Khoo Kay Kim  
Seksyen 13  
46200 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

General Line : 603-7890 4700 (Helpdesk)

Fax Number : 603-7890 4670

Email : [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com)

### PRIVACY POLICY

By registering for the RPEV meeting and/or submitting the instrument appointing a proxy(ies) and/or representative(s), the member of the Company has consented to the use of such data by MHB (or its agents) for the following purposes:

1. registration and processing of the RPEV facilities;
2. communicate with the shareholders and proxy holders who participate at the 33<sup>rd</sup> AGM for redemption of e-Voucher;
3. respond to shareholders' and proxy holders' enquiries;
4. internal record keeping;
5. send promotional materials, advertisement for marketing purposes;
6. publication of your personal information in any minutes, websites, newsletter, brochures, or any other materials which may be published internally or externally;
7. processing and administration of shareholders information by the Company (or its agents); and
8. comply with any laws, listing rules, regulations and/or guidelines.

The member agrees that he/she will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.



MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD  
Registration No. 198901001515 (178821-X)

## Form of Proxy

CDS Account No.	
No. of Shares Held	

I/We \_\_\_\_\_ [NRIC/Passport No. \_\_\_\_\_]  
(Full name in block letters)

of \_\_\_\_\_  
(Address in full)

being a member/members of **MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD** Registration No. 198901001515 (178821-X),

do hereby appoint: \_\_\_\_\_ [NRIC/Passport No. \_\_\_\_\_]  
(Full name in block letters)

of \_\_\_\_\_  
(Address in full)

Contact No. : \_\_\_\_\_ Email address: \_\_\_\_\_

and/or failing him/her \_\_\_\_\_ [NRIC/Passport No. \_\_\_\_\_]  
(Full name in block letters)

of \_\_\_\_\_  
(Address in full)

Contact No. : \_\_\_\_\_ Email address: \_\_\_\_\_

and failing the abovenamed proxy(ies), the Chairman of the Meeting, as my/our proxy(ies) to attend and to vote for me/us on my/our behalf at the 33<sup>rd</sup> Annual General Meeting (AGM) of Malaysia Marine and Heavy Engineering Holdings Berhad (Company) to be held fully virtual and entirely via Remote Participation and Electronic Voting (Meeting Platform: <https://meeting.boardroomlimited.my>) from the Broadcast Venue at the Conference Room 2, Level 17, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur, Malaysia on Thursday, 21 April 2022 at 11.00 a.m. and at any adjournment thereof. My/our proxy(ies) is/are to vote as indicated below:

NO.	ORDINARY RESOLUTION	FOR	AGAINST
1.	To re-elect Ausmal Kardin who retires pursuant to Rule 21.7 of the Company's Constitution.		
2.	To re-elect Datuk Nasarudin Md Idris who retires by rotation pursuant to Rule 21.8 of the Company's Constitution.		
3.	To re-elect Datuk Yee Yang Chien who retires by rotation pursuant to Rule 21.8 of the Company's Constitution.		
4.	To approve the payment of Non-Executive Directors' Remuneration up to an amount of RM1,960,000 for the period from 22 April 2022 until the conclusion of the next AGM of the Company to be held in 2023.		
5.	To re-appoint Messrs Ernst & Young PLT, as Auditors of the Company, for the financial year ending 31 December 2022 and to authorise the Directors to fix their remuneration.		

(Please indicate with a cross (X) in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of such specific directions, your proxy will vote or abstain as he thinks fit.)

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	No. of shares	Percentage (%)
Proxy 1		
Proxy 2		
TOTAL		

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2022

\_\_\_\_\_  
Signature/Common Seal of Member(s)

Contact No.: \_\_\_\_\_

Email: \_\_\_\_\_

**NOTES:**

1. Only depositors whose names appear in the Record of Depositors as at 14 April 2022 shall be entitled to attend, participate, speak and vote at the meeting.
2. A member of the Company shall be entitled to appoint another person(s) as his/her proxy(ies) to exercise all or any of his/her rights to attend, participate, speak and vote at a meeting of members of the Company, in accordance with Section 334(1) of the Act.
3. A member may appoint not more than two (2) proxies to attend the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holding to be represented by each proxy. A proxy may but need not be a member of the Company and a member may appoint any person to be his/her proxy without limitation. There shall be no restriction as to the qualification of the proxy.
4. Where a member of the Company is an authorised nominee as defined under the SICDA, it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account and the number of shares to be represented by each proxy must be clearly indicated.
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. Where an exempt authorised nominee appoints more than one (1) proxy in respect of each Omnibus Account, the appointment shall not be valid unless the exempt authorised nominee specifies the proportion of the shareholding to be represented by each proxy. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.
6. A member which is a corporation may by resolution of its board or other governing body authorise a person or persons to act as its representative or representatives at this AGM or its adjournment thereof in accordance with Rule 20.13 of the Constitution of the Company.
7. The Form of Proxy must be signed by the appointor of the proxy, or its attorney duly authorised in writing. In the case of a corporation, the Form of Proxy shall be executed under its common seal, or signed by its attorney duly authorised in writing or by a duly authorised officer on behalf of the corporation.
8. The Form of Proxy duly completed and executed, must be deposited at the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd Registration No.: 199601006647 (378993-D) at 11<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid.
9. Alternatively, the Form of Proxy can be submitted by electronic means through the Share Registrar's website, Boardroom Smart Investor Online Portal. Kindly follow the link at <https://meeting.boardroomlimited.my> to login and deposit your Form of Proxy electronically, also forty-eight (48) hours before the meeting.
10. Pursuant to Paragraph 8.29A1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad voting at the AGM of the Company will be conducted by poll. Poll Administrator and Independent Scrutineers will be appointed respectively to conduct the polling/e-voting process and to verify the results of the poll.

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**MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD**

Registration No. 198901001515 (178821-X)

Annual General Meeting

STAMP

**BOARDROOM SHARE REGISTRARS SDN BHD**

11<sup>th</sup> Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13, 46200 Petaling Jaya  
Selangor Darul Ehsan, Malaysia

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[www.mhb.com.my](http://www.mhb.com.my)

**MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD**

Registration No. 198901001515 (178821-X)

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