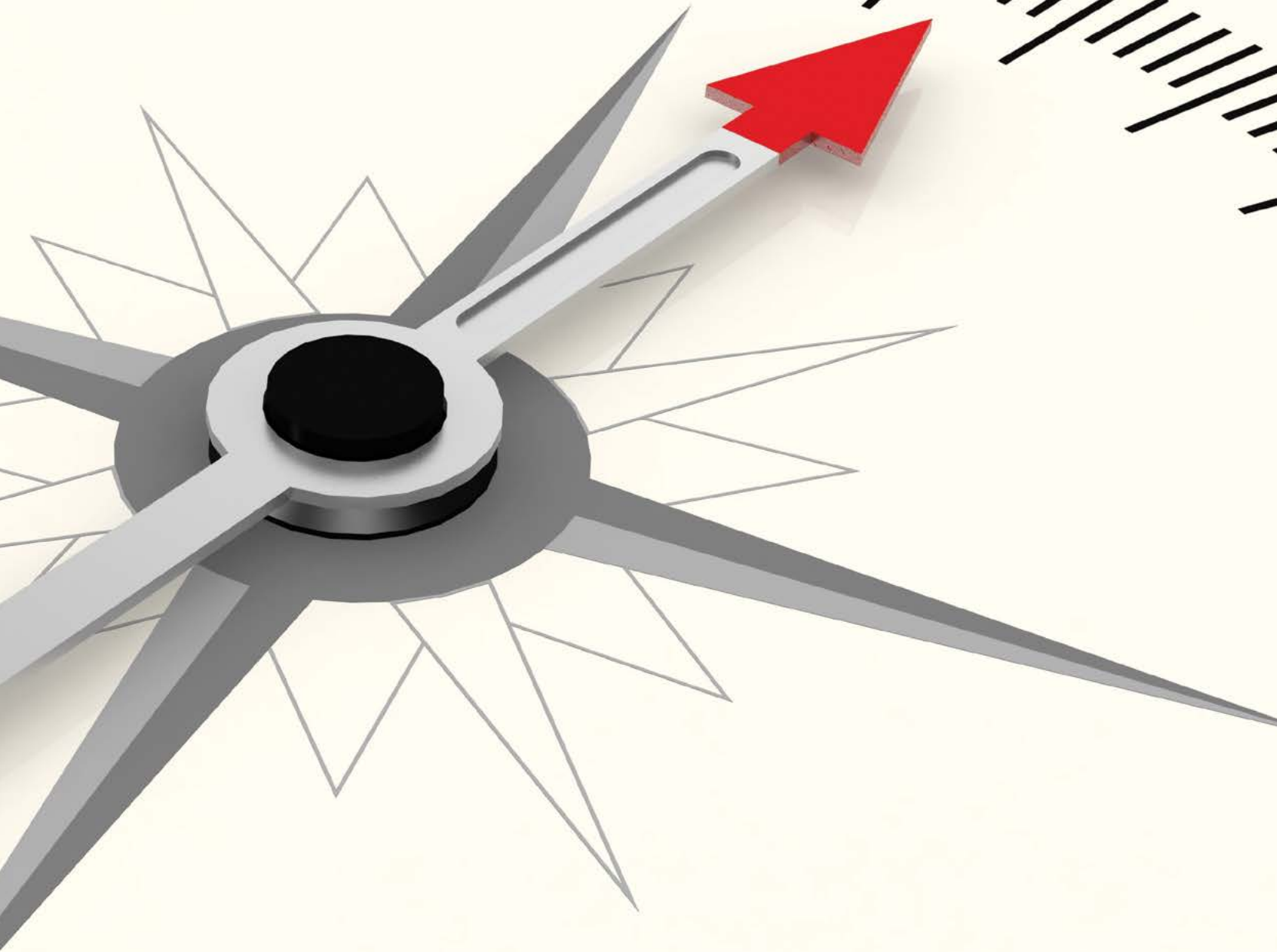


Leader



LEADERSHIP



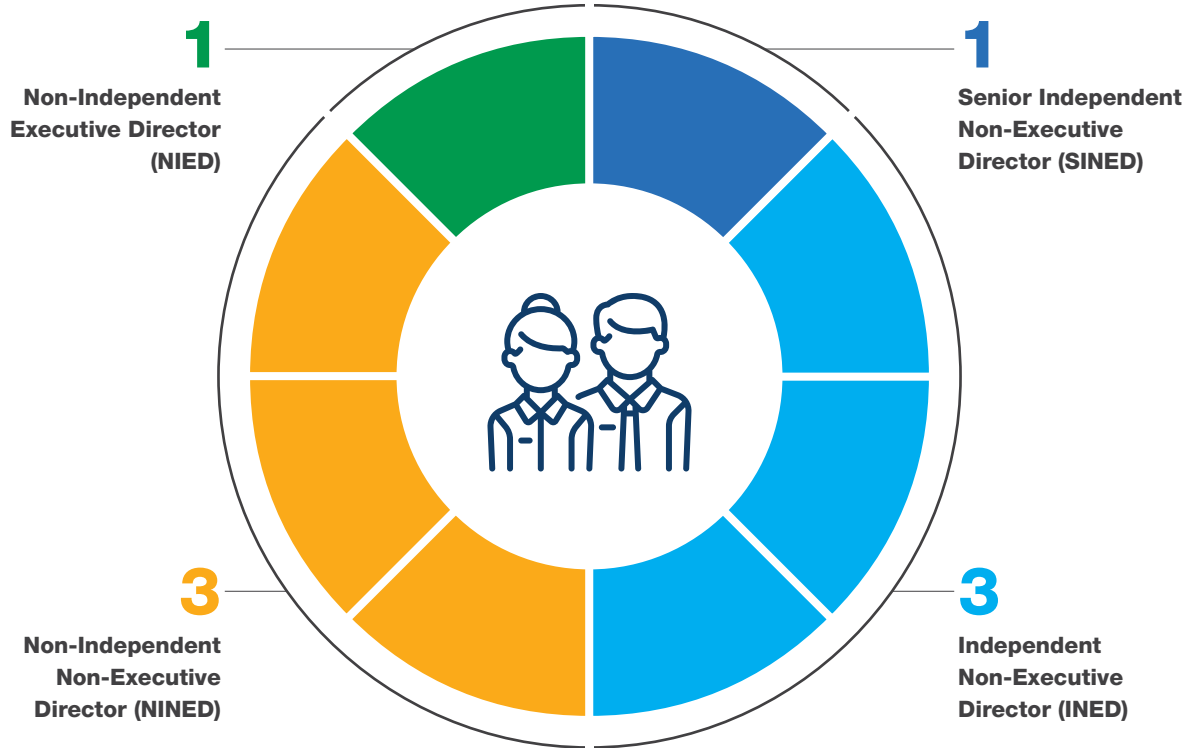
230 Our Board at a Glance

231 Profiles of the Board of Directors

240 Profiles of the Management Committee

OUR BOARD AT A GLANCE

BOARD COMPOSITION



GENDER DIVERSITY

Female



1

Male



7

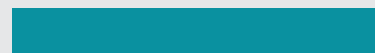
AGE

50 - 59 years



4

> 60 years



4

PROFILES OF THE BOARD OF DIRECTORS



DATUK NASARUDIN MD IDRIS

Chairman/Independent Non-Executive Director

- ▶ Nationality: Malaysian
- ▶ Age: 68
- ▶ Gender: Male

NUMBER OF BOARD MEETINGS ATTENDED IN 2022

14/14

DATE OF APPOINTMENT

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

LENGTH OF SERVICE (AS AT 17 FEBRUARY 2023)

5 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



GLADYS LEONG

Senior Independent Non-Executive Director

- ▶ Nationality: Malaysian
- ▶ Age: 62
- ▶ Gender: Female

**NUMBER OF BOARD MEETINGS
ATTENDED IN 2022**

14/14

DATE OF APPOINTMENT

- 22 April 2022 - Senior Independent Non-Executive Director
- 15 September 2020 - Independent Non- Executive Director

LENGTH OF SERVICE (AS AT 17 FEBRUARY 2023)

2 years and 5 months

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Member, Malaysian Institute of Certified Public Accountants (MICPA)
- Member, Malaysian Institute of Accountants (MIA)

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:

Public Mutual Berhad

PRESENT APPOINTMENTS

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



KEITH TAYLOR

Independent Non-Executive Director

- ▶ Nationality: British
- ▶ Age: 71
- ▶ Gender: Male

**NUMBER OF BOARD MEETINGS
ATTENDED IN 2022**

14/14

DATE OF APPOINTMENT

1 June 2019

LENGTH OF SERVICE (AS AT 17 FEBRUARY 2023)

3 years and 8 months

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Higher National Certificate Business Studies, United Kingdom

SKILLS AND EXPERIENCE

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

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



WAN YUSOFF WAN HAMAT

Independent Non-Executive Director

- ▶ Nationality: Malaysian
- ▶ Age: 70
- ▶ Gender: Male

**NUMBER OF BOARD MEETINGS
ATTENDED IN 2022**

14/14

DATE OF APPOINTMENT

15 September 2020

LENGTH OF SERVICE (AS AT 17 FEBRUARY 2023)

2 years 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
- Corporate Governance

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 the Refinery and Petrochemical Integrated Development ("RAPID") Project, PETRONAS
- 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

PROFILES OF THE BOARD OF DIRECTORS



CAPTAIN RAJALINGAM SUBRAMANIAM

Non-Independent Non-Executive Director

- ▶ Nationality: Malaysian
- ▶ Age: 58
- ▶ Gender: Male

**NUMBER OF BOARD MEETINGS
ATTENDED IN 2022**

N/A

DATE OF APPOINTMENT

1 January 2023

LENGTH OF SERVICE (AS AT 17 FEBRUARY 2023)

1 Month

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Post Graduate Masters in Business Administration, Universiti Utara Malaysia
- Master's Foreign Going Certificate of Competency, Ministry of Transport Malaysia
- Professional Maritime Training, Malaysian Maritime Academy Sdn Bhd (ALAM)
- Executive Education in a Finance Program, INSEAD Fontainebleau
- International Corporate Governance / Directors Program, INSEAD Fontainebleau

SKILLS AND EXPERIENCE

- Oil & Gas
- Risk Management
- Corporate Planning
- Marketing
- Shipping
- Human Resource
- Corporate Governance

PRESENT DIRECTORSHIPS

LISTED ISSUERS:

- MISC Berhad
- Malaysia Marine and Heavy Engineering Holdings Berhad

OTHER PUBLIC COMPANY:

NIL

PRESENT APPOINTMENTS

- President/ Group Chief Executive Officer, MISC Berhad
- Board Member, Malaysia Marine and Heavy Engineering Sdn Bhd
- President/ Chief Executive Officer, AET Pte Ltd
- Chairman and Board Member, various subsidiaries within the MISC Group
- Board Member, GARD P&I
- Election and Governance Committee Member, GARD P&I
- Executive Committee Member, INTERTANKO
- Chair, various class committees
- Honorary Commander, Royal Malaysian Navy Reservist Program

PAST EXPERIENCE

- Chief Operating Officer, MISC Berhad
- Vice President, Fleet Management Services, MISC Berhad
- Group Vice President, AET Shipmanagement
- Winner of the 2018 Tanker Shipping & Trade Industry Leader Award
- Awarded – National Seafarers Icon 2017 – Malaysia Marine Department

PROFILES OF THE BOARD OF DIRECTORS



RAJA AZLAN SHAH RAJA AZWA

Non-Independent Non-Executive Director

- ▶ Nationality: Malaysian
- ▶ Age: 53
- ▶ Gender: Male

NUMBER OF BOARD MEETINGS ATTENDED IN 2022

N/A

DATE OF APPOINTMENT

1 January 2023

LENGTH OF SERVICE (AS AT 17 FEBRUARY 2023)

1 Month

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Degree in Accounting and Financial Management, University of Sheffield, UK
- Certified Public Accountant ("CPA"), Malaysian Institute of Certified Public Accountants

SKILLS AND EXPERIENCE

- Finance
- Audit
- Corporate Governance
- Oil & Gas
- Shipping
- Risk Management
- Strategy
- Healthcare
- Property
- Merger & Acquisition

PRESENT DIRECTORSHIPS

LISTED ISSUERS:

- Malaysia Marine and Heavy Engineering Holdings Berhad

OTHER PUBLIC COMPANY:

NIL

PRESENT APPOINTMENTS

- Board Member, various subsidiaries and joint venture companies within the MISC Group
- Board Member, Labuan Reinsurance (L) Ltd.
- Chairman, Audit Committee, Labuan Reinsurance (L) Ltd.

PAST EXPERIENCE

- Independent Non-Executive Director, IJN Holdings Sdn Bhd
- Chairman, Audit and Risk Management Committee, IJN Holdings Sdn Bhd
- Independent Non-Executive Director, D.B.E. Gurney Resources Berhad
- Chairman, Audit and Risk Management Committee, D.B.E. Gurney Resources Berhad
- Group Chief Executive Officer, Percon Corporation Sdn Bhd
- Group Chief Executive Officer, Ramsay Sime Darby Health Care Group
- Managing Director, Sime Darby Healthcare Group
- Chief of Staff, Sime Darby Berhad
- Group Head, Strategy, Sime Darby Berhad
- Group Head, Corporate Finance and Corporate Planning, Sime Darby Berhad
- Group Head, Corporate Finance, Sime Darby Berhad
- Senior Manager, Corporate Finance, CIMB Investment Bank
- Auditor, Arthur Andersen and Co.

PROFILES OF THE BOARD OF DIRECTORS

AUSMAL KARDIN



Non-Independent Non-Executive Director

- ▶ Nationality: Malaysian
- ▶ Age: 53
- ▶ Gender: Male

**NUMBER OF BOARD MEETINGS
ATTENDED IN 2022**

14/14

DATE OF APPOINTMENT

3 November 2021

LENGTH OF SERVICE (AS AT 17 FEBRUARY 2023)

1 year 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

PRESENT DIRECTORSHIPS

LISTED ISSUERS:

- Malaysia Marine and Heavy Engineering Holdings Berhad

OTHER PUBLIC COMPANY:

NIL

PRESENT APPOINTMENTS

- Member, BAC, MHB
- Member, NRC, 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

PROFILES OF THE BOARD OF DIRECTORS



PANDAI OTHMAN

Managing Director & Chief Executive Officer
Non-Independent Executive Director

- ▶ Nationality: Malaysian
- ▶ Age: 53
- ▶ Gender: Male

**NUMBER OF BOARD MEETINGS
ATTENDED IN 2022**

13/14

DATE OF APPOINTMENT

1 October 2020

LENGTH OF SERVICE (AS AT 17 FEBRUARY 2023)

2 years 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 financial year 2022
-

PROFILES OF THE MANAGEMENT COMMITTEE

PANDAI OTHMAN



Managing Director & Chief Executive Officer
Non-Independent Executive Director

- ▶ Nationality: Malaysian
- ▶ Age: 53
- ▶ Gender: Male

DATE OF APPOINTMENT

1 October 2020

LENGTH OF SERVICE (AS AT 17 FEBRUARY 2023)

2 years 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

- ▶ Nationality: Malaysian
- ▶ Age: 44
- ▶ Gender: Male

DATE OF APPOINTMENT

1 June 2019

LENGTH OF SERVICE (AS AT 17 FEBRUARY 2023)

3 years 8 Months

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Bachelor of Commerce Degree majoring in Accounting and Finance, University of Melbourne, Australia
- Member of the Malaysian Institute of Accountants (MIA)
- 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 the 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

- ▶ Nationality: Malaysian
- ▶ Age: 57
- ▶ Gender: Male

DATE OF APPOINTMENT

16 July 2016

LENGTH OF SERVICE (AS AT 17 FEBRUARY 2023)

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

PRESENT APPOINTMENTS

- Board member of MHS Integrated Engineering Sdn Bhd
- Chief Executive Officer, MMHE LNG Sdn Bhd
- President, Malaysian Offshore Contractors Association

SHARON YAP SWEET YOKE



Senior General Manager,
Heavy Engineering Business

- ▶ Nationality: Malaysian
- ▶ Age: 62
- ▶ Gender: Female

DATE OF APPOINTMENT

1 April 2022

LENGTH OF SERVICE (AS AT 17 FEBRUARY 2023)

10 months

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Bachelor of Law (Hons), University of Buckingham, United Kingdom
- Barrister, UK Inns of Court (Gray's Inn)
- Called to the BAR of the High Court of UK & Wales
- Called to the BAR of the High Court of Malaya
- Harvard Business School Advanced Management Programme (China Focus)
- Alumni of PETRONAS/Amazon Innovation Engine Masterclass

PAST EXPERIENCE

- Head of Commercial, Gas Business, PETRONAS
- Legal Advisor, PETRONAS
- Company Secretary, PETRONAS subsidiaries
- Head of Commercial & LNG (PETRONAS Canada)
- Head of Special Projects (Downstream), PETRONAS
- Director / Member of Audit Committee & Board Subcommittee, PETRONAS' subsidiaries

PRESENT APPOINTMENTS

NIL

PROFILES OF THE MANAGEMENT COMMITTEE

THIERRY RAVELET



Senior General Manager,
Heavy Engineering Operations

- ▶ Nationality: French
- ▶ Age: 57
- ▶ Gender: Male

DATE OF APPOINTMENT

10 June 2019

LENGTH OF SERVICE (AS AT 17 FEBRUARY 2023)

3 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

SHAHRI ALBAKRI MUSTAFA ALBAKRI



Senior General Manager, Legal,
Corporate Secretarial & Compliance

- ▶ Nationality: Malaysian
- ▶ Age: 49
- ▶ Gender: Male

DATE OF APPOINTMENT

17 September 2020

LENGTH OF SERVICE (AS AT 17 FEBRUARY 2023)

2 years 5 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 & Partners

PRESENT APPOINTMENTS

NIL

PROFILES OF THE MANAGEMENT COMMITTEE

BADROL-IZAM BAHAROM



Senior General Manager,
Human Resource

- ▶ Nationality: Malaysian
- ▶ Age: 53
- ▶ Gender: Male

DATE OF APPOINTMENT

2 November 2020

LENGTH OF SERVICE (AS AT 17 FEBRUARY 2023)

2 years 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

MOHAMAD YUSOF AHMAD



Senior General Manager,
Marine Operations

- ▶ Nationality: Singaporean
- ▶ Age: 57
- ▶ Gender: Male

DATE OF APPOINTMENT

1 January 2021

LENGTH OF SERVICE (AS AT 17 FEBRUARY 2023)

2 years 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 & Services Sdn Bhd

PROFILES OF THE MANAGEMENT COMMITTEE

AZAMAN @ AZMAN ABDUL RAHMAN



Senior General Manager,
Supply Chain & Site Services

- ▶ Nationality: Malaysian
- ▶ Age: 58
- ▶ Gender: Male

DATE OF APPOINTMENT

16 August 2021

LENGTH OF SERVICE (AS AT 17 FEBRUARY 2023)

1 year 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
- Head, Mechanical – Turbine, Generator & Compressor, Prime Sourcing International Sdn Bhd

- Head, Contract & Procurement, PETRONAS FLNG 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 Microelectronics

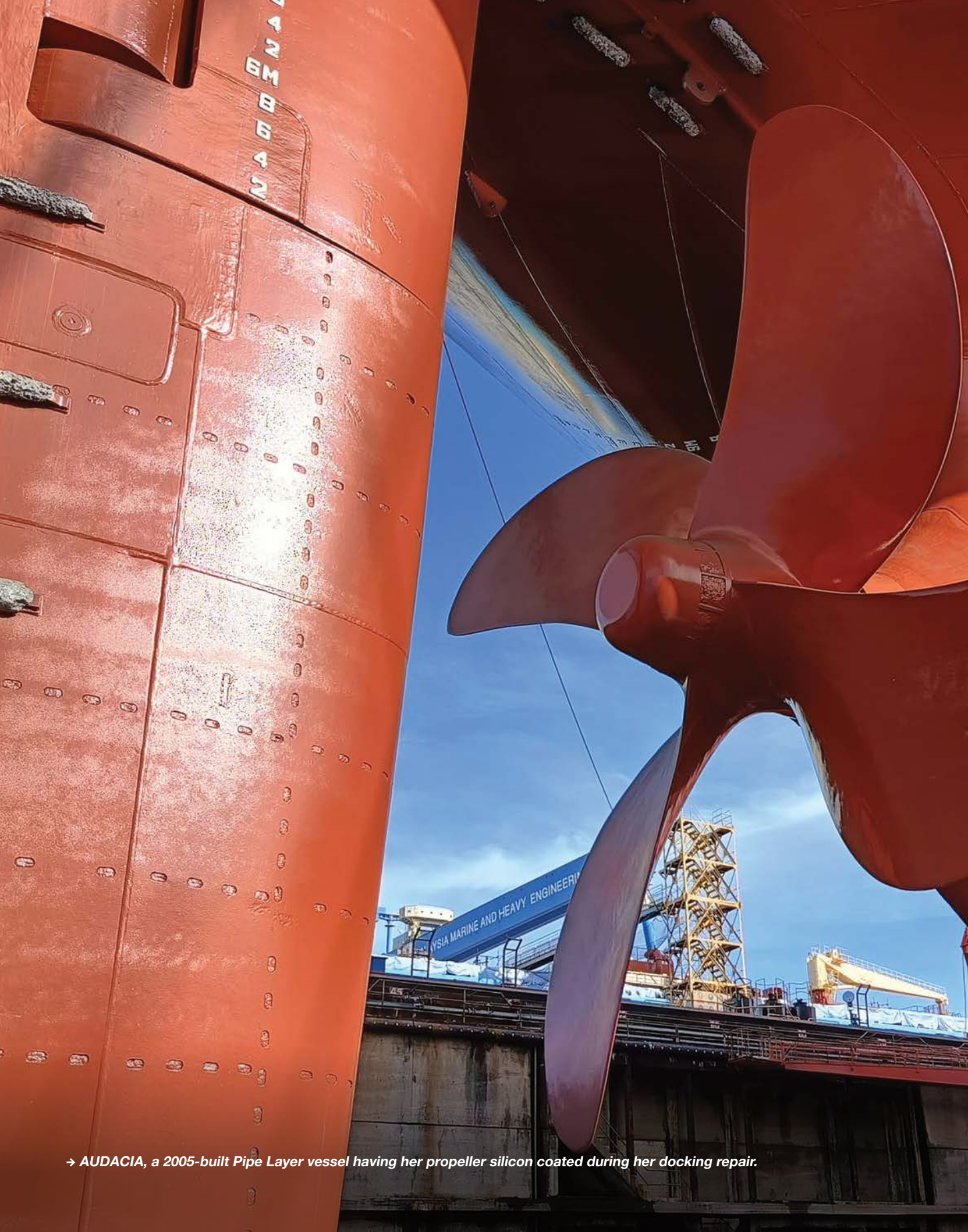
PRESENT APPOINTMENTS

NIL

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 financial year 2022





→ AUDACIA, a 2005-built Pipe Layer vessel having her propeller silicon coated during her docking repair.

GOVERNANCE



- 248** Corporate Governance Overview Statement
- 259** Nomination & Remuneration Committee Report
- 261** Board Audit Committee Report
- 265** Board Risk Committee Report
- 267** Statement on Risk Management and Internal Control
- 276** Directors' Responsibility Statement
- 277** Investor Relations Report
- 281** Additional Compliance Information

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of MHB firmly believes that good corporate governance framework and practices as well as sustainability are fundamental for the Company not only in attracting capital, creating shareholders' value and safeguarding other stakeholders' interests but also in building a resilient and sustainable business that could survive and thrive amidst future challenges. The Board takes cognisance that sustainability is an essential element to be embedded in corporate and business strategies and is committed to delivering its sustainability strategic priorities.

This Corporate Governance Overview Statement (CG Overview Statement) sets out the Company's corporate governance processes and practices applied during the year under review, 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 (4th Edition) issued by Bursa Malaysia. Where applicable, this CG Overview Statement makes reference to the Integrated Annual Report which is available on the MHB's website at 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 MHB's website at www.mhb.com.my which 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 Framework

The following MHB's corporate governance (CG) framework provides an overview of how the Board Committees and Management conduct their activities strategically to achieve the corporate and business objectives of the Group:



* comprises MC Members

The CG Framework is supplemented by the Board Charter, Terms of Reference (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 MHB's website at www.mhb.com.my.

In addition to the Board Charter, the governance framework of MHB is supported by the MHB's 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.

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 provides 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.

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

3. Strategic and Business Plan

The Board plays an active role in the development of the Company's strategic 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 and the Company's internal capability, Management develops the Company's business plan and budget together with the scorecard for the next financial year which are presented to the Board Committees and subsequently at a Special Board Meeting. During deliberation on the matter, the Board Committees and the Board will challenge Management's perspectives and assumptions to ensure the best outcomes are achieved.

4. Sustainability Management

The Board together with Management acknowledge their responsibility for promoting sustainability in areas covering environment, social and governance as well as health and safety. Further information on MHB's approach towards sustainability is provided in the Sustainability Statement on pages 114 to 227 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 required 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

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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 the 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 114 to 227 of this Integrated Annual Report.

6. Board Composition and Diversity

The Board consists of eight (8) Directors, all of whom are Non-Executive Directors (NED), except for the MD & CEO. Of the seven (7) NEDs, four (4) are Independent Directors, which comply with the requirement for one-third (1/3) of the Board members to be independent as set out under Paragraph 15.02 (1) (a) of the MMLR.

MHB has one (1) woman Director on its Board that fulfils the requirement of Paragraph 15.02 (1)(b) of the MMLR which requires at least one (1) director of the listed issuer is a woman.

The eight (8) 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.

The composition of the Board for the financial year under review is as follows:

Director's Name	Age	Gender	Nationality	Date of Appointment
Datuk Nasarudin Md Idris	68	Male	Malaysian	20 February 2017
Gladys Leong	62	Female	Malaysian	15 September 2020
Keith Taylor	71	Male	British	1 June 2019
Wan Yusoff Wan Hamat	70	Male	Malaysian	15 September 2020
Choy Khai Choon <i>(retired on 21 April 2022)</i>	66	Male	Malaysian	5 February 2013
Datuk Yee Yang Chien <i>(retired on 31 December 2022)</i>	55	Male	Malaysian	1 April 2008
Syed Hashim Syed Abdullah <i>(retired on 31 December 2022)</i>	67	Male	Malaysian	1 January 2016
Ausmal Kardin	53	Male	Malaysian	3 November 2021
Pandai Othman	53	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 holds more than five (5) directorships in listed companies.

BOARD SKILLS & EXPERIENCE MATRIX

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

The Company endeavours to fulfil gender diversity target of 30% 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 candidacy 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.

For more information on the Board members, please refer to their respective profiles on pages 231 to 239 of this Integrated Annual Report.

7. Demarcation of Responsibility

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Chairman

The 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 Chairman of MHB is not a member of the Board committees. 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 Independent Non-Executive Directors (INED) 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 the Step-Up Practice 5.4 of the MCCG 2021 where the INEDs tenure will not exceed a cumulative term limit of nine (9) years.

During the year under review, the INEDs have reaffirmed their independence based on the criteria on Independent Directors as provided in the MMLR.

The INEDs 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 Senior Independent Non-Executive Director (SINED) was appointed in accordance with the MMLR on 22 April 2022.

As a SINED, her 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, gladys.leong@mmhe.com.my or directed to the following address:

Gladys Leong

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

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 the 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 the 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.

During the year under review, 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 initiatives and Environment, Social and Governance (ESG) targets;
- major bid submissions.

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 <i>(Chairman)</i>	14 out of 14
Gladys Leong	14 out of 14
Keith Taylor	14 out of 14
Wan Yusoff Wan Hamat	14 out of 14
Ausmal Kardin	14 out of 14
Pandai Othman	13 out of 14
Choy Khai Choon <i>(retired on 21 April 2022)</i>	4 out of 4
Datuk Yee Yang Chien <i>(retired on 31 December 2022)</i>	10 out of 14
Syed Hashim Syed Abdullah <i>(retired on 31 December 2022)</i>	13 out of 14

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, the 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. He or she would also excuse himself or herself and leave the meeting during the deliberation of the matter concerned, if necessary.

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.

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, webinars, workshops, conferences and other training programmes to enhance their skills and knowledge and to keep abreast with new developments in the business environment.

CORPORATE GOVERNANCE

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Training programmes, conferences, seminars and webinars 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, Directors attend relevant programmes organised by the parent company, MISC Berhad.

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 (Chairman)	Gas and LNG Carrier Market Outlook	MISC Berhad	7 June 2022
	Offshore Floating Production Market	MISC Berhad	9 June 2022
	Ship Trends and Technology Developments	MISC Berhad	10 June 2022
	Russia Sanctions and Potential Implications to MISC	MISC Berhad	13 June 2022
	Offshore Wind Market Developments	MISC Berhad	13 June 2022
	Oil and Tanker Market Outlook	MISC Berhad	14 June 2022
	Geopolitical Risks Facing the Marine Environment	MISC Berhad	22 June 2022
	Global Energy Markets Outlook and Trends	MISC Berhad	28 June 2022
	MISC Group Directors' Training FY2022 <ul style="list-style-type: none"> Data Privacy Regulations Impacts to MISC The Great Disconnect – The State of Cyber Risk Management in Maritime Industry Taskforce for Nature-related Financial Disclosure (TNFD) Achieving Net Zero Through Internal Carbon Pricing 	MISC Berhad	12 December 2022
Gladys Leong	BNM-FIDE FORUM MyFintech Week 2022 Masterclasses	FIDE FORUM	27 January 2022
	BNM-FIDE FORUM Dialogue on Climate Risk Management and Scenario Analysis	FIDE FORUM	8 March 2022
	Islamic Finance for Board of Directors	ISRA International Consulting Sdn Bhd	8-9 June 2022
	1st Distinguished Board Leadership, Webinar 2022 on MetaFinance: The Next Frontier of the Global Economy	FIDE FORUM	23 May 2022
	Oil and Tanker Market Outlook	MISC Berhad	14 June 2022
	JC3 Upskilling Sustainability Training (JUST) Series: Implementation of Task Force on Climate Related Financial Disclosures	Joint Committee on Climate Change (JC3)	2-3 August 2022
	MISC Group Directors' Training FY2022 <ul style="list-style-type: none"> Data Privacy Regulations Impacts to MISC The Great Disconnect – The State of Cyber Risk Management in Maritime Industry Taskforce for Nature-related Financial Disclosure (TNFD) Achieving Net Zero Through Internal Carbon Pricing 	MISC Berhad	12 December 2022
Keith Taylor	MISC Group Directors' Training FY2022 <ul style="list-style-type: none"> Data Privacy Regulations Impacts to MISC The Great Disconnect – The State of Cyber Risk Management in Maritime Industry Taskforce for Nature-related Financial Disclosure (TNFD) Achieving Net Zero Through Internal Carbon Pricing 	MISC Berhad	12 December 2022

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Director	Training Attended	Organiser	Date
Wan Yusoff Wan Hamat	Ship Trends and Technology Developments	MISC Berhad	10 June 2022
	Oil and Tanker Market Outlook	MISC Berhad	14 June 2022
	Corporate Governance and Remuneration Practices	Asia School of Business	6 September 2022
	MISC Group Directors' Training FY2022 <ul style="list-style-type: none"> • Data Privacy Regulations Impacts to MISC • The Great Disconnect – The State of Cyber Risk Management in Maritime Industry • Taskforce for Nature-related Financial Disclosure (TNFD) • Achieving Net Zero Through Internal Carbon Pricing 	MISC Berhad	12 December 2022
Datuk Yee Yang Chien <i>(retired on 31 December 2022)</i>	Gas and LNG Carrier Market Outlook	MISC Berhad	7 June 2022
	Offshore Floating Production Market	MISC Berhad	9 June 2022
	Offshore Wind Market Developments	MISC Berhad	13 June 2022
	MISC Group Directors' Training FY2022 <ul style="list-style-type: none"> • Data Privacy Regulations Impacts to MISC • The Great Disconnect – The State of Cyber Risk Management in Maritime Industry • Taskforce for Nature-related Financial Disclosure (TNFD) • Achieving Net Zero Through Internal Carbon Pricing 	MISC Berhad	12 December 2022
Syed Hashim Syed Abdullah <i>(retired on 31 December 2022)</i>	MISC Group Directors' Training FY2022 <ul style="list-style-type: none"> • Data Privacy Regulations Impacts to MISC • The Great Disconnect – The State of Cyber Risk Management in Maritime Industry • Taskforce for Nature-related Financial Disclosure (TNFD) • Achieving Net Zero Through Internal Carbon Pricing 	MISC Berhad	12 December 2022
Ausmal Kardin	SSM National Conference 2022	SSM	26 & 27 July 2022
	Gas and LNG Carrier Market Outlook	MISC Berhad	7 June 2022
	Offshore Floating Production Market	MISC Berhad	9 June 2022
	Ship Trends and Technology Developments	MISC Berhad	10 June 2022
	Russia Sanctions and Potential Implications to MISC	MISC Berhad	13 June 2022
	Offshore Wind Market Developments	MISC Berhad	13 June 2022
	Global Energy Markets Outlook and Trends	MISC Berhad	28 June 2022
	Managing Conflict – Skills In Handling Conflict in the Workplace	SSM	24 August 2022
	Corporate Governance for Company Directors and Company Secretary	SSM	13 September 2022
	Practical Guide to Capital Reduction by Solvency Statement	SSM	27 September 2022
	Companies Act 2016 : Dealing with Common Issues	SSM	13 October 2022
	Compliance Guidelines for the Reporting Framework for Beneficial Ownership of Legal Persons	SSM	18 October 2022
	MISC Group Directors' Training FY2022 <ul style="list-style-type: none"> • Data Privacy Regulations Impacts to MISC • The Great Disconnect – The State of Cyber Risk Management in Maritime Industry • Taskforce for Nature-related Financial Disclosure (TNFD) • Achieving Net Zero Through Internal Carbon Pricing 	MISC Berhad	12 December 2022

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Director	Training Attended	Organiser	Date
Pandai Othman	Russia Sanctions and Potential Implications to MISC	MISC Berhad	13 June 2022
	Offshore Wind Market Developments	MISC Berhad	13 June 2022
	MISC Group Directors' Training FY2022 <ul style="list-style-type: none"> Data Privacy Regulations Impacts to MISC The Great Disconnect – The State of Cyber Risk Management in Maritime Industry Taskforce for Nature-related Financial Disclosure (TNFD) Achieving Net Zero Through Internal Carbon Pricing 	MISC Berhad	12 December 2022

10. Directors' Remuneration

The Company aims to set the 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	RM20,000.00	RM10,000.00
Meeting Allowance	RM3,500.00	RM3,500.00

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 PETRONAS 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.

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

Name of Directors	Annual Fees (RM)	Board Meeting Attendance Allowance (RM)	Board Committees Meeting Attendance Allowance (RM)	Benefits (Petrol Allowance) (RM)	Total (RM)
Datuk Nasarudin Md Idris (Chairman)	240,000	49,000	-	-	289,000
Gladys Leong	120,000	49,000	35,000	6,000	210,000
Keith Taylor	120,000	49,000	66,500	-	235,500
Wan Yusoff Wan Hamat	120,000	49,000	59,500	6,000	234,500
*Ausmal Kardin	120,000	49,000	31,500	-	200,500
Choy Khai Choon	37,000	14,000	21,000	1,500	73,500
*Datuk Yee Yang Chien	120,000	35,000	-	-	155,000
*Syed Hashim Syed Abdullah	120,000	45,500	49,000	-	214,500
TOTAL	997,000	339,500	262,500	13,500	1,612,500

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.

During the year under review, 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) Nomination & Remuneration Committee (NRC);
- ii) Board Audit Committee (BAC); and
- iii) Board Risk Committee (BRC).

The Board Committees' compositions are in compliance with the MMLR and accordance with the best practices as prescribed by the MCGG 2021 to ensure their effectiveness and to efficiently discharge of 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 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 261 to 264 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 through the establishment of the BRC.

The main functions of the BRC are set out in the BRC Report on page 266 of this Integrated Annual Report.

The Statement on Risk Management and Internal Control provides an overview of the risk management and internal controls within the MHB Group and further details can be found on pages 267 to 275 of this Integrated Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 pages 196 to 206 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.

The Company has adopted the framework on a staggered basis since 2017 and the fully Integrated Annual Report 2021 was finally published in 2022. Further enhancements have been incorporated into the Integrated Annual Report 2022.

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 2020 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 Notes 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 MHB's website at www.mhb.com.my.

All Boards members attended the AGM in 2022, virtually except for the Chairman, SINED 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 conducted electronic polling at the AGM. The poll results were verified by the appointed scrutineers and announced by the Chairman. The minutes of the AGM, was published on the Company's website within 30 days from the meeting.

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board of Directors passed on 22 February 2023.

NOMINATION & REMUNERATION COMMITTEE REPORT

Overview

The NRC manages the nomination and remuneration process for the Board and Board Committees as well as for critical management positions within the Group. The NRC assists the Board in reviewing the mix of skills, experience, core competencies and other qualities required for an effective Board for the Company. It also ensures that there is sufficient focus placed on succession planning and human capital development in the Group at the Management and operating levels.

Terms of Reference

The NRC's TOR sets out the authority, duties and responsibilities of the NRC and is consistent with the requirements of the MMLR of Bursa Securities and the MCCG 2021.

For more information on the TOR of the NRC, please refer to MHB's website at www.mhb.com.my.

Composition

The NRC comprises exclusively non-executive directors, the majority of whom are independent and comply with the requirement of Paragraph 15.08A of the MMLR of Bursa Securities.

During the year under review, the composition of the NRC is as follows:

Name/Directorship	Designation
Wan Yusoff Wan Hamat (Independent Non-Executive Director)	Chairman
Gladys Leong (Senior Independent Non-Executive Director) (Appointed on 22 April 2022)*	Member
Ausmal Kardin (Non-Independent Non-Executive Director) (Appointed on 10 March 2022)*	Member
Choy Khai Choon (Senior Independent Non-Executive Director) (Retired on 21 April 2022)*	Chairman
Syed Hashim Syed Abdullah (Resigned on 10 March 2022)*	Member

Note:

* Refers to the appointment/resignation/retirement as a member of the NRC.

Meetings

During the year under review, the NRC met five (5) times and the details of each NRC member's attendance are as follows:

Members	No. of Meetings Attended
Wan Yusoff Wan Hamat	5 out of 5
Gladys Leong (Appointed on 22 April 2022)*	3 out of 3
Ausmal Kardin (Appointed on 10 March 2022)*	3 out of 3
Choy Khai Choon (Retired on 21 April 2022)*	2 out of 2
Syed Hashim Syed Abdullah (Resigned on 10 March 2022)*	2 out of 2

Note:

* Refers to the appointment/resignation/retirement as a member of the NRC.

Overview of the NRC's agenda items in respect of 2022

During the year under review the NRC deliberated on among others, the following matters:

- Changes in Board and Board Committees relating to the Board and Board Committee members' appointments, retirements or resignations.
- Changes in the Management Committee.
- Human resource strategy and succession planning.
- Review of various performance-related matters involving the Company's Balanced Scorecard and Management personnel.
- Review of remuneration-related proposals for Management and other employees.
- Appointment of an external consultant to carry out the annual Board Effectiveness Evaluation exercise covering the Board, Board Committees and Individual Directors' performance.

Functions of the NRC and related activities in 2022

a. Appointment/Re-election of Directors and Succession Planning

The NRC provides oversight in recruiting, retaining, training as well as developing the best available executive and non-executive directors to ensure that Board renewal and succession are managed effectively.

The NRC carries out an annual assessment of among others, Board composition and skillset for the purpose of succession planning. Based on this exercise, gaps if any, are identified. In the event there is a requirement for new appointments or replacements, the NRC will conduct a search for candidates.

NOMINATION & REMUNERATION COMMITTEE REPORT

In the selection and assessment of candidates for appointment or re-election of Directors, the NRC applied the fit and proper criteria and was satisfied with confirmation of character, experience, integrity, competence and time as outlined by Paragraph 2.20A of MMLR. In addition, the NRC TOR of MHB prescribed that selection criteria include skill, knowledge, expertise, experience, integrity and time to effectively discharge his or her role as a director.

During the year under review, the NRC had recommended the appointment and re-election of directors and continued the search for independent directors with assistance from a recruitment firm.

b. Board Effectiveness Evaluation for the Board, Board Committees and Individual Directors

Internally, the NRC with facilitation by the company secretaries evaluates the effectiveness of the Board, Board Committees and Individual Directors on an annual basis. The evaluation process is carried out using online questionnaires and includes reviews on Board's required mix of skills, experience and participation in Board deliberations among others. A report is then prepared by the company secretaries and presented to the NRC and the Board for notation and action, if required.

As recommended by Practice 6.1 of the MCCG 2021, the MHB Board seeks the service of an independent expert to carry out the Board Effectiveness Evaluation (BEE) once every three (3) years.

The methodology applied by the independent expert for BEE 2022 comprises surveys and interviews with Board members and members of the Management Committee. The report of the BEE was then presented to the NRC and the Board.

The Board takes cognizance of the results, key insights and recommendations made by the independent expert and takes them into consideration in strengthening MHB's Board.

c. Senior Management - Appointment and Succession Planning

During the year under review, the NRC reviewed recommendations to the Board for the appointment of Management Committee members, taking into account character, experience, integrity, competency and diversity in addressing the Management Committee's composition.

The NRC periodically reviews internal talent pipelines for Management Committee's succession planning purposes.

d. Directors' 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 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"> Fuel allowance for NEDs Directors' and Officers' Insurance coverage 	

Note:-

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

The fees and allowances for NEDs are determined by the Board and 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 256 of this Integrated Annual Report.

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

The remuneration package for the MD & CEO of MHB is balanced between fixed and performance-linked elements. A portion of the MD & CEO's remuneration package is variable in nature and is KPI based, which includes the Group's performance.

e. Senior Management's Remuneration

The remuneration package of the Senior Management is benchmarked against the Company's peers and reflects the industry standard. The review takes place during the contract renewal exercise of Senior Management to ensure competitiveness and acts as an employee retention tool.

f. Company and MD & CEO's Performance Appraisal

During the year under review, the NRC deliberated the Company's performance against the Balanced Scorecard which is translated as the achievement of the MD & CEO for the period.

The performance appraisal covers distinctive dimensions with specific ratings given to each area such as Financial, Strategic Initiatives, Operations, Health, Safety and Environment (HSE) and People Development.

WAN YUSOFF WAN HAMAT

Chairman

Nomination & Remuneration Committee

BOARD AUDIT COMMITTEE REPORT

Overview

The BAC operates within its terms of reference in ensuring that there is effective financial risk monitoring, internal controls and corporate governance to provide the level of assurance required by the Board.

Terms of Reference

The BAC's TOR is consistent with the requirements of the MMLR and best practices of the MCCG 2021. The BAC's TOR may be referred to the MHB's website at www.mhb.com.my

Composition

The BAC consists of three (3) members, all of whom are Non-Executive Directors with two (2) being Independent Directors and one (1) a Non-Independent Director. The composition of the BAC complies with Paragraph 15.09(1) of the MMLR.

Gladys Leong succeeded Choy Khai Choon as the Chairperson of the BAC on 22 April 2022. Both are members of the Malaysian Institute of Accountants which are in accordance with 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.

During the year under review, the composition of the BAC is as follows:

Members	Designation
Gladys Leong <i>(Senior Independent Non-Executive Director)</i> <i>(Appointed as the Chairperson on 22 April 2022)*</i>	Chairperson
Keith Taylor <i>(Independent Non-Executive Director)</i>	Member
Ausmal Kardin <i>(Non-Independent Non-Executive Director)</i>	Member
Choy Khai Choon <i>(Senior Independent Non-Executive Director)</i> <i>(Retired on 21 April 2022)*</i>	Chairman

Note:

* Refers to the appointment/retirement as a member of the BAC.

BOARD AUDIT COMMITTEE REPORT

Meetings

During the year under review, the BAC met seven (7) times and details of each BAC members' attendance are as follows:-

Members	No. of meetings attended
Gladys Leong	7 out of 7
Keith Taylor	7 out of 7
Ausmal Kardin	6 out of 7
Choy Khai Choon <i>*Retired on 21 April 2022</i>	4 out of 4

Note:

* Refers to the retirement as a member of the BAC.

Summary of the BAC's Activities In 2022

a. Financial and Annual Reporting

- Reviewed the unaudited quarterly financial statements, the related press releases and announcements, the changes in accounting policies (if any), 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 complied with 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 of the activities of the Group.
- Reviewed the internal audit reports issued by Group Internal Audit (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 ensured all major findings raised were properly investigated.
- Reviewed the effectiveness and adequacy of the audit process, manpower and financial requirements of GIA execute audit exercises.
- 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.
- Assessed the performance of GIA on an annual basis in terms of experience and technical knowledge of internal auditors, the objectivity of GIA, quality of audit findings and recommendations 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 Group.

BOARD AUDIT COMMITTEE REPORT

c. External Audit

- Reviewed the external auditors' terms of engagement, audit plan, strategy and scope of work for the financial year.
- Reviewed the results and significant issues arising from the external audit exercise for the financial year and the resolution of issues highlighted in their report to the BAC for Management's response and action.
- Assessed the suitability, performance, effectiveness, objectivity and independence of the external auditors and made recommendations to the Board on their appointment and remuneration.
- Met with the external auditors twice during the year without the presence of Management, ensuring 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 by the Group on a quarterly basis and ensure all transactions are carried out on arm's length basis.

e. Other Activities

- Deliberated and reviewed the BAC Terms of Reference.
- 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 effective risk monitoring, internal controls, governance process and compliance procedures to provide the level of assurance required by the Board. GIA is headed by a General Manager, Lau Jung Ching, 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 as awarded by the Institute of Internal Auditors (IIA). The Head of GIA is supported by a team of fifteen (15) personnel. The internal audit personnel are free from any relationship or conflicts of interest, which could impair their objectivity and independence.

In executing its internal audit function, GIA refers to the standards and guidelines outlined in the Institute of Internal Auditors' International Professional Practices Framework 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.

GIA carries out audits with emphasis on a risk-based auditing approach. The key in solving lapses in internal control is the disciplined execution of 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 comments and further guidance, if any.

At the Board of Directors' meetings, the Chairperson 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 the BAC.

During the year under review, GIA had carried out 12 audits per the approved internal audit plan, covering business development, quality management, project management, supply chain management and business support activities.

In addition, the Investigation Unit of GIA investigated matters arising from whistleblowing and internal audit. The outcomes 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 RM2.06 million.

Related Party Transactions (RPTs) and Recurrent Related Party Transactions (RRPTs)

The Company has put in place Guidelines on Related Party Transactions and Recurrent Related Party Transactions for MHB group. It contains guidelines and procedures to ensure that RPTs and RRPTs are entered into on normal commercial terms and at arm's length basis and not detrimental to the Company's minority shareholders.

Bursa Malaysia Securities Berhad (Bursa Malaysia) has granted MHB exemption from having to seek shareholders' mandate for RRPT with Petroliaam Nasional Berhad (PETRONAS) and MISC Berhad and their Group of Companies. Essentially, the exemption provides that the exempted RRPTs must be transacted on arm's length basis.

BOARD AUDIT COMMITTEE REPORT

The BAC performed a quarterly review of all RRPTs entered into by the Group during the year under review to ensure compliance with MHB's Guidelines on RPTs and RRPTs for MHB Group and has reviewed the RRPTs detailed on page 264 of the Integrated Annual Report. The BAC is of the view that the transactions were entered into on normal commercial terms, at arm's length basis and not detrimental to the Company's minority shareholders.

The BAC was satisfied with the methods and procedures for determining the price and terms of the RRPTs of the MHB Group which are aligned with the Independent Adviser's opinion by PricewaterhouseCoopers Capital Sdn Bhd dated 4 April 2012 which was first published in the Company's Annual Report for the financial period ended 31 December 2012.

The RRPTs entered into by the Group during the year under review are set out below:-

Nature of Transaction	Transacting Party	Related Party
a) Revenue - Provision of oil & gas engineering and construction	<ul style="list-style-type: none"> PETRONAS Carigali Sdn Bhd Carigali-PTTEPI Operating Co Sdn Bhd Vestigo Petroleum Sdn Bhd 	Petroliam Nasional Berhad ("PETRONAS") ¹
b) Provision of dry docking and repairs of vessels	<ul style="list-style-type: none"> Eaglestar Shipmanagement (L) Pte Ltd PETRONAS Floating LNG1 (L) Ltd 	MISC ²
c) Plant turnaround shutdown maintenance	<ul style="list-style-type: none"> Malaysian Refining Co Sdn Bhd Idemitsu SM (Malaysia) Sdn Bhd 	PETRONAS ¹
d) Purchase of oil products from PETRONAS Group	<ul style="list-style-type: none"> PETRONAS Dagangan Berhad PETRONAS Smartpay Centre Sdn Bhd PETRONAS Lubricants Marketing (Malaysia) Sdn Bhd 	PETRONAS ¹
e) Provision of services/sale of equipment & materials	<ul style="list-style-type: none"> PETRONAS PETRONAS Power Sdn Bhd PETRONAS Technical Training Sdn Bhd Industrial Gases Solutions Sdn Bhd PETRONAS Management Training Sdn Bhd 	PETRONAS ¹
	<ul style="list-style-type: none"> MISC Malaysia Maritime Academy Sdn Bhd 	MISC ²

¹ PETRONAS is a major shareholder of the Company, being the holding company of MISC.

² MISC is a major shareholder of the Company.

The BAC Report is made in accordance with the resolution of the Board of Directors dated 22 February 2023.

GLADYS LEONG

Chairperson

Board Audit Committee

BOARD RISK COMMITTEE REPORT

Overview

The Board Risk Committee assists the Board in overseeing MHB's risk management framework, policies and practices and MHB's sustainability matters including Environmental, Social and Governance (ESG). 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 sets out the authority, duties and responsibilities of the BRC is guided by the best practice of the MCGG 2021.

For more information on TOR of the BRC, please refer to the MHB's website at www.mhb.com.my

Composition

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

Name/Directorship	Designation
Keith Taylor <i>(Independent Non-Executive Director)</i>	Chairman
Wan Yusoff Wan Hamat <i>(Independent Non-Executive Director)</i>	Member
Raja Azlan Shah Raja Azwa <i>(Non-Independent Non-Executive Director)</i> <i>(Appointed on 1 January 2023)*</i>	Member
Syed Hashim Syed Abdullah <i>(Non-Independent Non-Executive Director)</i> <i>(Retired on 31 December 2022)*</i>	Member

Note:

* Refers to the appointment/retirement as a member of the BRC.

Meetings

During the year under review, the BRC met twelve (12) times and details of each BRC members' attendance are as follows:-

Members	No. of meetings attended
Keith Taylor	12 out of 12
Wan Yusoff Wan Hamat	12 out of 12
Syed Hashim Syed Abdullah <i>(Retired on 31 December 2022)*</i>	12 out of 12

Note:

* Refers to the retirement as a member of the BRC.

BOARD RISK COMMITTEE REPORT

Functions of the BRC and related activities in 2022

a. Risk Management

The BRC 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).
- MHB's Enterprise Risk Management Risk Profile on a quarterly basis to ensure that appropriate systems and processes are in place to monitor and manage identified risks effectively.
- Determination of MHB's level of risk tolerance.
- Any other matters as defined by the Board and Board Committees.

b. Bid Submission

The BRC reviewed bid proposals to ensure that they were in the best interest of the Group and at a reasonable profit margin that commensurate with the project risks. The BRC's recommendation was based on, amongst others, Management's confirmation that proper risk assessments had been carried out with mitigating factors identified, that the Group has the technical capabilities and competencies to meet potential technical challenges and that 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.

c. Overcoming Project Delivery Challenges (OPDC)

OPDC is an initiative launched in 2022 to address challenges that the Company encounters within the disciplines of Engineering, Procurement, Construction, Installation and Commissioning (EPCIC), focusing on closing any gaps in the areas of Platform, Process & People (3P). During the year under review, the OPDC exercise has provided solutions to critical areas among others the Company's bidding process, digitalisation of vendor management and Front-End Engineering Design. In 2023, OPDC will focus on addressing the critical area of project execution to ensure timely delivery and project profitability.

d. Sustainability

The BRC provides oversight on MHB's sustainability matters which include ESG. The BRC reviewed, evaluated, reported and made appropriate recommendations to the Board on the determination of the Company's sustainability strategy in alignment with its business strategy and objectives.

During the year under review, the BRC has endorsed and recommended to the Board, the MHB Sustainability initiatives based on the strategic priorities incorporated in the MHB Sustainability Framework. The BRC has also endorsed and recommended to the Board the establishment of MHB Climate Framework for MHB to have better assessment and foresight on the impact and effects of climate change to the business.

Elements of the Sustainability Framework are incorporated into the Board's KPI and the Company's Balanced Scorecard to ensure meaningful implementation of the principles of sustainability and ESG.

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 FY2022 that is in accordance with Paragraph 15.26(b) of Main Market Listing Requirements (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 FY2022.

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. The structure provides clear roles and responsibilities as well as facilitates the implementation with guidelines and tools with different layers of responsibilities as shown below:

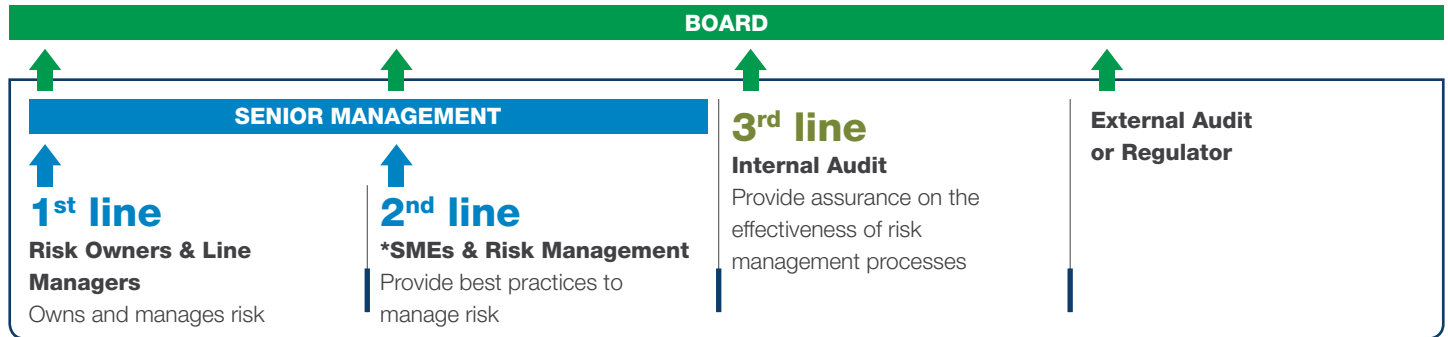
RISK GOVERNANCE STRUCTURE	
BOARD OF DIRECTORS (BOD) Responsible for the overall effective oversight of MHB's risk management system and activities.	
BOARD COMMITTEE LEVEL	BOARD RISK COMMITTEE (BRC) <ul style="list-style-type: none"> • Provide guidance and oversight on MHB's risk management activities • Conduct review and endorse MHB's risk profile • Deliberate risk assessment for high impact business matters
MANAGEMENT LEVEL	RISK COUNCIL (RC) <ul style="list-style-type: none"> • Ensure the implementation and effectiveness of MHB's risk management practices.
CUSTODIAN LEVEL	RISK MANAGEMENT DEPARTMENT (RMD) <ul style="list-style-type: none"> • Act as RC Secretariat • Review and monitor risk reporting on a quarterly basis
OPERATIONAL LEVEL	RISK OWNER (RO) <ul style="list-style-type: none"> • Implement risk management processes at respective units

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

THREE LINES OF DEFENSE 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.



* 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:

- 1 MHB is committed to become a risk resilient organisation.
- 2 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.
- 3 Managing risk is everyone’s responsibility.

PETRONAS Resiliency Model

MHB has also adopted the PETRONAS Resiliency Model which comprises of Enterprise Risk Management (ERM), Crisis Management (CM), and Business Continuity Management (BCM).

Risks

Enterprise Risk Management (ERM)	ERM is a structured and holistic approach to identify, assess, treat and monitor risks. REDUCE likelihood and impact of all identified risks.
Crisis Management (CM)	CM is a comprehensive set of processes that aims to prepare the organization. RESPOND to immediate risk events.
Business Continuity Management (BCM)	BCM is a holistic management process that aims to build the capability of an organization. RECOVER from prolonged disruption to meet business obligations.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

ENTERPRISE RISK MANAGEMENT

Risk Management Framework

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



Corporate Risk Profile

Our Corporate Risk Profile (CRP) is developed based on the ERMF where the identified risks are aligned with MHB’s strategic objectives. The CRP is inclusive of strategic, financial, operational and sustainability risks which are deliberated at RC, BRC and Board on a quarterly basis. ERM Guideline has been introduced to enhance the governance of ERM in MHB.

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 FY2022.

Risk Assessment in Decision Making

Meeting papers under the category of decision and debate or discussion that go to MHB’s Board or Board Committee or MHB’s Subsidiary Board 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

Project risks are assessed at different stages of a project life to support project owners in effectively managing and reporting risks associated with projects, starting from Pre-Qualification, Bid Proposal, Project Execution until Sail Away stage.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CRISIS MANAGEMENT

The *MMHE Emergency Preparedness and Response Plan* outlines the emergency response plan to manage incidents and emergency situations in an organized and systematic manner for preventing the likeliness of illness, injury and damage that may arise during MHB's activities.

BUSINESS CONTINUITY MANAGEMENT

Business Continuity Plan for office and yard provide guidance and detailed recovery strategies for MHB to facilitate successful resumption of business activities in the event of prolonged disruption.

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', 'Circular Economy' and 'Biodiversity Conservation' strategic priorities under the Environmental Pillar.

MHB manage sustainability risks via materiality assessment exercise which enables us to identify and prioritise the Material Matters which materially impact on the business and stakeholders and to manage these Material Matters in accordance with the requirements of FTSE4Good and Global Reporting Index (GRI) Indicators. In 2021, MHB 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. In 2022, MHB has established the MHB Climate Framework in line with the TCFD recommendations. MHB has enhanced TCFD reporting by establishing key climate metrics that will be used to measure and monitor climate related risks and opportunities. Together with MISC, MHB has also explored the application of Internal Carbon Pricing (ICP) as an assumed cost to emissions associated to an investment or project, to better understand the impact of climate change on MHB's business decisions.

Sustainability and climate risks are managed in the same way as other business risks, as part of MHB overall risk management system. These risks are continually identified during the annual risk profiling workshop to align them with MHB strategic direction. On a quarterly basis, the Board and Board Risk Committee will oversee and deliberate on the identified risks and progress of their respective mitigation plans. 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 117 to 207 of the Integrated Annual Report and the TCFD Statement which can be found on pages 208 to 226 of the Sustainability Statement.

KEY PROCESSES OF THE GROUP'S INTERNAL CONTROL SYSTEM

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

1. BAC was chaired by Mr Choy Khai Choon, the Senior Independent Non-Executive Director up to his date of retirement on 21 April 2022 and was subsequently replaced by Ms Gladys Leong, who also assumed the role of the Senior Independent Non-Executive Director. BAC operated in accordance with 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 ("GIA") Division, which functionally reports 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 both security-related and non-security-related incidents occurring in the yard, of which results were reported to the Management and/or BAC 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 a review of the detail Scope Of Work as per Invitation to Bid requirement, proposed contractual terms and conditions, deviations as well as proposed commercial and technical qualifications combined with identification of key risks and mitigation plans. BiAC will propose a 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 risks. All BiAC members are Management Committee ("MC") members. In the event the value of the bid is above a certain threshold, the bid proposal is 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 a directional compass for our strategic decisions and to align Management's efforts in creating a competitive advantage for the organisation.

At the same time, 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 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 comprises 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 experiences are detailed on pages 240 to 244 of this Integrated Annual Report.

The MC meets at least once every month with the 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 business, operational and quality processes and identified several areas that require improvements to mitigate and prevent issues that have partly contributed to extended project completion dates and cost escalations. The MC will continue to review, monitor, 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") chaired by the MD & CEO 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Every employee of MHB is obligated to work safely, to co-operate and act responsibly to prevent injury to himself/herself and to others as well as 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 conserve the environment,
- Implement a safe system of work,
- Promote 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 review 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.

HSE Assurance audits were carried out on the respective business segments, subsidiaries and selected contractors/service providers by Corporate HSE with the objective to verify, evaluate and review the HSE Management System (“HSEMS”) as well as operational activities. This is to ensure alignment with our policies, meets legal and regulatory requirements as well as industrial best practices.

7. Quality Steering Committee (“QSC”) was established to demonstrate leadership and commitment to establish, implement, maintain and continually improve the Quality Management System (“QMS”) throughout the Group. The Committee’s duty is to review, deliberate, endorse, communicate and promote the following:

- Quality Policy, Objectives, Quality Target & Performance and action plans,
- Quality Management Plan and its activities,
- Potential opportunities for quality and process improvements throughout the Group,

- Essential resources to establish, implement, maintain and improve the QMS that significantly affect the Group’s business operations,
- Ensure the integration of QMS requirements into the Group’s business processes,
- Monitor the effectiveness of actions taken to resolve the non-conformities and non-compliance issues,
- Analysis of customer satisfaction results and comments including required corrective measures to address customer feedback and
- Assessment on the adequacy of resources including competent people, budget 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.

Quality Assurance audits were also carried out on the respective business segments, subsidiaries, selected contractors/service providers and vendors by Corporate Quality and Assurance with the objective to verify, evaluate and review the QMS as well as operational activities. This is to ensure alignment with our policies, meets legal and regulatory requirements as well as industrial best practices.

8. Corporate Security Unit (“CSU”) 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 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 reviews quarterly reports from Management on key operating performance, legal, environmental and regulatory matters. Financial performance is 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. The LOA is regularly reviewed and refinements were deliberated and approved by the Board during the year to ensure its continued relevance and effectiveness, taking into account ongoing business requirements.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

3. The Group performs a comprehensive Annual Planning and Budgeting Exercise which involves the development of business strategies for the next five years to achieve the Group's vision. The long-term strategies are supported by initiatives to be accomplished in the upcoming year and for effective implementation, the initiatives are tied to specific measurable indicators which are evaluated against the relevant business/service units' and subsidiaries' deliverables. The Group's strategic directions are 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 is translated into budgetary numbers for the next five years and presented to the Board for deliberation and approval. Key performance indicators, including financial targets are reviewed by the Nomination & 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 half-yearly 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 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:

- Sets the overarching philosophy on commitment towards becoming financially resilient for longer term sustainability through efficient capital and liquidity management principles,
 - Ensures efficient capital and liquidity management amidst challenging and volatile business landscape,
 - Sets clear tone in shaping financial management and financial risk management practices for the organisation and
 - Emphasizes 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.
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 as well as 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 evaluates, reviews and monitors MHB's credit risk exposure, makes recommendations to Management on appropriate credit risk mitigation actions to minimise credit risk exposure and to review specific customer accounts as well as overall credit performance. The MCC convenes every month, 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, chaired by the Senior General Manager, Supply Chain and Site Services to deliberate the technical aspects and risks whilst the commercial feasibility of the CAPEX /investments will be deliberated by Management during the MC meeting before submission to the Board for approval.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

9. The Contract Award Committee (“CAC”) is a corporate committee established to assist the approving authority in finalising the overall contracting strategies for new projects, strategic procurement contracts, CAPEX and variation orders exceeding certain thresholds. 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 employees’ needs, in order to bridge their competency gaps, are systematically identified, prepared and implemented in a timely manner to maximize their impact. This is to ensure that all employees are able to deliver the expected performance within their respective scope of responsibilities 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 requirements. The objective of this framework is to ensure that a set degree of competencies and capabilities 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.

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 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 as well as 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, 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 LOA. The ITSC comprises selected members of Management, meets quarterly or as and when the need arises and is chaired by the CFO.

In light of the increasing threats on cybersecurity, MHB has identified this as a key risk and has taken necessary steps to put in place appropriate mitigation actions and controls including the implementation of comprehensive programmes covering user awareness, personal data privacy laws, cybersecurity processes and technologies. MHB’s Information, Communication and Technology department has been designated as the custodian to ensure all these are effectively implemented with progress being tracked and reported through regular ITSC and MC meetings.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

13. The Group is committed to uphold the principles of Human Rights in all areas of operations whilst complying with CoBE as well as all applicable local and international laws and regulations. The Legal, Corporate Secretarial and Compliance Division in collaboration with the Human Resource Division are tasked to identify and address any Human Rights issues and their impacts from the Group's operations by carrying out risk assessments and due diligence, developing relevant policies as well as proposing remedial actions to mitigate any risks identified.
14. The internal control system over the Group's joint ventures consists of the Group's effective representation on the Board of the respective joint ventures, placement of management staff as key employees of the joint ventures and through regular review of management accounts and inquiries thereon. These provide the Board with information for timely decision making on the performance of the Group's investments in the joint ventures. The Group's representatives on the joint venture Board and on the management team are responsible to escalate any critical issues to the Board for further review and intervention as and when necessary.
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, have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 December 2022, 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 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 22 February 2023.

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 Standard 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 2022, 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 22 February 2023.

INVESTOR RELATIONS REPORT



Throughout the financial year ended 31 December 2022, MHB focused on enhancing value proposition to its stakeholders including analysts, fund managers and investors with the aim to deliver a fair and accurate representation of MHB.

The Group's Investor Relations (IR) organised various engagements through multiple communication channels embedded in comprehensive IR Programmes in order to maintain a strong and transparent relationship between stakeholders, Senior Management and the Board of Directors with the aim to deliver a fair and accurate representation of MHB.

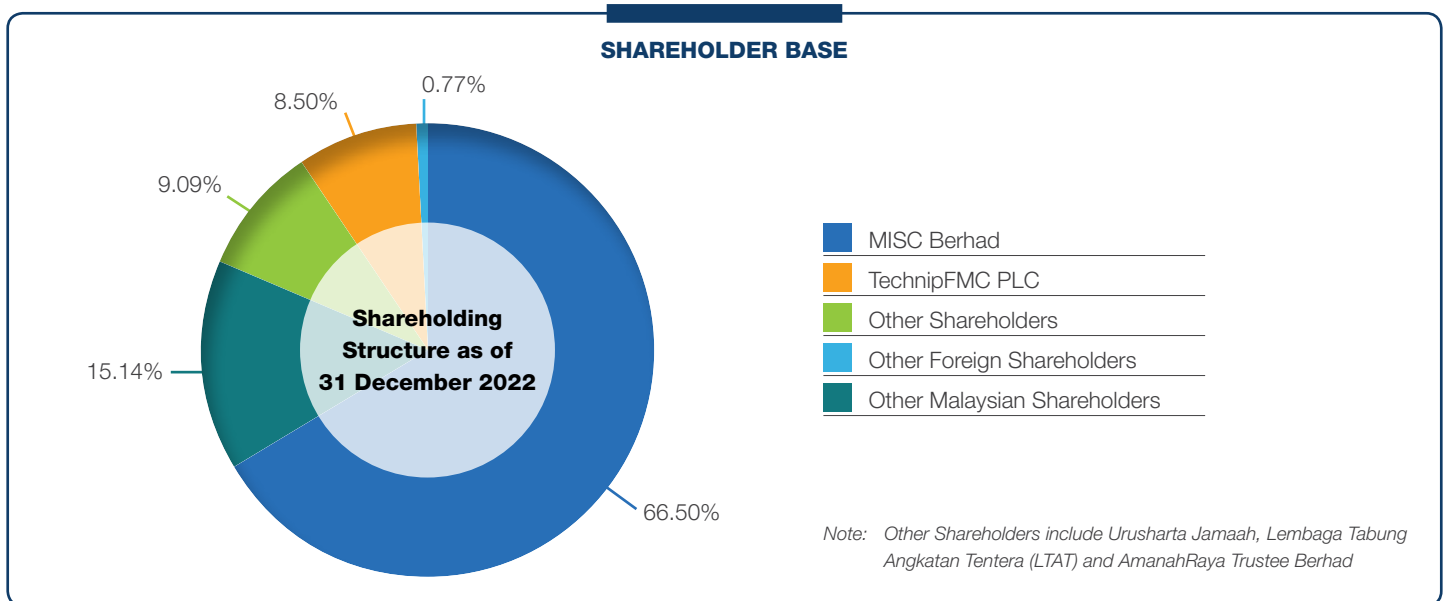
IR Programmes were curated to incorporate hybrid mode of engagements in line with the country transitioning to endemic phase throughout the year. Nevertheless, the convenience of a virtual platform has been the investment community's preferred mode of engaging with MHB.



Our corporate website at www.mhb.com.my includes stock information, public announcements to Bursa Securities, latest and historical quarterly results, Integrated Annual Reports, corporate presentations, Annual General Meeting (AGM) related materials, 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 as well as 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



MHB's diverse shareholder base comprises government agencies, corporate, institutional and private/retail shareholders. The Group had a total of 9,074 shareholders as of 31 December 2022.






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

INVESTOR RELATIONS REPORT

IR Programmes

A structured and comprehensive suite of IR programmes are tailored to meet the needs of the investment community and stakeholders so that they can be well-informed on MHB's business operations, strategic focus, financial performance, ESG initiatives and business prospects. Ensuring continuous effective and timely disclosures of such pertinent information to the market would facilitate them to make informed decisions with respect to MHB's business performance whilst fostering better understanding of the Group's overall performance and financial position.

Engagements were regularly made through these channels:

 01 Quarterly Results	Timely disclosure of MHB quarterly results, corporate developments and all material announcements as required under MMLR of Bursa Securities
 02 Virtual Analyst Briefing	Conducted bi-annual analyst briefings co-chaired by MD & CEO and CFO following the release of first half and full year financial results to Bursa Securities
 03 Investment Community Engagement	Maintained effective two-way communication with analysts and fund managers (i.e. one-on-one and small group meetings) throughout the year
 04 Virtual Annual General Meeting	Served as a platform for shareholders to share their feedback and to seek clarity on the Group's annual financial performance, business highlights, project progress and strategic initiatives going forward from MD & CEO and the Board of Directors
 05 Analyst Yard Visit	Visit to showcase MHB's strengths and capabilities to promote greater understanding on MHB's overall business operations by providing a firsthand look at yard infrastructure and ongoing project progress for both Heavy Engineering Business and Marine Business

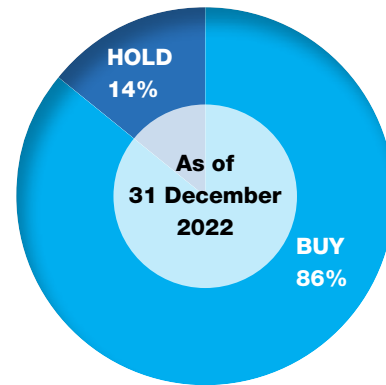
Quarterly Results and Analyst Briefing



INVESTOR RELATIONS REPORT

Analyst Coverage and Recommendation

No.	Research House	Target Price (RM)
1.	Maybank Investment Bank	0.85
2.	BIMB Securities Research	0.78
3.	UOB Kay Hian	0.75
4.	KAF Investment Bank	0.61
5.	MIDF Amanah Investment Bank	0.61
6.	RHB Research Institute	0.59
7.	TA Securities	0.51



Investment Community Engagement

Recognising the importance of communicating our sustainability agenda to the investment community, MHB hosted an Environment, Social and Governance (ESG) focused session with ESG analysts, fund managers and institutional investors to highlight the implementation of our ESG initiatives throughout the year and in the future. A presentation showcasing MHB's sustainability approach and the recent award of EPCIC Kasawari CCS project, which is part of PETRONAS' larger net-zero carbon emissions target among others, was co-presented by the MD & CEO and the Head of Sustainability. The presentation was subsequently followed by an insightful Question and Answer (Q&A) session between the Senior Management and attendees. This engagement was intended to showcase the incorporation of ESG into our business operations and how it could contribute to shareholder value creation over time.

Annual General Meeting



**15
March
2022**

Notice of Fully Virtual 33rd Annual General Meeting and Issuance of Annual Report and Audited Financial Statements for the year ended 31 December 2021



**21
April
2022**

Fully Virtual 33rd Annual General Meeting

Broadcast Venue : Conference Room 2,
Level 17, Menara Dayabumi,
Jalan Sultan Hishamuddin,
50050 Kuala Lumpur, Malaysia

Participants : 773 shareholders and proxies

Analyst Yard Visit

A visit for a group of investors, fund managers and analysts to MMHE West Yard in Pasir Gudang, Johor was organised in a joint effort with MISC's IR on 6 December 2022. The visit was aimed at forging a stronger relationship with the investment community and demonstrate MHB's value proposition as a globally trusted energy and marine solutions provider for a wide range of heavy engineering facilities and vessels.

INVESTOR RELATIONS REPORT

The eventful yard tour started off with the golden opportunity to climb aboard Seri Begawan, MISC's own LNGC that was docked to undergo repair and maintenance at Dry Dock No. 3. They were then brought to Kasawari and Jerun project areas where they were able to observe the current project progress and value the complexity of fabricating offshore facilities. Subsequently, they visited the Mega Workshop where the cutting and assembly of parts for projects took place. The tour ended with a visit to the Observation Deck from which they could see the rooftop solar panels installed on buildings within the compound with a bird's-eye view of the entire yard. Final agenda of the visit is a short corporate presentation by our MD & CEO and Q&A session with MHB's Management thereafter.



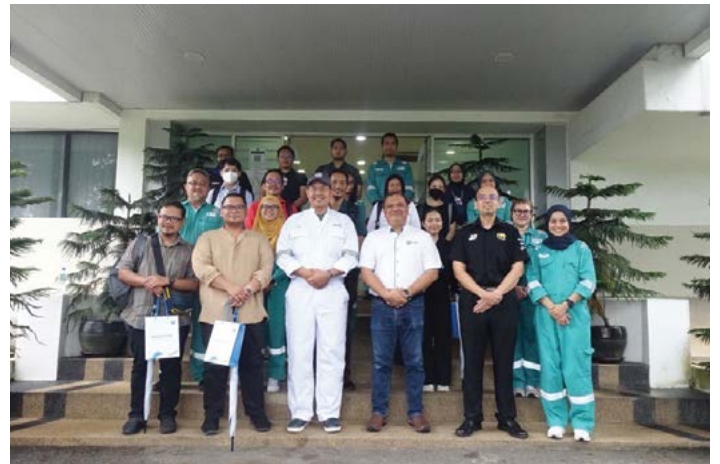
→ Group photo on top of LNGC Seri Begawan



→ Visit to the Kasawari and Jerun areas



→ Explanation on ongoing cutting and assembly works in Mega Workshop



→ Group photo with En Pandai Othman, MD & CEO and En Ahmad Zakri Md Salleh, CFO

Credit Rating

Malaysian Rating Corporation (MARC) has affirmed its AA-Is rating with a stable outlook for 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 ESG practices since 2001. MHB has been independently assessed by FTSE Russell according to the FTSE4Good criteria. Following the index review in June 2022, 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.

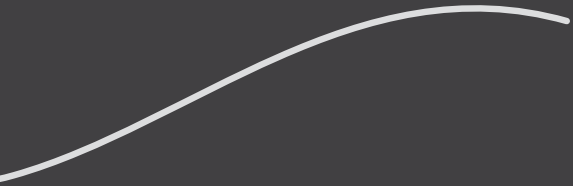
AUDIT AND NON-AUDIT FEES

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 2022 amounted to RM356,200 and RM19,200, 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 2022 amounted to RM81,300 and RM25,700, respectively.



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DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors hereby present their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2022.

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	Company
	RM'000	RM'000
Profit/(loss) for the year	67,638	(7,143)
Profit/(loss) attributable to:		
Equity holders of the Company	67,773	(7,143)
Non-controlling interests	(135)	-
	67,638	(7,143)

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.

DIRECTORS' REPORT

DIVIDENDS

Subsequent to the financial year, on 9 February 2023, the Board of Directors approved a single-tier tax exempt dividend of 1.5 sen per share on 1,600,000,000 ordinary shares in respect of the financial year ended 31 December 2022 amounting to RM24,000,000. The proposed dividend will be paid on 24 March 2023 to shareholders registered at the close of business on 27 February 2023.

The single-tier tax exempt dividend in respect of the financial year ended 31 December 2022 is not reflected in the current year's financial statements. The dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2023.

DIRECTORS

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Datuk Nasarudin bin Md Idris	
Gladys Leong	
Keith Taylor	
Wan Yusoff bin Wan Hamat	
Ausmal bin Kardin	
Pandai bin Othman	
Captain Rajalingam Subramaniam	Appointed on 1 January 2023
Raja Azlan Shah bin Raja Azwa	Appointed on 1 January 2023
Choy Khai Choon	Retired on 21 April 2022
Datuk Yee Yang Chien	Retired on 31 December 2022
Syed Hashim bin Syed Abdullah	Retired on 31 December 2022

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	
Tan Yew Kun	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 2022
	1 January 2022	Acquired	Sold	
The Company				
- Malaysia Marine and Heavy Engineering Holdings Berhad				
Direct				
Datuk Nasarudin bin Md Idris	10,000	-	-	10,000
Wan Yusoff bin Wan Hamat	10,000	-	-	10,000
Ausmal bin Kardin	4,000	-	-	4,000
Indirect				
Pandai bin Othman	20,000	30,000	-	50,000
Fellow subsidiary				
- PETRONAS Gas Berhad				
Direct				
Datuk Nasarudin bin Md Idris	3,000	-	-	3,000
Wan Yusoff bin Wan Hamat	5,000	-	-	5,000
Indirect				
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 2022	Acquired	Sold	31 December 2022
Fellow subsidiary				
- KLCC Property Holdings Berhad				
Direct				
Datuk Nasarudin bin Md Idris	5,000	-	-	5,000
Indirect				
Pandai bin Othman	4,000	-	-	4,000

	Number of ordinary shares			
	1 January 2022	Acquired	Sold	31 December 2022
Fellow subsidiary				
- PETRONAS Chemicals Group Berhad				
Direct				
Datuk Nasarudin bin Md Idris	10,000	-	-	10,000
Pandai bin Othman	6,000	-	-	6,000
Indirect				
Pandai bin Othman	4,000	-	-	4,000

None of the other directors holding office on 31 December 2022 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' REPORT

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.

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 (2021: RM1,290 million) per occurrence and in the aggregate. The insurance premium for the Group is RM10,328 (2021: 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.
-

**DIRECTORS'
REPORT****OTHER STATUTORY INFORMATION (CONT'D.)**

- (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.
- (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 auditors' remuneration of the Group and the Company during the year is RM356,200 and RM19,200 respectively.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 February 2023.

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 296 to 378 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 2022 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 22 February 2023.

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 296 to 378 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 22 February 2023.

Ahmad Zakri bin Md Salleh
(MIA membership number: 49455)

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 2022 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 296 to 378.

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 2022, 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>Impairment of non-current assets <i>(Refer to Note 11 – Property, plant and equipment and Note 12 - Right-of-use assets)</i></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 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 judgemental.</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"> (a) obtained an understanding of the relevant internal controls over estimating the recoverable amount of the CGU; (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; (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; (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 (e) evaluated the reasonableness of the terminal value and growth rate of the expected cash flows. <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>Recognition of revenue and cost of construction and marine projects – <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 estimated 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"> (a) read all key contracts to obtain an understanding of the specific terms and conditions; (b) agreed contract revenue to the original signed customer contracts and/or approved variation orders; (c) reviewed management meeting minutes to obtain an understanding of the performance and status for the projects above our testing threshold; (d) reviewed management's budgeted project costs to ensure adequacy of costs to complete; (e) 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; (f) considered the historical accuracy of management's budgeted project margins in assessing the reasonableness of estimated margins of similar projects; (g) 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; (h) reperformed the calculations of the revenue based on the POC method and where applicable, considered the implications of any changes in estimates; and (i) evaluated the presentation and disclosures of construction contracts in the financial statements, including significant accounting policies.

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 thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the Group's 2022 Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report. The Group's 2022 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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 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 scepticism 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 financial statements (cont'd.)

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 scepticism throughout the audit. We also: (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

Kuala Lumpur, Malaysia
22 February 2023

Ismed Darwis Bahatlar
No. 02921/04/2024 J
Chartered Accountant

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	4	1,651,643	1,467,316	-	-
Cost of sales		(1,439,430)	(1,548,023)	-	-
Gross profit/(loss)		212,213	(80,707)	-	-
Other operating income	5	43,448	26,796	1,628	1,630
Selling and distribution expenses		(2,250)	(1,134)	(7)	-
Administrative expenses		(173,379)	(151,504)	(9,187)	(10,380)
Other operating expenses		(19,116)	(45,643)	(138)	(105)
Impairment loss		-	(9,010)	-	-
Finance costs		(14,182)	(12,938)	(97)	(74)
Profit/(loss) before taxation	6	46,734	(274,140)	(7,801)	(8,929)
Taxation	9	20,904	-	658	-
Profit/(loss) for the year		67,638	(274,140)	(7,143)	(8,929)
Other comprehensive income/(loss):					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Fair value (loss)/gain on cash flow hedges	22	(5,535)	15,844	-	-
Total comprehensive income/(loss) for the year		62,103	(258,296)	(7,143)	(8,929)
Profit/(loss) attributable to:					
Equity holders of the Company		67,773	(270,406)	(7,143)	(8,929)
Non-controlling interests		(135)	(3,734)	-	-
		67,638	(274,140)	(7,143)	(8,929)
Total comprehensive income/(loss) attributable to:					
Equity holders of the Company		62,238	(254,562)	(7,143)	(8,929)
Non-controlling interests		(135)	(3,734)	-	-
		62,103	(258,296)	(7,143)	(8,929)
Profit/(loss) per share attributable to equity holders of the Company (sen per share)					
Basic	10	4.24	(16.90)		
Diluted	10	4.24	(16.90)		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Assets					
Non-current assets					
Property, plant and equipment	11	1,493,445	1,524,763	-	-
Right-of-use assets	12	200,408	202,747	4,953	681
Investment in subsidiaries	13	-	-	1,608,205	1,608,205
Investment in joint ventures	14	1,516	8,907	-	-
Deferred tax assets	16	93,293	93,293	-	-
Trade receivable	17	-	467	-	-
		1,788,662	1,830,177	1,613,158	1,608,886
Current assets					
Inventories, at cost		2,767	3,608	-	-
Trade and other receivables	17	747,977	831,853	1,777	1,417
Tax recoverable		21,680	204	815	157
Cash and bank balances	20	797,038	709,913	61,007	67,965
		1,569,462	1,545,578	63,599	69,539
Non-current asset classified as held for sale	18	-	14,312	-	-
		1,569,462	1,559,890	63,599	69,539
Total assets		3,358,124	3,390,067	1,676,757	1,678,425
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	21	1,618,263	1,618,263	1,618,263	1,618,263
Cash flow hedge reserve	22	(5,700)	(165)	-	-
Retained earnings		156,128	88,355	45,863	53,006
		1,768,691	1,706,453	1,664,126	1,671,269
Non-controlling interests		819	954	-	-
Total equity		1,769,510	1,707,407	1,664,126	1,671,269

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2022 (CONT'D.)

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Liabilities					
Non-current liabilities					
Borrowing	24	298,971	335,100	-	-
Lease liabilities	12	4,725	-	4,368	-
		303,696	335,100	4,368	-
Current liabilities					
Trade and other payables	23	1,241,250	1,307,399	7,391	6,296
Lease liabilities	12	1,030	924	872	860
Borrowing	24	36,216	34,536	-	-
Derivatives	26	6,422	4,701	-	-
		1,284,918	1,347,560	8,263	7,156
Total liabilities		1,588,614	1,682,660	12,631	7,156
Total equity and liabilities		3,358,124	3,390,067	1,676,757	1,678,425

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 2022

	← Attributable to equity holders of the Company →			Total RM'000	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			
At 1 January 2022	1,618,263	88,355	(165)	1,706,453	954	1,707,407
Total comprehensive income/ (loss)	-	67,773	(5,535)	62,238	(135)	62,103
At 31 December 2022	1,618,263	156,128	(5,700)	1,768,691	819	1,769,510
At 1 January 2021	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)
At 31 December 2021	1,618,263	88,355	(165)	1,706,453	954	1,707,407

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 2022

	Share capital (Note 21) RM'000	Distributable retained earnings RM'000	Total equity RM'000
At 1 January 2022	1,618,263	53,006	1,671,269
Total comprehensive loss	-	(7,143)	(7,143)
At 31 December 2022	1,618,263	45,863	1,664,126
At 1 January 2021	1,618,263	61,935	1,680,198
Total comprehensive loss	-	(8,929)	(8,929)
At 31 December 2021	1,618,263	53,006	1,671,269

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 2022

	Group	
	2022 RM'000	2021 RM'000
Cash flows from operating activities		
Profit/(loss) before taxation	46,734	(274,140)
Adjustments for:		
Property, plant and equipment		
- Depreciation	71,619	78,954
- Write-offs	232	240
- Impairment loss	-	9,010
Right-of-use assets		
- Amortisation	8,251	8,696
Net gain on lease modifications	-	(850)
Net (reversal)/allowance for impairment loss of trade and other receivables	(21,214)	5,099
Interest income		
- Deposits with licensed banks	(20,486)	(10,333)
- Unwinding of interest from a receivable	(1,730)	(4,026)
Interest expense	14,182	12,938
Changes in fair value of hedging derivatives	(3,813)	1,301
Net unrealised loss/(gain) on foreign exchange	1,755	(5,098)
Operating profit/(loss) before working capital changes	95,530	(178,209)
Inventories	841	1,269
Trade and other receivables	105,546	(258,398)
Trade and other payables	(65,494)	424,825
Cash generated from/(used in) operations	136,423	(10,513)
Tax refunded	-	53
Tax paid	(572)	(9)
Net cash generated from/(used in) operating activities	135,851	(10,469)
Cash flows from investing activities		
Purchase of property, plant and equipment	(40,533)	(48,102)
Proceeds from disposal of non-current asset held for sale	14,312	-
Interest income from deposits with licensed banks	20,486	10,333
Dividend income from joint ventures	7,391	-
Net cash generated from/(used in) investing activities	1,656	(37,769)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONT'D.)

	Group	
	2022	2021
	RM'000	RM'000
Cash flows from financing activities		
Drawdown on long term borrowing	-	149,685
Payment of principal on long term borrowing	(34,449)	(28,445)
Interest paid on borrowing	(14,744)	(11,777)
Payment of lease liabilities	(1,189)	(2,366)
Net cash (used in)/generated from financing activities	(50,382)	107,097
Net change in cash and cash equivalents	87,125	58,859
Cash and cash equivalents at beginning of the year	697,731	638,872
Cash and cash equivalents at end of the year	784,856	697,731
Cash and cash equivalents at the end of the year comprise the following:		
Cash at banks and in hand (Note 20)	75,408	90,117
IFSSC bank balance (Note 20)	593,901	402,167
Deposits with licensed banks (Note 20)	127,729	217,629
	797,038	709,913
Less: Cash pledged with the bank - restricted	(12,182)	(12,182)
	784,856	697,731

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 2022

	Company	
	2022 RM'000	2021 RM'000
Cash flows from operating activities		
Loss before taxation	(7,801)	(8,929)
Adjustments for:		
Right-of-use assets		
- Amortisation	1,056	1,363
Interest income	(1,628)	(1,630)
Interest expense	97	74
Operating loss before working capital changes	(8,276)	(9,122)
Trade and other receivables	(360)	694
Trade and other payables	1,095	(11,385)
Net cash used in operating activities	(7,541)	(19,813)
Cash flows from investing activity		
Interest received, representing net cash generated from investing activity	1,628	1,630
Cash flows from financing activity		
Payment of lease liabilities, representing net cash used in financing activity	(1,045)	(1,742)
Net change in cash and cash equivalents	(6,958)	(19,925)
Cash and cash equivalents at beginning of the year	67,965	87,890
Cash and cash equivalents at end of the year	61,007	67,965
Cash and cash equivalents at the end of the year comprise the following:		
Cash at banks and in hand (Note 20)	174	174
IFSSC bank balance (Note 20)	60,804	67,762
Deposits with licensed banks (Note 20)	29	29
	61,007	67,965

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONT'D.)

Changes in liabilities arising from financing activities:

	Group RM'000
Total borrowing	
At 1 January 2022	369,636
Repayment of bank borrowing	(34,449)
At 31 December 2022 (Note 24)	335,187
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

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 2022

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 Petroliaam 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 22 February 2023.

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.

These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa 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 2022, 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 2022

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 2022

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 2022

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 2022

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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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 2022, the Group has had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate.

(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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(g) Financial assets (cont'd.)

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. Gains 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.

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 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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

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

(g) Financial assets (cont'd.)

Financial assets at fair value through profit or loss (cont'd.)

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.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(h) Financial liabilities (cont'd.)

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.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

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

(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.

(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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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 EIR 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 EIR.

(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.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

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

(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.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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.

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 exist 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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

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

(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.

(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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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.)**

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.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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.)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(i) Cash flow hedges (cont'd.)

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.

(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;

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(u) Leases (cont'd.)

(i) Definition of a lease (cont'd.)

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: (cont'd.)

- the customer has the right to obtain substantially all of the economic benefits from the 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 payment made at or before the commencement date, plus any initial direct cost 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 incentive 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.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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.)

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.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(u) Leases (cont'd.)

(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 EIR 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.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(u) Leases (cont'd.)

(iii) Subsequent measurement (cont'd.)

(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.

(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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes in accounting policies

On 1 January 2022 the Group and the Company adopted the following pronouncements mandatory for annual financial periods beginning on or after 1 January 2022:

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)

The adoption of the above pronouncements has no material impact 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.

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 annual periods beginning on or after 1 January 2024

- Amendments to MFRS 16 Leases - Lease Liability in a Sale and Leaseback
- Amendments to MFRS 101 Presentation of Financial Statements - Non-current liabilities with Covenants

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 2022

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 2022

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	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Heavy engineering construction works	1,314,791	1,217,959	-	-
Marine conversion and repair	336,852	249,357	-	-
	1,651,643	1,467,316	-	-

4.1 Disaggregation of revenue

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

Timing of revenue recognition:

	2022	2021
	RM'000	RM'000
Goods transferred at a point in time	138,322	28,337
Services transferred over time	1,513,321	1,438,979
	1,651,643	1,467,316

4.2 Contract balances

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

	31 December		1 January
	2022	2021	2021
	RM'000	RM'000	RM'000
Trade receivables (Note 29(b)(ii)(b))	138,689	241,677	384,871
Amount due from customers on contracts (Note 29(b)(ii)(b))	592,277	575,741	190,078
Amount due to customers on contracts (Note 19)	(15,152)	(119,192)	(15,394)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4. REVENUE (CONT'D.)

4.2 Contract balances (cont'd.)

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.

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	2,281,937	3,883,699	6,165,636
Marine conversion and repair	54,108	-	54,108
	2,336,045	3,883,699	6,219,744

5. OTHER OPERATING INCOME

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Rental income	3,357	1,906	-	-
Interest income:				
- Deposits with licensed banks	20,486	10,333	1,628	1,630
- Unwinding of interest from a receivable	1,730	4,026	-	-
Fair value gain on derivatives	3,813	-	-	-
Net realised gain on foreign exchange	9,056	-	-	-
Net unrealised gain on foreign exchange	-	5,098	-	-
Income from scrap disposal	1,909	2,733	-	-
Net gain on lease modifications	-	850	-	-
Others	3,097	1,850	-	-
	43,448	26,796	1,628	1,630

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

6. PROFIT/(LOSS) BEFORE TAXATION

The following amounts have been included in arriving at the profit/(loss) before taxation:

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:				
- Statutory audit	356	316	19	19
- Others	81	77	26	22
Staff costs (Note 7)	283,750	231,100	7,690	7,978
Property, plant and equipment (Note 11):				
- Depreciation	71,619	78,954	-	-
- Write-offs	232	240	-	-
- Impairment loss	-	9,010	-	-
Right-of-use assets (Note 12):				
- Amortisation	8,251	8,696	1,056	1,363
Operating lease rental (i):				
- Office premise	212	26	145	-
- Vehicles	45	143	-	-
- Office equipment	3,069	4,026	-	-
- Plant and machineries	45,933	20,535	-	-
- Tugboat, pushers and barges	5,156	4,664	-	-
Net (reversal)/allowance for impairment loss:				
- Trade receivables (Note 29(b)(ii)(b))	(21,243)	4,899	-	-
- Other receivables (Note 29(b)(iii))	29	200	-	-
Net loss on foreign exchange:				
- Realised	-	2,702	1	-
- Unrealised	1,755	-	-	-
Interest expense on lease liabilities (Note 12)	108	371	97	74
Interest expense on long term loan	14,074	12,567	-	-
Fair value loss on derivatives	-	1,301	-	-

- (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 2022

7. STAFF COSTS

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	213,751	177,355	4,112	4,270
Social security costs	2,131	1,794	23	23
Contributions to a defined contribution plan	25,850	20,628	488	511
Termination benefits	104	43	-	-
Management fees in relation to services of key management personnel (Note 28(c))	2,209	2,347	2,209	2,347
Other staff related expenses	39,705	28,933	858	827
	283,750	231,100	7,690	7,978

Included in staff costs of the Group and the Company are executive director's salaries and other emoluments, excluding benefits-in-kind amounting to RM nil (2021: RM nil) 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	
	2022	2021
	RM'000	RM'000
Executive director's remuneration*:		
Estimated money value of benefits-in-kind	-	9
Total executive director's remuneration (including benefits-in-kind)	-	9
Non-executive directors' remuneration**:		
Fees	637	720
Other emoluments	392	382
Estimated money value of benefits-in-kind	14	18
Total non-executive directors' remuneration (including benefits-in-kind)	1,043	1,120
Total directors' remuneration (including benefits-in-kind) (Note 28(c))	1,043	1,129

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

8. DIRECTORS' REMUNERATION (CONT'D.)

The details of directors' remuneration of the Group and Company during the financial year are as follows: (cont'd.)

	Number of directors	
	2022	2021
Non-executive directors**:		
RM150,000 and below	1	-
RM150,001 - RM200,000	-	1
RM200,001 - RM250,000	3	3
RM250,001 - RM300,000	1	1
	5	5
	5	5

* 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 credit are as follows:

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
Malaysian income tax	1,000	-	-	-
Over provision in prior year:				
Malaysian income tax	(21,904)	-	(658)	-
	(20,904)	-	(658)	-
Deferred tax (Note 16):				
Relating to origination and reversal of temporary differences	(16,691)	32,881	-	-
Under/(over) provision of deferred tax in prior year	16,691	(32,881)	-	-
	-	-	-	-
Taxation	(20,904)	-	(658)	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2021: 24%) of the estimated assessable profit/(loss) for the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

9. TAXATION (CONT'D.)

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

	2022 RM'000	2021 RM'000
Group		
Profit/(loss) before taxation	46,734	(274,140)
Taxation at Malaysian statutory tax rate of 24% (2021: 24%)	11,216	(65,794)
Effect of income not subject to tax	(8,015)	(2,740)
Effect of expenses not deductible for tax purposes	10,717	10,180
Utilisation of previously unrecognised deferred tax assets	(29,716)	-
Deferred tax assets not recognised	107	91,235
Under/(over) provision of deferred tax in prior year	16,691	(32,881)
Over provision of Malaysian current tax expense in prior year	(21,904)	-
Income tax credit for the year	(20,904)	-

	2022 RM'000	2021 RM'000
Company		
Loss before taxation	(7,801)	(8,929)
Taxation at Malaysian statutory tax rate of 24% (2021: 24%)	(1,872)	(2,143)
Effect of income not subject to tax	(391)	(391)
Effect of expenses not deductible for tax purposes	2,263	2,534
Overprovision of Malaysian tax expense in prior year	(658)	-
Income tax credit for the year	(658)	-

10. PROFIT/(LOSS) PER SHARE

Basic profit or loss per share is calculated by dividing profit or 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	
	2022	2021
Profit/(loss) attributable to equity holders of the Company (RM'000)	67,773	(270,406)
Number of ordinary shares in issue ('000)	1,600,000	1,600,000
Basic/diluted profit/(loss) per share (sen)	4.24	(16.90)

The Group does not have any financial instruments which may dilute its basic profit or loss per share.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

11. PROPERTY, PLANT AND EQUIPMENT

	← Cost →				At 31.12.2022 RM'000
	At 1.1.2022 RM'000	Additions RM'000	Transfers RM'000	Write-offs RM'000 (Note 6)	
Group					
Boats	154	-	-	-	154
Buildings, drydocks and waste plant	2,097,031	211	30,601	(2,296)	2,125,547
Plant, machinery and electrical installations	763,576	8,553	10,763	(5,068)	777,824
Vehicles and transport equipment	13,762	123	-	-	13,885
Furniture and office equipment	60,632	1,006	4,221	(649)	65,210
Loose tools	7,715	-	-	-	7,715
Construction-in-progress	46,783	30,640	(45,585)	-	31,838
	2,989,653	40,533	-	(8,013)	3,022,173

	← Accumulated depreciation →			Net carrying amount	
	At 1.1.2022 RM'000	Charge for the financial year RM'000 (Note 6)	Write-offs RM'000 (Note 6)	At 31.12.2022 RM'000	At 31.12.2022 RM'000
Group					
Boats	154	-	-	154	-
Buildings, drydocks and waste plant	907,598	36,233	(2,223)	941,608	1,183,939
Plant, machinery and electrical installations	471,802	33,538	(4,910)	500,430	277,394
Vehicles and transport equipment	13,485	400	-	13,885	-
Furniture and office equipment	56,450	1,448	(648)	57,250	7,960
Loose tools	7,711	-	-	7,711	4
Construction-in-progress	7,690	-	-	7,690	24,148
	1,464,890	71,619	(7,781)	1,528,728	1,493,445

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

	← 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)	
Group						
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

	← 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
Group							
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 2022

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	
	2022	2021
	RM'000	RM'000
Buildings, drydocks and waste plant	187,167	184,432
Plant, machinery and electrical installations	193,869	177,716
Other property, plant and equipment	62,659	62,884
	443,695	425,032

- (b) The additions to property, plant and equipment were acquired by way of:

	Group	
	2022	2021
	RM'000	RM'000
Cash	40,533	48,102

- (c) The Group and the Company have performed a review of the recoverable amount of their property, plant and equipment and right-of-use assets during the financial year. The result of the review is that the recoverable amount of the CGU exceeded the carrying amount of the property, plant and equipment and right-of-use assets, hence, no impairment is required for the current financial year. During the previous financial year, the review led to the recognition of net impairment losses of RM9,010,000 and RM nil 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 in the previous financial year. Fair values of MEMS' floating dock was determined based on valuation performed by independent valuers based on comparable assets.

In the previous financial year, impairment of RM1,168,000 for the Group was recognised using the above basis and the remaining impairment loss of RM7,842,000 was related to MEMS' 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 impaired property, plant and equipment and right-of-use assets of RM1,704,770,000 (2021: RM1,734,160,000) was determined from the VIU calculations using cash flow projections discounted at the rate of 10.50% (2021: 10.13%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 10.50% (2021: 10.13%).

(iv) Growth rates

Cash flows beyond the five-year period is extrapolated using growth rate of 2.50% (2021: 2.50%).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Group	← Cost →		
	At		At
	1.1.2022	Additions	31.12.2022
	RM'000	RM'000	RM'000
Land use rights *	306,852	-	306,852
Warehouses and wharf	218	377	595
Office premise	4,899	5,328	10,227
Office equipment	-	207	207
	311,969	5,912	317,881

Group	← Accumulated depreciation →			Net carrying amount
	At	Charge for	At	At
	1.1.2022	the financial	31.12.2022	31.12.2022
	RM'000	year	RM'000	RM'000
		(Note 6)		
Land use rights *	104,869	7,037	111,906	194,946
Warehouses and wharf	135	147	282	313
Office premise	4,218	1,056	5,274	4,953
Office equipment	-	11	11	196
	109,222	8,251	117,473	200,408

* 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 2022

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D.)

	← Cost →			
	At 1.1.2021	Lease modifications	Write-offs	At 31.12.2021
	RM'000	RM'000	RM'000	RM'000
Group				
Land use rights *	306,852	-	-	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

	← Accumulated depreciation →				Net carrying amount	
	At 1.1.2021	Charge for the financial year	Lease modifications	Write-offs	At 31.12.2021	At 31.12.2021
	RM'000	RM'000 (Note 6)	RM'000	RM'000	RM'000	RM'000
Group						
Land use rights *	97,945	6,924	-	-	104,869	201,983
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 2022

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D.)

	← Cost →		
	At 1.1.2022 RM'000	Additions RM'000	At 31.12.2022 RM'000
Company			
Office premise	4,899	5,328	10,227

	← Accumulated depreciation →			Net carrying amount
	At 1.1.2022 RM'000	Charge for the financial year RM'000 (Note 6)	At 31.12.2022 RM'000	At 31.12.2022 RM'000
Company				
Office premise	4,218	1,056	5,274	4,953

	← Cost →			
	At 1.1.2021 RM'000	Additions RM'000	Write-offs RM'000	At 31.12.2021 RM'000
Company				
Office premise	4,899	-	-	4,899

	← Accumulated depreciation →			Net carrying amount
	At 1.1.2021 RM'000	Charge for the financial year RM'000 (Note 6)	At 31.12.2021 RM'000	At 31.12.2021 RM'000
Company				
Office premise	2,855	1,363	4,218	681

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 year:

	Group	
	2022	2021
	RM'000	RM'000
At 1 January	924	8,732
Additions	5,912	-
Accretion of interest (Note 6)	108	371
Lease modifications	-	(5,813)
Payments	(1,189)	(2,366)
At 31 December (Note 23)	5,755	924
Current	1,030	924
Non-current	4,725	-

	Company	
	2022	2021
	RM'000	RM'000
At 1 January	860	2,528
Additions	5,328	-
Accretion of interest (Note 6)	97	74
Payments	(1,045)	(1,742)
At 31 December (Note 23)	5,240	860
Current	872	860
Non-current	4,368	-

The Group and the Company had total cash outflows for lease liabilities of RM1,189,000 (2021: RM2,366,000) and RM1,045,000 (2021: RM1,742,000) respectively. The Group and the Company had non-cash additions to right-of-use assets and lease liabilities of RM5,912,000 (2021: nil) and RM5,328,000 (2021: nil) respectively during the year. The interest rates per annum at the reporting date for the lease liabilities ranged from 3.87% to 4.22% (2021: 2.58% to 4.25%).

The Group had total cash outflows for short-term leases and low-value assets amounting to RM54,415,000 (2021: RM29,394,000).

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 2022

13. INVESTMENT IN SUBSIDIARIES

	Company	
	2022	2021
	RM'000	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 (%)	
			2022	2021
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%
<i>Subsidiaries of MMHE:</i>				
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 and shutdown maintenance	100%	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 2022

14. INVESTMENT IN JOINT VENTURES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unquoted shares at cost	16,372	16,372	5,000	5,000
Share of post-acquisition reserves	(7,465)	(7,465)	-	-
Less: Dividend received				
(i) MMHE-ATB Sdn Bhd	(25)	-	-	-
(ii) MMHE-TPGM Sdn Bhd	(7,366)	-	-	-
Less: Allowance for impairment losses	-	-	(5,000)	(5,000)
	1,516	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
	2022	2021	
T.EN 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. In the previous 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 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 2022

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

	2022	2021
	RM'000	RM'000
Cash and cash equivalents	3,769	10,896
Other current assets	1,761	1,761
Total current assets	5,530	12,657
Total assets	5,530	12,657
Current liabilities, representing total liabilities	(5,493)	(5,491)
Net assets	37	7,166

(ii) Summarised statements of comprehensive income

	2022	2021
	RM'000	RM'000
Interest income	21	19
Other expenses	(15)	(2)
Profit before tax	6	17
Income tax expense	(3)	(2)
Profit after tax	3	15

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 RM1,615,000 (2021: RM1,622,000) as at 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

15. JOINT OPERATIONS

Details of the Group's joint operations are as follows:

Name	% of ownership interest held by the Group	
	2022	2021
Technip MMHE (Kasawari) Joint Venture	60%	60%

Technip MMHE (Kasawari) Joint Venture is an unincorporated joint venture between the Company's subsidiary, MMHE and Technip Geoproduction (M) Sdn Bhd to undertake specific engineering, procurement, construction, installation and commissioning project.

16. DEFERRED TAX

	Group	
	2022 RM'000	2021 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 2022	87,285
Recognised in profit or loss	9,490
At 31 December 2022	96,775
At 1 January 2021	84,356
Recognised in profit or loss	2,929
At 31 December 2021	87,285

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

16. DEFERRED TAX (CONT'D.)

Deferred tax assets of the Group:

	Unutilised tax losses and reinvestment allowances	Unutilised investment tax allowances	Unutilised capital allowances	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2022	(50,629)	(5,410)	(113,887)	(10,652)	(180,578)
Recognised in profit or loss	23,258	(21,981)	(11,449)	682	(9,490)
At 31 December 2022	(27,371)	(27,391)	(125,336)	(9,970)	(190,068)
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)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2022	2021
	RM'000	RM'000
Unutilised tax losses	25,274	24,830
Unabsorbed capital allowances	11,467	22,141
Unutilised investment tax allowances ("ITA")	986,818	1,099,700
Other deductible temporary differences	5,550	5,808
	1,029,109	1,152,479

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 unused tax losses can be carried forward and available for use for 10 years starting from the year of assessment 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-current				
Trade receivable				
Third party	-	467	-	-
Current				
Trade receivables				
Third parties	164,722	267,601	-	-
Related companies	4,183	24,023	-	-
Amount due from customers on contracts (Note 19)	592,622	577,131	-	-
	761,527	868,755	-	-
Less: Allowance for impairment losses (Note 29(b)(ii)(b))	(30,561)	(51,804)	-	-
	730,966	816,951	-	-
Other receivables				
Due from:				
- Joint ventures	7,739	7,706	16	16
- Subsidiaries	-	-	796	805
Deposits	2,477	3,098	232	56
Prepayments	2,534	652	-	-
Staff loans	427	555	-	-
Non-trade receivables	8,205	5,672	733	540
GST receivable	-	1,561	-	-
	21,382	19,244	1,777	1,417
Less: Allowance for impairment losses (Note 29(b)(iii))	(4,371)	(4,342)	-	-
	17,011	14,902	1,777	1,417
Total current trade and other receivables	747,977	831,853	1,777	1,417
Total trade and other receivables	747,977	832,320	1,777	1,417
Less: Prepayments	(2,534)	(652)	-	-
Amount due from customers on contracts (Note 29(b)(ii)(b))	(592,277)	(575,741)	-	-
GST receivable	-	(1,561)	-	-
Add: Cash and bank balances (Note 20)	797,038	709,913	61,007	67,965
Total financial assets carried at amortised cost	950,204	964,279	62,784	69,382

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

17. TRADE AND OTHER RECEIVABLES (CONT'D.)

Included in trade receivables due from related companies of the Group are amounts mainly due from:

	Group	
	2022	2021
	RM'000	RM'000
(i) Other related companies		
- Eaglestar Shipmanagement (L) Pte Ltd	23	22,774
- PETRONAS Floating LNG 1 (L) Ltd	2,834	-
- PETRONAS Dagangan Berhad	1,243	-
- Malaysia Refining Company Sdn Bhd	61	1,231

Included in the amount due from customers on contracts of the Group are amounts in respect of projects for:

	Group	
	2022	2021
	RM'000	RM'000
(i) Other related companies		
- Eaglestar Shipmanagement (L) Pte Ltd	15,713	20,279
- PETRONAS Carigali Sdn Bhd	343,693	548,996
- Malaysia Refining Company Sdn Bhd	300	-

Included in the other receivables of the Group are amounts due from:

	Group	
	2022	2021
	RM'000	RM'000
(i) Immediate holding company	962	79
(ii) Joint operation		
- Technip MMHE (Kasawari) Joint Venture	543	510

Credit terms of trade receivables for the Group, including trade receivables from related companies, range from 30 days to 60 days (2021: 30 days to 60 days).

Credit terms of other receivables, amounts due from joint venture and subsidiaries range from 30 days to 45 days (2021: 30 days to 45 days).

Further information on credit risk is disclosed in Note 29(b).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

18. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

	Group	
	2022	2021
	RM'000	RM'000
Plant and machinery (Note 11)	-	14,312

In the previous financial year, the above amount represents carrying values of floating dock owned by the Group with the intention of disposal in the immediate future.

The floating dock owned by the Group has been sold during the current financial year.

19. AMOUNT DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group	
	2022	2021
	RM'000	RM'000
Amount due from customers on contracts (Note 29(b)(ii)(b))	592,622	577,131
Amount due to customers on contracts (Note 23)	(15,152)	(119,192)
	577,470	457,939

The movement of amount due from/(to) customers on contracts is as follows:

	Group	
	2022	2021
	RM'000	RM'000
At the beginning of the year	457,939	175,561
Revenue recognised during the year (Note 4)	1,651,643	1,467,316
Billings during the year	(1,532,112)	(1,184,938)
At the end of the year	577,470	457,939

Included in amount due from customers on contracts is an allowance for expected credit losses of RM345,000 (2021: RM1,390,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

19. AMOUNT DUE FROM/(TO) CUSTOMERS ON CONTRACTS (CONT'D.)

	Group	
	2022 RM'000	2021 RM'000
Revenue recognised which was included in amount due to customers at the beginning of the financial year	119,192	15,394
Revenue recognised from performance obligations satisfied in the previous periods	9,309	18,536

20. CASH AND BANK BALANCES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash at banks and in hand	75,408	90,117	174	174
IFSSC bank balance	593,901	402,167	60,804	67,762
Deposits with licensed banks	127,729	217,629	29	29
Cash and bank balances	797,038	709,913	61,007	67,965

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 1.70% to 2.88% (2021: 1.00% to 1.90%) per annum. The maturity periods of the Group's deposits with licensed banks as at the reporting date ranged between 30 days to 91 days (2021: 14 days to 91 days).

The deposits with licensed banks of the Group and the Company of RM127,729,000 (2021: RM217,629,000) and RM29,000 (2021: RM29,000) 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 (2021: RM12,182,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

21. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2022	2021	2022	2021
	'000	'000	RM'000	RM'000
Issued and fully paid:				
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	
	2022	2021
	RM'000	RM'000
At 1 January	(165)	(16,009)
Recognised in other comprehensive income:		
Fair value (loss)/gain on effective portion of cash flow hedge	(5,535)	15,844
At 31 December	(5,700)	(165)

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 RM5,700,000 (2021: RM165,000). As at 31 December 2022, the aforementioned forward currency contracts are expected to mature in year 2023.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Trade payables				
Third parties	141,238	62,432	-	-
Accruals	957,601	1,012,102	-	-
Retention monies	13,909	21,404	-	-
Amount due to customers on contracts (Note 19)	15,152	119,192	-	-
	1,127,900	1,215,130	-	-
Other payables				
Due to immediate holding company	152	122	-	-
Due to a subsidiary	-	-	2,436	2,114
Accruals	110,446	88,443	4,955	4,182
Others	2,752	3,704	-	-
	113,350	92,269	7,391	6,296
Total trade and other payables	1,241,250	1,307,399	7,391	6,296
Add: Borrowing (Note 24)	335,187	369,636	-	-
Add: Lease liabilities (Note 12)	5,755	924	5,240	860
Less: Amount due to customers on contracts (Note 19)	(15,152)	(119,192)	-	-
Total financial liabilities carried at amortised cost	1,567,040	1,558,767	12,631	7,156

Credit terms of trade payables granted to the Group range from 30 days to 60 days (2021: 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 2022

23. TRADE AND OTHER PAYABLES (CONT'D.)

Included in the amount due to customers on contracts of the Group are amounts in respect of project for:

	Group	
	2022	2021
	RM'000	RM'000
(i) Other related company		
- Malaysia Refining Company Sdn Bhd	433	874

Included in other payables are amounts due to:

	Group	
	2022	2021
	RM'000	RM'000
(i) Government linked company		
- Tenaga Nasional Berhad	1,266	1,252

24. BORROWING

	Group	
	2022	2021
	RM'000	RM'000
Secured:		
Current	36,216	34,536
Non-current	298,971	335,100
Total (Note 23)	335,187	369,636

During the year, the Group made total repayments of RM34,449,000 of term loan from its Tawarruq financing facility to finance the construction of Dry Dock No. 3. The term loan is secured by way of a charge over Dry Dock No. 3 with a carrying amount of RM428,116,000 (2021: RM443,120,000) 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 20. 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 2022

24. BORROWING (CONT'D.)

Details of the outstanding long term borrowing are as follows:

	Group	
	2022	2021
	RM'000	RM'000
Amounts repayable:		
Less than one year	36,216	34,536
More than one year but not later than two years	37,719	36,216
More than two years but not later than five years	122,880	117,933
More than five years	138,372	180,951
	335,187	369,636

25. COMMITMENTS

	Group	
	2022	2021
	RM'000	RM'000
Capital expenditure:		
Property, plant and equipment:		
Approved and contracted for	78,121	25,853
Approved but not contracted for	171,809	108,081
	249,930	133,934

Operating lease commitments – as lessee

Future minimum rental payable under non-cancellable operating leases at the reporting date are as follows:

	Group	
	2022	2021
	RM'000	RM'000
Not later than 1 year	17,624	7,487
Later than 1 year but not later than 5 years	4,427	1,006
	22,051	8,493

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 assets 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 2022

26. DERIVATIVES

	Group			
	2022		2021	
	Contract/ Notional amount RM'000	Fair value of liabilities RM'000	Contract/ Notional amount RM'000	Fair value of liabilities RM'000
Current				
Forward currency contracts:				
- Derivative liabilities	308,539	6,422	380,057	4,701

As at 31 December 2022, 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 2023 were assessed. During the year, the Group recognised a net unrealised derivatives loss of RM5,535,000 (2021: gain of RM15,844,000) in its other comprehensive income and derivative gain of RM3,813,000 (2021: RM1,301,000 derivative loss) in profit or loss for the effective and ineffective portion respectively.

27. CONTINGENT LIABILITIES

	Group	
	2022 RM'000	2021 RM'000
Unsecured		
Performance bond on contracts extended to customers	741,498	465,329

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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.

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	
	2022 RM'000	2021 RM'000
(a) Income:		
Provision of services for repairs, engineering and construction works, conversion of vessels and drydocking to		
- immediate holding company	-	112
- fellow subsidiaries	51,608	59,871
- other related companies of ultimate holding company	458,328	1,134,748
(b) Expenses:		
Rental of office premise and provision of administrative services from other related companies of the ultimate holding company	1,189	1,745
Purchases from:		
- ultimate holding company	5,034	1,198
- immediate holding company	1,756	7,649
- fellow subsidiary	69	-
- other related companies of the ultimate holding company	28,593	25,424
- government-related entities	24,873	19,893

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

28. RELATED PARTY DISCLOSURES (CONT'D.)

(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	
	2022	2021
	RM'000	RM'000
Short-term employee benefits	5,772	5,882
Management fees (Note 7) *	2,209	2,347
Post-employment benefits:		
Defined contribution plan	246	170
	8,227	8,399

	Company	
	2022	2021
	RM'000	RM'000
Short-term employee benefits	2,060	2,143
Management fees (Note 7) *	2,209	2,347
Post-employment benefits:		
Defined contribution plan	106	101
	4,375	4,591

Included in the total remuneration of key management personnel are:

	Group and Company	
	2022	2021
	RM'000	RM'000
Directors' remuneration (Note 8)	1,043	1,129

* 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.

NOTES TO THE **FINANCIAL STATEMENTS** FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 Group's Financial Policy ("the Policy"), which was rolled down from the PETRONAS Financial Policy and MISC Financial Policy. The Policy anchors on the Group's commitment to become a financially resilient organisation. The Policy supports the following objectives:

- 1) Sets the overarching philosophy on commitment towards becoming financially resilient for longer term sustainability through efficient capital and liquidity management principles,
- 2) Ensures efficient capital and liquidity management amidst challenging and volatile business landscape,
- 3) Sets clear tone in shaping financial management and financial risk management practices for the organisation, and
- 4) Emphasizes 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.

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 amount due from customers on contracts, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

29. FINANCIAL INSTRUMENTS (CONT'D.)

(b) Credit risk (cont'd.)

(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	
	2022	2021
	RM'000	RM'000
Heavy Engineering segment	676,109	659,853
Marine segment	85,418	209,369
	761,527	869,222

(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.

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.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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.)

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 2022 which are grouped together as they are expected to have similar risk nature.

Credit risk rating	Gross carrying amount	Loss allowance	Net balance
	RM'000	RM'000	RM'000
2022			
Low risk	685,642	(359)	685,283
Medium risk	43,783	(3)	43,780
High risk	1,964	(61)	1,903
	731,389	(423)	730,966
Individually impaired	30,138	(30,138)	-
	761,527	(30,561)	730,966
Representing:			
Trade receivables (Note 17)	168,905	(30,216)	138,689
Amount due from customers on contracts (Note 19)	592,622	(345)	592,277
	761,527	(30,561)	730,966

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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.)**

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2021			
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

The trade receivables that are neither past due nor impaired, past due but not impaired and impaired are disclosed below:

	Group	
	2022 RM'000	2021 RM'000
Neither past due nor impaired	102,516	229,915
1 to 30 days past due not impaired	33,567	2,642
31 to 60 days past due not impaired	2,606	7,074
61 to 90 days past due not impaired	-	123
More than 90 days past due not impaired	-	1,923
	36,173	11,762
Impaired	30,216	50,414
	168,905	292,091

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 RM36,173,000 (2021: RM11,762,000). 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	
	2022 RM'000	2021 RM'000
At 1 January	51,804	47,271
Net (reversal)/allowance for impairment loss (Note 6)	(21,243)	4,899
Unrealised foreign currency adjustment	-	(366)
At 31 December (Note 17)	30,561	51,804

(iii) Other receivables

The Group's other receivables that are impaired at the reporting date are as follows:

	Group	
	2022 RM'000	2021 RM'000
At 1 January	4,342	4,142
Net allowance for impairment loss (Note 6)	29	200
At 31 December (Note 17)	4,371	4,342

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 2022, the Group and the Company had at its disposal cash and cash equivalents amounting to RM784,856,000 (2021: RM697,731,000) and RM61,007,000 (2021: RM67,965,000) respectively.

The Group's holding of cash and short term deposits, together with committed funding facilities and net cash generated from operating activities, are expected to be sufficient to cover its cash flow requirements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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
Group				
At 31 December 2022				
Trade and other payables	1,226,098	-	-	1,226,098
Lease liabilities	1,235	4,611	530	6,376
Borrowing	49,815	199,262	148,930	398,007
Derivatives	6,422	-	-	6,422
	1,283,570	203,873	149,460	1,636,903
At 31 December 2021				
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

29. FINANCIAL INSTRUMENTS (CONT'D.)

(c) Liquidity risk (cont'd.)

	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
Company				
At 31 December 2022				
Trade and other payables	7,391	-	-	7,391
Lease liabilities	1,060	4,238	530	5,828
	8,451	4,238	530	13,219
At 31 December 2021				
Trade and other payables	6,296	-	-	6,296
Lease liabilities	871	-	-	871
	7,167	-	-	7,167

(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 2022

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 2022	24,764	(1,036)	16,967	(360)	40,335
At 31 December 2021	123,723	(1,042)	6,317	(643)	128,355

(i) Foreign currency sensitivity

The following table demonstrates the sensitivity of the Group's profit before taxation and other comprehensive income 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 profit before taxation Increase/ (Decrease) RM'000	Effect on other comprehensive income Increase/ (Decrease) RM'000
31 December 2022			
USD	+10%	14,721	17,026
	-10%	(14,721)	(17,026)
EUR	+10%	(2)	232
	-10%	2	(232)
SGD	+5%	893	73
	-5%	(893)	(73)
GBP	+5%	(3)	171
	-5%	3	(171)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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
31 December 2021			
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)

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 the Group's financial policy.

The debt to equity ratio of the Group as at 31 December 2022 and 31 December 2021 are as follows:

	Note	2022 RM'000	2021 RM'000
Borrowing	24	335,187	369,636
Total equity		1,769,510	1,707,407
Gross debt to equity ratio		0.19	0.22

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 2022

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.

		Fair value of financial instruments carried at fair value				
	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
Group						
At 31 December 2022						
Financial liability						
Forward currency contracts	26	-	(6,422)	-	(6,422)	
At 31 December 2021						
Non-financial asset						
Non-current asset classified as held for sale	18	-	-	14,312	14,312	
Financial liability						
Forward currency contracts	26	-	(4,701)	-	(4,701)	
		Fair value of financial instruments not carried at fair value				
	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
At 31 December 2022						
Financial liability						
Term loan - fixed rate	24	-	(345,891)	-	(345,891)	(335,187)
At 31 December 2021						
Financial liability						
Term loan - fixed rate	24	-	(362,193)	-	(362,193)	(369,636)

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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

31. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

Fair value information (cont'd.)

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 following are descriptions of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivatives

Forward foreign exchange contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing, using present value calculations. The model incorporates various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and forward rate curves.

Non-derivative financial liabilities

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 asset.

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 2022

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
31 December 2022							
Revenue							
External customers	1,314,791	336,852	-	1,651,643	-		1,651,643
Result							
Operating (loss)/profit	(8,700)	61,649	8,005	60,954	(38)	A	60,916
Finance cost				(14,182)	-		(14,182)
Profit before taxation				46,772	(38)		46,734
Taxation				20,904	-		20,904
Profit for the year				67,676	(38)		67,638
Segment assets							
Due from customers on contracts	576,437	15,840	-	592,277	-		592,277
Trade receivables	96,366	35,048	7,275	138,689	-		138,689
Total segment assets	672,803	50,888	7,275	730,966	-	B	730,966
Segment liabilities							
Due to customers on contracts	(110)	(15,042)	-	(15,152)	-		(15,152)
Total segment liabilities	(110)	(15,042)	-	(15,152)	-	C	(15,152)
Included in operating (loss)/profit are:							
Depreciation and amortisation	(44,264)	(34,236)	(1,332)	(79,832)	(38)		(79,870)
Assets written off	-	(232)	-	(232)	-		(232)
Net reversal of impairment loss							
- trade and other receivables (net)	-	17,365	3,849	21,214	-		21,214

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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
31 December 2021							
Revenue							
External customers	1,217,959	249,357	-	1,467,316	-		1,467,316
Result							
Operating (loss)/profit	(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)
Loss before taxation				(274,102)	(38)		(274,140)
Taxation				-	-		-
Loss for the year				(274,102)	(38)		(274,140)
Segment assets							
Due from customers on contracts	555,946	19,795	-	575,741	-		575,741
Trade receivables	95,628	119,957	26,092	241,677	-		241,677
Total segment assets	651,574	139,752	26,092	817,418	-	B	817,418
Segment liabilities							
Due to customers on contracts	(111,311)	(7,881)	-	(119,192)	-		-
Total segment liabilities	(111,311)	(7,881)	-	(119,192)	-	C	(119,192)
Included in operating (loss)/profit are:							
Depreciation and amortisation	(44,292)	(40,273)	(3,047)	(87,612)	(38)		(87,650)
Assets written off	-	(240)	-	(240)	-		(240)
Net (allowance)/reversal for impairment loss							
- property, plant and equipment	-	(9,010)	-	(9,010)	-		(9,010)
- trade and other receivables (net)	-	(7,173)	2,074	(5,099)	-		(5,099)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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:

	2022 RM'000	2021 RM'000
Total assets	3,358,124	3,390,067
Property, plant and equipment	1,493,445	1,524,763
Right-of-use assets	200,408	202,747
Investment in joint ventures	1,516	8,907
Deferred tax assets	93,293	93,293
Inventories	2,767	3,608
Other receivables	17,011	14,902
Non-current asset classified as held for sale	-	14,312
Cash and bank balances	797,038	709,913
Tax recoverable	21,680	204
Adjustments and eliminations to total assets	2,627,158	2,572,649
Total segment assets	730,966	817,418
The segment assets comprise:		
Due from customers on contracts	592,277	575,741
Trade receivables	138,689	241,677
	730,966	817,418

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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:

	2022 RM'000	2021 RM'000
Total liabilities	1,588,614	1,682,660
Trade and other payables	1,226,098	1,188,207
Derivatives	6,422	4,701
Borrowing	335,187	369,636
Lease liabilities	5,755	924
Adjustments and eliminations to total liabilities	1,573,462	1,563,468
Total segment liabilities	15,152	119,192

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:

	2022 RM'000	2021 RM'000
MISC Bhd., immediate holding company		
- Marine segment	-	112
Eaglestar Shipmanagement (L) Pte Ltd, a fellow subsidiary		
- Marine segment	51,608	55,923
PETRONAS Carigali Sdn Bhd, a related company		
- Heavy Engineering segment	449,137	1,115,799
Malaysian Refining Company Sdn Bhd, a related company		
- Marine segment	4,053	6,616

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

32. SEGMENT INFORMATION (CONT'D.)

Information about major customers (cont'd.)

Breakdown of revenue from major customers are as follows: (cont'd.)

	2022 RM'000	2021 RM'000
Vestigo Petroleum Sdn Bhd, a related company		
- Heavy Engineering segment	40	5,711
Technip Geoproduction (M) Sdn Bhd		
- Heavy Engineering segment	28	6,098
HESS Exploration and Production		
- Heavy Engineering segment	538	7,279
SapuraOMV Upstream (Sarawak) Inc.		
- Heavy Engineering segment	859,055	82,551
Idemitsu SM (Malaysia) Sdn Bhd, a related company		
- Marine segment	109	6,518

33. SIGNIFICANT EVENTS

33.1 Material litigations

(a) **Kebabangan Petroleum Operating Company Sdn Bhd ("KPOC") v MMHE**

On 13 March 2019, MMHE received a notice of arbitration from KPOC in relation to claims arising from the Kebabangan ("KBB") field project. KPOC claimed that MMHE was in breach of contract in respect of matters relating to supply of certain valves. The valves procured by MMHE were claimed to be defective and that KPOC 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"), the 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 2022

33. SIGNIFICANT EVENTS (CONT'D.)

33.1 Material litigations (cont'd.)

(a) Kebangsan Petroleum Operating Company Sdn Bhd (“KPOC”) v MMHE (cont'd.)

In the same Final Award mentioned above, the Arbitral Tribunal 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 Judgment of the High Court. (collectively, “Applications”).

On 30 August 2022, the High Court allowed MMHE's application to set aside the Final Award pursuant to Section 37 of the Arbitration Act 2005, amongst others, on grounds that there was a breach of the rules of natural justice in connection with the making of the Final Award with costs in favour of MMHE for the sum of RM30,000 and further dismissed KPOC's application for leave to register and enforce the Final Award as a Judgment of the High Court with the costs to MMHE of RM10,000.

On 27 September 2022, KPOC lodged Notices of Appeal against the Orders of the High Court dated 30 August 2022 (“the Appeal”).

The case management for the Appeal has been fixed on 27 February 2023.

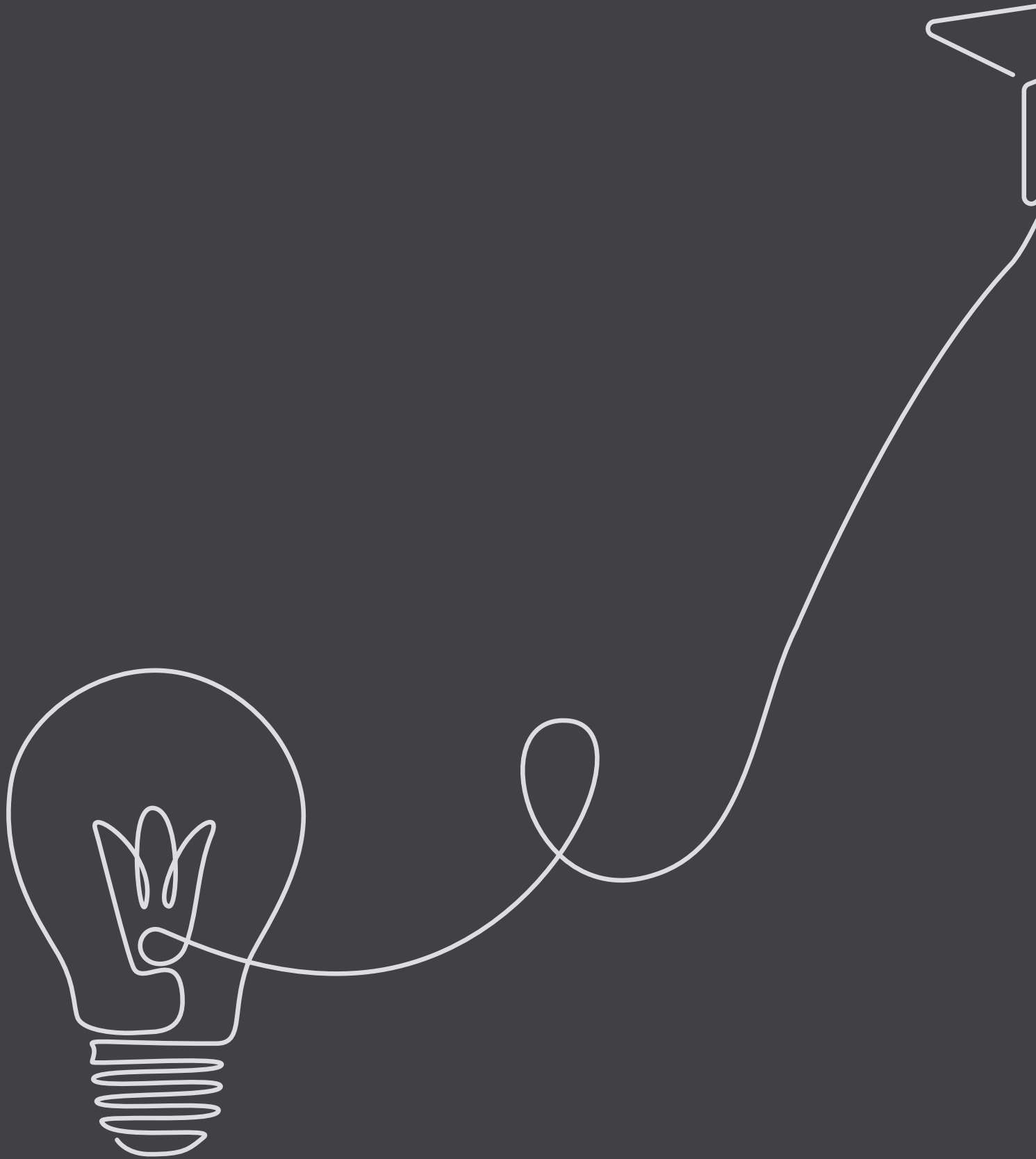
34. SUBSEQUENT EVENT

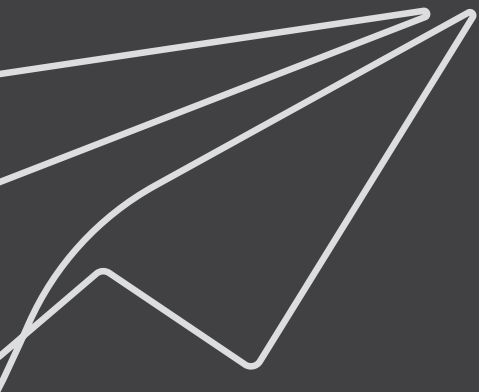
34.1 Dividend proposed

Subsequent to the financial year, on 9 February 2023, the Board of Directors approved a single-tier tax exempt dividend of 1.5 sen per share on 1,600,000,000 ordinary shares in respect of the financial year ended 31 December 2022 amounting to RM24,000,000. The proposed dividend will be paid on 24 March 2023 to shareholders registered at the close of business on 27 February 2023.

The single-tier tax exempt dividend in respect of the financial year ended 31 December 2022 is not reflected in the current year's financial statements. The dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2023.

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ADDITIONAL INFORMATION

- 382** Properties Owned by MHB and its Subsidiaries
- 384** 30 Largest Shareholders
- 386** Statistics on Shareholdings
- 388** Corporate Directory
- 389** List of Abbreviations

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	43	38,967
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	47	693
3.	PTD 101363 Mukim Plentong Johor Bahru	Land	Leasehold/ 2039	2,567,862	Storage Area	13	14,213
4.	PTD 65615 Mukim Plentong Johor Bahru	Land	Leasehold/ 2044	698,266	Staff Quarters	39	1,746
5.	PTD 65618 Mukim Plentong Johor Bahru	Land	Leasehold/ 2044	587,624	Staff Quarters	39	1,469
6.	PTD 65619 Mukim Plentong Johor Bahru	Land	Leasehold/ 2044	128,502	Staff Quarters	39	321
7.	PTD 65616 Mukim Plentong Johor Bahru	Land	Leasehold/ 2044	169,884	Vacant	39	425
8.	PTD 65617 Mukim Plentong Johor Bahru	Land	Leasehold/ 2044	374,180	Vacant	39	936
9.	Pasir Gudang Industrial Estate 81707 Pasir gudang (erected on land 1 & 2 above)	Warehouse, workshops and office building	Leasehold/ 2073/2075	1,956,881	Marine Repair, Marine Conversion, Heavy Engineering fabrication yard, ancillary facilities and office buildings	45	1,119,416
10.	Rumah Pangsa MMHE 81700 Pasir Gudang (erected on land 4 to 6 above)	4-storey residential flats	Leasehold/ 2044	383,559	Staff Quarters	44	1,579

**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	37	34,224
12.	PTD 109040 Mukim Plentong Johor Bahru	Land	Leasehold/ 2053	217,800	Workshop, ancillary facilities and site office	29	5,544
13.	PTD 200290 Mukim Plentong Johor Bahru	Land, Yard	Leasehold/ 2052	2,424,158	Workshop, ancillary facilities and office buildings	14	63,730
14.	PTD 22768 Mukim Plentong Johor Bahru	Land	Leasehold/ 2040	435,600	Storage Area	42	8,935
15.	LOT 51611 Mukim Plentong Johor Bahru	Land	Leasehold/ 2045	173,514	Ancillary facilities and storage area	26	3,895
16.	PTD 110760 Mukim Plentong Johor Bahru	Land	Leasehold/ 2052	205,603	Workshop, ancillary facilities and office buildings	29	5,085
17.	PTD 110758 Mukim Plentong Johor Bahru	Land	Leasehold/ 2052	59,242	Cabin office and warehouse	29	1,542
18.	PTD 233477 Mukim Plentong Johor Bahru	Land	Leasehold/ 2079	333,197	Heavy Engineering fabrication yard and ancillary facilities	4	13,220

30 LARGEST SHAREHOLDERS

AS AT 17 FEBRUARY 2023

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.	LEMBAGA TABUNG ANGKATAN TENTERA	34,980,700	2.19
4.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	23,999,900	1.50
5.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN BHD (1)	21,324,600	1.33
6.	HSBC NOMINEES (ASING) SDN BHD J.P. MORGAN SECURITIES PLC	16,553,769	1.03
7.	AMANAHRAYA TRUSTEES BERHAD PMB SHARIAH GROWTH FUND	14,000,000	0.88
8.	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG	13,297,393	0.83
9.	LEOW HONG YEN	8,500,000	0.53
10.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD AIIMAN ASSET MANAGEMENT SDN BHD FOR LEMBAGA TABUNG HAJI	5,613,800	0.35
11.	ONG HUNG HOCK	4,500,000	0.28
12.	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR CHUA SENG SAM	4,130,000	0.26
13.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TING YUET MAY (REM 825)	3,648,000	0.23
14.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEH CHAN SHERNG (7009399)	2,800,000	0.18
15.	CHAN HOE HOCK	2,772,000	0.17
16.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE CHOI FOK @ LEE CHOON FOOK	2,600,000	0.16
17.	TAN TUAN SHEE	2,369,000	0.15
18.	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA LIFE INSURANCE BERHAD (LIFE PAR)	2,206,800	0.14
19.	OH MUI HENG	2,048,000	0.13
20.	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE SWAN CHOO	2,000,000	0.13
21.	MUHAYUDDIN BIN MUSA	1,733,000	0.11
22.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAK KOK LEONG	1,730,500	0.11
23.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VIJAN KUMARAN A/L CHANDRAN	1,607,600	0.10

**30 LARGEST
SHAREHOLDERS**
AS AT 17 FEBRUARY 2023

No.	Name of Shareholders	No. of Shares	% of Issued Share Capital
24.	CHONG MEE SIN	1,530,000	0.10
25.	THANG GUAN CHUNG	1,500,000	0.09
26.	TEE AH LING	1,432,100	0.09
27.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR ANG CHOON KIAT	1,422,000	0.09
28.	LEE SEE JIN	1,356,900	0.08
29.	HSBC NOMINEES (ASING) SDN BHD BANQUE DE LUXEMBOURG FOR RAM (LUX) SYSTEMATIC FUNDS - EMERGING MARKETS EQUITIES	1,351,100	0.08
30.	KHOO SENG MIAU	1,330,000	0.08
	TOTAL	1,382,337,162	86.40

STATISTICS ON SHAREHOLDINGS

AS AT 17 FEBRUARY 2023

Total Number of Issued Shares : 1,600,000,000 ordinary shares

Class of Shares : Ordinary shares

Voting Rights : One vote per ordinary share

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	359	3.65	2,090	0.00
100 – 1,000	1,876	19.09	1,402,022	0.09
1,001 – 10,000	4,911	49.97	23,744,991	1.48
10,001 – 100,000	2,259	22.99	74,162,514	4.64
100,001 to less than 5% of issued shares	421	4.28	300,688,383	18.79
5% and above of issued shares	2	0.02	1,200,000,000	75.00
TOTAL	9,828	100.00	1,600,000,000	100.00

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	-	-
Wan Yusoff Wan Hamat	10,000	0.00	-	-
Pandai Othman	-	-	50,000	0.00
Ausmal Kardin	4,000	0.00	-	-
Captain Rajalingam A/L Subramaniam (shares held in the name of Maybank Securities Nominees (Tempatan) Sdn Bhd	10,000	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	-	-
Wan Yusoff Wan Hamat	5,000	0.00	-	-
Pandai Othman	-	-	1,000	0.00

STATISTICS ON SHAREHOLDINGS

AS AT 17 FEBRUARY 2023

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	-	-

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 Suas, P.O. Box 55
81700 Pasir Gudang

Johor

Malaysia

Tel : +607 251 2111/268 2111

Fax : +607 252 3701

Email : enquiries@mmhe.com.my

Branch Office in Singapore:

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Singapore 138637

Tel : +65 6220 7944

Fax : +65 6224 3967

MALAYSIA MARINE AND HEAVY ENGINEERING SAUDI LIMITED

ITAAM Business Center

(Near to Aramco DOB)

Office 205, Second Floor,

Umr ibn Alaas Street,

Al-Hussam District (Al Khalidiya)

Dammam 32222, Saudi Arabia

TECHNO INDAH SDN BHD

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50050 Kuala Lumpur

Malaysia

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Fax : +603 2273 8916

MMHE LNG SDN BHD

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MMHE EPIC MARINE & SERVICES SDN BHD

Registered Office:

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50050 Kuala Lumpur

Malaysia

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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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MMHE-ATB SDN BHD (In Liquidation)

Registered Office:

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Malaysia

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Fax : +603 2273 8916

T.EN MHB HULL ENGINEERING SDN BHD

Level 15

Menara Technip Energies

38 Jalan Inai

55100 Kuala Lumpur

Malaysia

Tel : +603 2705 3000

LIST OF ABBREVIATIONS

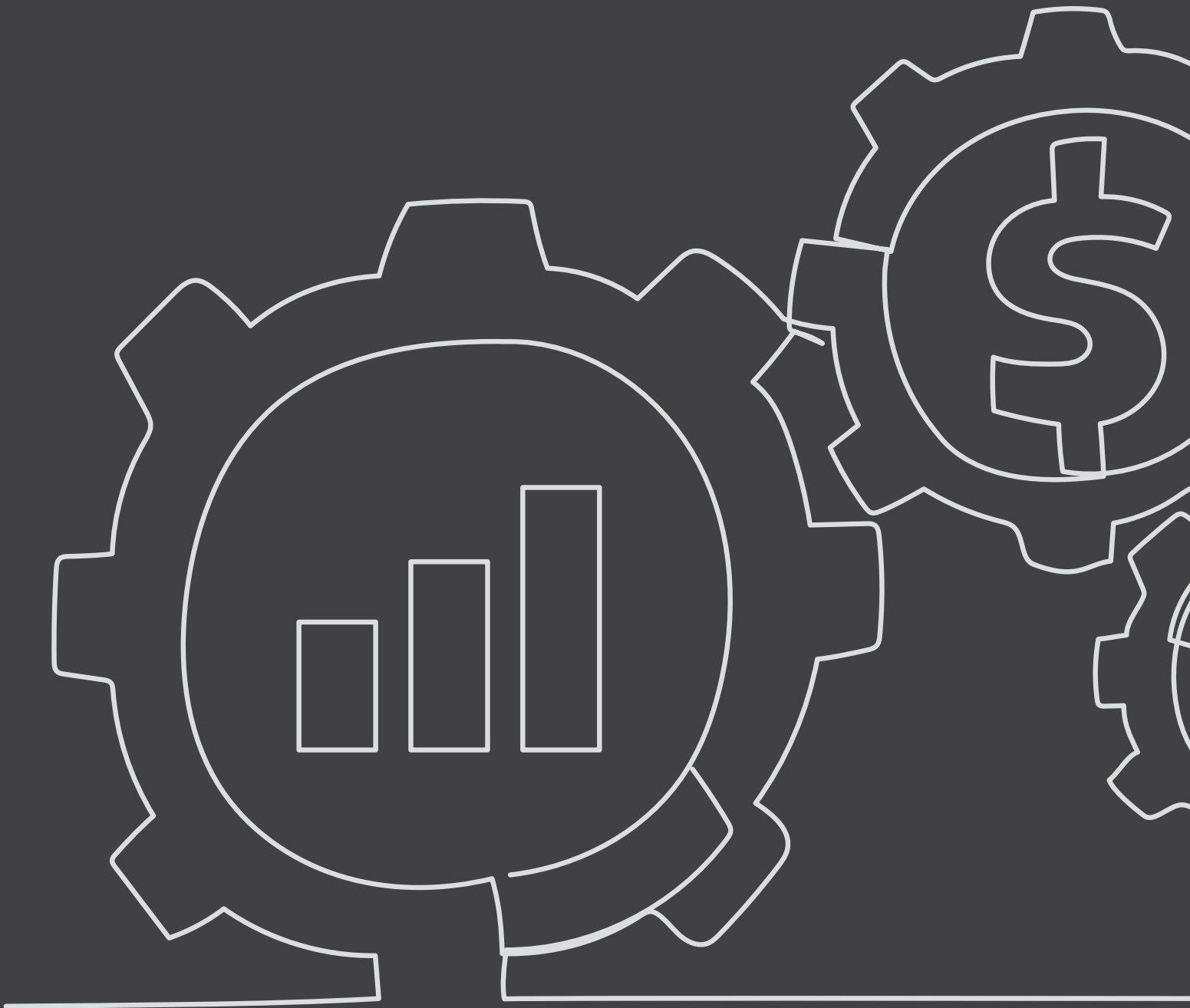
Abbreviation	Explanation
ABC	Anti-Bribery and Corruption
ABKPI	Anti-Bribery Key Performance Indicator
ABMS	Anti-Bribery Management System
AGM	Annual General Meeting
AGTES	Authorised Gas Tester Entry Supervisor
AMER	North, Central and South America
APAC	Asia Pacific
API	American Petroleum Institute
ASME	American Society of Mechanical Engineers
AWO	Additional Work Orders
AWP	Advanced Work Packaging
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
BOP	Balance-of-Plant
BRC	Board Risk Committee
Bursa Securities	Bursa Malaysia Securities Berhad
BWTS	Ballast Water Treatment System
CA	Collective Agreement
CAC	COVID-19 Assessment Centre
CAGR	compound annual growth rate
CALM	Catenary Anchor Leg Mooring
CALM Bouys	Catenary Anchor Leg Mooring Bouys
CAPEX	Capital expenditure
cbm	Cubic metre
CCP	Corporate Critical Positions
CCS	Carbon Containment System
CCS	Carbon, Capture & Storage
CCUS	Carbon Capture, Utilisation and Storage
CEO	Chief Executive Officer
CePIETSO	Certified Environmental Professional in the Operation of Effluent Treatment System
CePSTPO	Certified Professional in Sewage Treatment Plant Operator
CFF	Customer Feedback Follow up Report
CFFO	Cash Flow From Operations
CFL	Conventional 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
CM	Crisis Management
CMP	Crisis Management Plan
CMS	Culture Maturity Survey
CO2	Carbon dioxide
CO2e	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
CPOC	Carigali PTTEPI Operating Company Sdn Bhd
CPP	central processing platform
CRA	Corruption Risk Assessment
CSA	Canadian Standard Association
CSF	Cyber Security Framework
CSF	Cybersecurity Framework
CSR	Corporate Social Responsibility
CSS	Customer Satisfaction Surveys
CWB	Canadian Welding Bureau
D/E	Debt-to-Equity
DD3	Dry Dock No. 3
DoE	Department of Environment
DOSH	Department of Environment Safety and Health
DSME	Daewoo Shipbuilding and Marine Engineering
DWC	Daily Work Checklist
DWT	Deadweight tonnage
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortisation
EDP	Executive Development Program
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	Environmental Mainstreaming Tools
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
ERA	Environmental Risk Assessment
ERM	Enterprise risk management
ERMF	Enterprise Risk Management Framework
ERT	Emergency Responcy Team
ESG	Environmental, social and governance
EU	European Union
EVP	Employee Value Propositions
F2F	Face to Face
FAL	Fatty Alcohol
FAS	Facilities & Asset Services
FC	Functional Competency
FDDE/FEEV	FEED Detailed Design Engineering/Verification
FEED	Front-End Engineering Design
FIDs	Final Investment Decisions
FLNG	Floating Liquefied Natural Gas
FPS	Floating Production System
FPSO	Floating Production, Storage and Offloading

LIST OF ABBREVIATIONS

Abbreviation	Explanation
FSO	Floating, Storage and Offloading
FSRU	Floating Storage Regasification Unit
FSU	Floating Storage Unit
FTMDP	First Time Manager Development Program
FTSE	Financial Times Stock Exchange-Russell Group
FVTPL	Fair value through profit or loss
FY2019	Financial year ended 31 December 2019
FY2020	Financial year ended 31 December 2020
FY2021	Financial year ending 31 December 2021
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GHG	Greenhouse gas
GHSSE	Group Health, Safety, Security and Environment
GIA	Group Internal Audit
GLCs	Government-Linked companies
GMF	Global Maritime Forum
GRI	Global Reporting Initiative
Group	MISC Berhad and its subsidiaries, associates and joint ventures
GSR	Guided Self-Regulation
GTG	Gas-Turbine-Generator
HCFC	Hydrochlorofluorocarbon
HE	Heavy Engineering
HEO	Heavy Engineering Operation
Hi-Po	Hi-Potentials
HIRARC	Hazard Identification, Risk Assessment and Risk Control
HMM	Harvard Manage Mentor
HPMV	High Pressure Mercury Vapour
HR	Human Resource
HSE	Health, safety and environment
HSEL	Hiap Seng Engineering Limited
HSO	Home Surveillance Order
HSSE	Health, safety, security and environment
HUC	Hook Up & Commissioning
IAP	Incident Action Plan
IAR	Integrated Annual Report
IASB	International Accounting Standards Board
IATSS	International Asian Traffic Safety and Science
ICC	International Coastal Cleanup
ICE	Integrated Cold Electrode
ICT	Information and Communications Technology
IDCM	Institute of Corporate Directors Malaysia
IEA	International Energy Agency
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
ILDPA	Individual Learning and Development Programme
ILO	International Labour Organisation
ILP	Industri Training Institute
IMF	International Monetary Fund
IMO	International Maritime Organisation
IMS	Integrated Management System
INEDs	Independent Non-Executive Directors
IOCs	International Oil Companies
IOT	Internet of things
IPCC	Intergovernmental Panel on Climate Change
IR	Integrated Reporting
IRBM	Inland Revenue Board of Malaysia
ISM	Idemitsu Styrene Monomer
ISO	International Organisation for Standardisation
ITA	Income Tax Allowance
IWT	International Welding Technologist
KAM	Key Audit Matters
KBR	Kellogg Brown & Root Asia Pacific Pte Ltd
Korea	Kmarin Ocean Services Corporation
KPI	Key performance indicator
KRA	Key Result Areas
KRI	Key risk indicator
KYC	Know Your Counterparty
LAT	Loss After Tax
LBITDA	Loss Before Interest, Taxes, Depreciation, and Amortisation
LCO2	Liquid Carbon Dioxide
LCSC	Legal, Corporate Secretarial and Compliance
LED	Light-emitting diode
LNG	Liquefied Natural Gas
LNGC	Liquefied Natural Gas Carrier
LOA	Limits of Authority
LPG	Liquefied Petroleum Gas
LPGC	Liquefied Petroleum Gas Carrier
LTA	Long-term agreement
LTJ	Lost time injury
LTIF	Lost time injury frequency
MACC	Malaysian Anti-Corruption Commission
MAICSA	The Malaysian Institute of Chartered Secretaries and Administrators
MARC	Malaysian Rating Corporation
MC	Management Committee
MCCG 2017	Malaysian Code on Corporate Governance 2017
MCO	Movement control order
MD & CEO	Managing Director & Chief Executive Officer
MEF	Malaysia Employer Federation
MFRS	Malaysian Financial Reporting Standards
MHB	Malaysia Marine and Heavy Engineering Holdings Berhad
MICPA	Malaysian Institute of Certified Public Accountants
MIDA	Malaysian Investment Development Authority
MIIP	Industrial Immunisation Programme
MISC/MISC Group	MISC Berhad
MITI	Ministry of International Trade and Industry
MMHE	Malaysia Marine and Heavy Engineering Sdn Bhd
MMLR	Main Market Listing Requirements
MOFA	Ministry of Finance
MOFA	Ministry of Foreign affairs
MOGSG	Malaysia Oil & Gas Services Council
MOPU	Mobile Offshore Production Unit
MoU	Memorandum of Understanding
MRCBS	Malaysia Refining Company Sdn Bhd
MSE	Malaysia Shipyard and Engineering Sdn Bhd
MSOSH	Malaysian Society for Occupational Safety and Health
MT	Metric Tonnes
Mtpa	million tonnes per annum
MWh	Megawatt hour
MySTEP	My Short Term Employment
NCR	Non-Compliance Reports
NEDs	Non-Executive Directors
NGO	Non-Governmental Organisation
NINEDs	Non-Independent Non-Executive Directors
NIST	National Institute of Standards and Technology
NLAT	Net Loss After Tax
NLBT	Net Loss Before Tax
NOC	North Oil Company

LIST OF ABBREVIATIONS

NOCs	National Oil Companies
Norway	Shearwater Geoservices Assets AS
NOx	Nitrogen oxides
NPAT	Net Profit After Tax
NPBT	Net Profit Before Tax
NRC	Nomination & Remuneration Committee
O&G	Oil & Gas
ODS	Ozone Depleting Substance
OEM	Original Equipment Manufacturers
OFD	Offshore Field Development
OFI	Opportunities for Improvement
OPEX	Operating Expenditure
OSH	Occupational safety and health
OWF	Offshore Wellhead Facilities
OWF	Offshore Wind Farm
P&I	Protection and indemnity
P2P	procure-to-pay
PAR	Pre-Assembled Rack
PAR PAU	Pre-Assembled Units Pre-Assembled Racks
PAT	Profit-After-Tax
PAU	Pre-Assembled Unit
PCSB	PETRONAS Carigali Sdn Bhd
PDPA	Personal Data Protection Act
PED	Plan Evacuation Drills
PETRONAS	Petroleum Nasional Berhad / Group PETRONAS and its subsidiaries
PFLNG1	PETRONAS Floating Liquefied Natural Gas-1
PFP	Passive Fire Protection
PLC	PETRONAS Leadership Center
PMP	Project Management Professional
PMT	Project Management Team
POCS	PETRONAS Organisational Culture
PONC	Price of Non-Conformance
PPE	Property, plant and equipment / Personal Protective Equipment
PPE	Personal Protective Equipment
PRA	Project Risk Assessment
PRM	PETRONAS Resiliency Model
PS	Polystyrene
PTSM	Plant Turnaround and Shutdown Maintenance
PUSPATRI	Johor Skill Development Centre
QHSEM	Quality, Health, Safety and Environment Manual
QSC	Quality Steering Committee
RC	Risk Council
RCP	Representative Concentration Pathways
RE	Renewable Energy
RFFGI	Ready for Fuel Gas Introduction
RINA	Royal Institution of Naval Architects
RLEC	Rejuvenation, Life Extension & Conversion
RM	Ringgit Malaysia
RMC	Risk Management Committee
RMCD	Royal Malaysian Customs Department
RoSPA	Royal Society for the Prevention of Accidents
ROU	Right-of-use assets
RPT	Related party transaction
RRPT	Recurrent related party transaction
SAMM	Skim Akreditasi Makmal Malaysia
SASB	Sustainability Accounting Standards Board
SAVE	Subcontractors and Vendors Engagement
SAW	Submerged-Arc Welding
SBSR	Shipbuilding and Ship Repair
SCM	Supply Chain Management
SEA	Southeast Asia
SGD	Strategic Group Discussion
SKM	Sijil Kemahiran Malaysia
SLP	Strategic Leaders Programme
SOC	Security Operations Center
SOCISO	Social Security Organisation
SOP	Standard Operating Procedure
SOPs	Standard Operating Procedures
SORJ	Ship and Offshore Repair Journal
SORMIC	Statement on Risk Management and Internal Control
SOx	Sulphur oxides
sq ft	square feet
SRA	Social Risk Assessment
SRN	Ship Repair Newsletter
SSOT	Single Source of Truth
SSP	Shared Socioeconomics Pathways
SST	Sales and Service Tax
subcons	subcontractors
SWEC	Standardised Work and Equipment Categories
T	Tonnes
T&I	Transportation & Installation
TA	turnaround
TA4MS	Turnaround Main Mechanical And Maintenance Mechanical Static
TCFD	Task Force on Climate-related Financial Disclosures
TE	Technical Executive
TL	Technical Leader
TLP	Tension Leg Platform
TMS	Talent Management System
TNAG	Tembikai Non-Associated Gas
TOR	Terms of Reference
TPCDDOG	"Third-Party Compliance Due Diligence Operational Guidelines"
TRCF	Total recordable case frequency
TWI	The Welding Institute
UAE	United Arab Emirates
UCUA	Unsafe Condition Unsafe Act
UK	United Kingdom
UMT	University Malaysia Terengganu
UNCTA	United Nations Conference on Trade and Development
UNSDG	United Nation's Sustainable Development Goals
US EPA	United States Environmental Protection Agency
USA	United States of America
USD	United States Dollar
UTM	Universiti Teknologi Malaysia
VDPx	Vendor Development Programme
VLCC	Very Large Crude Carrier
VOB	Vendor Onboarding
VOC	Variants of Concern
WAF	Web Application Firewall
WBC	Whistleblowing Committee
WCR	Work Completion Report
WDR	Work Done Reports
WFH	Work from home
WHP	Wellhead Platform
WRI	World Resources Institute
WTI	West Texas Intermediate
WTV	Waste-to-Value
YLP	Young Leaders Programme





ANNUAL GENERAL MEETING

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398 Administrative Notes

Form of Proxy

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 34th Annual General Meeting (AGM) of Malaysia Marine and Heavy Engineering Holdings Berhad (MHB or Company) will be held **virtually 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, 13 April 2023
 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 2022 together with the Reports of the Directors and Auditors thereon.
Refer to Explanatory Note 1
2. To re-elect the following Directors, who retire pursuant to Rule 21.7 of the Company's Constitution and being eligible, offer themselves for re-election:-
 - (i) Captain Rajalingam Subramaniam
 - (ii) Raja Azlan Shah Raja Azwa*Refer to Explanatory Note 2*

Resolution 1
Resolution 2
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) Wan Yusoff Wan Hamat
 - (ii) Keith Taylor*Refer to Explanatory Note 3*

Resolution 3
Resolution 4
4. To approve the payment of Non-Executive Directors' (NEDs) Remuneration up to an amount of RM1,960,000 for the period from 14 April 2023 until the conclusion of the next AGM of the Company to be held in 2024.
Refer to Explanatory Note 4

Resolution 5
5. To re-appoint Messrs Ernst & Young PLT, as Auditors of the Company, for the financial year ending 31 December 2023 and to authorise the Directors to fix their remuneration.
Refer to Explanatory Note 5

Resolution 6
6. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 (Act) and the Company's Constitution.

By Order of the Board

Shahrin Albakri Mustafa Albakri MCCS (M01832)
 SSM Practicing Certificate No. 20210800063
Haniza Sabaran FCIS (CS) (CGP) (MAICSA 7032233)
 SSM Practicing Certificate No. 201908001761
 Company Secretaries
 Kuala Lumpur
 14 March 2023

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes on Ordinary Business

1. Audited Financial Statements for the financial year ended 31 December 2022

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 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.

At the 34th AGM, Captain Rajalingam Subramaniam and Raja Azlan Shah Raja Azwa who were appointed on 1 January 2023, will retire and being eligible, have offered themselves for re-election pursuant to Rule 21.7 of the Constitution.

The Board had on 22 February 2023, endorsed the Nomination & Remuneration Committee's recommendation to re-elect the above-mentioned Directors based on the satisfactory assessment of the fit and proper criteria prescribed under Paragraph 2.20A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR).

The profiles of Captain Rajalingam Subramaniam and Raja Azlan Shah Raja Azwa are set out in the Profiles of the Board of Directors on page 235 and 236 of the Integrated Annual Report 2022.

3. Re-election of Directors who retire by rotation 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 34th AGM, Wan Yusoff Wan Hamat and Keith Taylor will retire and being eligible, have offered themselves for re-election.

The Board had on 22 February 2023, endorsed the Nomination & Remuneration Committee's recommendation to re-elect the above-mentioned Directors based on the satisfactory assessment of their independence and fit and proper criteria prescribed under Paragraph 2.20A of the MMLR.

The profiles of Keith Taylor and Wan Yusoff Wan Hamat are set out in the Profiles of the Board of Directors on pages 233 and 234 of the Integrated Annual Report 2022.

4. Payment of Remuneration to NEDs for the period from 14 April 2023 until the conclusion of the next AGM of the Company

Pursuant to Section 230(1) of the Act, the shareholders' approval is sought for the proposed payment of NEDs' Remuneration of up to RM1,960,000 for the period from 14 April 2023 until the conclusion of the next AGM of the Company to be held in 2024. 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 NEDs' remuneration for the financial year ending 2023/2024. The details of NEDs' Remuneration for the financial year 2022 is stated on page 256 of the Integrated Annual Report 2022.

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 Audit Committee and the Board had at their meeting on 16 February 2023 and 22 February 2023, respectively recommended the re-appointment of Messrs Ernst & Young PLT for the financial year ending 31 December 2023.

Messrs Ernst & Young PLT have met the criteria prescribed under Paragraph 15.21 of the 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 4, who are shareholders of the Company will abstain from voting on the resolution in respect of his/her re-election at the 34th AGM.

All the NEDs who are shareholders of the Company will abstain from voting on Resolution 5 concerning remuneration of the NEDs of the Company, at the 34th AGM.

Notes:

VIRTUAL MEETING

Convening a virtual 34th AGM is in accordance with Section 327 of the Act and Clause 18.11 of the Company's Constitution. The virtual 34th 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 34th 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 34th AGM.

GENERAL MEETING RECORD OF DEPOSITORS

In respect of deposited securities, only members whose names appear on the Record of Depositors as at 6 April 2023 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 11th 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 34th 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 electronically via Boardroom Smart Investor Online Portal at <https://investor.boardroomlimited.com>, 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 to conduct the polling/e-voting process and verify the results of the poll, respectively.

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 34TH ANNUAL GENERAL MEETING

MODE OF MEETING

The Company will continue to leverage on technology to facilitate communication and engagement with shareholders by conducting the 34th Annual General Meeting (34th AGM) of MHB on a virtual basis and entirely via Remote Participation and Electronic Voting (RPEV) facilities on the date, time and from the Broadcast Venue, as follows:

Date : Thursday, 13 April 2023

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>

Mode of Communication 1) The Messaging window facility will be opened concurrently with the Virtual Meeting Portal, i.e. one (1) hour before the AGM, which is from **10.00 a.m. on Thursday, 13 April 2023**.

2) Email questions in advance to MHB Investor Relations at inv.rel@mmhe.com.my in relation to the agenda items for the 34th AGM, commencing from 13 March 2023 and in any event no later than **Wednesday, 12 April 2023 at 11.00 a.m.**

For further details on mode of communication, please refer to note 11 of these Administrative Notes.

Please note that the Broadcast Venue is strictly for the purpose of compliance with Section 327(2) of the Companies Act 2016 which stipulates that the Chairman shall be at the main venue of the AGM and in accordance with Rule 18.11 of the Company's Constitution which allows a general meeting to be held at more than one venue, using any technology or method that enables the members of the Company to participate and to exercise the members' right to speak and vote at the general meeting. As shareholders/proxies/corporate representatives **WILL NOT BE ALLOWED** to be physically present at or admitted to the Broadcast Venue on the day of the AGM, all members are urged to attend the 34th AGM remotely via meeting platform <https://meeting.boardroomlimited.my>.

VOTING PROCEDURE

Poll Voting

1. The voting at the 34th AGM will be conducted by poll in accordance with Paragraph 8.29A of the Bursa Malaysia Securities Berhad Main Market Listing Requirements.
2. MHB has appointed Boardroom Share Registrars Sdn Bhd (Boardroom) as Poll Administrator to conduct the poll by way of electronic voting (e-Voting) and Boardroom Corporate Services Sdn Bhd as Scrutineers to verify the poll results.
3. For the purposes of this AGM, e-Voting will be carried out via personal smart mobile phones, tablets, personal computers or laptops.
4. Members and proxies are required to use one (1) of the following methods to vote remotely:
 - (i) launch **Lumi AGM** by scanning the QR code given to you in the email along with your remote participation User ID and Password; or
 - (ii) access to **Lumi AGM** via website URL <https://meeting.boardroomlimited.my>.
5. Please note that polling will only commence after announcement of poll open by the Chairman and until such time when the Chairman announces the closure of poll.

ADMINISTRATIVE NOTES

FOR THE 34TH ANNUAL GENERAL MEETING

6. Upon closing of the poll session by the Chairman, the Scrutineers will verify the poll result reports and thereafter announce the results, followed by the Chairman's declaration whether the resolutions put to vote are duly passed.
7. You must ensure that you are connected to the internet at all times in order to participate and vote remotely when the 34th AGM has commenced. It is your responsibility to ensure that connectivity for the duration of the AGM is maintained. Kindly note that the quality of the connectivity to Virtual Meeting Portal for live webcast as well as for remote online voting is dependent on the bandwidth and stability of the internet connection at the location of the remote participants.

REMOTE PARTICIPATION AND ELECTRONIC VOTING (RPEV)

8. Please note that the RPEV facilities is available to **(i) individual members; (ii) corporate shareholders; (iii) authorised nominees; and (iv) exempt authorised nominees.**
9. If you wish to participate in the meeting, you will be able to view a live webcast of the meeting, ask questions and submit your votes in real time whilst the meeting is in progress.
10. Kindly follow the steps below on how to request for login ID and password.

Step 1 – Register Online with Boardroom Smart Investor Portal (for first time registration only)

Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register again. You may proceed to Step 2 – Submit Request for Remote Participation User ID and Password.

- a. Access website **<https://investor.boardroomlimited.com>**
- b. Click **<<Register>>** to sign up as a user and select to correct account type i.e. sign up as **Shareholder** or **Corporate Holder**.
- c. Complete registration with all required information. Upload and attach softcopy of your MyKad (front and back) or Passport in JPEG, PNG or PDF format. Click **Sign Up**.
- d. Please enter a valid email address and wait for email verification from Boardroom. You will receive an email from Boardroom for email address verification. Click **Verify Email Address** from the email received to continue with the registration.
- e. Once your email address is verified, you will be re-directed to Boardroom Smart Investor Portal for verification of mobile number. Click **Request OTP Code** and an OTP code will be sent to the registered mobile number. Please enter the OTP Code to complete the process.
- f. Your registration will be verified and approved within one (1) business day and email notification will be provided to you.

ADMINISTRATIVE NOTES

FOR THE 34TH ANNUAL GENERAL MEETING

Step 2 – Submit Request for Remote Participation User ID and Password

Note: The registration for remote access will be opened on 13 March 2023.

For Shareholders

- Login to **<https://investor.boardroomlimited.com>** using your User ID and Password from Step 1 above.
- Select **MHB 34TH ANNUAL GENERAL MEETING** from the list of Corporate Meetings and click **Enter**.

To attend the virtual meeting

- Click on **Register for RPEV**.
- Read and agree to the terms & conditions and click **Next**.
- Enter your CDS Account Number and thereafter submit your request.

To appoint proxy

- Click on **Submit eProxy Form**.
- Select the company you would like to represent (if more than one, for Corporate Shareholder).
- Enter your CDS Account Number and number of securities held.
- Select your proxy - either the Chairman of the meeting or individual named proxy(ies).
- Read and accept the General Terms and Conditions by clicking **Next**.
- 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(ies) appointment.
- Click **Apply**.
- Download or print the eProxy Form as acknowledgement.

Note for Corporate Shareholders: if you wish to appoint more than one (1) company, kindly click the home button and select Edit Profile in order to add Company name.

Corporate Shareholders (via email),

- Write in to **bsr.helpdesk@boardroomlimited.com** by providing the name of Member, CDS Account Number accompanied with the Certificate of Appointment of Corporate Representative or Form of Proxy to submit the request.
- Please provide a copy of the Corporate Representative's or Proxy Holder's MyKad (front and back) or Passport in JPEG, PNG or PDF format as well as his/her email address.

Authorised Nominee and Exempt Authorised Nominee

[Via Boardroom Smart Investor Portal](#)

- Login to **<https://investor.boardroomlimited.com>** using your User ID and Password from Step 1 above.
- Select **MHB 34TH ANNUAL GENERAL MEETING** from the list of Corporate Meetings and click **Enter**.
- Click on **Submit eProxy Form**.
- Select the company you would like to represent (if more than one).
- Proceed to download the file format for Submission of Proxy Form.
- Prepare the file for the appointment of proxies by inserting the required data.
- Proceed to upload the duly completed proxy appointment file.
- Review and confirm your proxy appointment and click **Submit**.
- Download or print the eProxy form as acknowledgement.

Note: if you wish to appoint more than one (1) company, kindly click the home button and select Edit Profile in order to add Company name.

ADMINISTRATIVE NOTES

FOR THE 34TH ANNUAL GENERAL MEETING

Step 2 – Submit Request for Remote Participation User ID and Password

Via email

- Write in to **bsr.helpdesk@boardroomlimited.com** by providing softcopy of the Form of Proxy, the name of shareholders and CDS Account Number to submit the request.
- Please provide a copy of the Proxy Holder's MyKad (front and back) or Passport in JPEG, PNG or PDF format as well as his/her email address.
- You will receive a notification from Boardroom that your request has been received and is being verified.
- Upon system verification of your registration against the **AGM's Record of Depositors as at 6 April 2023**, you will receive an email from Boardroom either approving or rejecting your registration for remote participation.
- You will also receive your remote access User ID and Password along with the email from Boardroom if your registration is approved.
- You are encouraged to submit your request **at least 24 hours before the commencement of AGM, i.e. by Wednesday, 12 April 2023 at 11.00 a.m.**, to avoid any delay in the registration process.

Step 3 – Login to Virtual Meeting Portal

Note: Please note that the quality of the connectivity to Virtual Meeting Portal for live webcast as well as for remote online voting is highly dependent on the bandwidth and the stability of the internet connectivity available at the location of the remote users.

- a. The Virtual Meeting Portal will be opened for login starting one (1) hour before the commencement of AGM, which is from **10.00 a.m. on Thursday, 13 April 2023**.
- b. Please follow the steps given to you in the email along with your remote access User ID and Password to login to the Virtual Meeting Portal (*Refer to Step 2 above*).
- c. The steps given will also guide you on how to view live webcast, ask questions and vote.
- d. The live webcast will end and the Messaging window (for asking questions) will be disabled once the Chairman announces the closure of the AGM.
- e. You can then logout from the Virtual Meeting Portal.

MODE OF COMMUNICATION

11. You may email your questions in advance in relation to the agenda items for 34th AGM to MHB Investor Relations at **inv.rel@mmhe.com.my** commencing from 13 March 2023. The collection of questions will be closed no later than **Wednesday, 12 April 2023 at 11.00 a.m.**

If you have any question for the Chairman/Board during the AGM, you may submit your question using the Messaging window facility which will be opened concurrently with the Virtual Meeting Portal, i.e. one (1) hour before the AGM, which is from **10.00 a.m. on Thursday, 13 April 2023**.

The Chairman/Board will endeavor to respond to relevant questions during the Questions and Answers Session at the AGM. If there is time constraint, the responses to relevant questions will be published on the Company's website at the earliest possible, after the AGM.

E-VOUCHER

12. Shareholders and proxy holders who participate at the 34th AGM will receive an e-Voucher. The communication regarding the e-Voucher will be sent to the eligible shareholders/proxy holders via email after the 34th AGM.

PROXY

13. Members who are unable to participate remotely in the AGM are encouraged to appoint the Chairman of the Meeting or their proxy to vote on their behalf.

ADMINISTRATIVE NOTES

FOR THE 34TH ANNUAL GENERAL MEETING

LODGEMENT OF FORM OF PROXY

14. Please deposit your completed Form of Proxy at the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd at **11th 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 appointed for the holding of the 34th AGM, i.e. latest by **Tuesday, 11 April 2023 at 11.00 a.m.**
15. Alternatively, the proxy appointment can also be lodged electronically via Boardroom Smart Investor Portal at **<https://investor.boardroomlimited.com>** not less than forty-eight (48) hours before the time appointed for the holding of the 34th AGM, i.e. latest by **Tuesday, 11 April 2023 at 11.00 a.m.** For further information, kindly refer to note 10 – Steps 1 to 3 above.
16. The lodging of the Form of Proxy will not preclude you from personally participating remotely and voting at the 34th AGM should you subsequently wish to do so.

Should you wish to personally participate remotely in the AGM, kindly register your intention to participate remotely via Boardroom's website at **<https://investor.boardroomlimited.com>** (Refer to note 10 - Steps 1 to 3 above). Please note that upon your registration to personally participate remotely in the AGM, your earlier proxy appointment will be deemed revoked. Alternatively, please write in to **bsr.helpdesk@boardroomlimited.com** to revoke your earlier proxy appointment no later than **Tuesday, 11 April 2023 at 11.00 a.m.**

INTEGRATED ANNUAL REPORT 2022 AND CORPORATE GOVERNANCE REPORT

17. The MHB Integrated Annual Report 2022 and Corporate Governance Report are available on Bursa Malaysia Berhad's website at **www.bursamalaysia.com** under Company Announcements of MHB and also at MHB's website at **<https://mhb.com.my/investor-relations/>**.
18. Collection of the printed copies of the MHB Integrated Annual Report 2022 during the 34th AGM is not available as the AGM will be held on a virtual basis and entirely via RPEV facilities. Printed copies of the MHB Integrated Annual Report 2022 are available by way of your requisition by completing the Requisition Form and returning the completed Requisition Form to the designated address.

ENQUIRY

19. Should you have any enquiry prior to the AGM or if you wish to request for technical assistance to participate in the AGM, please contact the Boardroom team during office hours (8.30 a.m. to 5.30 p.m.) details as follows:

Boardroom Share Registrars Sdn Bhd

Address: 11th Floor, Menara Symphony
No. 5, Jalan Prof. 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**

**ADMINISTRATIVE
NOTES**
FOR THE 34TH ANNUAL GENERAL MEETING

RECORDING OR PHOTOGRAPHY

20. No recording or photography of the 34th AGM proceedings is allowed without the prior written permission of the Company.

PRIVACY POLICY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting 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 Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (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.
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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 _____
 (Full Address)

being a member/members of **MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD**, (MHB or Company)

do hereby appoint _____ NRIC/Passport No.: _____
 (Full name in block letters)

of _____
 (Full Address)

Contact No. : _____ Email address: _____

and/or failing him/her _____ NRIC/Passport No.: _____
 (Full name in block letters)

of _____
 (Full Address)

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 34th Annual General Meeting (AGM) of the Company to be held virtually 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, 13 April 2023 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 Captain Rajalingam Subramaniam who retires pursuant to Rule 21.7 of the Company's Constitution.		
2.	To re-elect Raja Azlan Shah Raja Azwa who retires pursuant to Rule 21.7 of the Company's Constitution.		
3.	To re-elect Wan Yusoff Wan Hamat who retires by rotation pursuant to Rule 21.8 of the Company's Constitution.		
4.	To re-elect Keith Taylor who retires by rotation pursuant to Rule 21.8 of the Company's Constitution.		
5.	To approve the payment of Non-Executive Directors' Remuneration up to an amount of RM1,960,000 for the period from 14 April 2023 until the conclusion of the next AGM of the Company to be held in 2024.		
6.	To re-appoint Messrs Ernst & Young PLT, as Auditors of the Company, for the financial year ending 31 December 2023 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.

The proportion of my/our shareholdings to be represented by the proxies:

	No. of shares	Percentage (%)
Proxy 1		
Proxy 2		
TOTAL		

Dated this _____ day of _____, 2023

 Signature/Common Seal of Member(s)

Contact No.: _____

Email: _____

NOTES:

1. Only depositors whose names appear in the Record of Depositors as at 6 April 2023 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 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 11th 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 electronically via Boardroom Smart Investor Online Portal at <https://investor.boardroomlimited.com> forty-eight (48) hours before the meeting.
10. Pursuant to Paragraph 8.29A(1) 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

11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Please fold here to seal

www.mhb.com.my

MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD

Registration No. 198901001515 (178821-X)

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