Powering Resilience. Collaboration. Efficiency. Transformation. Progress. Tomorrow

FINANCIAL REPORT 2022

Powering

2022 was the year that we intensified our efforts in strengthening our fundamentals, as we continue to focus on project delivery and execution excellence.

These efforts are critical to powering our resilience and expanding our capabilities and capacity for new growth areas to grow sustainably and create value in the long term.

This includes investing in the development of our talents at sea and shore, strengthening our leadership bench strength, and harnessing digital transformation that will enable us to be future-focused.

We will continue fostering strategic collaborations with our stakeholders, to deliver positive business outcomes and drive value creation across the ecosystem as we continue to build a sustainable future together.

Tomorrow

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DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Corporation for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activities of the Corporation consist of ship owning, ship operating and other activities related to shipping services and operating offshore floating terminals.

The principal activities of the subsidiaries, associates and joint arrangements are described in Notes 39, 40 and 41 to the financial statements respectively. The directors deem such information is included in the Directors' Report by such reference and shall form part of the Corporation's Directors' Report.

There have been no significant changes in the nature of the principal activities during the financial year.

HOLDING COMPANY

The immediate and ultimate holding company of the Corporation is Petroliam Nasional Berhad ("PETRONAS"), a company incorporated and domiciled in Malaysia.

SUBSIDIARIES

The details of the Corporation's subsidiaries are disclosed in Note 39 to the financial statements.

RESULTS

	Group RM'000	Corporation RM'000
Profit for the year	1,834,992	1,438,784
Attributable to:		
Equity holders of the Corporation	1,822,907	1,438,784
Non-controlling interests	12,085	–
	1,834,992	1,438,784

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

In the opinion of the directors, the results of the operations of the Group and of the Corporation during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIRECTORS' REPORT

DIVIDENDS

The amount of dividends paid by the Corporation since 31 December 2021 were as follows:

In respect of the financial year ended 31 December 2021 as reported in the Directors' Report of that year:

	RM'000
A fourth tax exempt dividend of 12.0 sen per ordinary share, declared on 17 February 2022 and paid on 16 March 2022	535,649
In respect of the financial year ended 31 December 2022:	
A first tax exempt dividend of 7.0 sen per ordinary share, declared on 26 May 2022 and paid on 22 June 2022	312,462
A second tax exempt dividend of 7.0 sen per ordinary share, declared on 18 August 2022 and paid on 14 September 2022	312,462
A third tax exempt dividend of 7.0 sen per ordinary share, declared on 17 November 2022 and paid on 14 December 2022	312,462

A fourth tax exempt dividend in respect of the financial year ended 31 December 2022 of 12.0 sen per share amounting to a dividend payable of RM535,649,000 declared on 15 February 2023 and will be paid on 15 March 2023.

The fourth 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 Corporation in office since the beginning of the financial year to the date of this report are:

Datuk Abu Huraira bin Abu Yazid	
Dato' Ab. Halim bin Mohyiddin	
Datuk Nasarudin bin Md Idris	
Dato' K Sekhar A/L S Krishnan	
Liza binti Mustapha	
Dato' Rozalila binti Abdul Rahman	
Datin Norazah binti Mohamed Razali	
Mohammad Suhaimi bin Mohd Yasin	
Chew Liong Kim	
Dato' Tengku Marina binti Tunku Annuar	
Wan Shamilah binti Wan Muhammad Saidi	(Appointed on 1 June 2022)
Mohd Yusri bin Mohamed Yusof	(Resigned on 1 June 2022)
Datuk Yee Yang Chien	(Retired on 30 September 2022)
Rajalingam A/L Subramaniam	(Appointed on 1 October 2022)

The names of directors of subsidiaries are set out in their respective subsidiary's directors' report and the Board deems such information is included in the Corporation's Directors' Report by such reference and shall form part of the Corporation's Directors' Report.

DIRECTORS' REPORT

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director of the Corporation has received nor become entitled to receive any benefit (other than the benefit shown below) or the fixed salary of a full time employee of the Corporation or of related corporations), by reason of a contract made by the Corporation or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The directors' benefits paid to or receivable by directors in respect of the financial year ended 31 December 2022 are as follows:

	Group RM'000	Corporation RM'000
Directors		
- Fees	2,518	1,992
- Emoluments	2,830	2,830
- Other short term employees benefits	274	274
	5,622	5,096

The director's remuneration are further disclosed in Note 7 to the financial statements.

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	1 January 2022	Bought	Sold	31 December 2022
Fellow subsidiary - PETRONAS Gas Berhad				
Direct				
Dato' Ab. Halim bin Mohyiddin	5,000	–	–	5,000
Datuk Nasarudin bin Md Idris	3,000	–	–	3,000

	Number of stapled securities			
	1 January 2022	Bought	Sold	31 December 2022
Fellow subsidiaries - KLCC Property Holdings Berhad and KLCC Real Estate Investment Trust				
Direct				
Datuk Nasarudin bin Md Idris	5,000	–	–	5,000

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONT'D.)

	Number of ordinary shares			
	1 January 2022 /Date of appointment	Bought	Sold	31 December 2022/ Date of resignation
Fellow subsidiary - PETRONAS Chemicals Group Berhad				
Direct				
Dato' Ab. Halim bin Mohyiddin	10,000	–	–	10,000
Datuk Nasarudin bin Md Idris	10,000	–	–	10,000
Mohd Yusri bin Mohamed Yusof	23,000	–	–	23,000
Mohammad Suhaimi bin Mohd Yasin	6,000	–	–	6,000
Wan Shamilah binti Wan Muhammad Saidi	6,000	–	–	6,000

	Number of ordinary shares			
	1 January 2022 /Date of appointment	Bought	Sold	31 December 2022
Subsidiary - Malaysia Marine and Heavy Engineering Holdings Berhad				
Direct				
Dato' Ab. Halim bin Mohyiddin	5,000	–	–	5,000
Datuk Nasarudin bin Md Idris	10,000	–	–	10,000
Rajalingam A/L Subramaniam	10,000	–	–	10,000

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest and deemed interests in shares in the Corporation or its related corporations during the financial year.

INDEMNITY AND INSURANCE COSTS

During the financial year, PETRONAS and its subsidiaries (hereinafter referred to as "PETRONAS Group"), including the Corporation, 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 was RM1,290 million (2021: RM1,290 million) per occurrence and in the aggregate. The insurance premium for the Corporation was RM52,189 (2021: RM16,267).

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Corporation were made out, the directors took reasonable steps:

(i) to ascertain that necessary actions had been taken in relation to the writing off of bad debts and the provisioning of doubtful debts and satisfied themselves that there are no bad debts to be written off and adequate provision 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 Corporation 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 Corporation 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 Corporation which would render any amount stated in the financial statements misleading.

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

(i) any charge on the assets of the Group or of the Corporation 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 Corporation 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 and of the Corporation 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 Corporation for the financial year in which this report is made.

The Corporation has been granted a relief order pursuant to Section 255(1) of the Companies Act 2016 relieving the Corporation's Directors from full compliance to the requirements under Section 253(2) of the Companies Act 2016.

DIRECTORS' REPORT

AUDITORS

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

The auditors' remuneration are disclosed in Note 5 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 February 2023.

Datuk Abu Huraira bin Abu Yazid **Rajalingam A/L Subramaniam**

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, Datuk Abu Huraira bin Abu Yazid and Rajalingam A/L Subramaniam, being two of the directors of MISC Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 9 to 169 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 Corporation 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 23 February 2023.

Datuk Abu Huraira bin Abu Yazid

Rajalingam A/L Subramaniam

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Raja Azlan Shah bin Raja Azwa, being the officer primarily responsible for the financial management of MISC Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 9 to 169 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 Raja Azlan Shah bin Raja Azwa,
at Kuala Lumpur in Wilayah Persekutuan
on 23 February 2023.

Raja Azlan Shah bin Raja Azwa

Before me,

INCOME STATEMENTS

For the year ended 31 December 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Corporation 2022 RM'000	Corporation 2021 RM'000
Revenue	3	13,866,972	10,671,707	1,005,366	1,000,106
Cost of sales		(10,159,761)	(8,054,217)	(635,320)	(627,059)
Gross profit		3,707,211	2,617,490	370,046	373,047
Other operating income	4	441,732	369,415	1,879,692	1,632,254
Impairment provisions	5(a)	(566,722)	(111,910)	(644,586)	(57,961)
Gain on disposal of ships		15,355	31,570	–	–
(Loss)/gain from deconsolidation of a subsidiary	8	–	(2,241)	–	25,025
Gain on disposal of interest in joint ventures	18	–	25,126	–	–
Finance income	9(a)	157,221	48,250	119,308	65,970
General and administrative expenses		(1,204,224)	(1,086,833)	(252,357)	(241,290)
Finance cost	9(b)	(651,235)	(417,343)	(29,443)	(26,156)
Share of (loss)/profit of joint ventures		(28,081)	297,432	–	–
Share of profit of associates		3,030	3,666	–	–
Profit before taxation	5	1,874,287	1,774,622	1,442,660	1,770,889
Taxation	10	(39,295)	(41,075)	(3,876)	(1,633)
Profit after taxation		1,834,992	1,733,547	1,438,784	1,769,256
Attributable to:					
Equity holders of the Corporation		1,822,907	1,831,264	1,438,784	1,769,256
Non-controlling interests		12,085	(97,717)	–	–
		1,834,992	1,733,547	1,438,784	1,769,256
Earnings per share attributable to equity holders of the Corporation (sen)					
Basic	11	40.8	41.0		
Diluted	11	40.8	41.0		

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

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Group		Corporation	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit after taxation	1,834,992	1,733,547	1,438,784	1,769,256
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Gain on currency translation	1,883,418	1,116,955	1,428,471	866,314
Cash flow hedges:				
Fair value gain				
Group	1,016,733	439,198	–	–
Joint ventures	113,408	14,169	–	–
Total other comprehensive income for the year	3,013,559	1,570,322	1,428,471	866,314
Total comprehensive income for the year	4,848,551	3,303,869	2,867,255	2,635,570
Total comprehensive income/(loss) attributable to:				
Equity holders of the Corporation	4,766,660	3,379,867	2,867,255	2,635,570
Non-controlling interests	81,891	(75,998)	–	–
	4,848,551	3,303,869	2,867,255	2,635,570

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	
		2022 RM'000	2021 RM'000
Non-current assets			
Ships	13	22,482,111	21,496,331
Offshore floating assets	13	19,133	25,457
Other property, plant and equipment	13	1,803,753	1,889,932
Prepaid lease payments on land and buildings	14	198,588	205,525
Intangible assets	15	1,001,577	1,060,915
Investments in associates	17	305,976	21,042
Investments in joint ventures	18	1,029,587	1,047,478
Other non-current assets	19(a)	7,316,229	3,289,195
Finance lease receivables	19(d)	14,752,796	15,439,517
Deferred tax assets	28	98,801	101,917
Derivative assets	19(b)	910,783	103,039
		49,919,334	44,680,348
Current assets			
Inventories	20	97,879	120,126
Trade and other receivables	21	5,380,551	4,754,344
Cash, deposits and bank balances	23	7,134,027	7,952,347
		12,612,457	12,826,817
Non-current assets classified as held for sale	24	132,450	14,312
		12,744,907	12,841,129
Current liabilities			
Trade and other payables	25	5,147,680	4,041,764
Derivative liabilities	19(b)	6,422	56,932
Interest-bearing loans and borrowings	19(c)	3,605,459	8,309,336
Provision for taxation		7,620	19,867
		8,767,181	12,427,899
Net current assets		3,977,726	413,230
		53,897,060	45,093,578

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 2022 RM'000	Group 2021 RM'000
Equity			
Equity attributable to equity holders of the Corporation			
Share capital	26	8,923,262	8,923,262
Treasury shares	26	(271)	(271)
Other reserves	27	9,555,885	6,653,643
Retained profits		18,979,810	18,586,077
		37,458,686	34,162,711
Non-controlling interests		845,399	762,221
		38,304,085	34,924,932
Non-current liabilities			
Interest-bearing loans and borrowings	19(c)	14,256,059	8,719,680
Deferred tax liabilities	28	1,806	6,833
Derivative liabilities	19(b)	–	161,186
Deferred income	29	1,063,643	1,104,973
Other non-current liabilities	25(c)	271,467	175,974
		15,592,975	10,168,646
		53,897,060	45,093,578

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	Corporation 2022 RM'000	Corporation 2021 RM'000
Non-current assets			
Ships	13	3,603,187	3,843,309
Other property and equipment	13	195,191	141,444
Prepaid lease payments on land and buildings	14	3,643	3,543
Investments in subsidiaries	16	19,800,469	16,982,277
Investments in associates	17	1,422	1,345
Investments in joint ventures	18	210,423	198,936
Other non-current assets	19(a)	368,061	687,661
Finance lease receivables	19(d)	–	870,035
		24,182,396	22,728,550
Current assets			
Inventories	20	2,016	2,153
Trade and other receivables	21	1,930,118	978,606
Cash, deposits and bank balances	23	2,515,691	2,831,994
		4,447,825	3,812,753
Current liabilities			
Trade and other payables	25	648,293	776,079
Interest-bearing loans and borrowings	19(c)	1,455,662	79,220
Provision for taxation		112	–
		2,104,067	855,299
Net current assets		2,343,758	2,957,454
		26,526,154	25,686,004
Equity			
Equity attributable to equity holders of the Corporation			
Share capital	26	8,923,262	8,923,262
Treasury shares	26	(271)	(271)
Other reserves		5,695,580	4,267,109
Retained profits		11,867,040	11,901,291
		26,485,611	25,091,391
Non-current liabilities			
Interest-bearing loans and borrowings	19(c)	29,285	583,969
Other non-current liabilities	25(c)	11,258	10,644
		40,543	594,613
		26,526,154	25,686,004

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2022

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2022

			Attributable to equity holders of the Corporation												
				Non-Distributable		Distributable	Non-Distributable								
Group	Note	Total equity RM'000	Equity attributable to equity holders of the Corporation RM'000	Share capital* RM'000	Treasury shares RM'000	Retained profits RM'000	Other reserves, total RM'000	Other capital reserve RM'000	Capital reserve RM'000	Revaluation reserve RM'000	Put option reserve RM'000	Statutory reserve RM'000	Hedging reserve RM'000	Currency translation reserve RM'000	Non-controlling interests RM'000
2022															
At 1 January 2022		34,924,932	34,162,711	8,923,262	(271)	18,586,077	6,653,643	99,299	435,199	1,357	(10,572)	2,953	(136,359)	6,261,766	762,221
Total comprehensive income		4,848,551	4,766,660	–	–	1,822,907	2,943,753	–	–	–	–	–	1,076,426	1,867,327	81,891
Transactions with equity holders															
Liquidation of a subsidiary		2,638	2,638	–	–	43,861	(41,223)	(39,281)	–	(1,357)	–	(2,353)	–	1,768	–
Disposal of interest in joint ventures		(233)	(288)	–	–	–	(288)	–	–	–	–	(600)	–	312	55
Dividends	12	(1,473,035)	(1,473,035)	–	–	(1,473,035)	–	–	–	–	–	–	–	–	–
Dilution of interest in subsidiaries		1,232	–	–	–	–	–	–	–	–	–	–	–	–	1,232
Total transactions with equity holders		(1,469,398)	(1,470,685)	–	–	(1,429,174)	(41,511)	(39,281)	–	(1,357)	–	(2,953)	–	2,080	1,287
At 31 December 2022		38,304,085	37,458,686	8,923,262	(271)	18,979,810	9,555,885	60,018	435,199	–	(10,572)	–	940,067	8,131,173	845,399
2021															
At 1 January 2021		33,151,119	32,272,844	8,923,262	(271)	18,227,848	5,122,005	99,299	435,199	1,357	–	3,161	(577,475)	5,160,464	878,275
Total comprehensive income		3,303,869	3,379,867	–	–	1,831,264	1,548,603	–	–	–	–	–	441,116	1,107,487	(75,998)
Transactions with equity holders															
Liquidation of a joint venture		(557)	(557)	–	–	–	(557)	–	–	–	–	(208)	–	(349)	–
Disposal of interest in joint ventures		(5,836)	(5,836)	–	–	–	(5,836)	–	–	–	–	–	–	(5,836)	–
Dividends	12	(1,473,035)	(1,473,035)	–	–	(1,473,035)	–	–	–	–	–	–	–	–	–
Dividends paid to non-controlling interest		(24,500)	–	–	–	–	–	–	–	–	–	–	–	–	(24,500)
Deconsolidation of a subsidiary		(36,807)	–	–	–	–	–	–	–	–	–	–	–	–	(36,807)
Dilution of interest in subsidiaries		10,679	(10,572)	–	–	–	(10,572)	–	–	–	(10,572)	–	–	–	21,251
Total transactions with equity holders		(1,530,056)	(1,490,000)	–	–	(1,473,035)	(16,965)	–	–	–	(10,572)	(208)	–	(6,185)	(40,056)
At 31 December 2021		34,924,932	34,162,711	8,923,262	(271)	18,586,077	6,653,643	99,299	435,199	1,357	(10,572)	2,953	(136,359)	6,261,766	762,221

* Included in share capital is one special preference share of RM1.

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2022

Corporation	Note	Total equity RM'000	⊢ Non-Distributable Share capital* RM'000	Non-Distributable ⊣ Treasury shares RM'000	Distributable Retained profits RM'000	⊢ Non-Distributable Other reserves, total RM'000	Non-Distributable ⊣ Currency translation reserve RM'000
2022							
At 1 January 2022		25,091,391	8,923,262	(271)	11,901,291	4,267,109	4,267,109
Total comprehensive income		2,867,255	–	–	1,438,784	1,428,471	1,428,471
Transactions with equity holders							
Dividends	12	(1,473,035)	–	–	(1,473,035)	–	–
At 31 December 2022		26,485,611	8,923,262	(271)	11,867,040	5,695,580	5,695,580
2021							
At 1 January 2021		23,928,856	8,923,262	(271)	11,605,070	3,400,795	3,400,795
Total comprehensive income		2,635,570	–	–	1,769,256	866,314	866,314
Transactions with equity holders							
Dividends	12	(1,473,035)	–	–	(1,473,035)	–	–
At 31 December 2021		25,091,391	8,923,262	(271)	11,901,291	4,267,109	4,267,109

* Included in share capital is one special preference share of RM1.

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

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2022

	Group 2022 RM'000	Group 2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,874,287	1,774,622
Adjustments for:		
Writeback of impairment loss on:		
- Trade and other receivables	(25,831)	(1,195)
- Finance lease receivables	(9,858)	(2,929)
Impairment loss on:		
- Trade and other receivables	3,272	65,336
- Other non-current assets	116,468	4,369
Bad debts written off	–	203
Ships, offshore floating assets, other property, plant and equipment and right-of-use assets:		
- Depreciation	2,021,442	1,949,088
- Written off	9,697	8,295
- Impairment loss	348,185	111,910
Amortisation of prepaid lease payments	7,142	7,135
Amortisation of upfront fees for borrowings	81,557	27,010
Intangible assets:		
- Amortisation	38,801	22,603
- Impairment loss	147,132	–
Gain on disposal of ships	(15,355)	(31,570)
Changes in residual value	58,725	–
Net unrealised foreign exchange gain	(8,860)	(15,543)
Changes in fair value of hedging derivatives	(3,813)	1,300
Dividend income from equity investments	(2,486)	(1,926)
Loss from deconsolidation of a subsidiary	–	2,241
Gain on disposal of interest in joint ventures	–	(25,126)
Fair value movement in other investments	(446)	(10,399)
Finance income	(157,221)	(48,250)
Interest expense	569,678	390,333
Share of loss/(profit) of joint ventures	28,081	(297,432)
Share of profit of associates	(3,030)	(3,666)
Operating profit before working capital changes	5,077,567	3,926,409
Inventories	28,902	(25,512)
Trade and other receivables	(2,816,593)	(531,415)
Trade, other payables and other non-current liabilities	919,578	(330,616)
Deferred income	(110,640)	(86,299)
Cash generated from operations*	3,098,814	2,952,567
Net tax paid	(56,721)	(43,968)
Net cash generated from operating activities	3,042,093	2,908,599

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

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2022

	Note	Group 2022 RM'000	Group 2021 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash used in investing activities	30	(1,942,966)	(3,135,243)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash (used in)/generated from financing activities	31	(2,040,171)	1,498,992
Net (decrease)/increase in cash and cash equivalents		(941,044)	1,272,348
Cash and cash equivalents at beginning of financial year		6,994,301	5,545,089
Currency translation differences		352,826	176,864
Cash and cash equivalents at end of financial year		6,406,083	6,994,301
Cash and cash equivalents comprise:			
Cash, deposits and bank balances	23	7,134,027	7,952,347
Less: Cash pledged with bank (restricted)		(726,667)	(940,954)
Deposits with maturity more than 90 days		(1,277)	(17,092)
Cash and cash equivalents		6,406,083	6,994,301
Total cash outflows for leases			
- Lease liabilities		122,902	188,327
- Short term leases and leases of low value assets		428,909	237,268
		551,811	425,595

* The working capital changes in trade, other payables and other non-current liabilities include payments for costs relating to the turnkey activities for the conversion of a vessel to a Floating, Production, Storage and Offloading ("FPSO") facility amounting to RM2,679,874,000 in the current financial year and RM1,126,075,000 in the financial year ended 31 December 2021. These payments are disclosed as part of cash flows from operating activities as the turnkey activities contribute to the recognition of contract assets per MFRS 15: Revenue from Contract with Customers.

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

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2022

	Corporation 2022 RM'000	Corporation 2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,442,660	1,770,889
Adjustments for:		
Ships, other property and equipment and right-of-use assets:		
- Depreciation	386,023	372,373
- Written off	1,117	415
- Impairment loss	236,520	52,774
Amortisation of prepaid lease payments	105	99
Writeback of impairment loss on:		
- Trade and other receivables	(3,206)	(2,507)
- Finance lease receivables	(6,375)	(1,222)
Impairment loss on trade and other receivables	6,597	52,679
Impairment loss on other non-current assets	17,671	–
Impairment loss on investment in subsidiaries	408,066	5,187
Net unrealised foreign exchange gain	(11,915)	(15,009)
Dividend income from:		
- Subsidiaries	(1,649,092)	(1,322,063)
- Joint ventures and an associate	(121,055)	(219,239)
- Equity investments	(2,486)	(1,926)
Gain on disposal of interest in a subsidiary	–	(25,025)
Fair value movement in other investments	(446)	(10,399)
Finance income	(119,308)	(65,970)
Finance costs	29,443	26,156
Operating profit before working capital changes	614,319	617,212
Inventories	260	(2,139)
Trade and other receivables	(90,913)	120,613
Trade and other payables	(52,664)	(284,703)
Cash generated from operations	471,002	450,983
Net tax paid	(3,764)	(1,633)
Net cash generated from operating activities	467,238	449,350

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

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2022

	Note	Corporation 2022 RM'000	Corporation 2021 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash (used in)/generated from investing activities	30	(866,546)	2,787,979
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash used in financing activities	31	(79,014)	(2,092,566)
Net (decrease)/increase in cash and cash equivalents		(478,322)	1,144,763
Cash and cash equivalents at beginning of financial year		2,831,994	1,620,947
Currency translation differences		162,019	66,284
Cash and cash equivalents at end of financial year		2,515,691	2,831,994
Cash and cash equivalents comprise:			
Cash, deposits and bank balances	23	2,515,691	2,831,994
Total cash outflows for leases			
- Lease liabilities		14,462	13,928
- Short term leases and leases of low-value assets		7,297	8,072
		21,759	22,000

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

1. CORPORATE INFORMATION

The Corporation 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 Corporation is located at Level 25, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur.

The immediate and ultimate holding company of the Corporation is PETRONAS, a company incorporated and domiciled in Malaysia.

The principal activities of the Corporation consist of ship owning, ship operating and other activities related to shipping services and operating offshore floating terminals.

The principal activities of the subsidiaries, associates and joint arrangements are described in Notes 39, 40 and 41 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 on 23 February 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Corporation comply with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Corporation have been prepared on a historical cost basis unless otherwise indicated in the accounting policies below.

The functional currency of the Corporation is United States Dollar ("USD"). 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 Group's and the Corporation's financial statements are presented in Ringgit Malaysia ("RM").

2.2 Changes in accounting policies and effects arising from the adoption of new and revised MFRSs

During the financial year, the Group and the Corporation adopted the following pronouncements that have been issued by the Malaysian Accounting Standards Board ("MASB") and are applicable as listed below:

Effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020)
- Amendments to MFRS 9: Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)
- Amendments to MFRS 16: Leases (Annual Improvements to MFRS Standards 2018-2020)
- Amendments to MFRS 3: Business Combinations (Reference to the Conceptual Framework)

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies and effects arising from the adoption of new and revised MFRSs (cont'd.)

Effective for annual periods beginning on or after 1 January 2022 (cont'd.)

- 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)
- Amendments to MFRS 141: Agriculture (Annual Improvements to MFRS Standards 2018-2020)

The adoption of the above pronouncements did not have any significant financial impact to the Group and the Corporation.

2.3 Summary of significant accounting policies

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

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities including structured entities controlled by the Corporation. The Corporation 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 Corporation considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

In the Corporation's separate financial statements, investments in subsidiaries are measured at cost less impairment losses, unless the investment is classified as held for sale or distribution. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Corporation and its subsidiaries as at the reporting date. The financial statements of the subsidiaries are prepared for the same reporting date as the Corporation. Subsidiaries are consolidated from the date of acquisition, being the date which the Corporation obtains control and continue to be consolidated until the date that such control ceases.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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

All intercompany transactions are eliminated on consolidation and hence, revenue and profits relate to external transactions only. Unrealised losses resulting from intercompany transactions are also eliminated, except for instances where cost cannot be recovered.

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 Corporation. 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 and the amount of any non-controlling interests in the acquiree. 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 Corporation 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 the income statement. Increase in the Group's and the Corporation's ownership interest in an existing subsidiary is accounted for as equity transactions, with differences between the fair value of consideration paid and the Group's and the Corporation's proportionate share of net assets acquired, recognised directly in equity.

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

Non-controlling interests

Non-controlling interests at the end of the reporting period, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Corporation, 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 shareholders of the Corporation.

Non-controlling interests in the results of the Group are presented in the consolidated income statement and comprehensive income as an allocation of the income statement and other comprehensive income for the year between the non-controlling interests and shareholders of the Corporation.

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.

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 share of net assets before and after the change, and any consideration received or paid, is recognised directly in equity as transactions with shareholders.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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

Loss of Control

Upon the loss of control of a subsidiary, the Group and the Corporation 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 the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in the income statement. If the Group and the Corporation 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 as an equity-accounted investee or as a fair value through other comprehensive income ("FVOCI") financial assets depending on the level of influence retained.

(b) Associates

Associates are entities in which the Group and the Corporation have significant influence including representation on the Board of Directors, but not control or joint control, over the financial and operating policies of the investee company.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. Under the equity method, the investment in associate 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 associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated income statements. Where there has been a change recognised directly in the equity of the associate, the Group recognises its shares of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After the 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 associate. The associate is equity accounted for from the date the Group and the Corporation obtain significant influence until the date the Group and the Corporation cease to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the associate's net fair value of identifiable assets, liabilities and contingent liabilities over the cost of the investment 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 associate's profit or loss in the period in which the investment is acquired.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(b) Associates (cont'd.)

The most recent available audited financial statements of the associates are 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 financial year. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

When the Group and the Corporation cease to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in the income statement. Any retained interest in the former associate at the date when significant influence is lost is remeasured at fair value, and this amount is regarded as the initial carrying amount of a financial asset.

When the Group's and the Corporation's interest in an associate decrease but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in the income statement. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the income statement.

In the Corporation's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

(c) Joint arrangements

Joint arrangements are arrangements in which the Group and the Corporation 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 operations or joint ventures. A joint arrangement is classified as a joint operation when the Group or the Corporation has rights to the assets and obligations for the liabilities relating to an arrangement. A joint arrangement is classified as a joint venture when the Group or the Corporation has rights only to the net assets of the arrangement.

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 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 the net profit or loss of the joint venture is recognised in the income statement. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of such changes.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(c) Joint arrangements (cont'd.)

(i) Joint ventures

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 the income statement. The joint venture is equity accounted for from the date the Group and the Corporation obtain joint control until the date the Group and the Corporation cease to have joint control over the joint venture.

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 investment 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 acquired.

When the Group's share of losses in a 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 ventures are 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.

In the Corporation's separate financial statements, investments in joint ventures are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(c) Joint arrangements (cont'd.)

(ii) Joint operations (cont'd.)

The Group as a joint operator recognises 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;
(iv) its share of the revenue from the sale of the output by the joint operation; and
(v) its expenses, including its share of any expenses incurred jointly.

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

(d) Intangible assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is instead reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Gains or losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

(ii) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised on a straight-line basis over their estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortised but tested for impairment, annually or more frequently, if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating-unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(e) Ships, offshore floating assets, other property, plant and equipment and depreciation

All ships, offshore floating assets and other 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 Corporation and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Freehold land has an unlimited useful life and therefore is not depreciated. Ships and offshore floating assets under construction and projects in progress are also not depreciated as these assets are not available for use.

Depreciation of ships and offshore floating assets commences from the date of delivery of such assets. Depreciation of ships and offshore floating assets in operation and other property, plant and equipment is provided for on a straight-line basis to depreciate the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Ships	3.3% - 5.0%
Offshore floating asset	8.3%
Buildings	2.0% - 7.0%
Drydocks and waste plant	2.0% - 10.0%
Motor vehicles	10.0% - 33.3%
Furniture, fittings and equipment	10.0% - 33.3%
Computer software and hardware	15.0% - 33.3%
Plant and machineries	6.7% - 20.0%

Drydocking expenditure is capitalised and depreciated over a period of 30 months or the period until the next drydocking date, whichever is shorter.

The right-of-use asset is depreciated using the straight-line method from the lease 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.

The residual values, useful lives and depreciation method are reviewed at each financial period 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 ships, offshore floating assets, and other property, plant and equipment.

Ships, offshore floating assets, and other property, plant and equipment are derecognised upon disposal, or when no future economic benefits are expected from their use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(f) Impairment of non-financial assets

The carrying amounts of non-financial assets, other than deferred tax assets, inventories 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, if any.

For goodwill, the recoverable amount is estimated at each reporting date, or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is usually determined on an individual asset basis. If an 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. Goodwill acquired in a business combination is allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units from the acquisition date.

An asset's recoverable amount is the higher of the asset or CGU's fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are firstly allocated to reduce the carrying amount of any associated goodwill to those units or groups of units. Any excess losses thereof, will result in a reduction to the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the income statement in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset, other than goodwill, 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, other than goodwill, is increased to its revised recoverable amount, provided that this amount does not exceed the asset's carrying amount had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset, other than goodwill, is recognised in the income statement.

(g) Inventories

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(h) Financial assets

Initial recognition and measurement

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

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

With the exception of trade receivables that do not contain a significant financing component, the Group and the Corporation initially measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component is initially measured at the transaction price.

The Group and the Corporation determine the classification of financial assets at initial recognition and are not reclassified subsequent to their initial recognition unless the Group and the Corporation change their 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.

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 its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Fair value through other comprehensive income

This category comprises debt instruments 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 (equity instruments), and the Group and the Corporation did not irrevocably elect to present subsequent changes in the investment's FVOCI. This election is made on an investment-by-investment basis.

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 as per Note 2.3(j) and Note 2.3(n)). On initial recognition, the Group and the Corporation may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(h) Financial assets (cont'd.)

Subsequent measurement

Amortised cost

Subsequent to initial recognition, financial assets at amortised costs are measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in income statement when the asset is derecognised, modified or impaired. Interest income and foreign exchange gains or losses are recognised in income statement.

The Group's and the Corporation's financial assets at amortised cost include cash and bank balances, trade and other receivables, finance lease receivables and other non-current assets.

Fair value through other comprehensive income

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 income statement. For equity instruments, the gains or losses accumulated in other comprehensive income are never reclassified to income statement.

The Group's financial assets at FVOCI include derivative assets.

Fair value through profit or loss

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

The Group's and the Corporation's financial assets at FVTPL include quoted and unquoted equity investments.

All financial assets, except for those measured at FVTPL and equity investments measured at FVOCI, are subject to impairment as disclosed in Note 2.3(m).

Derecognition

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 Corporation 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 Corporation have transferred substantially all the risks and rewards of the asset; or

  (b) the Group and the Corporation have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(h) Financial assets (cont'd.)

Derecognition (cont'd.)

When the Group and the Corporation 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 Corporation continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Corporation 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 Corporation 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 Corporation could be required to repay.

(i) Financial liabilities

Initial recognition and measurement

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.

Subsequent measurement

Fair value through profit or loss

Financial liabilities categorised as FVTPL are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the income statement

The Group's financial liabilities at FVTPL include derivative liabilities and other non-current 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 statement 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 Corporation's financial liabilities at amortised cost include trade and other payables and interest-bearing loans and borrowings.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(i) Financial liabilities (cont'd.)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

(j) 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.

(k) Effective interest rate method

Amortised cost was computed using the EIR method. This method used 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.

(l) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(m) Impairment of financial assets

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

The Group and the Corporation measure loss allowances on debt securities at an amount equal to lifetime ECL, 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 (amount due from customers on contracts) 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 Corporation 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 and the Corporation's historical experience, informed credit assessment and forward-looking information.

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

The Group and the Corporation consider a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group and the Corporation in full, without recourse by the Group and the Corporation to take 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 Corporation'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.

Information about the exposure to credit risk and ECLs for financial assets as at 31 December 2022 is disclosed in Note 19(a), Note 19(d), Note 21 and Note 37(d).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(n) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as interest rate swaps and currency hedge to hedge its interest rate risk and foreign currency risk. 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.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the income statement;
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or a liability or a highly probable forecast transaction and could affect the income statement; or
- hedges of a net investment in a foreign operation.

Cash flow hedges

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 income statement. 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.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into income statement in the same period or periods during which the hedged forecast cash flows affect the income statement. If the hedge 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 income statement.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(n) Derivative financial instruments and hedge accounting (cont'd.)

Interest rate benchmark reform

The Group and the Corporation have applied the practical expedients provided in the amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosures, MFRS 4 Insurance Contracts and MFRS 16 Leases (Interest Rate Benchmark Reform – Phase 2) for benchmark rate that had been replaced with an alternative benchmark rate.

(o) Leases

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 Corporation assess whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed 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 Corporation allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Group and Corporation as a lessee

Initial recognition and measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(o) Leases (cont'd.)

Group and Corporation as a lessee (cont'd.)

Initial recognition and measurement (cont'd.)

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

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

The Group and the Corporation exclude variable lease payments that 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 Corporation assess at lease commencement whether it is reasonably certain to exercise the extension options in determining the lease term.

The Group and the Corporation 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 Corporation recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group and the Corporation present right-of-use assets that do not meet the definition of investment property in ships, offshore floating assets, other property, plant and equipment as disclosed in Note 13 and lease liabilities in interest-bearing loans and borrowings as disclosed in Note 19(c).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(o) Leases (cont'd.)

Group and Corporation as a lessee (cont'd.)

Subsequent measurement

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. The estimated useful lives of right-of-use assets are determined on the same basis as those of ships, offshore floating assets and other property, plant and equipment. 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 and the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Group and the Corporation change their assessment of whether they will exercise a purchase, extension or termination option. The Group and the Corporation will reassess whether it is reasonably certain to exercise the extension option if there is a significant change in circumstances within their 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 lease modification due to increase in the scope of lease by adding the right-to-use one or more underlying assets, the Group and the Corporation assess whether the lease modification shall be accounted for as a separate lease or similar to reassessment of lease liability. The Group and the Corporation 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 lease modification due to decrease in scope, the Group and the Corporation 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 income statement. Lease liabilities are remeasured for all other lease modifications with corresponding adjustments to the right-of-use asset.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(o) Leases (cont'd.)

Group and Corporation as a lessor

Initial recognition and measurement

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

When the Group or the Corporation 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 or the Corporation apply the exemption described above, then it classifies the sub-lease as an operating lease.

Subsequent measurement

The Group and the Corporation recognise lease payments received under operating leases as income on a straight-line basis over the lease term. This implies the recognition of deferred income when the contractual day rates are not constant during the term of the lease contract.

In the case of a finance lease, the Group and the Corporation recognise finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's and the Corporation's net investment in the lease. The Group and the Corporation aim to allocate finance income over the lease term on a systematic and rational basis. The Group and the Corporation apply 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 as per Note 2.3(m).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(o) Leases (cont'd.)

Prepaid lease payments

Leasehold land which in substance is an operating lease are classified as prepaid lease payments. The payment made on entering into a lease arrangement or acquiring a leasehold land is accounted for as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

Leasehold land is classified into long term lease and short term lease. Long term lease is defined as a lease with an unexpired lease period of fifty years or more. Short term lease is defined as a lease with an unexpired lease period of less than fifty years.

(p) 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.

(q) Taxation

Income tax on the income statement for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(q) Taxation (cont'd.)

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 loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, 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.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that is probable that taxable profit will be available and can be utilised, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition 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 loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable profit 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 profit 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 the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax items are recognised in relation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(r) Provisions

Provisions are recognised when all of the following conditions have been satisfied:

- the Group and the Corporation have a present obligation (legal or constructive) as a result of a past event;
- 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. When discounting is used, the accretion in the provision due to the passage of time is recognised as a 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 Corporation, are not recognised in the financial statements but are disclosed as contingent liabilities, unless the possibility of an outflow of economic resources is considered remote.

Provision for warranty is made based on service histories to cover the estimated liability that may arise during the warranty period. Any surplus provision will be written back at the end of the warranty period, while additional provision is made as and when necessary.

(s) 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 Corporation 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 period and preceding financial years. Such contributions are recognised as an expense in the income statement as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory and/or voluntary pension schemes.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(s) Employee benefits (cont'd.)

(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 Corporation 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.

(t) 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 functional currency of the Corporation is United States Dollar ("USD"). The Group's and the Corporation's financial statements are presented in Ringgit Malaysia ("RM").

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

(ii) Foreign currency transactions

Exchange differences arising on the settlement of monetary items, or on translating monetary items at the reporting date are included in the income statement, except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to income statement of the Group on disposal of the foreign operation.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in the income statement for the year. Exchange differences arising on monetary items that form part of the Corporation's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in the income statement of the Corporation's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statement 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(t) Foreign currencies (cont'd.)

(iii) Foreign operations

The results and financial position of operations that have a functional currency different from the presentation currency ("RM") ("Foreign Operation") are translated into RM as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the reporting date;
- Income and expenses for each income statement are translated at the exchange rate at the date of the transactions or an average rate that approximates those rates; and
- All resulting exchange differences are taken to the currency translation reserve within other comprehensive income.

(u) Revenue and other income recognition

(i) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer and exclude amounts collected on behalf of third parties. The Group and the Corporation recognise 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.

An entity 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:

(a) The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

(b) The entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

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

(a) Construction contract, marine repair and vessel conversion

The Group recognises revenue from construction contract and marine repair with customers mainly from its Marine & Heavy Engineering segment.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(u) Revenue and other income recognition (cont'd.)

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

(a) Construction contract, marine repair and vessel conversion (cont'd.)

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

The Group also enters into time charter contracts with customers for offshore floating assets, where the Group has determined that the arrangements are finance leases. In order to fulfill the contracts, the Group is required to undertake the design, construction (or conversion), assembly, transport and installation (collectively, the "vessel conversion") of an existing vessel into offshore floating asset to be delivered to the customer. The Group has determined that it is a dealer lessor in these arrangements. Under a dealer lessor arrangement, the fair value of leased asset is recorded as a turnkey 'sale' during the construction (or conversion) phase. The accounting treatment results in the acceleration of recognition of construction (or conversion) profits into the construction phase of the asset, while the asset starts to generate cash only after the construction and commissioning activities have been completed, as that is when the Group is entitled to the lease payments.

Accordingly, the Group recognises revenue on the vessel conversions which is regarded as a separate performance obligation, being the present value of the lease payments accruing to the Group, discounted using a market rate of interest.

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

Transaction price 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.

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 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.

Revenue from construction contract (including turnkey contract) is recognised progressively based on percentage of completion method determined based on either input or output method. Output method is measured by reference to the proportion of physical completion based on technical milestones defined under the contracts and taking into account the nature of activities and its associated risks. Input method is measured based on the ratio of costs incurred to date to total estimated costs.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(u) Revenue and other income recognition (cont'd.)

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

(a) Construction contract, marine repair and vessel conversion (cont'd.)

In determining the appropriate method for measuring progress, the Group shall consider the method that best depicts the Group's performance in transferring control of goods or services promised to a customer.

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 of amounts 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 from the customer. The contract liabilities of the Group comprise of amounts due to customers on contracts.

(b) Voyage and lightering income

The Group's contracts for voyage charters consist of a single performance obligation to provide the charterer with an integrated transportation service within a specified time period. The consideration in the contract (or "freight") is determined either on a variable rate related to the cargo (e.g. cargo weight) or on a lump-sum basis. In addition, a voyage charter agreement usually includes a "laytime and demurrage" clause. If the laytime is exceeded, the charterer is responsible to pay the carrier specified damages, which may include liquidated damages called demurrage.

Voyage and lightering income is recognised on percentage of completion basis, calculated on a voyage loading-to-discharge basis. The revenue is recognised evenly over the period from a ship's departure from its cargo loading point to its next discharge point, at time when the revenue is determinable for the specified load and discharge point and collectability is reasonably assured.

(c) Other shipping related income and non-shipping income

Income from services rendered is recognised net of service taxes and discounts as and when the services are performed.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(u) Revenue and other income recognition (cont'd.)

(ii) Charter income

Time charter and bareboat charter hire income as well as that of other services rendered are accounted for as a lease income on a straight-line basis over the firm period of the contract, as service is performed.

Non-lease component of the time charter income is not separately disclosed as the pattern of revenue recognition for lease and non-lease components are the same and the lease and non-lease components are treated as a combined unit of account, classified as an operating lease.

Revenue and voyage expenses of ships operating in pool arrangements are pooled and the resulting net pool revenues, calculated on a time charter equivalent basis, are allocated to the pool participants according to the number of days a ship operates in the pool with weighting adjustments made to reflect differing capacity and performance capabilities. The net pool revenues generated are recorded as charter hire income on an accrual basis.

(iii) Finance income on lease receivables

Finance income on lease receivables is recognised according to the effective interest rate method so as to provide constant periodic rate of return on the net investment.

(iv) Interest income

Interest income is recognised on an accrual basis using the EIR method.

(v) Dividend income

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

(v) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(w) Repairs and maintenance

Repairs and maintenance costs are recognised in the income statement in the period they are incurred.

(x) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, being within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's and the Corporation's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(y) Equity instruments

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

Ordinary shares

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

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in income statement on the sale, reissuance or cancellation of treasury shares. Consideration paid or received is recognised directly in equity.

Preference shares

Preference shares are classified as equity when they are redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distribution within equity.

Preference shares are classified financial liabilities if they are redeemable on a specific date or at the option of the equity holders, or if dividend payment is not discretionary. Dividend thereon are recognised as interest expense in profit or loss as accrued. Further details of preference shares are disclosed in Note 26.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(z) 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 at the end of 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; and
- discounted cash flow analysis or other valuation models.

(ii) Non-financial assets

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

When measuring the fair value of an asset or a liability, the Group and the Corporation 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Pronouncements not yet in effect

The following pronouncements that have been issued by the MASB will become effective in future financial reporting periods and have not been adopted by the Group and the Corporation:

Effective for annual periods beginning on or after 1 January 2023

- MFRS 17: Insurance Contracts
- Amendments to MFRS 17: Insurance Contracts
- Amendments to MFRS 17: Insurance Contracts (Initial Application of MFRS 17 and MFRS 9 - Comparative Information)
- 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 (Classification of Liabilities as Current or Non-current)
- 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 Corporation are expected to apply the abovementioned pronouncements beginning from the respective dates the pronouncements become effective. The initial application of the abovementioned pronouncements is not expected to have any material impact to the financial statements of the Group and of the Corporation.

2.5 Significant accounting estimates and judgements

(a) Critical judgements made in applying accounting policies

(i) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statements of financial position cannot be derived from active markets, they are determined using valuation techniques, including the discounted cash flow method. Where possible, the inputs to these valuation models are taken from observable markets. However, when this is considered unfeasible, a degree of judgement is made in establishing fair values. The judgements made include having considered a host of factors including liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Further disclosure of fair value of financial instruments is provided in Note 36.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting estimates and judgements (cont'd.)

(a) Critical judgements made in applying accounting policies (cont'd.)

(ii) Lease classification as lessor

When the Group and the Corporation enter into a new lease arrangement, the terms and conditions of the contract are analysed in order to assess whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. To identify whether risks and rewards are transferred, the Group and the Corporation systematically consider, among others, all the examples and indicators listed in MFRS 16: Leases on a contract-by-contract basis. By performing such analysis, the Group and the Corporation make significant judgement to determine whether the arrangement results in a finance lease or an operating lease. This judgement can have a significant effect on the amounts recognised in the financial statements and its recognition of profits in the future. The most important judgement areas assessed by the Group and the Corporation are:

(i) determination of the asset's fair value;

(ii) determination of the economic life of the asset;

(iii) the probability of the lessee exercising the purchase option (if relevant) at a price that is significantly lower than the fair value at the inception date; and

(iv) determination of whether the asset is of such a specialised nature that only the lessee can use it without major modifications.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have 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 revenue and expenses from construction contracts in the income statement by using the stage of completion method. The stage of completion is measured by reference to the completion of physical proportion of the contract work (output method) or cost incurred for work performed up to the reporting period relative to the total expected cost to the satisfaction of those order (input method).

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the construction costs. In making this judgement, the Group evaluates based on past experience and by relying on the work of internal specialists as well as Group's best estimate of the probable future benefits and obligations associated with the contract.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting estimates and judgements (cont'd.)

(b) Key sources of estimation uncertainty (cont'd.)

(ii) Impairment of goodwill

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value-in-use of the CGU to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the impairment losses recognised, carrying amount, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are provided in Note 15.

(iii) Provisions

Provisions are recognised in accordance with the accounting policy in Note 2.3(r). To determine whether it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made, the Group and the Corporation take into consideration factors such as existence of legal/contractual agreements, past historical experience, external advisors' assessments and other available information.

Further details of provisions balances recognised is disclosed in Note 25(c).

(iv) Impairment of ships, offshore floating assets, other property, plant and equipment and right-of-use assets

The Group and the Corporation have performed a review of the recoverable amount of their ships, offshore floating assets, other property, plant and equipment and right-of-use assets during the financial year. The review led to the recognition of impairment losses as disclosed in Note 5(a).

The Group and the Corporation carried out the impairment test based on a variety of estimations, including the value-in-use of the CGU to which ships, offshore floating assets, other property, plant and equipment and right-of-use are allocated. Estimating the value-in-use requires the Group and the Corporation to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate to calculate the present value of those cash flows.

Further details of the impairment losses recognised are disclosed in Note 13(b).

(v) Impairment of other intangible assets

The other intangible assets are assessed for impairment whenever there is indication that the intangible assets may be impaired. The Group carried out the impairment test based on the value-in-use of the CGU to which intangible assets are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate to calculate the present value of those cash flows. The details of the impairment losses recognised are disclosed in Note 15.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting estimates and judgements (cont'd.)

(b) Key sources of estimation uncertainty (cont'd.)

(vi) Impairment of trade and other receivables

The Group and the Corporation assess at each reporting date whether there is any objective evidence that their trade and other receivables is impaired. To determine whether there is objective evidence of impairment, factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are considered.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

The Group and the Corporation have performed a review of the recoverable amount of their receivable during the financial year. The review led to the recognition of impairment losses as disclosed in Note 21.

(vii) 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 28.

(viii) Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, the Group and the Corporation use the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group and the Corporation 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 Corporation estimate the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

(c) Changes in estimates

During the financial year, the Group and Corporation have revised their accounting estimate on the residual value of ships and offshore floating assets. The revision of the estimates were driven by changes in vessels' scrapping price resulting from changes in steel prices, after factoring in transportation costs, where applicable. The revision is part of the Group's and Corporation's annual review of the estimate and is effective and accounted for prospectively from 1 September 2022. The revision of the estimates also resulted in a write down of finance lease receivables amounting to RM58,725,000 recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

3. REVENUE

	Group		Corporation	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue from contracts with customers				
Voyage, lightering and other shipping related income	2,452,442	1,479,784	–	–
Construction contract, marine repair and vessel conversion (Note 22)	5,329,763	3,748,218	–	–
Non-shipping income	203,489	221,137	6	2,579
	7,985,694	5,449,139	6	2,579
Revenue from charter				
Charter income	4,756,724	4,086,163	999,191	924,672
Finance income on lease receivables	1,124,554	1,136,405	6,169	72,855
	5,881,278	5,222,568	1,005,360	997,527
Total revenue	13,866,972	10,671,707	1,005,366	1,000,106

Non-shipping income mainly represents revenue generated from the operation and maintenance of offshore floating assets, management of operation of ports, marine terminals and marine vessels, provision of marine support services and consulting services for marine matters.

Timing of recognition for revenue from contracts with customers

The following table provides the disaggregation of revenue from contracts with customers based on timing of recognition:

	Group		Corporation	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Goods and services transferred at a point in time	397,513	372,544	6	2,579
Services transferred over time	7,588,181	5,076,595	–	–
Total	7,985,694	5,449,139	6	2,579

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

3. REVENUE (CONT'D.)

Contract balances

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

	Group		
	31 December		1 January
	2022 RM'000	2021 RM'000	2021 RM'000
Receivables	472,327	489,142	416,563
Contract assets (Note 22)	7,160,712	3,245,116	491,259
Contract liabilities (Note 22)	(15,152)	(119,192)	(15,395)

The above contract assets are amount due from customers on contracts and 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 and are transferred to receivables when rights become unconditional.

The above contract liabilities are amount due to customers on contracts and 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.

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 (or partially satisfied) at the reporting date. The disclosure is only providing information for contracts that have a duration of more than one year.

	Under 1 year RM'000	1-5 years RM'000	Total RM'000
Group			
Construction contract, marine repair and vessel conversion	4,248,141	4,368,879	8,617,020

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

4. OTHER OPERATING INCOME

	Group 2022 RM'000	Group 2021 RM'000	Corporation 2022 RM'000	Corporation 2021 RM'000
Rental income	36	74	–	–
Exchange gain:				
Realised	22,045	499	582	898
Unrealised	18,128	21,498	16,409	22,767
Management services:				
Subsidiaries	–	–	2,564	1,884
Joint ventures and an associate	10,633	3,951	10,633	3,951
Dividend income from equity investment:				
Subsidiaries	–	–	1,649,092	1,322,063
Joint ventures and an associate	–	–	121,055	219,239
Quoted equity investments	1,818	1,289	1,818	1,289
Unquoted equity investments	668	637	668	637
Writeback of impairment loss on:				
- Trade and other receivables (Note 21)	25,831	1,195	3,206	2,507
- Finance lease receivables (Note 19(d))	9,858	2,929	6,375	1,222
Fair value gain in other investments	446	10,399	446	10,399
Contract compensation	220,062	184,686	–	–
Changes in fair value of hedging derivatives	3,813	–	–	–
Miscellaneous income from:				
Subsidiaries	–	–	14,536	11,770
Fellow subsidiaries	9,600	24,693	8,404	21,189
Third parties	118,794	117,565	43,904	12,439
	441,732	369,415	1,879,692	1,632,254

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

5. PROFIT BEFORE TAXATION

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

	Group 2022 RM'000	Group 2021 RM'000	Corporation 2022 RM'000	Corporation 2021 RM'000
Amortisation of intangible assets (Note 15)	38,801	22,603	–	–
Amortisation of prepaid lease payments on land and buildings (Note 14)	7,142	7,135	105	99
Amortisation of upfront fees for borrowings (Note 19(c))	81,557	27,010	–	–
Auditors' remuneration:				
Auditors of the Corporation:				
- Statutory audits	5,794	5,155	883	849
- Other audit services *	975	–	975	–
- Other services	1,410	1,213	855	484
Inventories used (Note 20)	975,602	670,195	53,396	39,616
Exchange loss:				
- Realised	3,253	14,795	9,471	11,023
- Unrealised	9,268	5,955	4,494	7,758
Impairment loss for: (Note 21)				
- Trade and other receivables	3,272	65,336	6,597	52,679
- Other non-current assets	45,063	4,369	17,671	–
Bad debts written off	–	203	–	–
Operating lease rental:**				
- Ships	355,564	191,058	–	–
- Equipment	50,333	25,471	2,375	3,615
- Land and buildings	23,012	20,739	4,922	4,457
Ships, offshore floating assets, other property, plant and equipment and right-of-use assets: (Note 13)				
- Depreciation	2,021,442	1,949,088	386,023	372,373
- Written off	9,697	8,295	1,117	415
Impairment provisions (Note 5(a))	566,722	111,910	644,586	57,961
Changes in residual value (Note 19(d))	58,725	–	–	–
Staff costs (Note 6)	1,847,961	1,668,512	365,845	323,883
Non-executive directors' remuneration (Note 7)	2,518	2,205	1,992	1,664
Changes in fair value of hedging derivatives	–	1,300	–	–

* The other audit services was incurred in relation to the issuance of Global Medium Term Note ("GMTN") as described in Note 19(c).

** The Group leases ships, equipment, land and buildings. 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
31 December 2022

5. PROFIT BEFORE TAXATION (CONT'D.)

(a) Impairment provisions

	Group		Corporation	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Ships and other property, plant and equipment (Note 13)	348,185	102,968	236,520	52,774
Right-of-use assets (Note 13)	–	8,942	–	–
Other intangible assets (Note 15)	147,132	–	–	–
Drydocking expenditure (Note 21)	71,405	–	–	–
Investments in subsidiaries (Note 16)	–	–	408,066	5,187
	566,722	111,910	644,586	57,961

6. STAFF COSTS

	Group		Corporation	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Wages, salaries and bonuses	1,514,250	1,362,220	274,113	258,850
Contributions to defined contribution plans	97,877	86,206	35,932	26,363
Social security costs	7,346	7,442	968	837
Other staff related expenses	228,488	212,644	54,832	37,833
	1,847,961	1,668,512	365,845	323,883

Included in staff costs of the Group and of the Corporation are executive directors' remuneration (excluding benefits-in-kind) amounting to RM2,830,000 (2021: RM3,003,000) respectively as further disclosed in Note 7.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

7. DIRECTORS' REMUNERATION

The details of remuneration receivable by directors of the Corporation during the financial year are as follows:

	Group		Corporation	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Executive:				
Salaries and other emoluments	1,738	1,700	1,738	1,700
Bonus	397	595	397	595
Defined contribution plans	695	708	695	708
Total executive directors' remuneration (excluding benefits-in-kind)	2,830	3,003	2,830	3,003
Estimated money value of benefits-in-kind	274	150	274	150
Total executive directors' remuneration (including benefits-in-kind)	3,104	3,153	3,104	3,153
Non-executive directors' remuneration:				
Fees	1,992	1,664	1,992	1,664
Fees from subsidiaries	526	541	–	–
Total non-executive directors' remuneration (Note 5)	2,518	2,205	1,992	1,664
Total directors' remuneration including benefits-in-kind (Note 32(g))	5,622	5,358	5,096	4,817

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

	Number of directors	
	2022	**2021**
Executive director:		
RM600,001 - RM650,000	1	–
RM2,450,001 - RM2,500,000	1	–
RM3,150,001 - RM3,200,000	–	1
Non-executive directors*:		
RM50,001 - RM100,000	–	1
RM100,001 - RM150,000	–	1
RM150,001 - RM200,000	3	4
RM200,001 - RM250,000	4	1
RM250,001 - RM300,000	–	1
RM300,001 - RM350,000	1	–
RM700,001 - RM750,000	1	1
	9	9

* Excludes the directors of the Corporation whose fees are paid directly to the immediate holding company of the Corporation, PETRONAS.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

8. (LOSS)/GAIN FROM DECONSOLIDATION OF A SUBSIDIARY

In the previous financial year, the Corporation had completed the disposal of 3,795,200 ordinary shares representing approximately 31% of the total issued share capital of FPSO Ventures Sdn. Bhd. ("FVSB"), a partially-owned subsidiary of the Group, for a total consideration of RM26,923,000. As a result, the Group and the Corporation recognised a loss and a gain on the disposal of RM2,241,000 and RM25,025,000 respectively in the previous financial year. Accordingly, FVSB ceased to be a subsidiary of the Corporation from the said date. Details of the disposal are disclosed in Note 16(d).

9. (a) FINANCE INCOME

	Group		Corporation	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Interest income:				
Subsidiaries	–	–	50,521	41,538
Joint ventures	2,690	2,280	–	–
Third party	14,228	6,411	14,228	6,411
Deposits	126,418	25,893	40,674	4,355
Unwinding of discount on trade receivables	13,885	13,666	13,885	13,666
Total finance income	157,221	48,250	119,308	65,970

(b) FINANCE COSTS

	Group		Corporation	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Interest expense on loans and borrowings from:				
Subsidiaries	–	–	22,731	18,777
Banks and financial institutions	563,976	374,969	6,267	5,691
Interest on lease liabilities (Note 19(c))	5,702	15,364	445	1,688
Total interest expense	569,678	390,333	29,443	26,156
Amortisation of upfront fees for borrowings	81,557	27,010	–	–
Total finance costs	651,235	417,343	29,443	26,156

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10. TAXATION

	Group		Corporation	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Current income tax:				
Malaysian income tax	37,314	28,940	4,511	3,009
Foreign tax	25,130	18,644	–	–
Over provision in prior year:				
Malaysian income tax	(21,590)	(7,378)	(635)	(1,376)
Foreign tax	–	(938)	–	–
	40,854	39,268	3,876	1,633
Deferred tax (Note 28):				
Relating to origination and reversal of temporary differences	(18,198)	34,973	–	–
Under/(over) provision in prior year	16,639	(33,166)	–	–
	(1,559)	1,807	–	–
Taxation for the year	39,295	41,075	3,876	1,633

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

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Corporation is as follows:

	Group		Corporation	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Profit before taxation	1,874,287	1,774,622	1,442,660	1,770,889
Taxation at Malaysian statutory tax rate of 24% (2021: 24%)	449,829	425,909	346,238	425,013
Effect of different tax rates in other countries/jurisdictions	(103,367)	(81,876)	–	–
Income not subject to tax:				
Tax exempt shipping income	(1,083,203)	(928,835)	(139,086)	(126,347)
Others	(128,471)	(35,490)	(445,224)	(386,379)
Expenses not deductible for tax purposes	936,690	725,466	257,083	132,309
Effect of share of results of associates and joint ventures	6,012	(72,264)	–	–
Utilisation of previously unrecognised deferred tax	(33,351)	(41,587)	(14,500)	(41,587)
Deferred tax assets not recognised during the year	107	91,234	–	–
Deferred tax under/(over) provided in prior year	16,639	(33,166)	–	–
Income tax over provided in prior year	(21,590)	(8,316)	(635)	(1,376)
Taxation for the year	39,295	41,075	3,876	1,633

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10. TAXATION (CONT'D.)

Section 54A of the Malaysian Income Tax Act, 1967 was amended effective from Year of Assessment ("YA") 2012, in which the tax exemption on shipping profits was reduced from 100% to 70%. The implementation of the amended Section 54A, however, was deferred several times up to YA2020. On 6 October 2022, Gazette Order (i.e. Income Tax (Exemption) (No. 7) Order 2022 [P.U. (A) 312]) was enacted for the extension of the 100% shipping tax exemption from YA2021 to YA2023 subject to obtaining annual verification from the Ministry of Transport Malaysia that each Malaysian shipowner complies with the minimum substance requirements in terms of annual operating expenditure and minimum number of full-time Malaysian employees for each Malaysian ship for both shore employees and ship personnel.

Based on the Gazette Order, the Group would now be able to continue to enjoy the 100% shipping tax exemption up to YA2023 on the basis that the substance requirements are duly met.

The taxation charge of the Group and the Corporation is attributable to tax in respect of other activities.

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the year attributable to ordinary equity holders of the Corporation by the weighted average number of ordinary shares outstanding during the financial year. The Group does not have any financial instrument which may dilute its basic earnings per share.

	Group	
	2022	**2021**
Profit after taxation attributable to equity holders of the Corporation (RM'000)	1,822,907	1,831,264
Number of ordinary shares in issue ('000)	4,463,794	4,463,794
Weighted average number of ordinary shares in issue ('000)	4,463,794	4,463,794
Basic earnings per share (sen)	40.8	41.0
Diluted earnings per share (sen)	40.8	41.0

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12. DIVIDENDS

	2022 RM'000	**2021 RM'000**
Dividends recognised during the year:		
In respect of financial year ended 31 December 2020:		
Fourth tax exempt dividend of 12.0 sen per share	–	535,649
In respect of financial year ended 31 December 2021:		
First tax exempt dividend of 7.0 sen per share	–	312,462
Second tax exempt dividend of 7.0 sen per share	–	312,462
Third tax exempt dividend of 7.0 sen per share	–	312,462
Fourth tax exempt dividend of 12.0 sen per share	535,649	–
In respect of financial year ended 31 December 2022:		
First tax exempt dividend of 7.0 sen per share	312,462	–
Second tax exempt dividend of 7.0 sen per share	312,462	–
Third tax exempt dividend of 7.0 sen per share	312,462	–
	1,473,035	1,473,035

A fourth tax exempt dividend in respect of the financial year ended 31 December 2022 of 12.0 sen per share amounting to a dividend payable of RM535,649,000 declared on 15 February 2023 and will be paid on 15 March 2023.

The fourth 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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13. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT

	Cost									
	At 1.1.2022 RM'000	Additions RM'000	Disposals RM'000	Write-offs** RM'000	Transfers RM'000	Reclassification out of property, plant and equipment*** RM'000	Reclassified to held for sale RM'000	Termination of lease contract RM'000	Currency translation differences RM'000	At 31.12.2022 RM'000
Group - 31 December 2022										
Ships										
Ships in operation*	41,154,965	465,163	(809,837)	(205,034)	3,726,000	(2,130)	(746,240)	–	2,053,291	45,636,178
Right-of-use - ships in operation*	933,709	66,102	–	(157,027)	–	–	–	(222,863)	56,510	676,431
Ships under construction	3,188,539	1,821,620	–	–	(3,726,000)	–	–	–	169,590	1,453,749
	45,277,213	2,352,885	(809,837)	(362,061)	–	(2,130)	(746,240)	(222,863)	2,279,391	47,766,358
Offshore floating assets										
Subject to operating lease as a lessor - offshore floating assets in operation	882,610	–	–	–	–	–	–	–	29,098	911,708
Other property, plant and equipment										
Freehold land	13,030	–	–	–	–	–	–	–	524	13,554
Freehold buildings, drydocks and waste plant	2,138,305	240	–	(2,296)	30,601	–	–	–	3,392	2,170,242
Leasehold buildings	74,036	–	–	–	–	–	–	–	–	74,036
Motor vehicles	19,785	193	(1,106)	–	–	–	–	–	92	18,964
Furniture, fittings and equipment	190,039	2,630	(2)	–	826	–	–	–	4,264	197,757
Computer software and hardware	328,714	4,802	(12)	(4,695)	4,904	–	–	–	16,659	350,372
Projects in progress****	162,967	123,262	–	–	(49,211)	(61,677)	–	–	4,526	179,867
Plant and machineries	766,781	13,873	(5,645)	(5,068)	12,880	–	–	–	2,943	785,764
	3,693,657	145,000	(6,765)	(12,059)	–	(61,677)	–	–	32,400	3,790,556
Right-of-use assets										
- office premise, warehouse and wharf	202,589	27,626	–	–	–	–	–	–	7,285	237,500
- computer software and hardware	–	207	–	–	–	–	–	–	–	207
- motor vehicle	–	374	–	–	–	–	–	–	1	375
	202,589	28,207	–	–	–	–	–	–	7,286	238,082
	3,896,246	173,207	(6,765)	(12,059)	–	(61,677)	–	–	39,686	4,028,638
Grand total	50,056,069	2,526,092	(816,602)	(374,120)	–	(63,807)	(746,240)	(222,863)	2,348,175	52,706,704

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13. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	← Accumulated depreciation/impairment							→	Net book value
	At 1.1.2022 RM'000	**Depreciation charge for the year RM'000**	**Impairment losses RM'000**	**Disposals RM'000**	**Write-offs** RM'000**	**Reclassified to held for sale RM'000**	**Termination of lease contract RM'000**	**Currency translation differences RM'000**	**At 31.12.2022 RM'000**	**At 31.12.2022 RM'000**
Group - 31 December 2022										
Ships										
Ships in operation*	22,940,180	1,830,004	348,185	(532,757)	(195,801)	(614,204)	–	925,971	24,701,578	20,934,600
Right-of-use - ships in operation*	840,702	51,417	–	–	(157,027)	–	(194,907)	42,484	582,669	93,762
Ships under construction	–	–	–	–	–	–	–	–	–	1,453,749
	23,780,882	1,881,421	348,185	(532,757)	(352,828)	(614,204)	(194,907)	968,455	25,284,247	22,482,111
Offshore floating assets										
Subject to operating lease as a lessor - offshore floating assets in operation	857,153	6,958	–	–	–	–	–	28,464	892,575	19,133

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13. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Accumulated depreciation/impairment									Net book value
	At 1.1.2022 RM'000	Depreciation charge for the year RM'000	Impairment losses RM'000	Disposals RM'000	Write-offs** RM'000	Reclassified to held for sale RM'000	Termination of lease contract RM'000	Currency translation differences RM'000	At 31.12.2022 RM'000	At 31.12.2022 RM'000
Group - 31 December 2022										
Other property, plant and equipment										
Freehold land	–	–	–	–	–	–	–	–	–	13,554
Freehold buildings, drydocks and waste plant	953,130	39,009	–	–	(2,223)	–	–	955	990,871	1,179,371
Leasehold buildings	25,033	–	–	–	–	–	–	49,003	74,036	–
Motor vehicles	18,447	400	–	(1,106)	–	–	–	85	17,826	1,138
Furniture, fittings and equipment	128,886	10,112	–	(2)	–	–	–	2,455	141,451	56,306
Computer software and hardware	295,096	15,393	–	(12)	(4,462)	–	–	14,776	320,791	29,581
Projects in progress****	–	–	–	–	–	–	–	–	–	179,867
Plant and machineries	459,062	37,910	–	(5,645)	(4,910)	–	–	32,512	518,929	266,835
	1,879,654	102,824	–	(6,765)	(11,595)	–	–	99,786	2,063,904	1,726,652
Right-of-use assets										
- office premise, warehouse and wharf	126,660	30,043	–	–	–	–	–	4,081	160,784	76,716
- computer software and hardware	–	11	–	–	–	–	–	–	11	196
- motor vehicle	–	185	–	–	–	–	–	1	186	189
	126,660	30,239	–	–	–	–	–	4,082	160,981	77,101
	2,006,314	133,063	–	(6,765)	(11,595)	–	–	103,868	2,224,885	1,803,753
Grand total	26,644,349	2,021,442	348,185	(539,522)	(364,423)	(614,204)	(194,907)	1,100,787	28,401,707	24,304,997

* Included in ships in operation and right-of-use - ships in operation are ships subject to operating lease as a lessor with a carrying amount of RM17,091,969,000 and RM Nil respectively based on the ships contractual arrangement as at 31 December 2022. Certain ships in operation are used interchangeably between time charter and spot charter during the financial year.

** Amount mainly relates to derecognition of previous dry docking/major spares upon capitalisation of replacement costs.

*** Reclassification out of property, plant and equipment relates to capital expenditure which are reimbursable and reclassed to other receivables.

**** Included in projects in progress are ongoing projects for other property, plant and equipment.

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NOTES TO THE FINANCIAL STATEMENTS
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13. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Cost									
	At 1.1.2021 RM'000	Additions RM'000	Disposals RM'000	Write-offs** RM'000	Transfers RM'000	Reclassification out of property, plant and equipment*** RM'000	Reclassified to held for sale RM'000	Remeasurement/ termination of lease contract RM'000	Currency translation differences RM'000	At 31.12.2021 RM'000
Group - 31 December 2021										
Ships										
Ships in operation*	41,637,330	333,100	(1,238,718)	(148,613)	437,500	(6,750)	(1,072,837)	–	1,213,953	41,154,965
Right-of-use - ships in operation*	1,459,425	60,577	–	(320,119)	–	–	–	(307,345)	41,171	933,709
Ships under construction	1,877,826	1,643,931	–	–	(403,092)	–	–	–	69,874	3,188,539
	44,974,581	2,037,608	(1,238,718)	(468,732)	34,408	(6,750)	(1,072,837)	(307,345)	1,324,998	45,277,213
Offshore floating assets										
Subject to operating lease as a lessor - offshore floating assets in operation	927,269	–	–	–	–	(64,041)	–	–	19,382	882,610
Other property, plant and equipment										
Freehold land	12,885	–	–	–	–	–	–	–	145	13,030
Freehold buildings, drydocks and waste plant	2,134,637	1,553	–	(125)	763	–	–	–	1,477	2,138,305
Leasehold buildings	74,209	–	–	–	–	–	–	–	(173)	74,036
Motor vehicles	20,234	526	(153)	(370)	–	–	–	–	(452)	19,785
Furniture, fittings and equipment	173,301	3,041	(1,523)	(2,552)	17,091	–	–	–	681	190,039
Computer software and hardware	303,157	5,877	(957)	(954)	19,955	–	–	–	1,636	328,714
Projects in progress****	351,803	117,739	–	–	(76,597)	(231,238)	–	–	1,260	162,967
Plant and machineries	794,001	7,639	(4,268)	(5,240)	4,380	–	(26,985)	–	(2,746)	766,781
	3,864,227	136,375	(6,901)	(9,241)	(34,408)	(231,238)	(26,985)	–	1,828	3,693,657
Right-of-use assets										
- office premise, warehouse and wharf	184,150	28,451	–	–	–	–	–	(2,685)	(7,327)	202,589
- computer software and hardware	643	–	–	(643)	–	–	–	–	–	–
	184,793	28,451	–	(643)	–	–	–	(2,685)	(7,327)	202,589
	4,049,020	164,826	(6,901)	(9,884)	(34,408)	(231,238)	(26,985)	(2,685)	(5,499)	3,896,246
Grand total	49,950,870	2,202,434	(1,245,619)	(478,616)	–	(302,029)	(1,099,822)	(310,030)	1,338,881	50,056,069

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13. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Accumulated depreciation/impairment										Net book value
	At 1.1.2021 RM'000	Depreciation charge for the year RM'000	Impairment losses RM'000	Disposals RM'000	Write-offs** RM'000	Reclassification out of property, plant and equipment*** RM'000	Reclassified to held for sale RM'000	Remeasurement/ termination of lease contract RM'000	Currency translation differences RM'000	At 31.12.2021 RM'000	At 31.12.2021 RM'000
Group - 31 December 2021											
Ships											
Ships in operation*	22,565,178	1,704,698	92,900	(846,155)	(141,165)	–	(1,032,207)	–	596,931	22,940,180	18,214,785
Right-of-use - ships in operation*	1,321,040	107,266	–	–	(320,119)	–	–	(304,783)	37,298	840,702	93,007
Ships under construction	–	–	–	–	–	–	–	–	–	–	3,188,539
	23,886,218	1,811,964	92,900	(846,155)	(461,284)	–	(1,032,207)	(304,783)	634,229	23,780,882	21,496,331
Offshore floating assets											
Subject to operating lease as a lessor - offshore floating assets in operation	875,961	877	–	–	–	(37,400)	–	–	17,715	857,153	25,457
Other property, plant and equipment											
Freehold land	–	–	–	–	–	–	–	–	–	–	13,030
Freehold buildings, drydocks and waste plant	903,151	45,023	4,996	–	(121)	–	–	–	81	953,130	1,185,175
Leasehold buildings	25,008	26	46	–	–	–	–	–	(47)	25,033	49,003
Motor vehicles	18,852	577	–	(153)	(370)	–	–	–	(459)	18,447	1,338
Furniture, fittings and equipment	119,713	12,432	22	(1,523)	(2,350)	–	–	–	592	128,886	61,153
Computer software and hardware	278,770	12,979	4	(957)	(924)	–	–	–	5,224	295,096	33,618
Projects in progress****	–	–	–	–	–	–	–	–	–	–	162,967
Plant and machineries	440,752	35,267	5,000	(4,268)	(4,629)	–	(12,673)	–	(387)	459,062	307,719
	1,786,246	106,304	10,068	(6,901)	(8,394)	–	(12,673)	–	5,004	1,879,654	1,814,003
Right-of-use assets											
- office premise, warehouse and wharf	92,695	29,902	8,942	–	–	–	–	(4,622)	(257)	126,660	75,929
- computer software and hardware	602	41	–	–	(643)	–	–	–	–	–	–
	93,297	29,943	8,942	–	(643)	–	–	(4,622)	(257)	126,660	75,929
	1,879,543	136,247	19,010	(6,901)	(9,037)	–	(12,673)	(4,622)	4,747	2,006,314	1,889,932
Grand total	26,641,722	1,949,088	111,910	(853,056)	(470,321)	(37,400)	(1,044,880)	(309,405)	656,691	26,644,349	23,411,720

* Included in ships in operation and right-of-use - ships in operation are ships subject to operating lease as a lessor with a carrying amount of RM14,625,320,000 and RM Nil respectively based on the ships contractual arrangement as at 31 December 2021. Certain ships in operation are used interchangeably between time charter and spot charter during the financial year.

** Amount mainly relates to derecognition of previous dry docking / major spares upon capitalisation of replacement costs.

*** Reclassification out of property, plant and equipment's relates to capital expenditure which are reimbursable and reclassed to other receivables.

**** Included in projects in progress are ongoing projects for other property, plant and equipment.

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13. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Cost					
	At 1.1.2022 RM'000	Additions RM'000	Write-offs* RM'000	Transfers RM'000	Currency translation differences RM'000	At 31.12.2022 RM'000
Corporation - 31 December 2022						
Ships						
Subject to operating lease as a lessor						
- ships in operation	10,051,057	135,447	(73,010)	–	452,847	10,566,341
Other property and equipment						
Freehold land	7,495	–	–	–	433	7,928
Freehold buildings	23,674	30	–	–	857	24,561
Motor vehicles	433	70	–	–	24	527
Furniture, fittings and equipment	52,339	1,216	–	726	1,432	55,713
Computer software and hardware	197,452	290	–	553	10,720	209,015
Projects in progress	52,048	32,179	–	(1,279)	1,900	84,848
	333,441	33,785	–	–	15,366	382,592
Right-of-use						
- office premise	83,593	42,054	–	–	3,439	129,086
- motor vehicle	–	374	–	–	1	375
	83,593	42,428	–	–	3,440	129,461
	417,034	76,213	–	–	18,806	512,053
Grand total	10,468,091	211,660	(73,010)	–	471,653	11,078,394

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13. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Accumulated depreciation/impairment						Net book value
	At 1.1.2022 RM'000	Depreciation RM'000	Impairment losses RM'000	Write-offs* RM'000	Currency translation differences RM'000	At 31.12.2022 RM'000	At 31.12.2022 RM'000
Corporation - 31 December 2022							
Ships							
Subject to operating lease as a lessor							
- ships in operation	6,207,748	358,668	236,520	(71,893)	232,111	6,963,154	3,603,187
Other property and equipment							
Freehold land	–	–	–	–	–	–	7,928
Freehold buildings	3,023	467	–	–	80	3,570	20,991
Motor vehicles	383	–	–	–	15	398	129
Furniture, fittings and equipment	28,494	3,595	–	–	1,199	33,288	22,425
Computer software and hardware	174,751	8,204	–	–	10,115	193,070	15,945
Projects in progress	–	–	–	–	–	–	84,848
	206,651	12,266	–	–	11,409	230,326	152,266
Right-of-use							
- office premise	68,939	14,904	–	–	2,507	86,350	42,736
- motor vehicle	–	185	–	–	1	186	189
	68,939	15,089	–	–	2,508	86,536	42,925
	275,590	27,355	–	–	13,917	316,862	195,191
Grand total	6,483,338	386,023	236,520	(71,893)	246,028	7,280,016	3,798,378

* Amount mainly relates to derecognition of previous dry docking / major spares upon capitalisation of replacement costs.

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31 December 2022

13. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Cost								
	At 1.1.2021 RM'000	**Additions RM'000**	**Write-offs* RM'000**	**Disposals RM'000**	**Transfers RM'000**	**Remeasurement/ termination of lease contract RM'000**	**Reclassification out of property, plant and equipment** RM'000**	**Currency translation differences RM'000**	**At 31.12.2021 RM'000**
Corporation - 31 December 2021									
Ships									
Subject to operating lease as a lessor - ships in operation	9,740,963	76,211	(36,551)	–	–	–	(3,619)	274,053	10,051,057
Other property and equipment									
Freehold land	7,234	–	–	–	–	–	–	261	7,495
Freehold buildings	22,398	–	–	–	–	–	–	1,276	23,674
Motor vehicles	372	48	–	–	–	–	–	13	433
Furniture, fittings and equipment	34,149	93	–	(369)	17,119	–	–	1,347	52,339
Computer software and hardware	170,077	4,008	–	(129)	17,203	–	–	6,293	197,452
Projects in progress	76,789	7,033	–	–	(34,322)	–	–	2,548	52,048
	311,019	11,182	–	(498)	–	–	–	11,738	333,441
Right-of-use - office premise	81,607	–	–	–	–	(1,351)	–	3,337	83,593
	392,626	11,182	–	(498)	–	(1,351)	–	15,075	417,034
Grand total	10,133,589	87,393	(36,551)	(498)	–	(1,351)	(3,619)	289,128	10,468,091

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13. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Accumulated depreciation/impairment								Net book value
	At 1.1.2021 RM'000	Depreciation RM'000	Impairment losses RM'000	Write-offs* RM'000	Disposals RM'000	Remeasurement/ termination of lease contract RM'000	Currency translation differences RM'000	At 31.12.2021 RM'000	At 31.12.2021 RM'000
Corporation - 31 December 2021									
Ships									
Subject to operating lease as a lessor - ships in operation	5,718,010	341,936	52,774	(36,136)	–	–	131,164	6,207,748	3,843,309
Other property and equipment									
Freehold land	–	–	–	–	–	–	–	–	7,495
Freehold buildings	2,122	342	–	–	–	–	559	3,023	20,651
Motor vehicles	363	7	–	–	–	–	13	383	50
Furniture, fittings and equipment	21,599	6,463	–	–	(466)	–	898	28,494	23,845
Computer software and hardware	159,878	9,167	–	–	(129)	–	5,835	174,751	22,701
Projects in progress	–	–	–	–	–	–	–	–	52,048
	183,962	15,979	–	–	(595)	–	7,305	206,651	126,790
Right-of-use - office premise	53,791	14,458	–	–	–	(751)	1,441	68,939	14,654
	237,753	30,437	–	–	(595)	(751)	8,746	275,590	141,444
Grand total	5,955,763	372,373	52,774	(36,136)	(595)	(751)	139,910	6,483,338	3,984,753

* Amount mainly relates to derecognition of previous dry docking / major spares upon capitalisation of replacement costs.

** Reclassification out of property, plant and equipment relates to capital expenditure which are reimbursable and reclassed to other receivables.

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13. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

(a) The net carrying amounts of ships pledged as security for borrowings (Note 19(c)) are as follows:

	Group	
	2022 RM'000	**2021 RM'000**
Ships in operation	12,350,609	9,215,353

(b) The volatility of charter hire rates, expired charter contracts or contracts that are approaching the expiry date were identified as indications that the carrying amount of certain ships may be impaired.

The Group and the Corporation have performed a review of the recoverable amount of their ships, other property, plant and equipment and right-of-use assets during the financial year. The review led to the recognition of net impairment losses of RM348,185,000 (2021: RM111,910,000) and RM236,520,000 (2021: RM52,774,000) for the Group and the Corporation respectively, as disclosed in Note 5(a).

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 value-in-use ("VIU")

The key assumptions used in the value-in-use calculations are as follows:

(i) Ships

The value-in-use for certain ships were calculated using cash flow projections for the remaining lease period and useful life and discounted at rates between 6.84% to 7.57% (2021: 6.15% to 6.29%).

The recoverable amount of certain ships amounting to RM454,563,000 (2021: RM250,746,000) as at the end of the financial year was determined from VIU calculations using cash flow projections discounted at 7.57% (2021: 6.29%) was lower than its carrying value. Accordingly, an impairment loss of RM28,172,000 (2021: RM5,430,000) was recognised in the current financial year for the Group.

(ii) Other property, plant and equipment and right-of-use assets

In the previous financial year, the Group's recoverable amount for other property, plant and equipment and right-of-use assets from the Marine & Heavy Engineering segment and Others segment amounting to RM1,753,818,000 was determined from VIU calculations using cash flow projections discounted at rates of 8.46% and 10.13%, respectively. Impairment losses of RM10,000,000 were recognised using this basis.

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13. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Recoverable amount determined from fair value less costs of disposal

The fair values of certain ships and other property, plant and equipment were determined based on valuation performed by independent valuers based on comparable ships and comparable property, plant and equipment.

Impairment of ships amounting to RM320,013,000 (2021: RM87,470,000) and RM236,520,000 (2021: RM52,774,000) for the Group and Corporation respectively were recognised using this basis. Other property, plant and equipment of the Marine & Heavy Engineering segment amounting to RM Nil (2021: RM9,010,000) were impaired using this basis.

Fair value, based on valuation performed by independent valuers, and VIU were categorised as Level 3 fair value as defined in Note 2.3(z).

(c) Included in additions to the ships under construction and projects-in-progress of the Group is finance costs capitalised during the year of RM43,109,000 (2021: RM42,438,000), including general borrowing costs.

14. PREPAID LEASE PAYMENTS ON LAND AND BUILDINGS

	Group		Corporation	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
At 1 January	205,525	212,534	3,543	3,516
Amortisation for the year (Note 5)	(7,142)	(7,135)	(105)	(99)
Currency translation differences	205	126	205	126
At 31 December	198,588	205,525	3,643	3,543
Analysed as:				
Leasehold land	194,945	201,982	–	–
Leasehold buildings	3,643	3,543	3,643	3,543
	198,588	205,525	3,643	3,543

Included in leasehold land of the Group is the carrying value of a long term leasehold and foreshore land of a subsidiary of RM194,945,000 (2021: RM201,982,000) which cannot be disposed off, charged or subleased without the prior consent of the Johor State Government.

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15. INTANGIBLE ASSETS

	Group		
	Goodwill RM'000	Other intangible assets* RM'000	Total RM'000
Cost			
At 1 January 2021	966,628	212,557	1,179,185
Reclassification from property, plant and equipment (Note 13)	–	231,238	231,238
Deconsolidation of a subsidiary	(225)	–	(225)
Currency translation differences	31,862	1,421	33,283
At 31 December 2021/1 January 2022	998,265	445,216	1,443,481
Reclassification from property, plant and equipment (Note 13)	–	61,677	61,677
Currency translation differences	53,089	11,829	64,918
At 31 December 2022	1,051,354	518,722	1,570,076
Accumulated amortisation and impairment			
At 1 January 2021	162,501	197,462	359,963
Amortisation for the year (Note 5)	–	22,603	22,603
At 31 December 2021/1 January 2022	162,501	220,065	382,566
Amortisation for the year (Note 5)	–	38,801	38,801
Impairment (Note 5(a))	–	147,132	147,132
At 31 December 2022	162,501	405,998	568,499
Net carrying amount			
At 31 December 2022	888,853	112,724	1,001,577
At 31 December 2021	835,764	225,151	1,060,915

* Included in other intangible assets are ongoing projects-in-progress related to digital products.

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15. INTANGIBLE ASSETS (CONT'D.)

Goodwill

(a) Allocation of goodwill

Goodwill has been allocated to the Group's CGUs identified according to business segment as follows:

	Group	
	2022 RM'000	2021 RM'000
Petroleum & Product Shipping Segment	888,853	835,764

(b) Impairment test for goodwill

The Group performed a review on the recoverable amount of goodwill during the financial year. Generally, the recoverable amounts are based on the higher of fair value less costs to sell or value-in-use ("VIU") for the CGUs to which the goodwill is allocated.

The recoverable amount of a CGU is determined using the VIU method, based on cash flow projections derived from financial projections approved by the management covering a five-year period. The discount rate used is based on the pre-tax weighted average cost of capital determined by the management.

Goodwill for the Petroleum & Product Shipping segment represents goodwill arising from acquisition of American Eagle Tanker Inc. ("AET"). An impairment review of the carrying amount of the goodwill at the reporting date was undertaken by comparing to the recoverable amount of the CGU, which was derived based on VIU calculations. The VIU is most sensitive to the following key assumptions:

(i) Risk adjusted discount rate used is 6.84% (2021: 6.15%). The discount rate reflects the current market assessment of the risks specific to the Petroleum segment. This is the benchmark used by the management to assess operating performance and to evaluate future investments.

An increase of 0.60% or 60 basis points (2021: 0.80% or 80 basis points) in discount rate would result in recoverable amount that equates to the carrying amount of the CGU.

(ii) Terminal value and growth rate - The terminal value is based on expected cash flows for year 2027 into perpetuity with terminal year growth rate of 2.00% (2021: 1.80%). Terminal year charter rates in deriving at the terminal value are referenced to historical market rates.

A decrease of 3.60% or 360 basis points (2021: 5.30% or 530 basis points) in the charter rates in deriving at the terminal value would result in recoverable amount that equates to the carrying amount of the CGU.

A decrease of 0.80% or 80 basis points (2021: 0.97% or 97 basis points) in the growth rate in deriving at the terminal value would result in recoverable amount equal to the carrying amount of the CGU.

(iii) Spot and time charter rates are estimated based on forecasts by industry research publications.

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15. INTANGIBLE ASSETS (CONT'D.)

(c) Other intangible assets

Other intangible assets includes the fair value, at the date of acquisition, of long term customer contracts from acquisition of a subsidiary which is amortised over the remaining contract periods. Included in intangible assets are also digital products in relation to shipping operations.

The digital products are measured at cost which comprises the development costs and all costs that can be directly attributed to preparing the asset for its intended use. The intangible assets on digital products are amortised on a straight-line basis over its estimated useful life of 7 years.

(d) Impairment test for other intangible assets

The Group performed a review on the recoverable amount of other intangible assets during the financial year. The recoverable amount was based on the higher of fair value less costs of disposal or VIU, and determined at the CGU of each asset.

The VIU for certain intangible assets were calculated using cash flow projections for the remaining useful life and discounted at risk adjusted rate of 15.0%. The discount rate reflects the current market assessment of the risks specific to the assets.

The recoverable amount of certain intangible assets amounting to RM100,801,000 as at the end of the current financial year as determined from the VIU calculation and was lower than its carrying value. Accordingly, an impairment loss of RM147,132,000 was recognised in the current financial year.

16. INVESTMENTS IN SUBSIDIARIES

	Corporation	
	2022 RM'000	**2021 RM'000**
At 1 January	16,982,277	14,981,888
Additional investments in subsidiaries (Note a)	2,772,069	2,556,754
Redemption of redeemable cumulative preference shares ("RCPS") (Note b)	(286,081)	(1,098,682)
Liquidation of a subsidiary (Note c)	(250,000)	–
Disposal of interest in a subsidiary (Note d)	–	(3,406)
Impairment of investment in unquoted subsidiaries (Note 5(a))	(408,066)	(5,187)
Currency translation differences	990,270	550,910
At 31 December	19,800,469	16,982,277
Quoted shares	285,448	269,866
Unquoted shares	19,515,021	16,712,411
	19,800,469	16,982,277

Included in unquoted shares are preference shares of RM13,707,000 (2021: RM10,601,000) which bear interest ranging from 5.00% to 6.00% (2021: 5.00% to 6.00%) per annum.

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16. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

(a) Additional investments in subsidiaries

During the current financial year, the Corporation increased its investment in:

(i) Magellan X Holdings (L) Pte. Ltd. ("Magellan X Holdings (L)") amounting to USD14,400,000 (RM63,378,000) by way of cash consideration.

(ii) MISC Offshore (Americas) Holdings Pte. Ltd. amounting to USD129,000,000 (RM567,760,000) by way of cash consideration.

(iii) Portovenere and Lerici (L) Pte. Ltd. by way of issuance of RCPS amounting to USD62,438,000 (RM274,805,000) in support of the subsidiary's debt capitalisation exercise.

(iv) MISC Capital (L) Limited amounting to USD424,000,000 (RM1,866,126,000) by way of cash consideration.

In the previous financial year, the Corporation increased its investment in:

(i) Portovenere and Lerici (L) Pte. Ltd. by USD280,272,000 (RM1,162,000,000) in support of the subsidiary's debt capitalisation exercise.

(ii) MISC Offshore (Americas) Holdings Pte. Ltd. by USD318,512,000 (RM1,320,541,000) in support of the subsidiary's debt capitalisation exercise.

(iii) Magellan X Holdings (L) Pte. Ltd. ("Magellan X Holdings (L)") by USD17,900,000 (RM74,213,000) by cash consideration.

(b) Redemption of RCPS

During the current financial year, the Corporation has approved a partial redemption of RCPS for its investment in MISC Tanker Holdings Sdn. Bhd. amounting to USD65,000,000 (RM286,081,000).

In the previous financial year, the Corporation had approved a partial redemption of RCPS for its investment in:

(i) MISC Tanker Holdings Sdn. Bhd. amounting to USD35,000,000 (RM145,109,000).

(ii) MISC Offshore (Americas) Holdings Pte. Ltd. amounting to USD230,000,000 (RM953,573,000).

(c) Liquidation of a subsidiary

In the current financial year, MISC Enterprises Holdings Sdn. Bhd. has been dissolved via members voluntary liquidation. Subsequent to that, the Corporation derecognised its shares in the subsidiary.

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16. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

(d) Disposal of interest in a subsidiary

In the previous financial year, the Corporation had completed the disposal of 3,795,200 ordinary shares representing approximately 31% of the total issued share capital of FPSO Ventures Sdn. Bhd. ("FVSB"), a partially-owned subsidiary of the Group, for a total consideration of RM26,923,000. As a result, the Group and the Corporation had recognised a loss and a gain on the disposal of RM2,241,000 and RM25,025,000 respectively. Accordingly, FVSB ceased to be a subsidiary of the Corporation and became a 20% associated company of the Corporation from the said date.

The net effect of the above disposal to the Group's cash flows and carrying amount of assets and liabilities disposed are as follows:

	Carrying amount at disposal RM'000
Property, plant and equipment	13,336
Other non-current assets	1,602
Current assets	94,670
Current liabilities	(18,461)
Non-current liabilities	(8,256)
Non-controlling interests	(36,807)
Share of net assets	46,084
Less: Reclassification of an associated company at fair value	(16,920)
Net assets disposed	29,164

Loss on disposal of a subsidiary

	RM'000
Sale consideration	26,923
Net assets disposed	(29,164)
Loss on disposal of a subsidiary	(2,241)

The effect of the disposal on the cash flows is as follows:

	RM'000
Sale consideration received	26,923
Less: Cash and cash equivalents disposed	(48,587)
Net cash flow on disposal	(21,664)

Details of the subsidiaries are disclosed in Note 39.

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16. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are Malaysia Marine and Heavy Engineering Holdings Berhad ("MHB"), Asia LNG Transport Sdn. Bhd. ("ALT") and Asia LNG Transport Dua Sdn. Bhd. ("ALT 2") as shown below:

	MHB RM'000	**ALT RM'000**	**ALT 2 RM'000**	**Others* RM'000**	**Total RM'000**
2022					
NCI percentage of ownership interest and voting interest	33.5%	49.0%	49.0%		
Carrying amount of NCI as at 31 December	561,426	124,340	89,630	70,003	845,399
Profit/(loss) allocated to NCI for the year ended 31 December	21,125	(7,916)	5,030	(6,154)	12,085
2021					
NCI percentage of ownership interest and voting interest	33.5%	49.0%	49.0%		
Carrying amount of NCI as at 31 December	542,155	125,872	24,766	69,428	762,221
(Loss)/profit allocated to NCI for the year ended 31 December	(95,610)	(3,497)	(1,053)	2,443	(97,717)

* Other individually immaterial subsidiaries

Summarised financial information before intra-group elimination

	MHB RM'000	**ALT RM'000**	**ALT 2 RM'000**
As at 31 December 2022			
Non-current assets	1,788,662	157,694	170,717
Current assets	1,569,462	89,302	33,488
Non-current liabilities	(303,696)	–	–
Current liabilities	(1,284,918)	(9,386)	(44,152)
Net assets	1,769,510	237,610	160,053
Year ended 31 December 2022			
Revenue	1,651,643	38,747	–
Profit/(loss) for the year	67,638	(1,145)	10,265
Total comprehensive income/(loss)	62,103	(3,125)	197,870
Cash inflows from operating activities	135,851	34,650	1,795
Cash inflows/(outflows) from investing activities	1,656	(43,778)	599
Cash outflows from financing activities	(50,382)	–	–
Net increase/(decrease) in cash and cash equivalents	87,125	(9,128)	2,394

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16. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Non-controlling interests in subsidiaries (cont'd.)

Summarised financial information before intra-group elimination (cont'd.)

	MHB RM'000	ALT RM'000	ALT 2 RM'000
As at 31 December 2021			
Non-current assets	1,830,177	85,647	114,435
Current assets	1,559,890	142,284	31,104
Non-current liabilities	(335,100)	–	–
Current liabilities	(1,347,560)	(2,205)	(41,808)
Net assets	1,707,407	225,726	103,731
Year ended 31 December 2021			
Revenue	1,467,316	42,257	–
(Loss)/profit for the year	(274,140)	7,873	(2,150)
Total comprehensive (loss)/income	(258,296)	509	17,204
Cash (outflows)/inflows from operating activities	(10,469)	27,896	2,646
Cash outflows from investing activities	(37,769)	(41,239)	(94,218)
Cash inflows from financing activities	107,097	–	41,460
Net increase/(decrease) in cash and cash equivalents	58,859	(13,343)	(50,112)

17. INVESTMENTS IN ASSOCIATES

	Group		Corporation	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unquoted shares in Malaysia, at cost	17,118	16,920	1,422	1,345
Unquoted shares outside Malaysia, at cost	284,170	211	–	–
	301,288	17,131	1,422	1,345
Share of post-acquisition profit	5,126	4,121	–	–
Share of other post-acquisition reserves	(438)	(210)	–	–
Carrying amount of the investment	305,976	21,042	1,422	1,345

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17. INVESTMENTS IN ASSOCIATES (CONT'D.)

During the current financial year, the Corporation through its wholly-owned subsidiary, Portovenere and Lerici (Labuan) Private Limited ("PLL") entered into a shareholders' agreement with Nippon Yusen Kabushiki Kaisha ("NYK"), Kawasaki Kisen Kaisha, Ltd. ("KKK"), China LNG Shipping (Holdings) Limited ("CLS") for acquisition of shares cumulatively amounting to RM283,066,000 in the following companies:

Name of company	Country of incorporation	Principal activities	Effective interest held (%) 2022	2021
Oasis LNG No 1 Pte. Ltd.	Singapore	Shipping	25%	–
Oasis LNG No 2 Pte. Ltd.	Singapore	Shipping	25%	–
Oasis LNG No 3 Pte. Ltd.	Singapore	Shipping	25%	–
Oasis LNG No 4 Pte. Ltd.	Singapore	Shipping	25%	–
Oasis LNG No 5 Pte. Ltd.	Singapore	Shipping	25%	–
Oasis LNG No 6 Pte. Ltd.	Singapore	Shipping	25%	–
Oasis LNG No. 7 Pte. Ltd.	Singapore	Shipping	25%	–
Oasis LNG No. 8 Pte. Ltd.	Singapore	Shipping	25%	–
Oasis LNG No. 9 Pte. Ltd.	Singapore	Shipping	25%	–
Oasis LNG No. 10 Pte. Ltd.	Singapore	Shipping	25%	–
Oasis LNG No. 11 Pte. Ltd.	Singapore	Shipping	25%	–
Oasis LNG No. 12 Pte. Ltd.	Singapore	Shipping	25%	–

The above companies have yet to commence their operations during the financial year.

Details of the associates are disclosed in Note 40.

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18. INVESTMENTS IN JOINT VENTURES

	Group		Corporation	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unquoted shares in Malaysia, at cost	189,326	179,287	183,907	173,867
Unquoted shares outside Malaysia, at cost	204,312	193,159	26,516	25,069
	393,638	372,446	210,423	198,936
Share of post-acquisition profits	325,193	519,715	–	–
Share of other post-acquisition reserves	317,246	161,453	–	–
	1,036,077	1,053,614	210,423	198,936
Less: Accumulated impairment loss	(6,490)	(6,136)	–	–
Carrying amount of the investment	1,029,587	1,047,478	210,423	198,936

a) During the current financial year, the Corporation has received confirmation from the Registrar of Companies, India that MISC Agencies India Private Limited, a 60%-owned joint venture company of MISC Agencies Sdn. Bhd., a wholly-owned subsidiary of the Corporation, has been dissolved.

b) During the previous financial year, the Corporation had been notified by its joint venture counterpart that MISC Shipping Services UAE (LLC), a 49%-owned joint venture company of MISC Agencies Sdn. Bhd., a wholly owned subsidiary of the Corporation, had completed its liquidation process.

c) During the previous financial year, MISC Offshore Holdings (Brazil) Sdn. Bhd. ("MOHB"), a wholly-owned subsidiary of the Corporation and SBM Holding Inc. S.A. had entered into Share Transfer Agreement on 10 December 2021 for the disposal of its entire shareholdings in SBM Systems Inc. ("SBMSI") and FPSO Brasil Venture S.A. ("FPSOBV"), comprising 7,399 SBMSI shares and 49 FPSOBV shares for a cash consideration of RM50,306,000 which represents 49% of the total issued share capital of SBMSI and FPSOBV respectively. A gain on disposal of RM25,126,000 was recognised during the previous financial year. Subsequent thereto, SBMSI, FPSOBV and SBM Operaçoes Ltda, then a wholly-owned subsidiary of FPSOBV, have since ceased to be joint venture companies of MOHB.

d) During the previous financial year, the Corporation through its subsidiary, Asia LNG Transport Dua Sdn. Bhd. ("ALT Dua"), a 51%-owned subsidiary of the Corporation increased its investment in Diamond LNG Shipping 5 Pte. Ltd. ("DLS5") and Diamond LNG Shipping 6 Pte. Ltd. ("DLS6 Singapore") by RM45,631,000 and RM49,452,000 respectively.

e) The Group has discontinued recognising its share of losses in a joint venture as the share of losses 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 amounting to RM1,615,000 (2021: RM1,622,000).

Details of the joint ventures are disclosed in Note 41.

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18. INVESTMENTS IN JOINT VENTURES (CONT'D.)

The material joint ventures are Malaysia Deepwater Floating Terminal (Kikeh) Limited ("MDFT") and Malaysia Vietnam Offshore Terminal (L) Limited ("MVOT").

The following tables summarise the financial information of the Group's material joint ventures, as adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in joint ventures.

The summarised financial information of the material joint ventures are as follows:

	MDFT RM'000	MVOT RM'000
As at 31 December 2022		
Non-current assets	624,263	545,817
Current assets	140,692	634,683
Cash and cash equivalents	4,264	108,185
Non-current liabilities	–	(739)
Current liabilities	(354)	(494,437)
Net assets	768,865	793,509
Year ended 31 December 2022		
Profit after taxation/total comprehensive income	9,198	44,388
Included in the total comprehensive income is:		
Revenue	27,883	158,329
Depreciation and amortisation	–	(2,084)
Interest income	2	10
Interest expenses	–	(160)
Income tax expense	–	(4,601)
As at 31 December 2021		
Non-current assets	738,548	639,327
Current assets	139,241	136,728
Cash and cash equivalents	688	287,551
Non-current liabilities	–	(814)
Current liabilities	(37,171)	(353,717)
Net assets	841,306	709,075
Year ended 31 December 2021		
Profit after taxation/total comprehensive income	382,892	51,639
Included in the total comprehensive income is:		
Revenue	589,739	152,802
Depreciation and amortisation	(193,582)	(1,256)
Interest income	38	721
Interest expenses	–	(3,678)
Income tax expense	(11,842)	(3,421)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

18. INVESTMENTS IN JOINT VENTURES (CONT'D.)

Group

	2022			
	MDFT RM'000	**MVOT RM'000**	**Others* RM'000**	**Total RM'000**
Reconciliation of net assets to carrying amount				
As at 31 December				
Group's share of net assets	392,121	404,690	538,853	1,335,664
Elimination of unrealised (losses)/profits	(16,522)	2,972	(292,527)	(306,077)
Carrying amount in the statement of financial position	375,599	407,662	246,326	1,029,587
Group's share of results				
Year ended 31 December				
Group's share of profit/(loss) after taxation	7,770	22,815	(58,666)	(28,081)
Group's share of other comprehensive income	–	–	113,408	113,408
Group's share of total comprehensive income	7,770	22,815	54,742	85,327

	2021			
	MDFT RM'000	**MVOT RM'000**	**Others* RM'000**	**Total RM'000**
Reconciliation of net assets to carrying amount				
As at 31 December				
Group's share of net assets	429,066	361,628	290,805	1,081,499
Elimination of unrealised (losses)/profits	(19,603)	2,298	(16,716)	(34,021)
Carrying amount in the statement of financial position	409,463	363,926	274,089	1,047,478
Group's share of results				
Year ended 31 December				
Group's share of profit after taxation	198,354	28,239	70,839	297,432
Group's share of other comprehensive income	–	–	14,169	14,169
Group's share of total comprehensive income	198,354	28,239	85,008	311,601

* Other individually immaterial joint ventures

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

19. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Other non-current assets

	Group		Corporation	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Unquoted equity investments (Note 36)	75,411	72,564	69,574	65,776
Quoted equity investments (Note 36)	50,971	50,971	50,971	50,971
Total equity instruments	126,382	123,535	120,545	116,747
Long term receivables (Note 36)	634,347	501,747	439,789	402,582
Contract assets (Note 22)	6,649,003	2,748,898	–	–
	7,283,350	3,250,645	439,789	402,582
Less : Impairment loss on:				
Long term receivables	(294,262)	(271,264)	(294,262)	(271,236)
Contract assets	(3,325)	(4,369)	–	–
	(297,587)	(275,633)	(294,262)	(271,236)
Net long term receivables and contract assets	6,985,763	2,975,012	145,527	131,346
Loans and advances:				
Subsidiaries (Note 36)	–	–	101,989	439,568
Joint ventures	228,151	190,648	–	–
	228,151	190,648	101,989	439,568
Less: Impairment on loans to joint venture	(24,067)	–	–	–
Net loans and advances (Note 21)	204,084	190,648	101,989	439,568
Total long term receivables, contract assets, loans and advances	7,189,847	3,165,660	247,516	570,914
Total equity instruments	126,382	123,535	120,545	116,747
Total other non-current assets	7,316,229	3,289,195	368,061	687,661
Less: Net contract assets	(6,645,678)	(2,744,529)	–	–
Total other non-current financial assets	670,551	544,666	368,061	687,661

The long term receivables and contract assets are unbilled amounts that will be due from customers after a period of more than 12 months. Included in long term receivables are drydocking expenses incurred for finance lease contracts which are amortised over time.

The loans and advances to subsidiaries are unsecured and bear interest ranging from 4.15% to 5.24% (2021: 1.51% to 4.15%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

19. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D.)

(b) Derivative assets/liabilities

	Group	
	2022 RM'000	**2021 RM'000**
Derivative assets		
Non-current:		
Interest rate swaps ("IRS") - effective hedges (i)	910,783	103,039
Derivative liabilities		
Current:		
Forward currency contracts (ii)	6,422	4,701
IRS - effective hedges (i)	–	52,231
Non-current:		
IRS - effective hedges (i)	–	161,186

(i) The Group entered into IRS arrangements to hedge certain USD term loan facilities. Under these arrangements, the Group pays fixed interest rate ranging from 0.46% - 3.19% (2021: 0.46% - 3.19%) per annum and receives cash flows at floating rates. The IRS arrangements entered by the Group mature between year 2025 and year 2034 (2021: year 2022 and year 2030). The notional amount of the IRS arrangement as at 31 December 2022 was RM11.5 billion (2021: RM11.5 billion).

(ii) 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 Pound ("GBP"). The forward currency contracts are being used to hedge the foreign currency risk of the highly probable forecasted transactions. The net notional amount of the currency hedging arrangement as at 31 December 2022 was RM308.5 million (2021: RM380.1 million).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

19. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D.)

(c) Interest-bearing loans and borrowings

	Group		Corporation	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Long term borrowings				
Secured:				
Term loans				
Fixed rate (Note 36)	8,817,759	7,211,913	–	–
Floating rate	116,506	–	–	–
	8,934,265	7,211,913	–	–
Unsecured:				
Term loans				
Fixed rate (Note 36) *	4,454,355	–	–	–
Floating rate	754,537	1,408,585	–	–
Loans from subsidiaries				
Fixed rate (Note 36)	–	–	–	583,331
Lease liabilities	112,902	99,182	29,285	638
	5,321,794	1,507,767	29,285	583,969
	14,256,059	8,719,680	29,285	583,969
Short term borrowings				
Secured:				
Term loans				
Fixed rate **	1,131,497	4,598,738	–	–
Floating rate	33,279	1,127,784	–	–
	1,164,776	5,726,522	–	–
Short term borrowings				
Unsecured:				
Term loans				
Fixed rate	14,570	–	–	–
Floating rate	2,335,462	2,156,517	–	–
Revolving credits	–	292,067	–	–
Loans from subsidiaries				
Fixed rate	–	–	–	64,785
Floating rate	–	–	1,441,939	–
Lease liabilities	90,651	134,230	13,723	14,435
	2,440,683	2,582,814	1,455,662	79,220
	3,605,459	8,309,336	1,455,662	79,220

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

19. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D.)

(c) Interest-bearing loans and borrowings (cont'd.)

	Group		Corporation	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Total borrowings				
Term loans *	17,657,965	16,503,537	–	–
Revolving credits	–	292,067	–	–
Loans from subsidiaries	–	–	1,441,939	648,116
Lease liabilities	203,553	233,412	43,008	15,073
	17,861,518	17,029,016	1,484,947	663,189

* During the financial year, the Group had priced its USD1.0 billion GMTN ("Notes") in nominal value pursuant to the establishment of the GMTN programme of up to USD3.0 billion. Subsequently, the Notes comprising of USD400 million 3-year and USD600 million 5-year Notes were issued in current financial year. The proceeds from the Notes were mainly used to refinance the existing borrowings of the Group.

** In the previous financial year, the Group was unable to fulfill certain conditions in a Facility Agreement, RM3,047,500,000 of the term loan was reclassified to current liabilities as the Group does not have unconditional right to defer the settlement for at least 12 months after the reporting date. The Group has refinanced the said term loan during the financial year.

The secured term loans and revolving credits are secured by mortgages over certain ships, together with charter agreements and insurance of the relevant assets as well as retention accounts. The carrying values of the ships pledged and retention accounts restricted for use are stated in Note 13(a) and Note 23 respectively.

The range of interest rates as at the reporting date of the above interest-bearing loans and borrowings are as follows:

	Group		Corporation	
	2022 %	2021 %	2022 %	2021 %
Fixed rate				
Term loans	1.90-4.44	1.87-4.44	–	–
Loans from subsidiaries	–	–	–	1.71
Lease liabilities	2.15-6.35	2.15-6.03	3.49-6.35	3.49-5.19
Floating rate				
Term loans	2.44-6.27	1.01-1.71	–	–
Revolving credits	–	1.56-1.61	–	–
Loans from subsidiaries	–	–	4.61-5.52	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

19. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D.)

(c) Interest-bearing loans and borrowings (cont'd.)

Changes in liabilities arising from financing activities:

	Group			
	Term Loans RM'000	Revolving Credits RM'000	Lease Liabilities RM'000	Total RM'000
At 1 January 2022	16,503,537	292,067	233,412	17,029,016
Drawdown/additions	8,993,597	1,207,880	115,935	10,317,412
Repayment	(8,851,339)	(1,517,581)	(128,604)	(10,497,524)
Amortisation of upfront fees	79,824	1,733	–	81,557
Accretion of interest (Note 9(b))	–	–	5,702	5,702
Remeasurement of modification of lease contract	–	–	(1,574)	(1,574)
Termination of lease contract	–	–	(30,841)	(30,841)
Currency translation differences	932,346	15,901	9,523	957,770
At 31 December 2022	17,657,965	–	203,553	17,861,518

	Corporation			
	Loans from subsidiaries RM'000	Revolving Credits RM'000	Lease Liabilities RM'000	Total RM'000
At 1 January 2022	648,116	–	15,073	663,189
Drawdown/additions	2,625,780	880,248	42,484	3,548,512
Repayment	(1,208,312)	(880,248)	(14,907)	(2,103,467)
Settlement via transfer of asset	(662,707)	–	–	(662,707)
Accretion of interest (Note 9(b))	–	–	445	445
Currency translation differences	39,062	–	(87)	38,975
At 31 December 2022	1,441,939	–	43,008	1,484,947

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

19. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D.)

(c) Interest-bearing loans and borrowings (cont'd.)

	Group			
	Term Loans RM'000	**Revolving Credits RM'000**	**Lease Liabilities RM'000**	**Total RM'000**
At 1 January 2021	12,455,992	635,161	349,233	13,440,386
Drawdown/additions	5,099,178	1,036,415	89,426	6,225,019
Repayment	(1,541,614)	(1,401,338)	(203,691)	(3,146,643)
Amortisation of upfront fees	25,663	1,347	–	27,010
Disposal of interest of a subsidiary	–	–	(9,489)	(9,489)
Accretion of interest (Note 9(b))	–	–	15,364	15,364
Remeasurement of modification of lease contract	–	–	(11,820)	(11,820)
Termination of lease contract	–	–	(3,246)	(3,246)
Currency translation differences	464,318	20,482	7,635	492,435
At 31 December 2021	16,503,537	292,067	233,412	17,029,016

	Corporation			
	Loans from subsidiaries RM'000	**Revolving Credits RM'000**	**Lease Liabilities RM'000**	**Total RM'000**
At 1 January 2021	852,393	342,423	29,921	1,224,737
Drawdown/additions	746,275	746,275	–	1,492,550
Repayment	(979,761)	(1,098,682)	(15,616)	(2,094,059)
Remeasurement of modification of lease contract	–	–	(863)	(863)
Accretion of interest (Note 9(b))	–	–	1,688	1,688
Currency translation differences	29,209	9,984	(57)	39,136
At 31 December 2021	648,116	–	15,073	663,189

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

19. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D.)

(c) Interest-bearing loans and borrowings (cont'd.)

The following tables set out the carrying amounts of liabilities as at the reporting date and the remaining maturities of the Group's and the Corporation's financial instruments:

At 31 December 2022	**Within 1 year RM'000**	**More than 1 year and within 2 years RM'000**	**More than 2 years and within 3 years RM'000**	**More than 3 years and within 4 years RM'000**	**More than 4 years and within 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**
Group							
Fixed rate							
Term loans	1,146,067	1,182,119	2,947,683	1,312,181	5,578,777	2,251,354	14,418,181
Lease liabilities	90,643	33,162	29,852	10,369	9,398	30,129	203,553
	1,236,710	1,215,281	2,977,535	1,322,550	5,588,175	2,281,483	14,621,734
Floating rate							
Term loans	2,368,741	87,698	641,723	87,698	53,924	–	3,239,784
	2,368,741	87,698	641,723	87,698	53,924	–	3,239,784
Total borrowings	3,605,451	1,302,979	3,619,258	1,410,248	5,642,099	2,281,483	17,861,518
Corporation							
Fixed rate							
Lease liabilities	13,876	14,163	14,969	–	–	–	43,008
Floating rate							
Loans from subsidiaries	1,441,939	–	–	–	–	–	1,441,939
Total borrowings	1,455,815	14,163	14,969	–	–	–	1,484,947

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

19. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D.)

(c) Interest-bearing loans and borrowings (cont'd.)

At 31 December 2021	Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 3 years RM'000	More than 3 years and within 4 years RM'000	More than 4 years and within 5 years RM'000	More than 5 years RM'000	Total RM'000
Group							
Fixed rate							
Term loans	4,598,738	856,931	891,712	893,419	1,013,507	3,556,344	11,810,651
Lease liabilities	134,230	44,685	10,768	10,345	5,072	28,312	233,412
	4,732,968	901,616	902,480	903,764	1,018,579	3,584,656	12,044,063
Floating rate							
Term loans	3,284,301	–	1,408,585	–	–	–	4,692,886
Revolving credits	292,067	–	–	–	–	–	292,067
	3,576,368	–	1,408,585	–	–	–	4,984,953
Total borrowings	8,309,336	901,616	2,311,065	903,764	1,018,579	3,584,656	17,029,016
Corporation							
Fixed rate							
Loans from subsidiaries	64,785	583,331	–	–	–	–	648,116
Lease liabilities	14,435	508	130	–	–	–	15,073
	79,220	583,839	130	–	–	–	663,189
Total borrowings	79,220	583,839	130	–	–	–	663,189

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

19. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D.)

(d) Finance lease receivables

Finance lease receivables represent lease rental and interest receivable due from customers in relation to the lease of ships and offshore floating assets by the Group and the Corporation.

The following table sets out maturity analysis of lease receivables, showing undiscounted lease payments to be received after the reporting date.

	Group		Corporation	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Less than 1 year	2,557,347	2,414,791	–	151,589
1 to 2 years	2,494,276	2,415,698	–	151,589
2 to 3 years	2,412,743	2,358,918	–	152,005
3 to 4 years	2,372,175	2,280,924	–	151,589
4 to 5 years	2,270,119	2,247,488	–	133,507
More than 5 years	10,524,267	12,127,823	–	632,841
Total undiscounted lease payments	22,630,927	23,845,642	–	1,373,120
Unearned interest income	(6,243,065)	(6,998,757)	–	(413,408)
Changes in residual value	(58,725)	–	–	–
Net investment in lease	16,329,137	16,846,885	–	959,712

The following table sets out maturity analysis of the present value of lease receivables, showing the discounted lease payments to be received after the reporting date.

	Group		Corporation	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Less than 1 year	1,521,865	1,347,489	–	84,161
1 to 2 years	1,555,412	1,433,457	–	90,528
2 to 3 years	1,563,015	1,468,415	–	97,816
3 to 4 years	1,616,172	1,481,965	–	104,778
4 to 5 years	1,625,137	1,539,874	–	91,313
More than 5 years	8,447,536	9,575,685	–	491,116
	16,329,137	16,846,885	–	959,712
Less: Impairment	(54,476)	(59,879)	–	(5,516)
	16,274,661	16,787,006	–	954,196

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

19. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D.)

(d) Finance lease receivables (cont'd.)

The following table sets out maturity analysis of the present value of lease receivables, showing the discounted lease payments to be received after the reporting date (cont'd.).

	Group		Corporation	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Analysed as:				
Due within 12 months (Note 21)	1,521,865	1,347,489	–	84,161
Due after 12 months (Note 21)	14,752,796	15,439,517	–	870,035
	16,274,661	16,787,006	–	954,196

The effective interest rate of the Group's finance lease receivables is between 2.20% to 9.04% (2021: 2.20% to 9.04%). Included in minimum lease receivables are the estimated unguaranteed residual values of the leased assets of RM732,583,000 (2021: RM772,762,000).

The effective interest rate of the Corporation's finance lease receivable is Nil (2021: 7.57%). Included in minimum lease receivable is the estimated unguaranteed residual value of the leased assets of RM Nil (2021: RM33,253,000).

In the previous financial year, the Group recognised additional finance lease receivables amounting to RM2,524,599,000 and RM65,629,000 in relation to delivery of ships and modification of lease contract from an operating lease to a finance lease respectively.

The movement in the allowance for impairment loss of finance lease receivables during the year are as follows:

	Group		Corporation	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	59,879	63,335	5,516	6,512
Write back of impairment loss (Note 4)	(9,858)	(2,929)	(6,375)	(1,222)
Currency translation differences	4,455	(527)	859	226
At 31 December	54,476	59,879	–	5,516

20. INVENTORIES

	Group		Corporation	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At cost	97,879	120,126	2,016	2,153

Inventories consist of bunkers, lubricants and raw materials. The cost of inventories recognised as cost of sales during the financial year of the Group and the Corporation were RM975,602,000 (2021: RM670,195,000) and RM53,396,000 (2021: RM39,616,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

21. TRADE AND OTHER RECEIVABLES

	Group		Corporation	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Trade receivables				
Third parties	3,259,795	2,931,431	81,063	74,629
Fellow subsidiaries	37,956	20,841	450	4,840
Associates	–	14,059	163	239
Joint ventures	30,153	30,517	30,039	29,954
	3,327,904	2,996,848	111,715	109,662
Finance lease receivables (Note 19(d))	1,521,865	1,347,489	–	84,161
Due from customers on contracts (Note 22)	511,709	496,218	–	–
	5,361,478	4,840,555	111,715	193,823
Less: Impairment loss on trade receivables:				
Third parties	(377,604)	(381,712)	(64,455)	(61,573)
Joint ventures	(23,859)	(22,557)	(23,859)	(22,557)
	(401,463)	(404,269)	(88,314)	(84,130)
Trade receivables, net	4,960,015	4,436,286	23,401	109,693
Other receivables				
Amount due from related parties:				
Holding company	–	146	–	–
Subsidiaries	–	–	1,066,162	278,349
Fellow subsidiaries	5,631	91	183	1,448
Joint ventures	7,991	8,469	253	4,528
	13,622	8,706	1,066,598	284,325
Loans and advances:				
Subsidiaries	–	–	766,652	513,068
Deposits	35,975	34,741	2,494	2,358
Prepayments	108,059	172,18	17,737	28,280
Others	263,633	103,189	54,839	42,686
	421,289	318,823	1,908,320	870,717
Less: Impairment loss on other receivables:				
Third parties	(753)	(765)	(49)	(94)
Joint ventures	–	–	(1,554)	(1,710)
	(753)	(765)	(1,603)	(1,804)
Other receivables, net	420,536	318,058	1,906,717	868,913
Total trade and other receivables	**5,380,551**	**4,754,344**	**1,930,118**	**978,606**
Add: Cash, deposits and bank balances (Note 23)	7,134,027	7,952,347	2,515,691	2,831,994
Add: Net loans and advances (Note 19(a))	204,084	190,648	101,989	439,568
Add: Net long term receivables (Note 19a))	340,085	230,483	145,527	131,346
Add: Long term finance lease receivables (Note 19(d))	14,752,796	15,439,517	–	870,035
Less: Due from customers on contracts (Note 22)	(511,709)	(496,218)	–	–
Less: Prepayments	(108,059)	(172,187)	(17,737)	(28,280)
Total financial assets carried at amortised cost	27,191,775	27,898,934	4,675,588	5,223,269

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

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

(a) Trade receivables

The Group's normal trade credit terms with its customers range from 7 to 90 days (2021: 7 to 90 days). Other credit terms are assessed and approved on a case-by-case basis and each customer is assigned a maximum credit limit.

(b) Other receivables and amounts due from related parties

The non-trade balances due from holding company, subsidiaries, associates and joint ventures arose in the normal course of business. Certain loans and advances to subsidiaries bear interest ranging from 4.70% to 5.60% (2021: 1.51% to 4.25%) per annum.

The ageing of trade receivables (excluding amount due from customers on contracts and finance lease receivables) as at the end of the reporting period is analysed below:

	Group		Corporation	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current	552,781	620,518	7,732	54,567
Past due 1-30 days	149,080	120,138	6,189	2,004
Past due 31-60 days	18,648	95,041	888	1,465
Past due 61-90 days	16,655	97,459	2,655	1,219
Past due more than 90 days	2,590,740	2,063,692	94,251	50,407
	3,327,904	2,996,848	111,715	109,662
Less: Impairment	(401,463)	(404,269)	(88,314)	(84,130)
	2,926,441	2,592,579	23,401	25,532

The movement in the allowance for impairment loss of trade and other receivables and other non-current assets during the year are as follows:

	Group		Corporation	
	Trade and other receivables RM'000	Other non-current assets (Note 19(a)) RM'000	Trade and other receivables RM'000	Other non-current assets (Note 19(a)) RM'000
At 1 January 2022	405,034	275,633	85,934	271,236
Impairment loss (Note 5)	3,272	45,063	6,597	17,671
Impairment loss on drydocking expenditure (Note 5(a))	–	71,405	–	–
Write back of impairment loss (Note 4)	(25,831)	–	(3,206)	–
Write off	–	(71,405)	–	–
Unwinding of discount on trade receivables (Note 9(a))	(13,885)	–	(13,885)	–
Currency translation differences	33,626	958	14,477	5,355
At 31 December 2022	402,216	321,654	89,917	294,262

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

The movement in the allowance for impairment loss of trade and other receivables and other non-current assets during the year are as follows: (cont'd.)

	Group		Corporation	
	Trade and other receivables RM'000	Other non-current assets (Note 19(a)) RM'000	Trade and other receivables RM'000	Other non-current assets (Note 19(a)) RM'000
At 1 January 2021	627,328	2,417	329,408	2,417
Reclassification to long term receivables	(268,992)	268,992	(268,992)	268,992
Impairment loss (Note 5)	65,336	4,369	52,679	–
Write back of impairment loss (Note 4)	(1,195)	–	(2,507)	–
Write off	(20,730)	(2,417)	(20,730)	(2,417)
Unwinding of discount on trade receivables (Note 9(a))	(13,666)	–	(13,666)	–
Currency translation differences	16,953	2,272	9,742	2,244
At 31 December 2021	405,034	275,633	85,934	271,236

22. DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group	
	2022 RM'000	2021 RM'000
Due from customers on contracts:		
Non-current (Note 19(a))	6,649,003	2,748,898
Current (Note 21)	511,709	496,218
	7,160,712	3,245,116
Due to customers on contracts (Note 25)	(15,152)	(119,192)
	7,145,560	3,125,924

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

	Group	
	2022 RM'000	2021 RM'000
At the beginning of the year	3,125,924	475,864
Revenue recognised during the year (Note 3)	5,329,763	3,748,218
Billings during the year	(1,310,127)	(1,098,158)
At the end of the year	7,145,560	3,125,924
Revenue recognised which was included in amount due to customers at the beginning of the financial year	119,192	15,395
Revenue recognised from performance obligations satisfied in the previous periods	9,309	18,536

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23. CASH, DEPOSITS AND BANK BALANCES

	Group		Corporation	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash with PETRONAS Integrated Financial Shared Services Centre	4,107,077	5,462,424	2,508,507	2,810,026
Cash and bank balances	2,877,928	2,088,103	2,397	52
Deposits with licensed banks	149,022	401,820	4,787	21,916
	7,134,027	7,952,347	2,515,691	2,831,994

To allow more efficient cash management for the Group and the Corporation, the Group's and the Corporation's cash and bank balances have, since 1 July 2013, been 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 5.00% (2021: 0.95% to 2.00%) per annum. The maturity periods of the Group's deposits with licensed banks as at the reporting date ranged between 1 day to 91 days (2021: 1 day to 182 days).

Included in cash and bank balances and deposits with licensed banks of the Group is the retention account of RM726,667,000 (2021: RM940,954,000) which is restricted for use because of the requirement of loan covenants.

Included in cash with IFSSC and cash and bank balances of the Group and the Corporation are interest-bearing balances amounting to RM6,985,005,000 (2021: RM7,550,527,000) and RM2,510,904,000 (2021: RM2,810,078,000) respectively.

Other information on financial risks of cash and cash equivalents are disclosed in Note 37.

24. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2022 RM'000	2021 RM'000
Ship, plant and machineries	132,450	14,312

The movement during the year relating to non-current assets held for sale are as follows:

	Group	
	2022 RM'000	2021 RM'000
At 1 January	14,312	4,834
Transfer from ships (Note 13)	132,036	40,630
Transfer from plant and machineries (Note 13)	–	14,312
Disposals	(14,312)	(45,606)
Currency translation differences	414	142
At 31 December	132,450	14,312

In the current financial year, the Group has classified a ship as held for sale with the intention of disposal in the immediate future.

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25. TRADE AND OTHER PAYABLES

	Group		Corporation	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Trade payables				
Third parties	207,130	359,107	10,059	9,965
Subsidiaries	–	–	123,637	142,894
Holding company	161	425	24	204
Fellow subsidiaries	718	463	6	78
Associates	10,557	10,221	–	10,491
Accruals	2,571,177	1,396,596	199,375	162,569
Deferred income (Note 29)	187,967	168,602	6,296	–
Due to customers on contracts (Note 22)	15,152	119,192	–	–
	2,992,862	2,054,606	339,397	326,201
Other payables				
Amount due to related parties:				
Subsidiaries	–	–	65,375	292,974
Holding company	1,358	1,437	1,358	1,385
Fellow subsidiaries	1,954	988	–	–
Associates	–	435	10,900	435
Joint ventures	2,707	29,564	(39)	–
Accruals	661,925	574,288	131,789	61,367
Provisions (Note 25(c))	1,346,793	1,262,999	25,040	23,673
Others	140,081	117,447	74,473	70,044
	2,154,818	1,987,158	308,896	449,878
Total trade and other payables	**5,147,680**	**4,041,764**	**648,293**	**776,079**
Add: Total borrowings (Note 19(c))	17,861,518	17,029,016	1,484,947	663,189
Less: Due to customers on contracts (Note 22)	(15,152)	(119,192)	–	–
Less: Provisions (Note 25(c))	(1,346,793)	(1,262,999)	(25,040)	(23,673)
Less: Deferred income (Note 29)	(187,967)	(168,602)	(6,296)	–
Total financial liabilities carried at amortised cost	21,459,286	19,519,987	2,101,904	1,415,595

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

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 14 to 90 days (2021: 14 to 90 days).

(b) Other payables and amounts due to related parties

The non-trade balances due to holding company, subsidiaries, fellow subsidiaries, associates and joint ventures arose in the normal course of business.

(c) Other non-current liabilities and provisions

	Group		Corporation	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
At 1 January	1,438,973	1,187,960	34,317	22,848
Arose during the year	115,218	206,811	–	10,572
Utilised	–	(100)	–	–
Reversal of provision	(19,816)	–	–	–
Currency translation differences	83,885	44,302	1,981	897
At 31 December	1,618,260	1,438,973	36,298	34,317
Analysed as:				
Due within 12 months	1,346,793	1,262,999	25,040	23,673
Due after 12 months	271,467	175,974	11,258	10,644
	1,618,260	1,438,973	36,298	34,317

Other non-current liabilities and provisions comprise provision for litigation claims, cost provisions for the construction of a FPSO and put option liabilities.

26. SHARE CAPITAL AND TREASURY SHARES

	Group and Corporation			
	Number of shares		Amount	
	Share Capital '000	**Treasury Shares '000**	**Share Capital RM'000 (i)**	**Treasury Shares RM'000**
At 1 January/31 December 2022	4,463,794	(47)	8,923,262	(271)
At 1 January/31 December 2021	4,463,794	(47)	8,923,262	(271)

(i) The Group has one issued special preference share of RM1.

The special preference share, which may only be held by the Ministry of Finance (Incorporated) ("MoF") or its successors or any Minister, representative, or any person acting on behalf of the Government of Malaysia, carries rights as provided in the Corporation's Constitution. Certain matters, in particular the alterations of specified Rules in the Constitution, require the prior approval of the holder of the special preference share.

The holder of the special preference share is not entitled to any dividend nor to participate in the capital distribution upon dissolution of the Corporation but shall rank for repayment in priority to all other shares. The share does not carry any right to vote at General Meetings but the holder is entitled to attend and speak at such meetings.

NOTES TO THE FINANCIAL STATEMENTS

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27. OTHER RESERVES

	Revaluation Reserve RM'000 27(a)	Capital Reserve RM'000 27(b)	Other Capital Reserve RM'000 27(c)	Put Option Reserve RM'000 27(d)	Statutory Reserve RM'000 27(e)	Hedging Reserve RM'000 27(f)	Currency Translation Reserve RM'000 27(g)	Total RM'000
Group								
At 1 January 2022	1,357	435,199	99,299	(10,572)	2,953	(136,359)	6,261,766	6,653,643
Currency translation differences:								
Group	–	–	–	–	–	–	1,824,944	1,824,944
Associates	–	–	–	–	–	–	(108)	(108)
Joint ventures	–	–	–	–	–	–	42,491	42,491
Fair value loss on cash flow hedges:								
Group	–	–	–	–	–	1,018,588	–	1,018,588
Joint ventures	–	–	–	–	–	57,838	–	57,838
Liquidation of a subsidiary	(1,357)	–	(39,281)	–	(2,353)	–	1,768	(41,223)
Disposal of interest in joint ventures	–	–	–	–	(600)	–	312	(288)
At 31 December 2022	–	435,199	60,018	(10,572)	–	940,067	8,131,173	9,555,885
At 1 January 2021	1,357	435,199	99,299	–	3,161	(577,475)	5,160,464	5,122,005
Currency translation differences:								
Group	–	–	–	–	–	–	1,092,169	1,092,169
Associates	–	–	–	–	–	–	(15)	(15)
Joint ventures	–	–	–	–	–	–	15,333	15,333
Fair value loss on cash flow hedges:								
Group	–	–	–	–	–	433,890	–	433,890
Joint ventures	–	–	–	–	–	7,226	–	7,226
Liquidation of a joint venture	–	–	–	–	(208)	–	(349)	(557)
Disposal of interest in joint ventures	–	–	–	–	–	–	(5,836)	(5,836)
Dilution of interest in subsidiaries	–	–	–	(10,572)	–	–	–	(10,572)
At 31 December 2021	1,357	435,199	99,299	(10,572)	2,953	(136,359)	6,261,766	6,653,643

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

27. OTHER RESERVES (CONT'D.)

The nature and purpose of each category of reserves are as follows:

(a) Revaluation reserve

Revaluation reserve represents surplus arising from revaluation of certain freehold land.

(b) Capital reserve

Capital reserve represents reserve arising from bonus issue by subsidiaries.

(c) Other capital reserve

Other capital reserve represents the Group's share of its subsidiaries' reserve.

(d) Put option reserve

Put option reserve arises from the dilution of interest in subsidiaries, where an option was granted to a non-controlling interest to sell its equity stake back to the Group.

(e) Statutory reserve

Statutory reserve is maintained by overseas subsidiaries and joint ventures in accordance with the laws of the host countries.

(f) Hedging reserve

Hedging reserve represents the effective portion of the gain or loss on hedging instruments in the Group's cash flow hedges and includes the Group's share of hedging reserve of joint ventures.

(g) Currency translation reserve

Currency translation reserve comprises all foreign exchange differences arising from translation of the financial statements of the Corporation and foreign operations with different functional currencies from that of the Group's presentation currency.

28. DEFERRED TAX

	Group	
	2022 RM'000	**2021 RM'000**
At 1 January	(95,084)	(96,612)
Recognised in income statement (Note 10):		
In Malaysia	320	1,714
Outside Malaysia	(1,879)	93
	(1,559)	1,807
Currency translation differences	(352)	(279)
At 31 December	(96,995)	(95,084)
Presented after appropriate offsetting as follows:		
Deferred tax assets	(98,801)	(101,917)
Deferred tax liabilities	1,806	6,833
	(96,995)	(95,084)

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

28. DEFERRED TAX (CONT'D.)

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	**Others RM'000**	**Total RM'000**
At 1 January 2022	89,348	307	89,655
Recognised in income statement:			
In Malaysia	8,735	458	9,193
At 31 December 2022	98,083	765	98,848
At 1 January 2021	84,234	1,905	86,139
Recognised in income statement:			
In Malaysia	2,173	(86)	2,087
Outside Malaysia	2,941	(1,512)	1,429
At 31 December 2021	89,348	307	89,655

Deferred tax assets of the Group:

	Other payables RM'000	**Tax losses, investment tax allowances and unabsorbed capital allowances RM'000**	**Others RM'000**	**Total RM'000**
At 1 January 2022	(13,030)	(156,206)	(15,503)	(184,739)
Recognised in income statement:				
In Malaysia	–	(10,172)	1,299	(8,873)
Outside Malaysia	–	–	(1,879)	(1,879)
Currency translation differences	(280)	–	(72)	(352)
At 31 December 2022	(13,310)	(166,378)	(16,155)	(195,843)
At 1 January 2021	(16,101)	(140,727)	(25,923)	(182,751)
Recognised in income statement:				
In Malaysia	3,264	(15,479)	11,842	(373)
Outside Malaysia	–	–	(1,336)	(1,336)
Currency translation differences	(193)	–	(86)	(279)
At 31 December 2021	(13,030)	(156,206)	(15,503)	(184,739)

NOTES TO THE FINANCIAL STATEMENTS

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28. DEFERRED TAX (CONT'D.)

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

	Group		Corporation	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unused tax losses	5,558,463	5,611,632	5,495,446	5,555,863
Unabsorbed capital allowances	574,437	585,104	555,255	555,255
Unabsorbed investment tax allowances	1,024,244	1,099,700	–	–
Other deductible temporary differences	6,581	5,807	–	–
	7,163,725	7,302,243	6,050,701	6,111,118

In Malaysia, the unused tax losses can be carried forward and available for use for 10 years starting from the year of assessment 2019. The unused tax losses of the Corporation relate to the loss making non-resident ships and can be utilised to offset against future taxable profits.

The unabsorbed capital allowances and unabsorbed investment tax allowances are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to tax law and tax guidance issued by the tax authority enacted at the reporting date.

Deferred tax assets have not been recognised for certain subsidiaries with recent history of losses.

29. DEFERRED INCOME

	Group		Corporation	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	1,273,575	1,345,399	–	–
Advances received during the year	375,562	309,550	18,626	–
Recognised during the year in income statement	(470,262)	(428,952)	(12,350)	–
Currency translation differences	72,735	47,578	20	–
At 31 December	1,251,610	1,273,575	6,296	–
Current (Note 25)	187,967	168,602	6,296	–
Non-current	1,063,643	1,104,973	–	–
	1,251,610	1,273,575	6,296	–

Deferred income mainly relates to time charter income paid in advance by customers.

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30. CASH FLOWS FROM INVESTING ACTIVITIES

	Group		Corporation	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Purchase of ships, other property, plant and equipment and intangible assets	(2,293,532)	(3,775,209)	(80,279)	(87,393)
Loan and advances to subsidiaries	–	–	(4,079,528)	(187,252)
Redemption of shares in subsidiaries	–	–	286,081	1,098,682
Dividend received from:				
Quoted and unquoted equity investment	2,486	1,926	2,486	1,926
Subsidiaries	–	–	1,649,092	1,322,063
Associates and joint ventures	169,896	232,853	121,055	219,239
Net repayment of loans due from subsidiaries	–	–	3,676,184	444,832
Proceeds from disposal of ships	292,435	469,739	–	–
Proceeds from disposal of assets held for sale	14,682	–	–	–
Deposits received for asset held for sale	19,806	–	–	–
Proceeds from disposal of interest in a subsidiary	–	26,923	–	26,923
Proceeds from disposal of interest in joint ventures	–	50,306	–	–
Cash outflow from deconsolidation of a subsidiary	–	(48,587)	–	–
Investment in:				
Subsidiary	–	–	(2,497,264)	(74,213)
Joint ventures	–	(95,083)	–	–
Associates	(283,066)	–	–	–
Other investment	–	(6,774)	–	–
Interest received	117,579	19,232	55,627	23,172
Net fixed deposit withdrawal/(placement)	16,748	(10,569)	–	–
Net cash (used in)/generated from investing activities	(1,942,966)	(3,135,243)	(866,546)	2,787,979

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31. CASH FLOWS FROM FINANCING ACTIVITIES

	Group		Corporation	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Drawdown of term loans	8,993,597	5,099,178	–	–
Drawdown of revolving credits	1,207,880	1,036,415	880,248	746,275
Drawdown of loans from subsidiaries	–	–	2,625,780	746,275
Repayment of term loans	(8,851,339)	(1,541,614)	–	–
Repayment of revolving credits	(1,517,581)	(1,401,338)	(880,248)	(1,098,682)
Repayment of loan due to subsidiaries	–	–	(1,208,312)	(979,761)
Dividends (Note 12)	(1,473,035)	(1,473,035)	(1,473,035)	(1,473,035)
Dividends paid to minority shareholders of subsidiaries	–	(24,500)	–	–
Interest paid	(544,570)	(414,552)	(8,985)	(19,710)
Payment of lease liabilities	(122,902)	(188,327)	(14,462)	(13,928)
Withdrawal of cash pledged with bank (restricted)	267,779	406,765	–	–
Net cash (used in)/generated from financing activities	(2,040,171)	1,498,992	(79,014)	(2,092,566)

32. 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 holding company is wholly owned by the MoF, the Group is deemed to be related to entities that are controlled, jointly controlled or significantly influenced by the Government of Malaysia.

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32. RELATED PARTY DISCLOSURES (CONT'D.)

	Group		Corporation	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(a) Income from fellow subsidiaries				
Freight and charter hire revenue	2,259,540	2,170,795	810,777	723,219
Fabrication, repair and drydocking services	458,328	1,134,748	–	–
Finance lease income	318,845	320,398	–	–
Offshore, maintenance and manpower services	38,559	73,326	38,559	43,961
Marine and consultancy services	28,530	26,257	–	–
Sungai Udang Port management	21,557	20,572	–	–
(b) Purchase from fellow subsidiaries				
Purchase of bunkers, lubricants, spare parts and other materials	(146,554)	(145,002)	(18,704)	(47,634)
Purchase of service for rental of premises	(23,950)	(24,166)	(22,701)	(22,811)
Fees for representation in the Board of Directors*	(342)	(342)	(342)	(342)
(c) Management fee from subsidiaries				
Fees for representation in the Board of Directors**	–	–	930	936
(d) Purchase of service for repairs, conversion of ships, drydocking and fabrication from a subsidiary	–	–	–	(1,777)
(e) Purchase of ship operating and management services from a subsidiary	–	–	(17,671)	(16,918)
(f) Government of Malaysia's related entities				
(i) Purchase of goods and services				
Utilities	(26,760)	(23,967)	(1,815)	(4,065)

(g) Compensation of key management personnel ("KMP")

KMP are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Corporation, directly or indirectly, including any director of the Group and of the Corporation.

* Fees paid directly to PETRONAS in respect of directors who are appointees of the holding company.

** Fees received from subsidiaries in respect of directors who are appointees of the Corporation.

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32. RELATED PARTY DISCLOSURES (CONT'D.)

(g) Compensation of key management personnel ("KMP") (cont'd.)

The remuneration of directors and other members of key management during the financial year were as follows:

	Group		Corporation	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Directors				
Directors' remuneration (Note 7)	5,622	5,358	5,096	4,817
Other key management personnel				
Salaries and benefits	26,803	26,322	8,489	7,976
Defined contribution plans	2,764	2,543	2,011	1,814
	29,567	28,865	10,500	9,790
Total compensation of KMP	35,189	34,223	15,596	14,607

33. COMMITMENTS

(a) Capital commitments

	Group		Corporation	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Capital expenditure				
Approved and contracted for:				
Ships, offshore floating assets and other property, plant and equipment *	3,819,309	3,408,857	736	2,580
Information and communication technology	18,691	7,930	16,172	6,854
Equity investment **	565,782	–	–	–
	4,403,782	3,416,787	16,908	9,434

* The Group has excluded the approved and contracted capital expenditure relating to the turnkey activities for the conversion of a vessel to an FPSO to be leased out to a customer under a time charter contract. Accordingly, the Group has excluded the amount of RM2,282,435,000 as at 31 December 2022 (31 December 2021: RM3,799,088,000) from the above capital commitments as the turnkey activities contribute to the recognition of contract assets per MFRS 15: Revenue from Contract with Customers.

** The Group has entered into multiple shareholders' agreements with NYK, KKK and CLS to construct 12 LNG Tankers. This shall be funded via equity contribution and external borrowings. The amount stated reflects the Group's committed equity contribution for this endeavor.

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33. COMMITMENTS (CONT'D.)

(b) Operating lease commitments - Group and Corporation as lessor

	Group		Corporation	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Future minimum rentals receivable:				
Not later than 1 year	3,725,433	3,576,603	795,688	720,156
Later than 1 year and not later than 5 years	10,008,436	10,046,308	2,465,874	2,548,209
Later than 5 years	7,039,552	7,498,415	3,738,677	4,001,632
	20,773,421	21,121,326	7,000,239	7,269,997

Operating lease income represent long term lease arrangements with related and third parties for charter out of ships and an offshore floating asset.

34. CONTINGENT LIABILITIES

	Group		Corporation	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Secured				
Bank guarantee extended to a third party	–	18	–	–
Unsecured				
Performance bond on contract and bank guarantees extended to third parties	745,604	498,409	7,087	7,455

The Corporation no longer discloses the corporate guarantees given to banks for credit facilities granted to subsidiaries as these would instead be accounted as financial liabilities if considered likely to crystalise.

35. SEGMENT INFORMATION

(a) Business segments

The operating segments of the Group are as follows:

(i) Gas Assets & Solutions - provision of liquefied natural gas ("LNG") carrier services and non-conventional gas asset solutions;

(ii) Petroleum & Product Shipping - provision of petroleum tanker and chemical tanker services;

(iii) Offshore Business - own, lease, operation and maintenance of offshore, floating, production and offloading terminals;

(iv) Marine & Heavy Engineering - marine repair, marine conversion and engineering and construction works; and

(v) Others - integrated marine services, port & terminal services, maritime education & training and other diversified businesses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

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35. SEGMENT INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

31 December 2022	Gas Assets & Solutions RM'000	Petroleum & Product Shipping RM'000	Offshore Business RM'000	Marine & Heavy Engineering RM'000	Others RM'000	Total RM'000	Eliminations and Adjustments RM'000		Consolidated RM'000
Revenue									
External sales	3,113,386	4,665,973	4,322,351	1,600,035	180,253	13,881,998	(15,026)		13,866,972
Inter-segment	–	1,277	–	51,608	262,505	315,390	(315,390)	A	–
	3,113,386	4,667,250	4,322,351	1,651,643	442,758	14,197,388	(330,416)		13,866,972
Results									
Segment results	2,123,478	1,922,423	611,127	67,437	(184,495)	4,539,970	30,402	A	4,570,372
Other operating income	64,937	244,915	38,634	51,349	1,824,829	2,224,664	(1,782,932)	A	441,732
Depreciation	(735,810)	(1,149,941)	(7,829)	(73,124)	(45,491)	(2,012,195)	(9,247)		(2,021,442)
Amortisation of intangible assets	–	–	–	–	(37,563)	(37,563)	(1,238)		(38,801)
Amortisation of prepaid lease payments on land and buildings	–	–	–	(7,037)	(105)	(7,142)	–		(7,142)
Impairment provisions	(419,590)	–	–	–	(147,132)	(566,722)	–		(566,722)
Net gain on disposal of ships	–	15,355	–	–	–	15,355	–		15,355
Finance income	84,007	3,644	23,849	22,216	242,994	376,710	(219,489)	A	157,221
Finance costs	(191,337)	(196,058)	(337,920)	(14,182)	(145,358)	(884,855)	233,620	A	(651,235)
Share of profit of associates	33	–	2,997	–	–	3,030	–		3,030
Share of profit/(loss) of joint ventures	9,942	10,884	(52,119)	–	(44)	(31,337)	3,256		(28,081)
Profit before taxation									1,874,287
Taxation									(39,295)
Profit after taxation									1,834,992
Non-controlling interests									(12,085)
Net profit attributable to equity holders of the Corporation									1,822,907
ASSETS									
Ships	6,428,844	16,046,462	–	–	6,805*	22,482,111	–		22,482,111
Offshore floating asset	–	–	19,133	–	–	19,133	–		19,133
Other property, plant and equipment	–	62,746	3,486	1,506,961	230,560	1,803,753	–		1,803,753
Prepaid lease payments on land and buildings	–	–	–	194,945	3,643	198,588	–		198,588
Non-current assets classified as held for sale	132,450	–	–	–	–	132,450	–		132,450
Intangible assets	–	888,853	–	–	112,724	1,001,577	–		1,001,577
Investments in joint ventures	528,455	25,395	474,218	1,519	–	1,029,587	–		1,029,587
Finance lease receivables	7,834,086	–	8,440,575	–	–	16,274,661	–		16,274,661
Other assets (unallocated)								B	19,722,381
									62,664,241
LIABILITIES									
Interest-bearing loans and borrowings	5,179,105	7,366,984	7,577,533	340,941	5,803,255	26,267,818	(8,406,300)		17,861,518
Other liabilities (unallocated)								C	6,498,638
									24,360,156

* Included in the net book value of ships - others is Navy Auxiliary ship owned by the Corporation, Bunga Mas 6.

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35. SEGMENT INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

31 December 2021	Gas Assets & Solutions RM'000	Petroleum & Product Shipping RM'000	Offshore Business RM'000	Marine & Heavy Engineering RM'000	Others RM'000	Total RM'000	Eliminations and Adjustments RM'000		Consolidated RM'000
Revenue									
External sales	2,882,841	3,199,352	3,022,823	1,409,222	166,823	10,681,061	(9,354)		10,671,707
Inter-segment	–	1,046	16,077	58,093	213,545	288,761	(288,761)	A	–
	2,882,841	3,200,398	3,038,900	1,467,315	380,368	10,969,822	(298,115)		10,671,707
Results									
Segment results	1,893,081	1,101,321	777,797	(186,989)	(93,053)	3,492,157	17,326	A	3,509,483
Other operating income	53,973	260,646	10,249	8,137	1,824,455	2,157,460	(1,788,045)	A	369,415
Depreciation	(724,550)	(1,081,789)	(894)	(80,661)	(43,611)	(1,931,505)	(17,583)		(1,949,088)
Amortisation of intangible assets	–	–	–	–	(22,603)	(22,603)	–		(22,603)
Amortisation of prepaid lease payments on land and buildings	–	–	–	(7,036)	(99)	(7,135)	–		(7,135)
Impairment provisions	(92,900)	–	–	(9,010)	(10,000)	(111,910)	–		(111,910)
Gain on disposal of interest joint ventures	–	–	17,797	–	–	17,797	7,329		25,126
(Loss)/gain from deconsolidation of subsidiary	–	–	(2,159)	–	647	(1,512)	(729)		(2,241)
Net gain on disposal of ships	2,672	28,898	–	–	–	31,570	–		31,570
Finance income	28,248	434	18,147	14,359	48,130	109,318	(61,068)		48,250
Finance costs	(145,501)	(130,645)	(182,577)	(12,938)	(16,642)	(488,303)	70,960		(417,343)
Share of profit of an associate	–	–	3,666	–	–	3,666	–	A	3,666
Share of (loss)/profit of joint ventures	(3,167)	10,365	286,537	–	(19)	293,716	3,716	A	297,432
Profit before taxation									1,774,622
Taxation									(41,075)
Profit after taxation									1,733,547
Non-controlling interests									97,717
Net profit attributable to equity holders of the Corporation									1,831,264
ASSETS									
Ships	6,389,845	15,074,979	–	–	31,507*	21,496,331	–		21,496,331
Offshore floating asset	–	–	25,457	–	–	25,457	–		25,457
Other property, plant and equipment	85,441	73,565	55	1,525,527	205,344	1,889,932	–		1,889,932
Prepaid lease payments on land and buildings	–	–	–	201,982	3,543	205,525	–		205,525
Non-current assets classified as held for sale	–	–	–	14,312	–	14,312	–		14,312
Intangible assets	–	835,764	–	–	225,151	1,060,915	–		1,060,915
Investments in joint ventures	112,328	25,395	900,845	8,910	–	1,047,478	–		1,047,478
Finance lease receivables	7,889,169	–	8,897,837	–	–	16,787,006	–		16,787,006
Other assets (unallocated)								B	14,994,521
									57,521,477
LIABILITIES									
Interest-bearing loans and borrowings	4,995,520	6,979,761	5,255,910	370,560	67,749	17,669,500	(640,484)		17,029,016
Other liabilities (unallocated)								C	5,567,529
									22,596,545

* Included in the net book value of ships - others is Navy Auxiliary ship owned by the Corporation, Bunga Mas 6.

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35. SEGMENT INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

Note:

A Inter-segment revenues and transactions are eliminated on consolidation.

B Other assets comprise the following items:

	2022 RM'000	2021 RM'000
Investment in associates	305,976	21,042
Other non-current assets	7,316,229	3,289,195
Deferred tax assets	98,801	101,917
Inventories	97,879	120,126
Trade and other receivables (excluding finance lease receivables)	3,858,686	3,406,855
Cash, deposits and bank balances	7,134,027	7,952,347
Derivative assets	910,783	103,039
	19,722,381	14,994,521

C Other liabilities comprise the following items:

	2022 RM'000	2021 RM'000
Trade and other payables	5,147,680	4,041,764
Provision for taxation	7,620	19,867
Deferred tax liabilities	1,806	6,833
Derivative liabilities	6,422	218,118
Deferred income	1,063,643	1,104,973
Other non-current liabilities	271,467	175,974
	6,498,638	5,567,529

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35. SEGMENT INFORMATION (CONT'D.)

(b) Geographical segments

Although the Group's four core business segments are managed on a worldwide basis, the Group operates mainly in five principal geographical areas of the world, namely Malaysia, Americas, Asia, Africa and Europe. In Malaysia, its home country, the Group's operation comprise of Gas Assets & Solutions, Petroleum & Product Shipping, Offshore Business, Marine & Heavy Engineering and others.

The following table provides an analysis of the Group's revenue and carrying amount of assets by geographical segments:

	Malaysia RM'000	The Americas RM'000	Asia, Africa and Europe RM'000	Consolidated RM'000
31 December 2022				
Revenue	5,010,171	8,395,701	461,100	13,866,972
Assets	40,063,909	18,482,725	4,117,607	62,664,241
31 December 2021				
Revenue	4,770,400	5,538,348	362,959	10,671,707
Assets	41,607,897	12,774,457	3,139,123	57,521,477

(c) Information about major customers

Breakdown of revenue from major customers are as follows:

	2022 RM'000	2021 RM'000
Fellow subsidiaries:		
- PETRONAS LNG Sdn. Bhd.	1,284,551	1,182,534
- Malaysia LNG Sdn. Bhd.	1,043,021	966,248
- PETRONAS Carigali Sdn. Bhd.	488,262	1,225,112
	2,815,834	3,373,894
Third Parties:		
- Petróleo Brasileiro S.A. ("Petrobras")	4,370,549	2,773,079
- Royal Dutch Shell PLC	441,004	390,136
- Sabah Shell Petroleum Company Limited ("SSPC")	427,036	436,860
- Equinor ASA	382,468	376,869
- PBF Energy Inc.	373,665	101,162
- Satellite Chemical Co. Ltd	371,688	294,411
- TOTAL SE	314,249	156,718
- Marine Well Containment Company	205,098	192,788
- Tanker International Limited	205,098	–
- China Petroleum & Chemical Corporation ("SINOPEC")	193,655	118,160
	7,284,510	4,840,183

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36. FAIR VALUE DISCLOSURES

Fair value information

The carrying amounts of cash, deposits 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 and loans to joint ventures reasonably approximate their fair values as they are repriced to market interest rates on or near the reporting date.

The following table analyses assets and liabilities carried at fair value and those not carried at fair value, together with their fair values and carrying amounts shown in the statements of financial position.

		Fair value of assets and liabilities 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 assets:					
Quoted equity investment	19(a)	50,971	–	–	50,971
Unquoted equity investments	19(a)	–	–	75,411	75,411
Interest rate swaps designated as hedging instruments	19(b)	–	910,783	–	910,783
		50,971	910,783	75,411	1,037,165
Non-financial assets:					
Non-current assets classified as held for sale	24	–	–	132,450	132,450
Financial liabilities:					
Forward currency contracts	19(b)	–	(6,422)	–	(6,422)
At 31 December 2021					
Financial assets:					
Quoted equity investment	19(a)	50,971	–	–	50,971
Unquoted equity investments	19(a)	–	–	72,564	72,564
Interest rate swaps designated as hedging instruments	19(b)	–	103,039	–	103,039
		50,971	103,039	72,564	226,574
Non-financial assets:					
Non-current assets classified as held for sale	24	–	–	14,312	14,312
Financial liabilities:					
Forward currency contracts	19(b)	–	(4,701)	–	(4,701)
Interest rate swaps designated as hedging instruments	19(b)	–	(213,417)	–	(213,417)
		–	(218,118)	–	(218,118)

NOTES TO THE FINANCIAL STATEMENTS

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36. FAIR VALUE DISCLOSURES (CONT'D.)

Fair value information (cont'd.)

		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
Group						
At 31 December 2022						
Financial assets:						
Long term receivables	19(a)	–	–	355,264	355,264	340,085
Finance lease receivables	19(d)	–	–	15,728,644	15,728,644	14,752,796
		–	–	16,083,908	16,083,908	15,092,881
Financial liabilities:						
Term loans						
- fixed rate	19(c)	–	(11,599,422)	–	(11,599,422)	(13,272,114)
At 31 December 2021						
Financial assets:						
Long term receivables	19(a)	–	–	349,956	349,956	230,483
Finance lease receivables	19(d)	–	–	15,944,679	15,944,679	15,439,517
		–	–	16,294,635	16,294,635	15,670,000
Financial liabilities:						
Term loans						
- fixed rate	19(c)	–	(7,359,685)	–	(7,359,685)	(7,211,913)

NOTES TO THE FINANCIAL STATEMENTS

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36. FAIR VALUE DISCLOSURES (CONT'D.)

Fair value information (cont'd.)

	Note	Fair value of assets and liabilities carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Corporation					
At 31 December 2022					
Financial assets:					
Quoted equity investment	19(a)	50,971	–	–	50,971
Unquoted equity investments	19(a)	–	–	69,574	69,574
		50,971	–	69,574	120,545
At 31 December 2021					
Financial assets:					
Quoted equity investment	19(a)	50,971	–	–	50,971
Unquoted equity investments	19(a)	–	–	65,776	65,776
		50,971	–	65,776	116,747

	Note	Fair value of financial instruments not carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
Corporation						
At 31 December 2022						
Financial assets:						
Long term receivables	19(a)	–	–	279,267	279,267	145,527
Loans to subsidiaries (fixed rate)	19(a)	–	20,584	–	20,584	11,735
		–	20,584	279,267	299,851	157,262
At 31 December 2021						
Financial assets:						
Long term receivables	19(a)	–	–	262,242	262,242	131,346
Loans to subsidiaries (fixed rate)	19(a)	–	39,658	–	39,658	47,404
Finance lease receivables	19(d)	–	–	820,997	820,997	870,035
		–	39,658	1,083,239	1,122,897	1,048,785
Financial liabilities:						
Loan from subsidiaries	19(c)	–	–	584,647	584,647	583,331

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31 December 2022

36. FAIR VALUE DISCLOSURES (CONT'D.)

Fair value information (cont'd.)

Transfers between Level 1 and Level 2 fair values

There has been no transfers between Level 1 and Level 2 fair values during the financial year.

Level 1 fair value measurements

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

Level 2 fair value measurements

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

The 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

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

NOTES TO THE FINANCIAL STATEMENTS
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36. FAIR VALUE DISCLOSURES (CONT'D.)

Fair value information (cont'd.)

Level 3 fair value measurements (cont'd.)

The following table shows the information about fair value measurements using significant unobservable inputs within Level 3 of the fair value hierarchy:

	Group		Corporation			
	Fair value at 31 December 2022 RM'000	**Fair value at 31 December 2021 RM'000**	**Fair value at 31 December 2022 RM'000**	**Fair value at 31 December 2021 RM'000**	**Valuation techniques**	**Unobservable inputs**
Assets measured at fair value						
Non-current assets held for sale						
- Ships and plant and machineries	132,450	14,312	–	–	Market comparable approach	Transacted comparable assets adjusted for the current condition of the assets/Sales price offered by potential buyers.
Financial assets not measured at fair value						
Long term receivables	355,264	349,956	279,267	262,242	Discounted cash flow method	Discounting expected future cash flows applying market rate of interest at the end of the reporting period.
Finance lease receivables	15,728,644	15,944,679	–	820,997	Discounted cash flow method	Discounting expected future cash flows applying latest estimated borrowing rate of the charterers.
	16,083,908	16,294,635	279,267	1,083,239		

An increase in market value of comparable assets used in the above valuation would result in an increase in the fair value and vice versa.

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to various risks that are related to its core business of ship owning, ship operating, other shipping related activities and services, owning and operating of offshore facilities and marine repair, marine conversion and engineering and construction works. These risks arise in the normal course of the Group's business.

The Group's Financial Risk Management Framework and Guidelines set the foundation for the establishment of effective risk management practices across the Group.

The Group's Financial Risk Management Policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risk (both fair value and cash flow), foreign currency risk, liquidity risk, credit risk and equity price risk. The Board of Directors reviews and agrees policies for managing each of these risks as summarised below. It is, and has been throughout the period under review, the Group's policy that no speculative trading in derivative financial instruments shall be undertaken.

The following sections provide details regarding the Group's and the Corporation's exposure to the above-mentioned financial risks and the objectives, policies and processes in place to manage these risks.

(a) 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 arising from financial assets. The Group's interest-bearing financial assets are mainly short term in nature and have been placed mostly in time deposits and overnight placements. The Group's interest rate risk arises primarily from interest-bearing loans and borrowings.

Borrowings at floating rates expose the Group to cash flow interest rate risk. The Group's interest rate risks arise from the volatility of the benchmark interest rates in United States Dollar ("USD"), which is the Group's main borrowing currency.

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. As at 31 December 2022, 81.7% (2021: 70.3%) and Nil (2021: 100.0%) of the Group's and the Corporation's total borrowings were fixed rate in nature. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps in which the Group agrees to exchange at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed upon notional principal amount.

As at reporting date, the total notional principal amount of interest rate swaps of the Group is RM11.5 billion (2021: RM11.5 billion). The fixed interest rates relating to interest rate swaps at the reporting date ranges from 0.46% - 3.19% (2021: 0.46% - 3.19%) per annum.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, maturities and notional amounts. If a hedging relationship is directly affected by uncertainty arising from interbank offered rates ("IBOR") reform, then the Group assumes for this purpose that the benchmark interest rate is not altered as a result of interest rate benchmark reform.

NOTES TO THE FINANCIAL STATEMENTS
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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Interest rate risk (cont'd.)

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before taxation and equity via floating rate borrowings and interest rate swaps respectively:

	Increase/ (Decrease) in IBOR basis points	Effect on profit before taxation (Decrease)/ Increase RM'000	Effect on other comprehensive income Increase/ (Decrease) RM'000
As at 31 December 2022			
Group			
USD - 3 Months IBOR	+270	(87,202)	62,618
USD - 3 Months IBOR	-270	87,202	(62,618)
As at 31 December 2021			
Group			
USD - 3 Months IBOR	+10	(4,951)	30,020
USD - 3 Months IBOR	-10	4,951	(30,020)

As at 31 December 2022, the Group's and the Corporation's exposure to the risk of changes in market interest rate relates primarily to the Group's and the Corporation's placement of deposits with licensed banks, cash and bank balances, loans to subsidiaries and associate, interest-bearing loans and borrowings and loans from subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Interest rate risk (cont'd.)

The interest-bearing financial instruments of the Group and of the Corporation based on carrying amount, as at reporting date were as follows:

	Group		Corporation	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fixed rate instruments				
Financial assets				
Deposits with licensed banks	149,022	401,820	4,787	21,916
Deposits with IFSSC	4,107,077	5,462,424	2,508,507	2,810,026
Loans and advances to subsidiaries	–	–	116,042	222,106
Financial liabilities				
Fixed rate borrowings	335,186	369,636	–	–
Floating rate borrowings (swapped to fixed rate)	14,082,995	11,441,015	–	–
Loans from subsidiaries	–	–	–	648,116
Floating rate instruments				
Financial assets				
Cash and bank balances	2,877,928	2,088,103	2,397	52
Loans and advances to subsidiaries	–	–	752,599	730,530
Financial liabilities				
Floating rate borrowings	3,239,784	4,984,953	–	–
Loans from subsidiaries	–	–	1,441,939	–

The Group is also exposed to the ongoing IBOR reforms on its financial instruments that will be replaced or reformed as part of market-wide initiatives.

The Group's main IBOR exposure is indexed to USD LIBOR which will be discontinued on a revised timeline of 30 June 2023. The alternative reference rate is Secured Overnight Financing Rate ("SOFR"). The Group has established a transition committee which monitors and manages the Groupwide transition to alternative rates with an aim to achieve economically equivalent transactions and minimal impact upon transition. As at reporting date, transitional activities are currently ongoing, and the Group has no transactions for which benchmark rate had been replaced with an alternative benchmark rate.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Foreign currency risk

The currencies giving rise to this risk are primarily RM and USD.

Approximately 4% (2021: 3%) and 3% (2021: 4%) of the Group and the Corporation's revenue are denominated in currency other than the currency of the primary economic environment which the entities operate.

Approximately 5% (2021: 3%) and 11% (2021: 15%) of the Group and the Corporation's cost of sales are denominated in currency other than the currency of the primary economic environment which the entities operate.

The Group maintains a natural hedge, wherever possible, by borrowing in currencies that matches the future revenue streams to be generated from its investments.

During the financial year, the Group held forward currency contracts designated as hedges of expected future receipts and payments denominated in USD, EUR and GBP for a subsidiary whose functional currency is Ringgit Malaysia. The forward currency contracts are being used to hedge the currency risk of the highly probable forecasted transactions. The cash flow hedges of the expected future receipts were assessed to be highly effective and a derivative loss of RM5,535,000 (2021: RM15,844,000 of derivative gain) which represents the effective portion of the hedging relationship, is included in other comprehensive income.

With all other variables held constant, the following table demonstrates the sensitivity of the Group's and the Corporation's profit before taxation to a reasonably possible change in the USD and RM exchange rates.

	2022			2021		
	Change in currency rate %	Effect on profit before taxation Increase/ (Decrease) RM'000	Effect on other comprehensive loss Increase/ (Decrease) RM'000	Change in currency rate %	Effect on profit before taxation Increase/ (Decrease) RM'000	Effect on other comprehensive loss Increase/ (Decrease) RM'000
Group						
USD/RM	+10%	34,316	17,026	+10%	5,385	537
	-10%	(34,316)	(17,026)	-10%	(5,385)	(537)
Corporation						
USD/RM	+10%	(1,536)	–	+10%	33,022	–
	-10%	1,536	–	-10%	(33,022)	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Foreign currency risk (cont'd.)

The net unhedged financial receivables and payables and cash and bank balances of the Group and of the Corporation that are not denominated in their functional currencies are as follows:

	Net financial receivables/(payables) and cash and bank balances held in non-functional currencies					
Functional currency of Group entities	Ringgit Malaysia RM'000	United States Dollar RM'000	Great Britain Pound RM'000	Euro RM'000	Singapore Dollar RM'000	Total RM'000
At 31 December 2022						
Ringgit Malaysia	–	275,051	(331)	(201)	17,221	291,740
United States Dollar	(75,159)	–	2,865	17,040	47,237	(8,017)
	(75,159)	275,051	2,534	16,839	64,458	283,723
At 31 December 2021						
Ringgit Malaysia	–	94,423	–	34	8,071	102,528
United States Dollar	44,934	–	(15,519)	16,592	3,510	49,517
	44,934	94,423	(15,519)	16,626	11,581	152,045
Functional currency of Corporation						
At 31 December 2022						
United States Dollar	16,954	–	239	17,864	(6,965)	28,092
At 31 December 2021						
United States Dollar	(365,701)	–	714	17,877	83	(347,027)

(c) Liquidity risk

Liquidity risk is the risk that the Group and the Corporation will encounter difficulty in meeting their financial obligations due to shortage of funds. The Group's and the Corporation's exposure to liquidity risk arise primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Corporation's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and various other sources of funding.

The Group and the Corporation have at their disposal cash and short term deposits amounting to RM6,406,083,000 (2021: RM6,994,301,000) and RM2,515,691,000 (2021: RM2,831,994,000) respectively. As at 31 December 2022, the Group and the Corporation have unutilised credit lines of RM13.4 billion (2021: RM6.7 billion) and RM3.1 billion (2021: RM5.4 billion) respectively, which could be used for working capital purposes.

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31 December 2022

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity risk (cont'd.)

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

	Carrying amount RM'000	Contractual cash flows RM'000	Within 1 year RM'000	More than 1 - 2 years RM'000	More than 2 - 3 years RM'000	More than 3 - 4 years RM'000	More than 4 - 5 years RM'000	More than 5 years RM'000
At 31 December 2022								
Group								
Interest-bearing loans and borrowings	17,657,965	19,688,510	4,081,203	1,716,174	3,969,132	1,682,069	5,839,333	2,400,599
Lease liabilities	203,553	220,974	93,299	35,687	31,294	11,840	10,180	38,674
Trade and other payables	3,597,768	3,597,768	3,597,768	–	–	–	–	–
	21,459,286	23,507,252	7,772,270	1,751,861	4,000,426	1,693,909	5,849,513	2,439,273
Corporation								
Interest-bearing loans and borrowings	1,441,939	1,520,432	1,520,432	–	–	–	–	–
Lease liabilities	43,008	47,163	16,045	15,636	15,482	–	–	–
Trade and other payables	616,957	616,957	616,957	–	–	–	–	–
	2,101,904	2,184,552	2,153,434	15,636	15,482	–	–	–
At 31 December 2021								
Group								
Interest-bearing loans and borrowings	16,795,604	18,332,262	8,844,037	1,088,211	2,501,355	1,041,500	1,135,544	3,721,615
Lease liabilities	233,412	260,110	139,714	45,969	16,919	9,287	6,388	41,833
Trade and other payables	2,490,971	2,490,971	2,490,971	–	–	–	–	–
	19,519,987	21,083,343	11,474,722	1,134,180	2,518,274	1,050,787	1,141,932	3,763,448
Corporation								
Interest-bearing loans and borrowings	648,116	670,476	670,476	–	–	–	–	–
Lease liabilities	15,073	15,516	14,862	523	131	–	–	–
Trade and other payables	752,406	752,406	752,406	–	–	–	–	–
	1,415,595	1,438,398	1,437,744	523	131	–	–	–

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity risk (cont'd.)

Group

Hedging activities

The Group entered into IRS to hedge the cash flow risk of floating interest rate on the term loans. The notional amount swapped as at 31 December 2022 was RM11.5 billion (2021: RM11.5 billion). The swaps are settled quarterly, consistent with the interest payment schedule of the loan.

The following table indicates the periods in which the cash flows are expected to occur for cash flow hedges as at 31 December 2022 and 31 December 2021:

	Carrying amount RM'000	Contractual cash flows RM'000	Within 1 year RM'000	More than 1 - 2 years RM'000	More than 2 - 3 years RM'000	More than 3 - 4 years RM'000	More than 4 - 5 years RM'000	More than 5 years RM'000
At 31 December 2022								
Net cash inflows	910,783	2,214,060	354,323	355,293	352,249	338,819	220,866	592,510
At 31 December 2021								
Net cash outflows	(110,378)	(1,000,060)	(142,907)	(132,398)	(132,761)	(132,316)	(131,556)	(328,122)

The Group's hedging activities on the IRS are tested to be effective. During the year, the Group recognised in other comprehensive income a gain of RM1,022,268,000 (2021: RM423,354,000) on the IRS of its subsidiaries due to higher market expectation of floating rates in comparison to the previous year's market expectations.

The Group's share of its joint ventures' in other comprehensive income a gain on unrealised gain on IRS during the year was RM113,408,000 (2021: RM14,169,000) due to higher market expectation of floating rates in comparison to the previous year's market expectations.

(d) 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 trade receivables and finance lease receivables) and from its investing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets mentioned in Notes 19(a), 19(d), 21 and 23, and is recognised in the statements of financial position.

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Credit risk (cont'd.)

Receivables, finance lease receivables and contract assets

The Group and the Corporation determine concentrations of credit risk by monitoring the industry sector profile of their receivables on an ongoing basis. The credit risk concentration profile of the Group's and the Corporation's trade receivables including long term receivables, finance lease receivables and contract assets due from third parties at the reporting date are as follows:

	Group		Corporation	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Gas Assets & Solutions	8,095,675	8,035,398	158,105	143,644
Petroleum and Product Shipping	405,743	299,153	–	–
Offshore Business	17,482,312	13,744,420	1,043	954,954
Marine and Heavy Engineering	648,418	721,037	–	–
Others	22,176	7,947	2,987	–
	26,654,324	22,807,955	162,135	1,098,598

At reporting date, approximately 2.2% (2021: 3.1%) and 40.2% (2021: 66.4%) of the Group's and the Corporation's trade receivables including long term receivables, finance lease receivables and contract assets were due from related parties.

The Group and the Corporation perform credit rating assessment of all its counterparties in order to measure ECLs of trade receivables for all segments using the PETRONAS Credit Risk Rating System. This credit rating assessment considers quantitative assessment using the counterparties' financial statements or a qualitative assessment of the counterparties, which includes but is not limited to their reputation, competitive position, industry and geopolitical outlook.

In determining the ECL, the probability of default assigned to each counterparty is based on their individual credit rating. This probability of default is derived by benchmarking against available third party and market information, which also incorporates forward looking information.

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31 December 2022

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Credit risk (cont'd.)

Receivables, finance lease receivables and contract assets (cont'd.)

The following table provides information about the exposure to credit risk and ECLs for receivables and contract assets which are grouped together as they are expected to have similar risk nature.

	Group		
2022	**Gross carrying amount RM'000**	**Loss allowance RM'000**	**Net balance RM'000**
Credit risk rating			
Low risk rating	7,100,397	(3,550)	7,096,847
Medium risk rating	20,560,346	(480,502)	20,079,844
High risk rating	440,797	(294,294)	146,503
	28,101,540	(778,346)	27,323,194
Representing:			
Trade and other receivables (Note 21)	5,782,767	(402,216)	5,380,551
Long term receivables, contract assets, loans and advances (Note 19(a))	7,511,501	(321,654)	7,189,847
Finance lease receivables (Note 19(d))	14,807,272	(54,476)	14,752,796
	28,101,540	(778,346)	27,323,194

	Corporation		
	Gross carrying amount RM'000	**Loss allowance RM'000**	**Net balance RM'000**
Credit risk rating			
Low risk rating	101,989	–	101,989
Medium risk rating	2,020,035	(89,917)	1,930,118
High risk rating	439,789	(294,262)	145,527
	2,561,813	(384,179)	2,177,634
Representing:			
Trade and other receivables (Note 21)	2,020,035	(89,917)	1,930,118
Long term receivables, contract assets, loans and advances (Note 19(a))	541,778	(294,262)	247,516
	2,561,813	(384,179)	2,177,634

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Credit risk (cont'd.)

Receivables, finance lease receivables and contract assets (cont'd.)

	Group		
2021	**Gross carrying amount RM'000**	**Loss allowance RM'000**	**Net balance RM'000**
Credit risk rating			
Low risk rating	613,182	(211)	612,971
Medium risk rating	23,001,778	(467,493)	22,534,285
High risk rating	485,107	(272,842)	212,265
	24,100,067	(740,546)	23,359,521
Representing:			
Trade and other receivables (Note 21)	5,159,378	(405,034)	4,754,344
Long term receivables, contract assets, loans and advances (Note 19(a))	3,441,293	(275,633)	3,165,660
Finance lease receivables (Note 19(d))	15,499,396	(59,879)	15,439,517
	24,100,067	(740,546)	23,359,521

	Corporation		
	Gross carrying amount RM'000	**Loss allowance RM'000**	**Net balance RM'000**
Credit risk rating			
Low risk rating	439,568	–	439,568
Medium risk rating	1,940,091	(91,450)	1,848,641
High risk rating	402,582	(271,236)	131,346
	2,782,241	(362,686)	2,419,555
Representing:			
Trade and other receivables (Note 21)	1,064,540	(85,934)	978,606
Long term receivables, contract assets, loans and advances (Note 19(a))	842,150	(271,236)	570,914
Finance lease receivables (Note 19(d))	875,551	(5,516)	870,035
	2,782,241	(362,686)	2,419,555

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Credit risk (cont'd.)

Effective 1 July 2013, cash and bank balances were held in the In-House Account ("IHA") managed by PETRONAS Integrated Financial Shared Services Centre ("IFSSC"). The centralisation of fund management allows more effective cash visibility and fund management of the Group, as well as minimise exposure to counterparty credit risk. The beneficiary of these financial assets remains with the Corporation. PETRONAS IFSSC, which functions 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, a majority of the Group's deposits are placed with licensed banks with strong credit ratings in Malaysia.

Credit risk from balances with banks and financial institutions is managed by Group Treasury in accordance with the Group's policy. The Group Treasury Investment Guideline defines the parameters within which the investment activities shall operate to achieve the Group's investment objective of preserving capital and generating optimal returns. In accordance with the guideline, investment of surplus funds are made only with highly credit rated counterparties.

The past due receivables 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.

(e) Equity price risk

Equity price risk arises from the Group's investment in quoted equity shares listed on Bursa Malaysia. At the reporting date, the exposure to the security carried at fair value was RM50,971,000 (2021: RM50,971,000).

The following table demonstrates the indicative effects on the Group's and the Corporation's investment in quoted equity shares applying reasonably foreseeable market movements in the following index rates:

	Group and Corporation		
	Carrying value RM'000	**Weighted average change in index rate %**	**Effect on profit before taxation Increase/ (Decrease) RM'000**
2022			
Malaysian quoted equity shares	50,971	+10	5,097
Malaysian quoted equity shares	50,971	-10	(5,097)
2021			
Malaysian quoted equity shares	50,971	+10	5,097
Malaysian quoted equity shares	50,971	-10	(5,097)

This analysis assumes all other variables remain constant and that the price of the Group's quoted equity investment is perfectly correlated to the market index.

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38. CAPITAL MANAGEMENT

The Group, as an essential part of its capital management strategy, is committed towards achieving financial resilience and ensuring long term business sustainability to a policy of financial prudence as outlined in the PETRONAS Group Corporate Financial Policy (formerly known as Group Corporate Financial Policy). The Group's capital structure consists of consolidated equity plus debt, defined as the current and long term portions of the Group's debt.

The objective of the Group's capital management is to maintain an optimal capital structure and ensure availability of funds in order to meet financial obligations, support business growth and maximise shareholders' value. The Group monitors and maintains a prudent level of debt to total asset ratio to optimise shareholder value and to ensure compliance with covenants under debt and shareholders agreements and regulatory requirements if any.

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

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

		Group		Corporation	
	Note	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Short term borrowings	19(c)	3,605,459	8,309,336	1,455,662	79,220
Long term borrowings	19(c)	14,256,059	8,719,680	29,285	583,969
Gross debts		17,861,518	17,029,016	1,484,947	663,189
Cash, deposits and bank balances	23	7,134,027	7,952,347	2,515,691	2,831,994
Net debts		10,727,491	9,076,669	(1,030,744)	(2,168,805)
Total equity		38,304,085	34,924,932	26,485,611	25,091,391
Gross debt equity ratio		0.47	0.49	0.06	0.03
Net debt equity ratio		0.28	0.26	(0.04)	(0.09)

The gearing ratio is not governed by MFRS and its definition and calculation may vary from one group/company to another.

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39. SUBSIDIARIES AND PRINCIPAL ACTIVITIES

Name of company	Country of incorporation	Principal activities	Effective interest held (%) 2022	2021
MISC Maritime Education Group Sdn. Bhd.	Malaysia	Dormant	100	100
MISC Tankers Sdn. Bhd.	Malaysia	Investment holding and provision of management services	100	100
Puteri Delima Sdn. Bhd.	Malaysia	Shipping	100	100
Puteri Firus Sdn. Bhd.	Malaysia	In Member's Voluntary Liquidation	100	100
Puteri Intan Sdn. Bhd.	Malaysia	Shipping	100	100
Puteri Nilam Sdn. Bhd.	Malaysia	Shipping	100	100
Puteri Zamrud Sdn. Bhd.	Malaysia	Shipping	100	100
Seri Camellia (L) Private Limited	Malaysia	Shipping	100	100
Seri Cempaka (L) Private Limited	Malaysia	Shipping	100	100
Seri Cenderawasih (L) Private Limited	Malaysia	Shipping	100	100
Seri Cemara (L) Private Limited	Malaysia	Shipping	100	100
Seri Camar (L) Private Limited	Malaysia	Shipping	100	100
Puteri Delima (L) Pte. Ltd.	Malaysia	Shipping	100	–
Puteri Intan (L) Pte. Ltd.	Malaysia	Shipping	100	–
Puteri Nilam (L) Pte. Ltd.	Malaysia	Shipping	100	–
Puteri Zamrud (L) Pte. Ltd.	Malaysia	Shipping	100	–
Puteri Delima Satu (L) Private Limited	Malaysia	Shipping	100	100
Puteri Firus Satu (L) Private Limited	Malaysia	Shipping	100	100
Puteri Intan Satu (L) Private Limited	Malaysia	Shipping	100	100

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

39. SUBSIDIARIES AND PRINCIPAL ACTIVITIES (CONT'D.)

Name of company	Country of incorporation	Principal activities	Effective interest held (%) 2022	2021
Puteri Mutiara Satu (L) Private Limited	Malaysia	Shipping	100	100
Puteri Nilam Satu (L) Private Limited	Malaysia	Shipping	100	100
Puteri Zamrud Satu (L) Private Limited	Malaysia	Shipping	100	100
Asia LNG Transport Sdn. Bhd.	Malaysia	Ship owning and ship management	51	51
Asia LNG Transport Dua Sdn. Bhd.	Malaysia	Ship owning, ship management and investment holding	51	51
MISC PNG Shipping Limited	Malaysia	Investment holding	100	100
Gas Asia Terminal (L) Pte. Ltd.	Malaysia	Development and ownership of LNG floating storage units	100	100
M.I.S.C. Nigeria Limited. *	Federal Republic of Nigeria	Dormant	60	60
Portovenere and Lerici (Labuan) Private Limited	Malaysia	Investment holding	100	100
Portovenere and Lerici (Singapore) Pte. Ltd. #	Singapore	Shipping	100	100
Polaris LNG One Pte. Ltd. #	Singapore	Owning and operating LNG ships for transportation of LNG	100	100
Polaris LNG Two Pte. Ltd. #	Singapore	Owning and operating LNG ships for transportation of LNG	100	100
Polaris LNG Three Pte. Ltd.	Singapore	Owning and operating LNG ships for transportation of LNG	100	–
Polaris LNG Four Pte. Ltd.	Singapore	Owning and operating LNG ships for transportation of LNG	100	–

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39. SUBSIDIARIES AND PRINCIPAL ACTIVITIES (CONT'D.)

Name of company	Country of incorporation	Principal activities	Effective interest held (%) 2022	2021
Seri Everest (Singapore) Pte. Ltd. #	Singapore	Owning and operating VLEC for the transportation of liquefied ethane and/or liquefied petroleum gas	100	100
Seri Elbert (Singapore) Pte. Ltd. #	Singapore	Owning and operating VLEC for the transportation of liquefied ethane and/or liquefied petroleum gas	100	100
Seri Erlang (Singapore) Pte. Ltd. #	Singapore	Owning and operating VLEC for the transportation of liquefied ethane and/or liquefied petroleum gas	100	100
Seri Emory (Singapore) Pte. Ltd. #	Singapore	Owning and operating VLEC for the transportation of liquefied ethane and/or liquefied petroleum gas	100	100
Seri Emei (Singapore) Pte. Ltd. #	Singapore	Owning and operating VLEC for the transportation of liquefied ethane and/or liquefied petroleum gas	100	100
Seri Emperor (Singapore) Pte. Ltd. #	Singapore	Owning and operating VLEC for the transportation of liquefied ethane and/or liquefied petroleum gas	100	100
MISC Tanker Holdings Sdn. Bhd.	Malaysia	Investment holding	100	100
MISC Tanker Holdings (Bermuda) Ltd.	Bermuda	Investment holding	100	100
AET Tanker Holdings Sdn. Bhd.	Malaysia	Investment holding	100	100
AET Pte. Ltd. #	Singapore	Investment holding	100	100
AET Singapore Holdings Pte. Ltd. #	Singapore	Investment holding	100	100
AET UK Limited #	United Kingdom	Management services and commercial management	100	100
AET Sea Shuttle AS #	Norway	Ship owning and marine transportation services	95	95

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39. SUBSIDIARIES AND PRINCIPAL ACTIVITIES (CONT'D.)

Name of company	Country of incorporation	Principal activities	Effective interest held (%) 2022	2021
AET Sea Shuttle II AS #	Norway	Ship owning and marine transportation services	95	95
AET Norway AS #	Norway	Management services and related activities	100	100
AET Shuttle Tankers II Pte. Ltd. #	Singapore	Ship owning and marine transportation services	100	100
AET Labuan Pte. Ltd.	Malaysia	Investment holding	100	100
AET DP Shuttle Tankers Sdn. Bhd.	Malaysia	Ship owning and marine transportation services	100	100
AET Shuttle Tankers Sdn. Bhd.	Malaysia	Ship owning	100	100
AET DP Shuttle Pte. Ltd. #	Singapore	Ship owning and marine transportation services	100	100
AET DP Shuttle II Pte. Ltd. #	Singapore	Ship owning and marine transportation services	100	100
AET Shuttle Tankers III Pte. Ltd. #	Singapore	Ship owning and marine transportation services	100	100
AET Bermuda Holdings Limited	Bermuda	Investment holding	100	100
AET Tankers VLCC Pte. Ltd. #	Singapore	Ship owning and marine transportation services	100	100
AET Tankers Pte. Ltd. #	Singapore	Ship owning and marine transportation services	100	100
AET Tankers India Private Limited #	India	Dormant	100	100
AET Singapore One Pte. Ltd. #	Singapore	Ship owning	100	100
AET Azerbaijan Limited	Azerbaijan	Dormant	100	100
AET Inc. Limited	Bermuda	Ship owning and marine transportation services	100	100

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39. SUBSIDIARIES AND PRINCIPAL ACTIVITIES (CONT'D.)

Name of company	Country of incorporation	Principal activities	Effective interest held (%) 2022	2021
AET Bermuda One Limited	Bermuda	Ship owning	100	100
AET Labuan One Pte. Ltd.	Malaysia	Ship owning	100	100
AET STS Limited Inc. *	Panama	Marine transportation services	100	100
AET Agencies Inc.	The United States of America	Shipping agent and lightering services	100	100
AET Offshore Services Inc.	The United States of America	Lightering services	100	100
AET Lightering Services LLC	The United States of America	Marine transportation services and lightering services	100	100
AET Tankers (Suezmax) Pte. Ltd. #	Singapore	Ship owning	100	100
AET MCV Gamma L.L.C.	Republic of the Marshall Islands	Marine transportation services	100	100
Paramount Tankers Corp.	Republic of the Marshall Islands	Investment holding	100	100
Atenea Services S.A.	British Virgin Islands	Ship owning and marine transportation services	100	100
Hendham Enterprises Ltd.	British Virgin Islands	Ship owning and marine transportation services	100	100
Odley Worldwide Inc.	British Virgin Islands	Ship owning and marine transportation services	100	100
Oldson Ventures Ltd.	British Virgin Islands	Ship owning and marine transportation services	100	100
Twyford International Business Corp.	British Virgin Islands	Ship owning and marine transportation services	100	100

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39. SUBSIDIARIES AND PRINCIPAL ACTIVITIES (CONT'D.)

Name of company	Country of incorporation	Principal activities	Effective interest held (%) 2022	2021
Zangwill Business Corp.	British Virgin Islands	Ship owning and marine transportation services	100	100
AET Holdings (L) Pte. Ltd.	Malaysia	Investment holding	100	100
AET Petroleum Tanker (M) Sdn. Bhd.	Malaysia	Ship owning and marine transportation services	100	100
AET Malaysia One Sdn. Bhd.	Malaysia	Investment holding	100	100
AET Brasil Servicos Maritimos Ltda #	Brazil	Crew management services	100	100
AET Brasil Servicos STS Ltda #	Brazil	Marine transportation services and lightering services	100	100
AET Tankers Kazakhstan LLP	Kazakhstan	Liquidated	–	100
AET MCV Delta Sdn. Bhd.	Malaysia	Investment holding	100	100
AET MCV Alpha L.L.C	Republic of the Marshall Islands	Ship owning	100	100
AET MCV Beta L.L.C	Republic of the Marshall Islands	Ship owning	100	100
AET Product Tankers Sdn. Bhd.	Malaysia	Ship owning and marine transportation services	100	100
AET Tankers VLCC II Sdn. Bhd.	Malaysia	Ship owning and marine transportation services	100	100
MISC Offshore Holdings (Brazil) Sdn. Bhd.	Malaysia	Investment holding	100	100
MISC Offshore (USA) LLC	The United States of America	Providing services in the bidding and execution of offshore deepwater FPSO projects	100	100
MISC do Brasil Servicos de Energia Ltda	Brazil	Dormant	100	100

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39. SUBSIDIARIES AND PRINCIPAL ACTIVITIES (CONT'D.)

Name of company	Country of incorporation	Principal activities	Effective interest held (%) 2022	2021
MISC Offshore Floating Terminals (L) Limited	Malaysia	Owning offshore floating terminals	100	100
MISC Offshore Floating Terminals Dua (L) Limited	Malaysia	Owning offshore floating terminals	100	100
Malaysia Offshore Mobile Production Dua (Labuan) Ltd.	Malaysia	Provision of professional services to oil and gas industry	100	100
Malaysia Offshore Mobile Production (Labuan) Ltd.	Malaysia	Owning mobile offshore production units	100	100
MISC Offshore (Americas) Holdings Pte. Ltd.	Malaysia	Investment holding	100	100
MISC Offshore (Singapore) Pte. Ltd. #	Singapore	Owning and leasing of FPSO unit	100	100
MISC Offshore Services Pte. Ltd. #	Singapore	Provision of operations and maintenance services for deepwater offshore assets	100	100
MISC Serviços de Petróleo do Brasil Ltda	Brazil	To operate and maintain marine units for the exploration and production of oil and natural gas in Brazil and to provide any services related to such activities	100	100
Gumusut-Kakap Semi-Floating Production System (L) Limited	Malaysia	Owning and leasing of semi-submersible floating production system	100	100
Mekar Bergading Offshore Floating (L) Limited	Malaysia	Owning operation and maintenance of FSO vessels	100	100
Malaysia Marine and Heavy Engineering Holdings Berhad ^	Malaysia	Investment holding	66.5	66.5
Malaysia Marine and Heavy Engineering Sdn. Bhd. ("MMHE")	Malaysia	Provision of oil and gas engineering and construction works, marine conversion and repair services	66.5	66.5

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31 December 2022

39. SUBSIDIARIES AND PRINCIPAL ACTIVITIES (CONT'D.)

Name of company	Country of incorporation	Principal activities	Effective interest held (%) 2022	2021
MMHE LNG Sdn. Bhd.	Malaysia	Dormant	66.5	66.5
Techno Indah Sdn. Bhd.	Malaysia	Dormant	66.5	66.5
MMHE EPIC Marine & Services Sdn. Bhd.	Malaysia	Dormant	46.6	46.6
Malaysia Marine and Heavy Engineering Saudi Limited #	Saudi Arabia	Provision of engineering, procurement, construction, installation and commissioning services for offshore and onshore facilities	66.5	66.5
MHS Integrated Engineering Sdn. Bhd.	Malaysia	Plant turnaround and shutdown maintenance	66.5	59.9
MMHE International Sdn. Bhd.	Malaysia	Dormant	66.5	66.5
Malaysian Maritime Academy Sdn. Bhd.	Malaysia	Education and training for seamen and maritime personnel	100	100
MISC Capital (L) Limited	Malaysia	Special purpose vehicle for financing arrangement	100	100
MISC Capital Two (Labuan) Limited	Malaysia	Special purpose vehicle to finance the business operation of MISC Berhad or Companies Controlled by it	100	100
MISC International (L) Limited	Malaysia	Investment holding	100	100
MISC Enterprises Holdings Sdn. Bhd.	Malaysia	Liquidated	–	100
MTTI Sdn. Bhd.	Malaysia	In Members' Voluntary Liquidation	100	100
MISC Agencies Sdn. Bhd.	Malaysia	Investment holding	100	100
MISC Agencies (Netherlands) B.V. *	Netherlands	Property owning	100	100
MISC Agencies India Private Limited *	India	Liquidated	–	60

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

39. SUBSIDIARIES AND PRINCIPAL ACTIVITIES (CONT'D.)

Name of company	Country of incorporation	Principal activities	Effective interest held (%) 2022	2021
MISC Berhad (UK) Limited #	United Kingdom	Commercial operation	100	100
MISC Ferry Services Sdn. Bhd.	Malaysia	Dormant	100	100
Magellan X Holdings (L) Pte. Ltd.	Malaysia	Investment holding	100	100
Magellan X Pte. Ltd. #	Singapore	Providing development of software and applications, data analytics, processing and related activities	100	100
CHORD X Pte. Ltd. #	Singapore	Providing data-driven solutions for maritime and industrial machinery application	88.5	88.5
SOL-X Pte. Ltd. #	Singapore	Providing health, safety, security, operation and workflow management technology solutions	94.9	87.5
Spares CNX Pte. Ltd. #	Singapore	Providing inventory management and procurement systems	93.5	89.0
MISC Maritime Services Sdn. Bhd.	Malaysia	Provision of maritime services and consultancy and maritime audit	100	100
Sungai Udang Port Sdn. Bhd.	Malaysia	Operation and management of Sungai Udang Port	100	100
Eaglestar Marine Holdings (L) Pte. Ltd.	Malaysia	Provision of integrated marine services and investment holding	100	100
Eaglestar Shipmanagement (L) Pte. Ltd.	Malaysia	Provision of ship management and marine related services	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

39. SUBSIDIARIES AND PRINCIPAL ACTIVITIES (CONT'D.)

Name of company	Country of incorporation	Principal activities	Effective interest held (%) 2022	2021
Eaglestar Marine (S) Pte. Ltd. #	Singapore	Hiring of personnel	100	100
Eaglestar Shipmanagement (S) Pte. Ltd. #	Singapore	Provision of ship management and marine related services	100	100
Eaglestar Shipmanagement (USA) LLC	The United States of America	Provision of ship management and marine related services	100	100
Eaglestar Shipmanagement GAS (S) Pte. Ltd. #	Singapore	Provision of ship management and marine related services	100	100
Eaglestar Shipmanagement Ventures (S) Pte. Ltd. #	Singapore	Provision of ship management and marine related services	100	100
Eaglestar Marine B.V.	Netherlands	Provision of marine and procurement services	100	100
MISC Ship Management Sdn. Bhd.	Malaysia	Investment holding	100	100
Eaglestar Marine (Malaysia) Sdn. Bhd.	Malaysia	Shipping management	100	100
Eaglestar Marine India Private Limited #	India	Provision of crew management services	100	100
ES Marine Pte. Ltd.	Singapore	Port, shipping and maritime-related consultancy services	100	–
ES Crewing Pte. Ltd.	Singapore	Ship management services	100	–

* Audited by firms of auditors other than Ernst & Young
\# Audited by affiliates of Ernst & Young PLT Malaysia
^ Listed on the Main Board of Bursa Malaysia Securities Berhad

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

40. ASSOCIATES AND PRINCIPAL ACTIVITIES

Name of company	Country of incorporation	Principal activities	Effective interest held (%) 2022	2021
FPSO Ventures Sdn. Bhd.	Malaysia	Provision of operations and maintenance of FPSO, FSO, MOPU, FLNG and Fixed Facilities and management consultancy to the oil and gas industry	20	20
MISC Agencies Lanka (Pvt) Limited	Sri Lanka	In liquidation	40	40
Eaglestar Marine (Philippines) Corporation	Philippines	Provision of crew management services	24	24
Oasis LNG No 1 Pte. Ltd.	Singapore	Shipping	25	–
Oasis LNG No 2 Pte. Ltd.	Singapore	Shipping	25	–
Oasis LNG No 3 Pte. Ltd.	Singapore	Shipping	25	–
Oasis LNG No 4 Pte. Ltd.	Singapore	Shipping	25	–
Oasis LNG No 5 Pte. Ltd.	Singapore	Shipping	25	–
Oasis LNG No 6 Pte. Ltd.	Singapore	Shipping	25	–
Oasis LNG No. 7 Pte. Ltd.	Singapore	Shipping	25	–
Oasis LNG No. 8 Pte. Ltd.	Singapore	Shipping	25	–
Oasis LNG No. 9 Pte. Ltd.	Singapore	Shipping	25	–
Oasis LNG No. 10 Pte. Ltd.	Singapore	Shipping	25	–
Oasis LNG No. 11 Pte. Ltd.	Singapore	Shipping	25	–
Oasis LNG No. 12 Pte. Ltd.	Singapore	Shipping	25	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

41. JOINT ARRANGEMENTS AND PRINCIPAL ACTIVITIES

(a) Joint ventures and principal activities

Name of company	Country of incorporation	Principal activities	Effective interest held (%) 2022	2021
Malaysia Vietnam Offshore Terminal (L) Limited ****	Malaysia	FSO owner	51	51
Malaysia Deepwater Floating Terminal (Kikeh) Limited ****	Malaysia	FPSO owner	51	51
Malaysia Deepwater Production Contractors Sdn. Bhd. ****	Malaysia	Operating and maintaining FPSO terminal	51	51
Vietnam Offshore Floating Terminal (Ruby) Ltd. ***	Malaysia	FPSO owner	40	40
Diamond LNG Shipping 5 Pte. Ltd. ****	Singapore	Owning and chartering LNG vessel	25.5	25.5
Diamond LNG Shipping 6 Pte. Ltd. ****	Singapore	Owning and chartering LNG vessel	25.5	25.5
Western Pacific Shipping Ltd. ****	Bermuda	Dormant	60	60
Future Horizon (L) Pte. Ltd. ****	Malaysia	Carrying on LNG carriage and LNG bunkering operations	51	51
ELS Lightering Services S.A. ****	Uruguay	Lightering services	50	50
Akudel S.A. ****	Uruguay	Lightering activity	49	49
Cawerty S.A. ****	Uruguay	Lightering activity	49	49
Zascul S.A. ****	Uruguay	Lightering activity	49	49
Lifisol S.A. ****	Uruguay	Provision of oil spill prevention and response services	50	50
Ship Service S.A. ****	Uruguay	Ship management services	50	50

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

41. JOINT ARRANGEMENTS AND PRINCIPAL ACTIVITIES (CONT'D.)

(a) Joint ventures and principal activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Effective interest held (%) 2022	2021
Brazilian Deepwater Floating Terminals Limited ***	Bermuda	Construction of FPSO	49	49
Brazilian Deepwater Production Limited ***	Bermuda	Chartering of FPSO	49	49
Brazilian Deepwater Production Contractors Limited ***	Bermuda	Operation and maintenance of FPSO	49	49
Operacoes Maritimas em Mar Profundo Brasileiro Ltda. ***	Brazil	Operation and maintenance of FPSO	49	49
Brazilian Deepwater Production B.V. ***	Netherlands	Chartering of FPSO	49	49
MMHE-TPGM Sdn. Bhd. ****	Malaysia	Dormant	39.9	39.9
MMHE-ATB Sdn. Bhd. ***	Malaysia	In liquidation	26.6	26.6
T.En MHB Hull Engineering Sdn. Bhd. ****	Malaysia	Dormant	33.3	33.3
SL-MISC International Line Co. Ltd. ***	Sudan	In liquidation	49	49

*** Even though the Group holds less than 50% equity interest in these companies, all material operational and financial matters require unanimous consent of the joint venture parties.

**** Even though the Group holds 50% or more than 50% equity interest in these companies, all material operational and financial matters require unanimous consent of the joint venture parties.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

41. JOINT ARRANGEMENTS AND PRINCIPAL ACTIVITIES (CONT'D.)

(b) Joint operations

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

Name	Effective interest held by the Group (%) 2022	2021
Technip MMHE (Malikai) Joint Venture	33	33
Technip MMHE (SK316) Joint Venture	33	33
Technip MMHE (Kasawari) Joint Venture	40	40

Technip MMHE (Malikai) Joint Venture, Technip MMHE (SK316) Joint Venture and Technip MMHE (Kasawari) Joint Venture are unincorporated joint ventures between the subsidiary, MMHE and Technip Geoproduction (M) Sdn. Bhd. to undertake specific engineering, procurement and construction, installation and commissioning projects.

42. SIGNIFICANT EVENTS

(a) Material litigation

(i) Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") and Sabah Shell Petroleum Limited ("SSPC")

We refer to previous announcements made by MISC Berhad ("MISC or the Corporation") in respect of the Arbitration Proceedings commenced by the Corporation's wholly-owned subsidiary, GKL against SSPC.

As announced on 10 April 2020, the Arbitral Tribunal has issued its Award on 8 April 2020 ("Award") which found, among others, as follows:

1) That GKL's claim in relation to the achievement of Handover Completion under the Contract was rejected and the Arbitral Tribunal decided that Handover Completion did not occur prior to 11 October 2014;

2) In relation to GKL's claims for Variation Works, GKL was awarded:

   a. USD 222,132,575.60;

   b. That an amount of USD88,791,006.17 is deducted from USD222,132,575.60 being manpower costs incurred by way of the Variation Works for rectification of defects (which the Tribunal held GKL to be liable for);

   c. That the remainder sum of USD133,341,569.49 is converted to an Additional Lease Rate and represents a reduction from the Additional Lease Rate awarded by the Adjudication Awards. The new Additional Lease Rate is payable from the date of the Award. The base rate is unaffected by the Award and will continue for the Fixed Term.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

42. SIGNIFICANT EVENTS (CONT'D.)

(a) Material litigation (cont'd.)

(i) Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") and Sabah Shell Petroleum Limited ("SSPC") (cont'd.)

3) SSPC was awarded the following sums:

a. USD236,378,824.46 for defects rectification work (inclusive of USD15,000,000.00 for Liquidated Damages);

b. USD88,317,146.13 as a refund for overpayment of the Additional Lease Rate originally awarded in the Adjudication Proceedings for the period of April 2014 to January 2020 due to the reduction of the Additional Lease Rate as set out in Item 2(c) above;

c. Applicable interest up to the date of the Award;

d. Costs of USD12,746,570.70;

e. Interest at 6.65% on the sums awarded from the date of the Award until payment.

4) SSPC is entitled to set-off the above claims against moneys owed by SSPC to GKL under the Contract, including but not limited to the lease rate.

5) Any GST payable pursuant to the Goods and Services Tax Act 2014 to be accounted by the parties.

Proceedings Post the Award

GKL was advised that it has legal grounds to challenge the Award and on 7 July 2020, GKL has filed the following court applications:

(i) an Originating Summons dated 7 July 2020 for setting aside of parts of the Arbitral Award dated 8 April 2020 ("**Setting Aside OS**"); and

(ii) a Notice of Application for an injunction to restrain SSPC from setting off the sums that GKL was ordered to pay to SSPC under the Arbitral Award dated 8 April 2020 ("**Injunction NOA**").

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

42. SIGNIFICANT EVENTS (CONT'D.)

(a) Material litigation (cont'd.)

(i) Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") and Sabah Shell Petroleum Limited ("SSPC") (cont'd.)

Setting Aside OS

On 7 July 2020, GKL filed an Originating Summons to set aside parts of the Arbitral Award dated 8 April 2020. The proceeding of this Setting Aside OS was delayed due to the COVID-19 situation and the various applications filed by both Parties in relation to this matter:

(i) Injunction NOA

On 6 October 2020, GKL withdrew the Injunction NOA on the basis that a statutory stay of enforcement is automatically imposed on SSPC upon GKL's application to set aside SSPC's Award enforcement.

Additionally, GKL had filed an interim application preventing SSPC from enforcing the Award prior to the determination of the Setting Aside OS. This application was heard on 16 August 2021 and 1 October 2021. On 25 October 2021, the High Court dismissed GKL's interim application and decided that SSPC has the right to set off the award against the charter hire without full grounds of judgment. GKL has since obtained the High Court's written grounds of judgment and is of the opinion that there are grounds to appeal against the High Court's decision in dismissing GKL's interim application. As such, on 22 November 2021 GKL filed an appeal to the Court of Appeal against the High Court's decision which was heard on 6 July 2022. On 7 November 2022, the Court of Appeal dismissed GKL's appeal in respect of the interim application. General grounds were delivered orally and no written grounds were provided by the Court of Appeal. GKL is filing an application for leave to appeal to the Federal Court against the Court of Appeal's dismissal of its appeal in respect of the interim application. In addition, GKL is seeking to secure the Court of Appeal's written grounds of judgement.

GKL's Setting Aside OS was heard on 20 and 25 October 2021, 13 January 2022, 16 and 17 February 2022, 4 April 2022, 10 August 2022 and 23 September 2022. On 29 December 2022, the High Court dismissed GKL's Setting Aside OS with costs. The High Court's written grounds of judgment were only delivered thereafter. Upon review of the same, GKL has been advised that it has legal grounds to appeal against the High Court's decision and has filed notices of appeal to the Court of Appeal on 19 January 2023.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

42. SIGNIFICANT EVENTS (CONT'D.)

(a) Material litigation (cont'd.)

(ii) Malaysia Marine and Heavy Engineering Sdn. Bhd. ("MMHE") and Kebabangan Petroleum Operating Company Sdn. Bhd. ("KPOC")

MMHE, a subsidiary of the Group, had on 13 March 2019 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"), Arbitral Tribunal has ordered that MMHE shall pay KPOC the following:-

(a) 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;

(b) 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

(c) The sum of RM1,029,167 for its legal fees and expenses.

In the Final Award, the Arbitral Tribunal also dismissed all of KPOC's claim for loss of revenue in the sum of RM28,030,906.

On 30 September 2021, MMHE filed an application to set aside the Final Award pursuant to Section 37 of the Arbitration Act 2005, whereby MMHE seeks for the Final Award to be set aside on grounds, amongst others, that there was a breach of the rules of natural justice in connection with the making of the Final Award. KPOC, in this regard, has filed an application to seek leave from the High Court to register and enforce the Final Award as a Judgment of the High Court ("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 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").

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

43. SUBSEQUENT EVENT

In the current financial year, the Group has entered into a memorandum of agreement for the sale of a vessel and has classified the vessel as held for sale with the intention of disposal in the immediate future. The disposal of the vessel was completed upon successful delivery to the buyer on 20 January 2023.

INDEPENDENT AUDITORS' REPORT

to the members of MISC Berhad
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of MISC Berhad, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Corporation, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Corporation for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 9 to 169.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Corporation 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 Corporation 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 Corporation for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Corporation 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.

INDEPENDENT AUDITORS' REPORT

to the members of MISC Berhad
(Incorporated in Malaysia)

Key audit matters (cont'd.)

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.

Key audit matters	How we addressed the key audit matters
Impairment of goodwill - *(Refer to Note 15 - Intangible assets, to the financial statements)* The Group is required to perform annual impairment test of cash generating units ("CGUs") or groups of CGUs to which goodwill has been allocated. The Group estimated the recoverable amount of its CGUs or groups of CGUs to which the goodwill is allocated based on value-in-use ("VIU"). Estimating the VIU of CGUs or groups of CGUs involves estimating the future cash inflows and outflows and discounting them at an appropriate rate. The Group's goodwill as at 31 December 2022 of RM888.9 million solely relates to the Petroleum segment. We focused on the impairment review of the goodwill as significant judgements were involved in the terminal value and growth rate of the expected cash flows as well as the determination of an appropriate discount rate, which may cause possible variations in the recoverable amount of the CGU to which the goodwill has been allocated.	Our audit procedures included, among others evaluating the assumptions and methodologies used by the Group, in particular the assumptions to which the recoverable amount of the CGUs are most sensitive such as the terminal value of the expected cash flows, the growth rate as well as the discount rate used. We have assessed and tested the key assumptions used by management to estimate the projected cash flows for the CGU as follows: (a) obtained an understanding of the relevant internal controls over estimating the recoverable amount of the CGU; (b) evaluated, 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; (c) evaluated the forecasted cash flow including the terminal value and growth rate of the expected cash flows; and (d) assessed the sensitivity of the goodwill balance to changes in the discount rate, terminal value and growth rate of cash flows. In addition, we also evaluated the adequacy of the disclosures of each key assumption on which the Group has based its cash flow projections and to which the recoverable amount is most sensitive, as disclosed in Note 15 to the financial statements.

INDEPENDENT AUDITORS' REPORT

to the members of MISC Berhad
(Incorporated in Malaysia)

Key audit matters (cont'd.)

Key audit matters	How we addressed the key audit matters
Impairment of non-current assets – *(Refer to Note 13 - Ships, offshore floating assets and other property, plant and equipment, to the financial statements)* The Group is required to perform impairment test of CGU whenever there is an indication that the CGU may be impaired by comparing the carrying amount with its recoverable amount. i. <u>Ships in operations (RM20,934.6 million) and right-of-use assets of ships in operations (RM93.8 million)</u> In addition, continued volatility of charter hire rates and certain ships' contracts which have expired or are approaching expiry were also identified by management as indicators that the carrying amount of certain ships and right-of-use assets may be impaired. Accordingly, the Group and the Corporation estimated the recoverable amount of the ships and right-of-use assets of ships in operations using the higher of fair value less costs to sell ("FVLCS") and VIU. For recoverable amount that is based on FVLCS, the Group engaged independent valuers to assess the fair value of the ships. The Group and the Corporation recorded a total impairment loss of RM348.2 million and RM236.5 million respectively during the current financial year. This impairment review was significant to our audit because the assessment process is based on assumptions that are highly judgemental.	i) <u>Ships and right-of-use assets of ships in operations</u> Our audit procedures to assess management's impairment testing based on VIU included the following: (a) obtained an understanding of the relevant internal controls over estimating the VIU of the CGU; (b) assessed the assumptions of future charter hire rates by comparing to the terms and conditions stipulated in the time charter party agreements entered into with the lessee, in particular the daily charter hire rates; (c) assessed whether the assumptions on the operating costs are supportable when compared to the past trends; and (d) evaluated, with the involvement of our internal valuation specialist the appropriateness of the methodology and approach applied and the discount rates used to determine the present value of the cash flows and whether the rates used reflect the current market assessments of the time value of money and the risks specific to the asset. Our audit procedures to assess management's impairment testing based on FVLCS are as follows: (e) considered the independence, competence, capabilities and objectivity of the external valuers; and (f) obtained an understanding of the methodology adopted by the independent valuers in estimating the fair value of the ships and assessed whether such methodology is consistent with those used in the industry.

INDEPENDENT AUDITORS' REPORT

to the members of MISC Berhad
(Incorporated in Malaysia)

Key audit matters (cont'd.)

Key audit matters	How we addressed the key audit matters
Impairment of non-current assets – *(Refer to Note 13 - Ships, offshore floating assets and other property, plant and equipment, to the financial statements) (cont'd.)* ii. <u>Other property, plant and equipment and right-of-use assets (RM1,803.8 million)</u> The carrying amount Malaysia Marine and Heavy Engineering Holdings Berhad ("MHB") Group's net assets exceeded its market capitalisation, thereby indicating potential impairment of MHB Group's other property, plant and equipment and right-of-use assets. Accordingly, the Group estimated the recoverable amount of the other property, plant and equipment and right-of-use assets of MHB Group using VIU based on cash flow projections derived from budgets approved by Board covering a five year period including terminal value. Estimating the VIU involves estimating the future cash inflows and outflows and discounting them at an appropriate discount rate. This impairment review was significant to our audit because the assessment process is complex and is based on assumptions that are highly judgemental.	ii) <u>Other property, plant and equipment and right-of-use assets</u> 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. The areas that involved significant audit effort and judgement were the assessment of the probability of securing the future revenue contracts, possible variations in the amount and timing of cash flows and the determination of an appropriate discount rate. Our procedures to assess management's impairment testing included the following: (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 the 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 MHB Group in recent years; (d) assessed, with the involvement of our internal valuation specialist the appropriateness of the 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.

INDEPENDENT AUDITORS' REPORT

to the members of MISC Berhad
(Incorporated in Malaysia)

Key audit matters (cont'd.)

Key audit matters	How we addressed the key audit matters
Recognition of revenue and cost of construction and marine projects– *(Refer to Note 3 - Revenue and Note 22 - Due from/(to) customers on contracts, to the financial statements)* A significant proportion of the Group's revenues and profits are derived from long term construction and marine projects which span more than one accounting period. We focused on this area because management applies significant judgement and estimates in determining the stage of completion in respect of heavy engineering and marine projects and in estimating total estimated project costs. 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 percentage of completion of the contracts. Cost is recognised based on actual costs incurred to date.	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. In addition, we also performed the following: (a) obtained an understanding of the relevant internal controls over the accuracy and timing of revenue recognised in the financial statements, including controls performed by the management in estimating budgeted project costs, estimated project margins and stage of completion; (b) read all key contracts to obtain an understanding of the specific terms and conditions; (c) agreed contract sum to the original signed customer contracts and/or approved variation orders; (d) reviewed management meeting minutes to obtain an understanding of the performance and status of the projects above our testing threshold; (e) reviewed management's budgeted project costs to ensure adequacy of costs to complete; (f) assessed the reasonableness of inputs used in the determination of the POC in light of supporting evidences 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; (g) considered the historical accuracy of management's budgeted project margins in assessing the reasonableness of estimated margins of similar projects; (h) assessed and ensured that actual project costs including foreseeable losses are appropriately accrued and supported by documentary evidences, such as work completion reports and material acceptance certificates, which represent activities performed to date; (i) reperformed the calculations of the revenue based on the POC method and where applicable, considered the implications of any changes in estimates; and (j) evaluated the presentation and disclosures of construction contracts in the financial statements, including significant accounting policies.

INDEPENDENT AUDITORS' REPORT

to the members of MISC Berhad
(Incorporated in Malaysia)

Key audit matters (cont'd.)

Key audit matters	How we addressed the key audit matters
Contingent liability – *(Refer to Note 42(a)(i) – Significant Events - Material litigation - Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") and Sabah Shell Petroleum Limited ("SSPC"), to the financial statements)* We focused on this area as the eventual outcome of claims is uncertain and the positions taken by the Directors are based on the application of material judgement and estimation. Accordingly, unexpected adverse outcomes against the positions taken by the Directors could significantly impact the Group's reported profit and statement of financial position.	In addressing this area of audit focus, we considered whether an obligation exists, the appropriateness of provisioning and/or disclosure based on the facts and circumstances available. We have performed the following: (a) Obtained and reviewed the relevant correspondences in relation to Arbitration and Litigation cases; (b) Compared the opinion provided by the Group's external legal counsel against management's assessment on the measurement and/or disclosures for the contingent liability; (c) Considered the independence, reputation and capabilities of the external legal counsel; (d) Interviewed the Group's external legal counsel on the case and its development during the financial year; (e) Obtained legal confirmations from the Group's external legal counsel; and (f) Considered whether the Group's disclosures of the application of judgement in estimating provisions and contingent liabilities adequately reflected the uncertainties associated with legal and regulatory matters.

Information other than the financial statements and auditors' report thereon

The directors of the Corporation 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 Corporation and our auditors' report thereon. 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 Corporation 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 Corporation, 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 Corporation or our knowledge obtained in the audit or otherwise appears to be materially misstated.

INDEPENDENT AUDITORS' REPORT

to the members of MISC Berhad
(Incorporated in Malaysia)

Responsibilities of the directors for the financial statements

The directors of the Corporation are responsible for the preparation of financial statements of the Group and of the Corporation 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 control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Corporation that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Corporation, the directors are responsible for assessing the Group's and the Corporation'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 Corporation 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 Corporation 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 Corporation, 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 control.

- Obtain an understanding of internal control 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 the Corporation's internal control.

- 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 Corporation'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 Corporation 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 Corporation 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 Corporation, including the disclosures, and whether the financial statements of the Group and of the Corporation represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or 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.

INDEPENDENT AUDITORS' REPORT

to the members of MISC Berhad
(Incorporated in Malaysia)

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 control 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 Corporation 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.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 39 to the financial statements.

Other matters

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

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

Ismed Darwis Bin Bahatiar
02921/04/2024 J
Chartered Accountant

Kuala Lumpur, Malaysia
23 February 2023

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