

NAVIGATING A SUSTAINABLE FUTURE TOGETHER

Financial Report 2023

FINANCIAL STATEMENTS

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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 2023.

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 38, 39 and 40 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 38 to the financial statements.

RESULTS

	Group RM'000	Corporation RM'000
Profit for the year	1,958,947	3,794,519
Attributable to:		
Equity holders of the Corporation	2,123,519	3,794,519
Non-controlling interests	(164,572)	-
	1,958,947	3,794,519

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 2022 were as follows:

In respect of the financial year ended 31 December 2022 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 15 February 2023 and paid on 15 March 2023	535,649
In respect of the financial year ended 31 December 2023:	
A first tax exempt dividend of 7.0 sen per ordinary share, declared on 24 May 2023 and paid on 22 June 2023	312,462
A second tax exempt dividend of 10.0 sen per ordinary share, declared on 24 August 2023 and paid on 21 September 2023	446,375
A third tax exempt dividend of 7.0 sen per ordinary share, declared on 22 November 2023 and paid on 19 December 2023	312,462

A fourth tax exempt dividend in respect of the financial year ended 31 December 2023 of 12.0 sen per share amounting to a dividend payable of RM535,649,000 declared on a date subsequent to the reporting date and will be paid on 26 March 2024.

The fourth tax exempt dividend in respect of the financial year ended 31 December 2023 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 2024.

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	
Liza binti Mustapha	
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	
Rajalingam A/L Subramaniam	
Datuk Nasarudin bin Md Idris	(Retired on 1 September 2023)
Dato' Rozalila binti Abdul Rahman	(Retired on 1 September 2023)
Dato' Ab. Halim bin Mohyiddin	(Retired on 15 January 2024)
Dato' K Sekhar A/L S Krishnan	(Retired on 15 January 2024)

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 2023 are as follows:

	Group RM'000	Corporation RM'000
Directors		
- Fees	2,264	1,686
- Emoluments	2,777	2,777
- Other short term employees benefits	122	122
	5,163	4,585

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 2023	Bought	Sold	31 December 2023
Fellow subsidiary - PETRONAS GAS Berhad				
Direct				
Dato' Ab. Halim bin Mohyiddin	5,000	-	-	5,000

Directors' Report

	Number of ordinary shares			
	1 January 2023	Bought	Sold	31 December 2023
Fellow subsidiary - PETRONAS Chemicals Group Berhad				
Direct				
Dato' Ab. Halim bin Mohyiddin	10,000	-	-	10,000
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 2023	Bought	Sold	31 December 2023
Subsidiary - Malaysia Marine and Heavy Engineering Holdings Berhad				
Direct				
Dato' Ab. Halim bin Mohyiddin	5,000	-	-	5,000
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 per occurrence and in the aggregate. The insurance premium for the Corporation was 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 for the financial year ended 31 December 2023 is as follows:

	Group RM'000	Corporation RM'000
Audit fees	6,902	1,194
Other services	1,205	598
	8,107	1,792

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 February 2024.

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 166 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 2023 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 26 February 2024.

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 166 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 26 February 2024.

Raja Azlan Shah bin Raja Azwa

Before me,

Income Statements

For the year ended 31 December 2023

	Note	Group		Corporation	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue	3	14,271,657	13,866,972	1,184,517	1,005,366
Cost of sales		(10,661,794)	(10,159,761)	(630,497)	(635,320)
Gross profit		3,609,863	3,707,211	554,020	370,046
Other operating income	4	390,532	441,732	3,669,215	1,879,692
Impairment provisions	5(a)	(187,210)	(566,722)	(160,520)	(644,586)
Gain on disposal of ships		14,322	15,355	2,252	-
Finance income	8(a)	362,775	157,221	285,931	119,308
General and administrative expenses		(1,481,762)	(1,204,224)	(461,628)	(252,357)
Finance costs	8(b)	(730,470)	(651,235)	(85,718)	(29,443)
Share of profit/(loss) of joint ventures		114,630	(28,081)	-	-
Share of profit of associates		1,041	3,030	-	-
Profit before taxation	5	2,093,721	1,874,287	3,803,552	1,442,660
Taxation	9	(134,774)	(39,295)	(9,033)	(3,876)
Profit after taxation		1,958,947	1,834,992	3,794,519	1,438,784
Attributable to:					
Equity holders of the Corporation		2,123,519	1,822,907	3,794,519	1,438,784
Non-controlling interests		(164,572)	12,085	-	-
		1,958,947	1,834,992	3,794,519	1,438,784
Earnings per share attributable to equity holders of the Corporation (sen)					
Basic	10	47.6	40.8		
Diluted	10	47.6	40.8		

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 2023

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit after taxation	1,958,947	1,834,992	3,794,519	1,438,784
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Gain on currency translation	1,544,589	1,883,418	1,134,937	1,428,471
Cash flow hedges:				
Fair value (loss)/gain				
Group	(230,940)	1,016,733	-	-
Joint ventures	(11,122)	113,408	-	-
Total other comprehensive income for the year	1,302,527	3,013,559	1,134,937	1,428,471
Total comprehensive income for the year	3,261,474	4,848,551	4,929,456	2,867,255
Total comprehensive income/(loss) attributable to:				
Equity holders of the Corporation	3,423,496	4,766,660	4,929,456	2,867,255
Non-controlling interests	(162,022)	81,891	-	-
	3,261,474	4,848,551	4,929,456	2,867,255

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

Statements of Financial Position

As at 31 December 2023

	Note	Group	
		2023 RM'000	2022 RM'000
Non-current assets			
Ships	12	23,594,024	22,482,111
Offshore floating asset	12	19,933	19,133
Other property, plant and equipment	12	1,829,236	1,803,753
Prepaid lease payments on land and buildings	13	191,594	198,588
Intangible assets	14	949,111	1,001,577
Investments in associates	16	360,923	305,976
Investments in joint ventures	17	1,124,482	1,029,587
Other non-current assets	18(a)	9,394,720	7,316,229
Finance lease receivables	18(d)	12,873,094	14,752,796
Deferred tax assets	27	104,683	98,801
Derivative assets	18(b)	710,016	910,783
		51,151,816	49,919,334
Current assets			
Inventories	19	92,883	97,879
Trade and other receivables	20	5,997,694	5,380,551
Cash, deposits and bank balances	22	7,731,558	7,134,027
		13,822,135	12,612,457
Non-current assets classified as held for sale	23	86,116	132,450
		13,908,251	12,744,907
Current liabilities			
Trade and other payables	24	6,110,604	5,147,680
Derivative liabilities	18(b)	26,048	6,422
Interest-bearing loans and borrowings	18(c)	1,719,380	3,605,459
Provision for taxation		87,535	7,620
		7,943,567	8,767,181
Net current assets		5,964,684	3,977,726
		57,116,500	53,897,060

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

Statements of Financial Position

As at 31 December 2023

	Note	Group	
		2023	2022
		RM'000	RM'000
Equity			
Equity attributable to equity holders of the Corporation			
Share capital	25	8,923,262	8,923,262
Treasury shares	25	(271)	(271)
Other reserves	26	10,866,434	9,555,885
Retained profits		19,496,381	18,979,810
		39,285,806	37,458,686
Non-controlling interests		679,964	845,399
		39,965,770	38,304,085
Non-current liabilities			
Interest-bearing loans and borrowings	18(c)	15,825,601	14,256,059
Deferred tax liabilities	27	2,171	1,806
Deferred income	28	1,005,954	1,063,643
Other non-current liabilities	24(c)	317,004	271,467
		17,150,730	15,592,975
		57,116,500	53,897,060

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

Statements of Financial Position

As at 31 December 2023

	Note	Corporation	
		2023 RM'000	2022 RM'000
Non-current assets			
Ships	12	3,464,539	3,603,187
Other property and equipment	12	199,799	195,191
Prepaid lease payments on land and buildings	13	3,686	3,643
Investments in subsidiaries	15	22,699,813	19,800,469
Investments in associates	16	1,482	1,422
Investments in joint ventures	17	285,831	210,423
Other non-current assets	18(a)	338,204	368,061
		26,993,354	24,182,396
Current assets			
Inventories	19	946	2,016
Trade and other receivables	20	2,697,927	1,930,118
Cash, deposits and bank balances	22	1,975,099	2,515,691
		4,673,972	4,447,825
Non-current assets classified as held for sale	23	17,844	-
		4,691,816	4,447,825
Current liabilities			
Trade and other payables	24	744,791	648,293
Interest-bearing loans and borrowings	18(c)	563,807	1,455,662
Provision for taxation		-	112
		1,308,598	2,104,067
Net current assets		3,383,218	2,343,758
		30,376,572	26,526,154
Equity			
Equity attributable to equity holders of the Corporation			
Share capital	25	8,923,262	8,923,262
Treasury shares	25	(271)	(271)
Other reserves		6,830,517	5,695,580
Retained profits		14,054,611	11,867,040
		29,808,119	26,485,611
Non-current liabilities			
Interest-bearing loans and borrowings	18(c)	568,453	29,285
Other non-current liabilities	24(c)	-	11,258
		568,453	40,543
		30,376,572	26,526,154

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 2023

Consolidated Statements of Changes in Equity

For the year ended 31 December 2023

		Attributable to equity holders of the Corporation														Non-controlling interests RM'000
		Non-Distributable			Distributable											
		Equity attributable to equity holders of the Corporation			Non-Distributable											
Note	Total equity 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				
Group																
2023																
At 1 January 2023	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		
Total comprehensive income	3,261,474	3,423,496	-	-	2,123,519	1,299,977	-	-	-	-	-	(238,630)	1,538,607	(162,022)		
Transactions with equity holders																
Dilution of interest in subsidiaries		4,627	-	-	-	-	-	-	-	-	-	-	-	4,627		
Reversal of provision for put option		10,572	10,572	-	-	10,572	-	-	-	10,572	-	-	-	-		
Dividends	11	(1,614,988)	(1,606,948)	-	-	(1,606,948)	-	-	-	-	-	-	-	(8,040)		
Total transactions with equity holders		(1,599,789)	(1,596,376)	-	-	(1,606,948)	10,572	-	-	10,572	-	-	-	(3,413)		
At 31 December 2023	39,965,770	39,285,806	8,923,262	(271)	19,496,381	10,866,434	60,018	435,199	-	-	-	701,437	9,669,780	679,964		
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	11	(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		

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

Statements of Changes in Equity

For the year ended 31 December 2023

Corporation	Note	Non-Distributable		Distributable	Non-Distributable	
		Total equity	Share capital*	Treasury shares	Retained profits	Other reserves, total
		RM'000	RM'000	RM'000	RM'000	Currency translation reserve RM'000
2023						
At 1 January 2023		26,485,611	8,923,262	(271)	11,867,040	5,695,580
Total comprehensive income		4,929,456	-	-	3,794,519	1,134,937
Transactions with equity holders						
Dividends	11	(1,606,948)	-	-	(1,606,948)	-
At 31 December 2023		29,808,119	8,923,262	(271)	14,054,611	6,830,517
2022						
At 1 January 2022		25,091,391	8,923,262	(271)	11,901,291	4,267,109
Total comprehensive income		2,867,255	-	-	1,438,784	1,428,471
Transactions with equity holders						
Dividends	11	(1,473,035)	-	-	(1,473,035)	-
At 31 December 2022		26,485,611	8,923,262	(271)	11,867,040	5,695,580

* 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 2023

	Group	
	2023 RM'000	2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,093,721	1,874,287
Adjustments for:		
Writeback of impairment loss on:		
- Trade and other receivables	(1,508)	(25,831)
- Finance lease receivables	(11,302)	(9,858)
Impairment loss on:		
- Trade and other receivables	24,455	3,272
- Other non-current assets	51,837	116,468
Ships, offshore floating assets, other property, plant and equipment and right-of-use assets:		
- Depreciation	2,141,909	2,021,442
- Written off	7,145	9,697
- Impairment loss	83,273	348,185
Amortisation of prepaid lease payments	7,146	7,142
Amortisation of upfront fees for borrowings	37,150	81,557
Intangible assets:		
- Amortisation	14,939	38,801
- Impairment loss	103,937	147,132
Gain on disposal of ships	(14,322)	(15,355)
Changes in residual value	-	58,725
Net unrealised foreign exchange gain	(1,893)	(8,860)
Changes in fair value of hedging derivatives	25,651	(3,813)
Dividend income from equity investments	(957)	(2,486)
Net fair value movement in other investments	6,569	(446)
Finance income	(362,775)	(157,221)
Interest expense	693,320	569,678
Share of (profit)/loss of joint ventures	(114,630)	28,081
Share of profit of associates	(1,041)	(3,030)
Operating profit before working capital changes	4,782,624	5,077,567
Inventories	8,894	28,902
Trade and other receivables	158,511	(2,816,593)
Trade, other payables and other non-current liabilities	907,513	919,578
Deferred income	(101,075)	(110,640)
Cash generated from operations*	5,756,467	3,098,814

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 2023

	Note	Group	
		2023 RM'000	2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D.)			
Cash generated from operations*		5,756,467	3,098,814
Net tax paid		(60,130)	(56,721)
Net cash generated from operating activities		5,696,337	3,042,093
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash used in investing activities	29	(1,866,212)	(1,942,966)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash used in financing activities	30	(3,920,455)	(2,040,171)
Net decrease in cash and cash equivalents		(90,330)	(941,044)
Cash and cash equivalents at beginning of financial year		6,406,083	6,994,301
Currency translation differences		229,492	352,826
Cash and cash equivalents at end of financial year		6,545,245	6,406,083
Cash and cash equivalents comprise:			
Cash, deposits and bank balances	22	7,731,558	7,134,027
Less: Cash pledged with bank (restricted)		(1,107,476)	(726,667)
Deposits with maturity more than 90 days		(78,837)	(1,277)
Cash and cash equivalents		6,545,245	6,406,083

	2023 RM'000	2022 RM'000
Total cash outflows for leases		
- Lease liabilities	97,334	122,902
- Short term leases and leases of low value assets	417,598	428,909
	514,932	551,811

* 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 RM1,822,227,000 in the current financial year and RM2,679,874,000 in the financial year ended 31 December 2022. 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 2023

	Corporation	
	2023 RM'000	2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,803,552	1,442,660
Adjustments for:		
Ships, other property and equipment and right-of-use assets:		
- Depreciation	404,929	386,023
- Written off	-	1,117
- Impairment loss	5,401	236,520
Amortisation of prepaid lease payments	109	105
Writeback of impairment loss on:		
- Trade and other receivables	(2,425)	(3,206)
- Finance lease receivables	-	(6,375)
Impairment loss on trade and other receivables	118,110	6,597
Impairment loss on other non-current assets	37,756	17,671
Impairment loss on investment in subsidiaries	155,119	408,066
Net unrealised foreign exchange loss/(gain)	5,682	(11,915)
Dividend income from:		
- Subsidiaries	(3,343,031)	(1,649,092)
- Joint ventures and an associate	(221,835)	(121,055)
- Equity investments	(957)	(2,486)
Gain on disposal of a ship	(2,252)	-
Fair value movement in other investments	6,569	(446)
Finance income	(285,931)	(119,308)
Finance costs	85,718	29,443
Operating profit before working capital changes	766,514	614,319
Inventories	1,146	260
Trade and other receivables	(601,078)	(90,913)
Trade and other payables	33,055	(52,664)
Cash generated from operations	199,637	471,002
Net tax paid	(9,145)	(3,764)
Net cash generated from operating activities	190,492	467,238

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 2023

	Note	Corporation	
		2023 RM'000	2022 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash used in investing activities	29	(114,858)	(866,546)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash used in financing activities	30	(716,493)	(79,014)
Net decrease in cash and cash equivalents		(640,859)	(478,322)
Cash and cash equivalents at beginning of financial year		2,515,691	2,831,994
Currency translation differences		100,267	162,019
Cash and cash equivalents at end of financial year		1,975,099	2,515,691
Cash and cash equivalents comprise:			
Cash, deposits and bank balances	22	1,975,099	2,515,691

	2023 RM'000	2022 RM'000
Total cash outflows for leases		
- Lease liabilities	11,376	14,462
- Short term leases and leases of low-value assets	7,704	7,297
	19,080	21,759

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

Notes to the Financial Statements

31 December 2023

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 38, 39 and 40 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 26 February 2024.

2. MATERIAL 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 2023

- MFRS 17: Insurance Contracts
- Amendments to MFRS 17: Insurance Contracts (Initial Application of MFRS 17 and MFRS 9 - Comparative Information)

Notes to the Financial Statements

31 December 2023

2. MATERIAL 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 2023 (cont'd.)

- 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)

Amendments to MFRS 112 Income Taxes International Tax Reform - Pillar Two Model Rules

On 2 June 2023, the MASB has also issued the Amendments to MFRS 112 Income Taxes International Tax Reform - Pillar Two Model Rules. This pronouncement is effective from annual period beginning on or after 1 January 2023. On 29 December 2023, Pillar Two legislation has been enacted in Malaysia, which will come into effect on 1 January 2025.

Certain subsidiaries are yet to apply the amendments, as the entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantively enacted.

The Amendments to MFRS 112 introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two Model Rules as well as disclosure requirements on the exposure to Pillar Two income taxes upon adoption.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements available for the constituent entities in the Group. Based on the assessment carried out as at 31 December 2023, the Group has identified potential exposure to Pillar Two income taxes where effective tax rate is likely to be lower than 15%. The Group, however, does not expect a material exposure to Pillar Two income taxes in those jurisdictions.

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

2.3 Summary of material accounting policies

The Group adopted amendments to MFRS 101 Presentation of Financial Statements and MFRS Practice Statement 2 – Disclosures of Accounting Policies from 1 January 2023. The amendments require the disclosure of "material", rather than "significant", accounting policies. The amendments did not result in any material changes to the accounting policy information disclosed in the financial statements.

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.

Notes to the Financial Statements

31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

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

(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.

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.

Notes to the Financial Statements

31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

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

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

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

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.

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.

Notes to the Financial Statements

31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

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

(b) Associates (cont'd.)

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.

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.

Notes to the Financial Statements

31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

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

(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 operation or joint venture. A joint arrangement is classified as joint operation when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation. A joint arrangement is classified as joint venture when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method as described in Note 2.3(b).

(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.

Notes to the Financial Statements

31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

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

(d) Intangible assets (cont'd.)

(ii) Other intangible assets (cont'd.)

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.

(e) Ships, offshore floating asset, 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	Fully depreciated
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.

Notes to the Financial Statements

31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

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

(e) Ships, offshore floating asset, other property, plant and equipment and depreciation (cont'd.)

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.

(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.

Notes to the Financial Statements

31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

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

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

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.

(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.

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

Upon adoption of MFRS 9 Financial Instruments, trade receivables that do not contain a significant financing component or if the period between performance and payment is 1 year or less under practical expedient of MFRS 15, are measured at the transaction price determined under MFRS 15. Prior to 1 January 2018, trade receivables are carried at amortised cost.

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.

Notes to the Financial Statements

31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

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

(h) Financial assets (cont'd.)

Initial recognition and measurement (cont'd.)

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.

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.

Notes to the Financial Statements

31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

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

(h) Financial assets (cont'd.)

Subsequent measurement (cont'd.)

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:
 - the Group and the Corporation have transferred substantially all the risks and rewards of the asset; or
 - 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 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of material 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.

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.

Notes to the Financial Statements

31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

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

(i) Financial liabilities (cont'd.)

Amortised cost (cont'd.)

The Group's and the Corporation's financial liabilities at amortised cost include trade and other payables and interest-bearing loans and borrowings.

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 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of material 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 2023 is disclosed in Note 18(a), Note 18(d), Note 20 and Note 36(d).

Notes to the Financial Statements

31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of material 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.

Notes to the Financial Statements

31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

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

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

Cash flow hedges (cont'd.)

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.

Interest rate benchmark reform

The Group has 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).

As at reporting date, the Group transitional activities are completed, with the exceptions of certain number of contracts that which transition to alternative benchmark rate are still ongoing. The Group has applied the practical expedients provided in the amendments 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.

Notes to the Financial Statements

31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

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

(o) Leases (cont'd.)

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.

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.

Notes to the Financial Statements

31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

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

(o) Leases (cont'd.)

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

Initial recognition and measurement (cont'd.)

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 12 and lease liabilities in interest-bearing loans and borrowings as disclosed in Note 18(c).

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.

Notes to the Financial Statements

31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

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

(o) Leases (cont'd.)

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

Subsequent measurement (cont'd.)

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.

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.

Notes to the Financial Statements

31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

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

(o) Leases (cont'd.)

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

Subsequent measurement (cont'd.)

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).

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.

Notes to the Financial Statements

31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

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

(q) Taxation

Income tax on the income statement for the year comprises current and deferred tax.

Current 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

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.

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.

Notes to the Financial Statements

31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

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

(q) Taxation (cont'd.)

Deferred tax (cont'd.)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on 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.

Global minimum top up tax

The Group has adopted International Tax Reform – Pillar Two Model Rules upon its release on 2 June 2023. The amendments provide a temporary mandatory relief from deferred tax accounting for the top-up tax which is effective immediately and new disclosures of Pillar Two top-up taxes.

The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred. The application of the pronouncements is further discussed in Note 2.2.

(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.

Notes to the Financial Statements

31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

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

(r) Provisions (cont'd.)

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.

(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.

Notes to the Financial Statements

31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

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

(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.

(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:

Notes to the Financial Statements

31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

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

(t) Foreign currencies (cont'd.)

(iii) Foreign operations (cont'd.)

- 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 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of material 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.

Notes to the Financial Statements

31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of material 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.)

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.

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 and deferred income.

(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 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of material 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 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of material 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 Corporation 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 Corporation'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 25.

Notes to the Financial Statements

31 December 2023

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of material 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 2023

2. MATERIAL 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 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)
- Amendments to MFRS 107: Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures (Supplier Finance Arrangements)

Effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121: The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability

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 35.

Notes to the Financial Statements

31 December 2023

2. MATERIAL 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 2023

2. MATERIAL 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 14.

(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 24(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 12(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 14.

Notes to the Financial Statements

31 December 2023

2. MATERIAL 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 20.

(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 27.

(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

In the previous financial year, the Group and Corporation had 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 Corporations' 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 of RM58,725,000 recognised in the income statement in the previous financial year.

Notes to the Financial Statements

31 December 2023

3. REVENUE

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue from contracts with customers				
Voyage, lightering and other shipping related income	2,147,958	2,452,442	-	-
Construction contract, marine repair and vessel conversion (Note 21)	5,084,409	5,329,763	-	-
Non-shipping income	387,311	203,489	19	6
	7,619,678	7,985,694	19	6
Revenue from charter				
Charter income	5,612,643	4,756,724	1,184,498	999,191
Finance income on lease receivables	1,039,336	1,124,554	-	6,169
	6,651,979	5,881,278	1,184,498	1,005,360
Total revenue	14,271,657	13,866,972	1,184,517	1,005,366

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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Goods and services transferred at a point in time	368,742	397,513	19	6
Services transferred over time	7,250,936	7,588,181	-	-
Total	7,619,678	7,985,694	19	6

Notes to the Financial Statements

31 December 2023

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
	2023 RM'000	2022 RM'000	2022 RM'000
Receivables	390,518	472,327	489,142
Contract assets (Note 21)	9,859,156	7,160,712	3,245,116
Contract liabilities (Note 21)	(170,671)	(15,152)	(119,192)

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	4,510,168	2,596,350	7,106,518

Notes to the Financial Statements

31 December 2023

4. OTHER OPERATING INCOME

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Rental income	71	36	-	-
Exchange gain:				
Realised	908	22,045	3,911	582
Unrealised	10,013	18,128	304	16,409
Management services:				
Subsidiaries	-	-	1,577	2,564
Joint ventures and an associate	15,063	10,633	15,063	10,633
Dividend income from equity investment:				
Subsidiaries	-	-	3,343,031	1,649,092
Joint ventures and an associate	-	-	221,835	121,055
Quoted equity investments	952	1,818	952	1,818
Unquoted equity investments	5	668	5	668
Writeback of impairment loss on:				
- Trade and other receivables (Note 20)	1,508	25,831	2,425	3,206
- Finance lease receivables (Note 18(d))	11,302	9,858	-	6,375
Fair value gain in other investments	3,799	446	3,799	446
Contract compensation	-	220,062	-	-
Changes in fair value of hedging derivatives	-	3,813	-	-
Miscellaneous income from:				
Subsidiaries	-	-	27,841	14,536
Fellow subsidiaries	39,174	9,600	26,061	8,404
Third parties	307,737	118,794	22,411	43,904
	390,532	441,732	3,669,215	1,879,692

Notes to the Financial Statements

31 December 2023

5. PROFIT BEFORE TAXATION

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

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Amortisation of intangible assets (Note 14)	14,939	38,801	-	-
Amortisation of prepaid lease payments on land and buildings (Note 13)	7,146	7,142	109	105
Amortisation of upfront fees for borrowings (Note 18(c))	37,150	81,557	-	-
Auditors' remuneration:				
Auditors of the Corporation:				
- Audit fees	6,902	5,794	1,194	883
- Other audit services*	-	975	-	975
- Other services	1,205	1,410	598	855
Inventories used (Note 19)	734,197	975,602	30,307	53,396
Exchange loss:				
- Realised	13,331	3,253	9,838	9,471
- Unrealised	8,120	9,268	5,986	4,494
Impairment loss for: (Note 20)				
- Trade and other receivables	24,455	3,272	118,110	6,597
- Other non-current assets	51,837	45,063	37,756	17,671
Operating lease rental:**				
- Ships	345,880	355,564	-	-
- Equipment	49,622	50,333	2,893	2,375
- Land and buildings	22,096	23,012	4,811	4,922
Ships, offshore floating assets, other property, plant and equipment and right-of-use assets: (Note 12)				
- Depreciation	2,141,909	2,021,442	404,929	386,023
- Written off	7,145	9,697	-	1,117
Impairment provisions (Note 5(a))	187,210	566,722	160,520	644,586
Changes in residual value (Note 18(d))	-	58,725	-	-
Staff costs (Note 6)	2,148,895	1,847,961	445,269	365,845
Non-executive directors' remuneration (Note 7)	2,264	2,518	1,686	1,992
Fair value loss in other investments	10,368	-	10,368	-
Changes in fair value of hedging derivatives	25,651	-	-	-

* The other audit services incurred in the previous financial year was in relation to the issuance of Global Medium Term Note ("GMTN") as described in Note 18(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 2023

5. PROFIT BEFORE TAXATION (CONT'D.)

(a) Impairment provisions

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Ships (Note 12)	83,273	348,185	5,401	236,520
Other intangible assets (Note 14)	103,937	147,132	-	-
Drydocking expenditure (Note 20)	-	71,405	-	-
Investments in subsidiaries (Note 15)	-	-	155,119	408,066
	187,210	566,722	160,520	644,586

6. STAFF COSTS

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Wages, salaries and bonuses	1,738,466	1,514,250	357,190	274,113
Contributions to defined contribution plans	104,754	97,877	28,067	35,932
Social security costs	9,632	7,346	1,200	968
Other staff related expenses	296,043	228,488	58,812	54,832
	2,148,895	1,847,961	445,269	365,845

Included in staff costs of the Group and of the Corporation are executive directors' remuneration (excluding benefits-in-kind) amounting to RM2,777,000 (2022: RM2,830,000) respectively as further disclosed in Note 7.

Notes to the Financial Statements

31 December 2023

7. DIRECTORS' REMUNERATION

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

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Executive:				
Salaries and other emoluments	1,885	1,738	1,885	1,738
Bonus	186	397	186	397
Defined contribution plans	706	695	706	695
Total executive directors' remuneration (excluding benefits-in-kind)	2,777	2,830	2,777	2,830
Estimated money value of benefits-in-kind	122	274	122	274
Total executive directors' remuneration (including benefits-in-kind)	2,899	3,104	2,899	3,104
Non-executive directors' remuneration:				
Fees	1,686	1,992	1,686	1,992
Fees from subsidiaries	578	526	-	-
Total non-executive directors' remuneration (Note 5)	2,264	2,518	1,686	1,992
Total directors' remuneration including benefits-in-kind (Note 31(f))	5,163	5,622	4,585	5,096

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	
	2023	2022
Executive director:		
RM600,001 - RM650,000	-	1
RM2,450,001 - RM2,500,000	-	1
RM2,500,001 - RM3,000,000	1	-
Non-executive directors*:		
RM100,001 - RM150,000	1	-
RM150,001 - RM200,000	5	3
RM200,001 - RM250,000	1	4
RM300,001 - RM350,000	-	1
RM350,001 - RM400,000	1	-
RM550,001 - RM600,000	1	-
RM700,001 - RM750,000	-	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 2023

8. (a) FINANCE INCOME

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Interest income:				
Subsidiaries	-	-	119,946	50,521
Joint ventures	17,994	2,690	-	-
Third party	30,746	14,228	30,746	14,228
Deposits	292,035	126,418	113,239	40,674
Unwinding of discount on trade receivables (Note 20)	22,000	13,885	22,000	13,885
Total finance income	362,775	157,221	285,931	119,308

(b) FINANCE COSTS

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Interest expense on loans and borrowings from:				
Subsidiaries	-	-	64,339	22,731
Banks and financial institutions	684,707	563,976	19,544	6,267
Interest on lease liabilities (Note 18(c))	8,613	5,702	1,835	445
Total interest expense	693,320	569,678	85,718	29,443
Amortisation of upfront fees for borrowings	37,150	81,557	-	-
Total finance costs	730,470	651,235	85,718	29,443

Notes to the Financial Statements

31 December 2023

9. TAXATION

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Current income tax:				
Malaysian income tax	60,042	37,314	8,860	4,511
Foreign tax	30,950	25,130	-	-
Under/(over) provision in prior year:				
Malaysian income tax	368	(21,590)	173	(635)
Foreign tax	48,685	-	-	-
	140,045	40,854	9,033	3,876
Deferred tax (Note 27):				
Relating to origination and reversal of temporary differences	24,163	(18,198)	-	-
(Over)/under provision in prior year	(29,434)	16,639	-	-
	(5,271)	(1,559)	-	-
Taxation for the year	134,774	39,295	9,033	3,876

Domestic income tax is calculated at the statutory tax rate of 24% (2022: 24%) of the estimated assessable profit for the financial year.

Notes to the Financial Statements

31 December 2023

9. TAXATION (CONT'D.)

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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit before taxation	2,093,721	1,874,287	3,803,552	1,442,660
Taxation at Malaysian statutory tax rate of 24% (2022: 24%)	502,493	449,829	912,852	346,238
Effect of different tax rates in other countries/ jurisdictions	(65,239)	(103,367)	-	-
Income not subject to tax:				
Tax exempt shipping income	(1,169,633)	(1,083,203)	(203,867)	(139,086)
Others	(44,510)	(128,471)	(909,071)	(445,224)
Expenses not deductible for tax purposes	783,010	936,690	200,045	257,083
Effect of share of results of associates and joint ventures	(27,761)	6,012	-	-
Utilisation of previously unrecognised deferred tax	-	(33,351)	-	(14,500)
Deferred tax assets not recognised during the year	136,795	107	8,901	-
Deferred tax (over)/under provided in prior year	(29,434)	16,639	-	-
Income tax under/(over) provided in prior year	49,053	(21,590)	173	(635)
Taxation for the year	134,774	39,295	9,033	3,876

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 ("MOT") 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 YA 2023 on the basis that the substance requirements are duly met.

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

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10. 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	
	2023	2022
Profit after taxation attributable to equity holders of the Corporation (RM'000)	2,123,519	1,822,907
Weighted average number of ordinary shares ('000)		
Issued ordinary shares at 1 January	4,463,794	4,463,794
Less: Treasury shares held at 1 January	(47)	(47)
Weighted average number of ordinary shares as at 31 December ('000)	4,463,747	4,463,747
Basic earnings per share (sen)	47.6	40.8
Diluted earnings per share (sen)	47.6	40.8

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11. DIVIDENDS

	Group/Corporation	
	2023 RM'000	2022 RM'000
Dividends recognised during the year:		
In respect of financial year ended 31 December 2021:		
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
Fourth tax exempt dividend of 12.0 sen per share	535,649	-
In respect of financial year ended 31 December 2023:		
First tax exempt dividend of 7.0 sen per share	312,462	-
Second tax exempt dividend of 10.0 sen per share	446,375	-
Third tax exempt dividend of 7.0 sen per share	312,462	-
	1,606,948	1,473,035

A fourth tax exempt dividend in respect of the financial year ended 31 December 2023 of 12.0 sen per share amounting to a dividend payable of RM535,649,000 declared on a date subsequent to the reporting date and will be paid on 26 March 2024.

The fourth tax exempt dividend in respect of the financial year ended 31 December 2023 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 2024.

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12. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT

	Cost									
	At 1.1.2023 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	Lease modification RM'000	Currency translation differences RM'000	At 31.12.2023 RM'000
Group - 31 December 2023										
Ships										
Ships in operation*	45,636,178	386,127	(897,880)	(272,548)	2,809,075	-	(58,147)	-	1,762,066	49,364,871
Right-of-use - ships in operation*	676,431	190,386	-	(410,200)	-	-	-	-	17,596	474,213
Ships under construction	1,453,749	1,930,668	-	-	(2,805,583)	-	-	-	54,206	633,040
	47,766,358	2,507,181	(897,880)	(682,748)	3,492	-	(58,147)	-	1,833,868	50,472,124
Offshore floating assets										
Subject to operating lease as a lessor - offshore floating assets in operation	911,708	-	-	-	-	-	-	-	22,276	933,984
Other property, plant and equipment										
Freehold land	13,554	-	-	-	-	-	-	-	714	14,268
Freehold buildings, drydocks and waste plant	2,170,242	200	-	-	3,217	-	-	-	4,107	2,177,766
Leasehold buildings	74,036	-	-	-	-	-	-	-	-	74,036
Motor vehicles	18,964	429	-	-	-	-	-	-	437	19,830
Furniture, fittings and equipment	197,757	4,903	-	(253)	(330)	-	-	-	8,416	210,493
Computer software and hardware	350,372	2,562	-	-	2,301	-	-	-	8,510	363,745
Projects in progress****	179,867	110,170	-	(138)	(18,504)	(22,038)	-	-	12,136	261,493
Plant and machineries	785,764	3,744	-	(53,379)	9,824	-	-	-	44,283	790,236
	3,790,556	122,008	-	(53,770)	(3,492)	(22,038)	-	-	78,603	3,911,867
Right-of-use assets										
- office premise, warehouse and wharf	237,500	4,039	-	-	-	-	-	3,014	9,343	253,896
- computer software and hardware	207	-	-	-	-	-	-	-	-	207
- motor vehicle	375	-	-	-	-	-	-	-	-	375
	238,082	4,039	-	-	-	-	-	3,014	9,343	254,478
	4,028,638	126,047	-	(53,770)	(3,492)	(22,038)	-	3,014	87,946	4,166,345
Grand total	52,706,704	2,633,228	(897,880)	(736,518)	-	(22,038)	(58,147)	3,014	1,944,090	55,572,453

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

	Accumulated depreciation/impairment						Net book value		
	At	Depreciation		Impairment	Disposals	Write-offs**	Currency	At	At
	1.1.2023	charge for		losses			translation	31.12.2023	31.12.2023
	RM'000	the year		RM'000	RM'000	RM'000	differences	RM'000	RM'000
	RM'000	RM'000		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group - 31 December 2023									
Ships									
Ships in operation*	24,701,578	1,942,333		83,273	(695,385)	(265,587)	858,469	26,624,681	22,740,190
Right-of-use									
- ships in operation*	582,669	67,636		-	-	(410,200)	13,314	253,419	220,794
Ships under construction	-	-		-	-	-	-	-	633,040
	25,284,247	2,009,969		83,273	(695,385)	(675,787)	(871,783)	26,878,100	23,594,024
Offshore floating assets									
Subject to operating lease as a lessor									
- offshore floating assets in operation	892,575	-		-	-	-	21,476	914,051	19,933

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

	Accumulated depreciation/impairment						Net book value	
	At 1.1.2023 RM'000	Depreciation charge for the year RM'000	Impairment losses RM'000	Disposals RM'000	Write-offs** RM'000	Currency translation differences RM'000	At 31.12.2023 RM'000	At 31.12.2023 RM'000
Group - 31 December 2023								
Other property, plant and equipment								
Freehold land	-	-	-	-	-	-	-	14,268
Freehold buildings, drydocks and waste plant	990,871	44,805	-	-	-	3,390	1,039,066	1,138,700
Leasehold buildings	74,036	-	-	-	-	-	74,036	-
Motor vehicles	17,826	467	-	-	-	67	18,360	1,470
Furniture, fittings and equipment	141,451	10,844	-	-	(210)	5,424	157,509	52,984
Computer software and hardware	320,791	11,695	-	-	-	11,739	344,225	19,520
Projects in progress****	-	-	-	-	-	-	-	261,493
Plant and machineries	518,929	34,633	-	-	(53,376)	11,276	511,462	278,774
	2,063,904	102,444	-	-	(53,586)	31,896	2,144,658	1,767,209
Right-of-use assets								
- office premise, warehouse and wharf	160,784	29,293	-	-	-	1,974	192,051	61,845
- computer software and hardware	11	69	-	-	-	-	80	127
- motor vehicle	186	134	-	-	-	-	320	55
	160,981	29,496	-	-	-	1,974	192,451	62,027
	2,224,885	131,940	-	-	(53,586)	33,870	2,337,109	1,829,236
Grand total	28,401,707	2,141,909	83,273	(695,385)	(729,373)	927,129	30,129,260	25,443,193

* 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 RM19,901,397,000 and RM Nil respectively based on the ships contractual arrangement as at 31 December 2023. 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 reclassified to other receivables and reclassification of completed projects in progress to intangible assets.

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

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

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

	Accumulated depreciation/impairment							Net book value		
	At	Depreciation	Impairment	Disposals	Write-offs**	Reclassified to	Termination	Currency	At	At
	1.1.2022	charge for	losses	RM'000	RM'000	RM'000	held for sale	translation	31.12.2022	31.12.2022
	RM'000	the year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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
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's relates to capital expenditure which are reimbursable and reclassified to other receivables and reclassification of completed projects in progress to intangible assets.

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

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

	Cost						At 31.12.2023 RM'000
	At 1.1.2023 RM'000	Additions RM'000	Write-offs* RM'000	Disposals RM'000	Transfers RM'000	Currency translation differences RM'000	
Corporation - 31 December 2023							
Ships							
Subject to operating lease as a lessor							
- ships in operation	10,566,341	94,849	(87,732)	(81,622)	-	342,143	10,833,979
Other property and equipment							
Freehold land	7,928	-	-	-	-	331	8,259
Freehold buildings	24,561	-	-	-	-	1,490	26,051
Motor vehicles	527	-	-	-	-	17	544
Furniture, fittings and equipment	55,713	2,051	-	-	291	2,531	60,586
Computer software and hardware	209,015	31	-	-	-	9,241	218,287
Projects in progress	84,848	25,619	-	-	(291)	2,609	112,785
	382,592	27,701	-	-	-	16,219	426,512
Right-of-use							
- office premise	129,086	-	-	-	-	2,822	131,908
- motor vehicle	375	-	-	-	-	-	375
	129,461	-	-	-	-	2,822	132,283
	512,053	27,701	-	-	-	19,041	558,795
Grand total	11,078,394	122,550	(87,732)	(81,622)	-	361,184	11,392,774

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

	Accumulated depreciation/impairment					Net book value		
	At 1.1.2023 RM'000	Depreciation RM'000	Impairment losses RM'000	Write-offs* RM'000	Disposals RM'000	Currency translation differences RM'000	At 31.12.2023 RM'000	At 31.12.2023 RM'000
Corporation - 31 December 2023								
Ships								
Subject to operating lease as a lessor								
- ships in operation	6,963,154	375,276	5,401	(87,732)	(77,041)	190,382	7,369,440	3,464,539
Other property and equipment								
Freehold land	-	-	-	-	-	-	-	8,259
Freehold buildings	3,570	386	-	-	-	517	4,473	21,578
Motor vehicles	398	-	-	-	-	25	423	121
Furniture, fittings and equipment	33,288	8,014	-	-	-	1,204	42,506	18,080
Computer software and hardware	193,070	6,691	-	-	-	8,116	207,877	10,410
Projects in progress	-	-	-	-	-	-	-	112,785
	230,326	15,091	-	-	-	9,862	255,279	171,233
Right-of-use								
- office premise	86,350	14,428	-	-	-	2,619	103,397	28,511
- motor vehicle	186	134	-	-	-	-	320	55
	86,536	14,562	-	-	-	2,619	103,717	28,566
	316,862	29,653	-	-	-	12,481	358,996	199,799
Grand total	7,280,016	404,929	5,401	(87,732)	(77,041)	202,863	7,728,436	3,664,338

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

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

	Cost				Currency translation differences RM'000	At 31.12.2022 RM'000
	At 1.1.2022 RM'000	Additions RM'000	Write-offs* RM'000	Transfers 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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12. 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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12. 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 18(c)) are as follows:

	Group	
	2023 RM'000	2022 RM'000
Ships in operation	13,160,816	12,350,609

(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 RM83,273,000 (2022: RM348,185,000) and RM5,401,000 (2022: RM236,520,000) 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 of 7.62% (2022: 6.84% and 7.57%).

In the previous financial year, the recoverable amount of certain ships amounting to RM454,563,000 as at the end of the financial year was determined from the VIU calculations using cash flow projections discounted at 7.57% was lower than its carrying value. Accordingly, an impairment loss of RM28,172,000 was recognised in the previous financial year for the Group.

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

The Marine & Heavy Engineering segment recoverable amount for impaired property, plant and equipment and right-of-use assets of RM1,760,367,000 (2022: RM1,704,770,000) was determined from the VIU calculations using cash flow projections discounted at the rate of 11.0% (2022: 10.5%).

Details of the key assumptions used in the value in use ("VIU") calculation are disclosed below:

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

Recoverable amount determined from VIU (cont'd.)

(ii) Other property, plant and equipment and right-of-use assets (cont'd.)

For the purpose of impairment testing, the recoverable amount of the CGU is determined based on VIU calculations using cash flow projections derived from budgets approved by management covering a five-year period. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of the CGU:

(i) Revenue

Revenue is estimated based on existing order book and anticipated future projects. In estimating the revenue, the Marine & Heavy Engineering segment considers the probability of securing future revenue contracts as well as possible variations in amounts and timing of the cash flows.

(ii) Budgeted gross margins

Gross margins are estimated based on forecast margins for order book, management's expectations and past experience.

(iii) Discount rates

The discount rate reflects specific risks relating to the CGU. The pre-tax discount rate used is 13.97% (2022: 12.18%).

(iv) Growth rates

Cash flows beyond the five-year period is extrapolated using growth rate of 2.50% (2022: 2.50%).

Recoverable amount determined from fair value less costs of disposal

The fair value of certain ships were determined based on valuation performed by independent valuers based on comparable ships.

Impairment of ships amounting to RM83,273,000 (2022: RM320,013,000) and RM5,401,000 (2022: RM236,520,000) for the Group and the Corporation respectively were recognised using this basis.

Fair value measurement and VIU were categorised as Level 2 and 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 RM23,132,000 (2022: RM26,700,670), including general borrowing costs.

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13. PREPAID LEASE PAYMENTS ON LAND AND BUILDINGS

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At 1 January	198,588	205,525	3,643	3,543
Amortisation for the year (Note 5)	(7,146)	(7,142)	(109)	(105)
Currency translation differences	152	205	152	205
At 31 December	191,594	198,588	3,686	3,643
Analysed as:				
Leasehold land	187,908	194,945	-	-
Leasehold buildings	3,686	3,643	3,686	3,643
	191,594	198,588	3,686	3,643

Included in leasehold land of the Group is the carrying value of a long term leasehold and foreshore land of a subsidiary of RM187,908,000 (2022: RM194,945,000) which cannot be disposed off, charged or subleased without the prior consent of the Johor State Government.

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14. INTANGIBLE ASSETS

	Group		
	Goodwill RM'000	Other intangible assets* RM'000	Total RM'000

Cost

At 1 January 2022	998,265	445,359	1,443,624
Reclassification from property, plant and equipment (Note 12)	-	61,677	61,677
Currency translation differences	53,089	13,911	67,000
At 31 December 2022/1 January 2023	1,051,354	520,947	1,572,301
Reclassification from property, plant and equipment (Note 12)	-	22,038	22,038
Currency translation differences	40,403	12,904	53,307
At 31 December 2023	1,091,757	555,889	1,647,646

Accumulated amortisation and impairment

At 1 January 2022	162,501	220,208	382,709
Amortisation for the year (Note 5)	-	38,801	38,801
Impairment (Note 5(a))	-	147,132	147,132
Currency translation differences	-	2,082	2,082
At 31 December 2022/1 January 2023	162,501	408,223	570,724
Amortisation for the year (Note 5)	-	14,939	14,939
Impairment (Note 5(a))	-	103,937	103,937
Currency translation differences	-	8,935	8,935
At 31 December 2023	162,501	536,034	698,535

Net carrying amount

At 31 December 2023	929,256	19,855	949,111
At 31 December 2022	888,853	112,724	1,001,577

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

Notes to the Financial Statements

31 December 2023

14. 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	
	2023 RM'000	2022 RM'000
Petroleum & Product Shipping Segment	929,256	888,853

(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 7.21% (2022: 6.84%). 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 0.68% or 68 basis points (2022: 0.60% or 60 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 5 years average expected cash flows from year 2024 to year 2028 (2022: 2027) into perpetuity with terminal year growth rate of 2.00% (2022: 2.00%). Terminal year charter rates in deriving at the terminal value are referenced to historical market rates.

A decrease of 3.22% or 322 basis points (2022: 3.60% or 360 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 0.90% or 90 basis points (2022: 0.80% or 80 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.

Notes to the Financial Statements

31 December 2023

14. 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% (2022: 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 RM Nil as at the end of the financial year as determined from the VIU calculation using cash flow projections discounted at 15.0% (2022: 15.0%) was lower than its carrying value. Accordingly, an impairment loss of RM103,937,000 (2022: RM147,132,000) was recognised in the current financial year. The digital products were fully impaired as of 31 December 2023.

15. INVESTMENTS IN SUBSIDIARIES

	Corporation	
	2023 RM'000	2022 RM'000
At 1 January	19,800,469	16,982,277
Additional investments in subsidiaries (Note a)	2,908,405	2,772,069
Redemption of redeemable cumulative preference shares ("RCPS") (Note b)	(679,274)	(286,081)
Liquidation of a subsidiary (Note c)	-	(250,000)
Reclassified to non-current assets held for sale (Note 23) (Note d)	(17,709)	-
Impairment of investment in unquoted subsidiaries (Note 5(a))	(155,119)	(408,066)
Currency translation differences	843,041	990,270
At 31 December	22,699,813	19,800,469
Quoted shares	297,377	285,448
Unquoted shares	22,402,436	19,515,021
	22,699,813	19,800,469

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15. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Included in unquoted shares are preference shares of RM17,201,000 (2022: RM13,707,000) which bear interest ranging from 5.00% to 6.00% (2022: 5.00% to 6.00%) per annum.

(a) Additional investments in subsidiaries

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

- (i) MISC Offshore (Americas) Holdings Pte. Ltd. amounting to USD87,000,000 (RM397,145,000) by way of cash consideration.
- (ii) Portovenere and Lerici (Labuan) Private Limited by way of issuance of RCPS amounting to USD114,126,000 (RM520,972,000) in support of the subsidiary's debt capitalisation exercise.
- (iii) MISC Capital (L) Limited amounting to USD436,000,000 (RM1,990,288,000) by way of cash consideration.

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

- (i) Magellan X Holdings (L) Pte. Ltd. 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 (Labuan) Private Limited 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.

(b) Redemption of RCPS

In the current financial year, the Corporation has partially redeemed RCPS for its investments in:

- (i) MISC Tanker Holdings Sdn. Bhd. amounting to USD120,000,780 (RM547,789,000).
- (ii) Puteri Intan Satu (L) Pte. Ltd. amounting to USD28,803,600 (RM131,485,000).

In the previous financial year, the Corporation has partially redeemed RCPS for its investment in MISC Tanker Holdings Sdn. Bhd. amounting to USD65,000,000 (RM286,081,000).

(c) Liquidation of a subsidiary

In the previous 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.

Notes to the Financial Statements

31 December 2023

15. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

(d) Reclassified to non-current assets held for sale

In the current financial year, as part of the Group's restructuring exercise, the Corporation has reclassified investment in Eaglestar Marine Holdings (L) Pte. Ltd. ("EMH") to non-current asset held for sale. The disposal of shares of EMH will occur within the Group.

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
2023					
NCI percentage of ownership interest and voting interest	33.5%	49.0%	49.0%		
Carrying amount of NCI as at 31 December	392,840	126,803	91,721	68,600	679,964
(Loss)/profit allocated to NCI for the year ended 31 December	(162,564)	(2,438)	4,256	(3,826)	(164,572)
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

* Other individually immaterial subsidiaries

Notes to the Financial Statements

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15. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

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

Summarised financial information before intra-group elimination

	MHB RM'000	ALT RM'000	ALT 2 RM'000
As at 31 December 2023			
Non-current assets	1,797,864	64,702	177,851
Current assets	1,851,456	202,160	36,811
Non-current liabilities	(268,484)	-	-
Current liabilities	(2,113,496)	(9,669)	(45,998)
Net assets	1,267,340	257,193	168,664
Year ended 31 December 2023			
Revenue	3,309,392	47,804	-
(Loss)/profit after taxation	(484,195)	9,582	8,686
Total comprehensive (loss)/income	(478,170)	2,463	7,830
Cash (outflows)/inflows from operating activities	(162,823)	32,755	1,393
Cash (outflows)/inflows from investing activities	(68,240)	11,410	1,924
Cash outflows from financing activities	(8,404)	-	-
Net (decrease)/increase in cash and cash equivalents	(239,467)	44,165	3,317
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

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15. 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
Year ended 31 December 2022			
Revenue	1,651,643	38,747	-
Profit/(loss) after taxation	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

16. INVESTMENTS IN ASSOCIATES

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Unquoted shares in Malaysia, at cost	17,177	17,118	1,482	1,422
Unquoted shares outside Malaysia, at cost	339,144	284,170	-	-
	356,321	301,288	1,482	1,422
Share of post-acquisition profit	5,012	5,126	-	-
Share of other post-acquisition reserves	(410)	(438)	-	-
Carrying amount of the investment	360,923	305,976	1,482	1,422

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16. INVESTMENTS IN ASSOCIATES (CONT'D.)

In the previous 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 current financial year, the Corporation through PLL has increased its invesment in the following companies amounting to RM42,878,000 via cash consideration. The remaining shareholders have also increased their shareholding in proportion of their equity interests in the following companies:

Name of company	Country of incorporation	Principal activities	Effective interest held (%)	
			2023	2022
Oasis LNG No 1 Pte. Ltd.	Singapore	Shipping	25%	25%
Oasis LNG No 2 Pte. Ltd.	Singapore	Shipping	25%	25%
Oasis LNG No 3 Pte. Ltd.	Singapore	Shipping	25%	25%
Oasis LNG No 4 Pte. Ltd.	Singapore	Shipping	25%	25%
Oasis LNG No 5 Pte. Ltd.	Singapore	Shipping	25%	25%
Oasis LNG No 6 Pte. Ltd.	Singapore	Shipping	25%	25%
Oasis LNG No. 7 Pte. Ltd.	Singapore	Shipping	25%	25%
Oasis LNG No. 8 Pte. Ltd.	Singapore	Shipping	25%	25%
Oasis LNG No. 9 Pte. Ltd.	Singapore	Shipping	25%	25%
Oasis LNG No. 10 Pte. Ltd.	Singapore	Shipping	25%	25%
Oasis LNG No. 11 Pte. Ltd.	Singapore	Shipping	25%	25%
Oasis LNG No. 12 Pte. Ltd.	Singapore	Shipping	25%	25%

Details of the associates are disclosed in Note 39.

Notes to the Financial Statements

31 December 2023

17. INVESTMENTS IN JOINT VENTURES

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Unquoted shares in Malaysia, at cost	263,627	189,326	258,206	183,907
Unquoted shares outside Malaysia, at cost	325,538	204,312	27,625	26,516
	589,165	393,638	285,831	210,423
Share of post-acquisition profits	208,405	325,193	-	-
Share of other post-acquisition reserves	333,673	317,246	-	-
	1,131,243	1,036,077	285,831	210,423
Less: Accumulated impairment loss	(6,761)	(6,490)	-	-
Carrying amount of the investment	1,124,482	1,029,587	285,831	210,423

- a) In the current financial year, the Corporation has increased its investment in Malaysia Vietnam Offshore Terminal (L) Limited ("MVOT") amounting to RM66,114,000 by way issuance of RCPS.
- b) In the current financial year, MISC Offshore Holdings (Brazil) Sdn. Bhd., a wholly-owned subsidiary of the Corporation has increased its investment in Brazilian Deepwater Production B.V. amounting to RM111,840,000 by way of capitalisation of shareholders loan.
- c) In the previous 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.
- d) 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 amounted to RM1,556,000 (2022: RM1,615,000).

Details of the joint ventures are disclosed in Note 40.

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17. 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 2023		
Non-current assets	501,677	446,377
Current assets	153,294	181,198
Cash and cash equivalents	4,168	273,669
Non-current liabilities	-	(1,525)
Current liabilities	(1,104)	(44,315)
Net assets	658,035	855,404
Year ended 31 December 2023		
Profit after taxation/total comprehensive income	17,886	28,520
<i>Included in the total comprehensive income is:</i>		
Revenue	23,261	173,629
Depreciation and amortisation	-	(3,933)
Interest income	2	114
Interest expense	-	(55)
Income tax expense	-	(2,950)
As at 31 December 2022		
Non-current assets	624,263	545,817
Current assets	140,692	201,086
Cash and cash equivalents	4,264	108,185
Non-current liabilities	-	(739)
Current liabilities	(354)	(60,840)
Net assets	768,865	793,509
Year ended 31 December 2022		
Profit after taxation/total comprehensive income	9,198	44,388
<i>Included in the total comprehensive income is:</i>		
Revenue	27,883	158,329
Depreciation and amortisation	-	(2,084)
Interest income	2	10
Interest expenses	-	(160)
Income tax expense	-	(4,601)

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

Group	2023			
	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	335,598	436,257	352,614	1,124,469
Elimination of unrealised (losses)/profits	(13,443)	3,473	9,983	13
Carrying amount in the statement of financial position	322,155	439,730	362,597	1,124,482
Group's share of results				
Year ended 31 December				
Group's share of profit after taxation	12,202	14,545	87,883	114,630
Group's share of other comprehensive losses	-	-	(11,122)	(11,122)
Group's share of total comprehensive income	12,202	14,545	76,761	103,508
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

* Other individually immaterial joint ventures

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18. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Other non-current assets

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Unquoted equity investments (Note 35)	68,171	75,411	62,035	69,574
Quoted equity investments (Note 35)	54,582	50,971	54,582	50,971
Total equity instruments	122,753	126,382	116,617	120,545
Long term receivables (Note 35)	711,056	634,347	489,530	439,789
Contract assets (Note 21)	8,792,678	6,649,003	-	-
	9,503,734	7,283,350	489,530	439,789
Less : Impairment loss on:				
Long term receivables	(344,601)	(294,262)	(344,601)	(294,262)
Contract assets	(4,396)	(3,325)	-	-
	(348,997)	(297,587)	(344,601)	(294,262)
Net long term receivables and contract assets	9,154,737	6,985,763	144,929	145,527
Loans and advances:				
Subsidiaries	-	-	76,658	101,989
Joint ventures	155,524	228,151	-	-
	155,524	228,151	76,658	101,989
Less: Impairment on loans to joint venture	(38,294)	(24,067)	-	-
Net loans and advances (Note 20)	117,230	204,084	76,658	101,989
Total long term receivables, contract assets, loans and advances	9,271,967	7,189,847	221,587	247,516
Total equity instruments	122,753	126,382	116,617	120,545
Total other non-current assets	9,394,720	7,316,229	338,204	368,061
Less: Net contract assets	(8,788,282)	(6,645,678)	-	-
Total other non-current financial assets	606,438	670,551	338,204	368,061

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 of 4.7% (2022: ranging from 4.15% to 5.24%) per annum.

The loans and advances to joint ventures are unsecured and bear interest ranging from 3.00% to 6.29% (2022: ranging from 3.00% to 4.72%) per annum.

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

(b) Derivative assets/liabilities

	Group	
	2023 RM'000	2022 RM'000
Derivative assets		
Non-current:		
Interest rate swaps ("IRS") - effective hedges (i)	710,016	910,783
Derivative liabilities		
Current:		
Forward currency contracts (ii)	26,048	6,422

(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% - 3.45% (2022: 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 (2022: year 2025 and year 2034). The notional amount of the IRS arrangement as at 31 December 2023 was RM14.5 billion (2022: RM14.5 billion).

(ii) As at 31 December 2023, the Group held forward currency contracts designated as hedges of future payments denominated in United States Dollars ("USD"), Euro ("EUR") and Sterling Pounds ("GBP") and future receipts denominated in USD. The forward currency contracts are being used to hedge the foreign currency risk of the highly probable forecasted transactions. The forward currency contracts entered by the Group are short term in nature. The notional amount of the forward currency contracts as at 31 December 2023 was RM0.7 billion (2022: RM0.3 billion).

The cash flow hedges of the expected future payments which are expected to mature in year 2024 were assessed. During the year, the Group recognised a net unrealised derivatives gain of RM6,025,000 (2022: loss of RM5,535,000) in its other comprehensive income and derivative loss of RM25,651,000 (2022: gain of RM3,813,000) in profit or loss for the effective and ineffective portion respectively.

(c) Interest-bearing loans and borrowings

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Long term borrowings				
Secured:				
Term loans				
Fixed rate (Note 35)	9,549,026	8,817,759	-	-
Floating rate	1,151,150	116,506	-	-
	10,700,176	8,934,265	-	-

Notes to the Financial Statements

31 December 2023

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

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

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Unsecured:				
Term loans:				
Fixed rate (Note 35)*	4,628,735	4,454,355	-	-
Floating rate	285,765	754,537	-	-
Loans from subsidiaries:				
Fixed rate (Note 35)	-	-	551,940	-
Lease liabilities	210,925	112,902	16,513	29,285
	5,125,425	5,321,794	568,453	29,285
	15,825,601	14,256,059	568,453	29,285
Short term borrowings				
Secured:				
Term loans:				
Fixed rate	1,348,712	1,131,497	-	-
Floating rate	122,562	33,279	-	-
	1,471,274	1,164,776	-	-
Short term borrowings				
Unsecured:				
Term loans:				
Fixed rate	15,179	14,570	-	-
Floating rate	56,694	2,335,462	-	-
Revolving credits	68,000	-	-	-
Loans from subsidiaries:				
Floating rate	-	-	547,771	1,441,939
Lease liabilities	108,233	90,651	16,036	13,723
	248,106	2,440,683	563,807	1,455,662
	1,719,380	3,605,459	563,807	1,455,662

Notes to the Financial Statements

31 December 2023

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

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

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Total borrowings				
Term loans*	17,157,823	17,657,965	-	-
Revolving credits	68,000	-	-	-
Loans from subsidiaries	-	-	1,099,711	1,441,939
Lease liabilities	319,158	203,553	32,549	43,008
	17,544,981	17,861,518	1,132,260	1,484,947
* In the previous 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 previous financial year. The proceeds from the Notes were mainly used to refinance the existing borrowings of the Group.				
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 12(a) and Note 22 respectively.				
The range of interest rates as at the reporting date of the above interest-bearing loans and borrowings are as follows:				
	Group		Corporation	
	2023 %	2022 %	2023 %	2022 %
Fixed rate				
Term loans	1.85-5.19	1.90-4.44	-	-
Loans from subsidiaries	-	-	3.88	-
Lease liabilities	2.55-9.25	2.15-9.25	3.49-4.75	3.49-6.35
Floating rate				
Term loans	6.47-7.57	2.44-6.27	-	-
Revolving credits	3.89	-	-	-
Loans from subsidiaries	-	-	6.37-6.40	4.61-5.52

Notes to the Financial Statements

31 December 2023

18. 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 2023	17,657,965	-	203,553	17,861,518
Drawdown/additions	2,985,477	780,786	197,273	3,963,536
Repayment	(4,204,320)	(712,786)	(105,947)	(5,023,053)
Amortisation of upfront fees (Note 5)	37,150	-	-	37,150
Accretion of interest (Note 8(b))	-	-	8,613	8,613
Remeasurement of modification of lease contract	-	-	3,080	3,080
Currency translation differences	681,551	-	12,586	694,137
At 31 December 2023	17,157,823	68,000	319,158	17,544,981

	Corporation			
	Loans from subsidiaries RM'000	Revolving Credits RM'000	Lease Liabilities RM'000	Total RM'000
At 1 January 2023	1,441,939	-	43,008	1,484,947
Drawdown/additions	970,008	547,786	-	1,517,794
Repayment	-	(547,786)	(13,211)	(560,997)
Settlement via dividend payment	(1,369,464)	-	-	(1,369,464)
Accretion of interest (Note 8(b))	-	-	1,835	1,835
Currency translation differences	57,228	-	917	58,145
At 31 December 2023	1,099,711	-	32,549	1,132,260

Notes to the Financial Statements

31 December 2023

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

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

Changes in liabilities arising from financing activities: (cont'd.)

	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 (Note 5)	79,824	1,733	-	81,557
Accretion of interest (Note 8(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 8(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 2023

18. 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:

	Within 1 year	More than 1 year and within 2 years	More than 2 years and within 3 years	More than 3 years and within 4 years	More than 4 years and within 5 years	More than 5 years	Total
At 31 December 2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
Fixed rate							
Term loans	1,363,891	3,213,153	1,508,298	5,965,925	815,978	2,674,407	15,541,652
Lease liabilities	108,233	64,257	41,077	40,904	37,506	27,181	319,158
	1,472,124	3,277,410	1,549,375	6,006,829	853,484	2,701,588	15,860,810
Floating rate							
Term loans	179,256	319,354	186,033	160,665	103,144	667,719	1,616,171
Revolving credits	68,000	-	-	-	-	-	68,000
	247,256	319,354	186,033	160,665	103,144	667,719	1,684,171
Total borrowings	1,719,380	3,596,764	1,735,408	6,167,494	956,628	3,369,307	17,544,981
Corporation							
Fixed rate							
Loans from subsidiaries	-	551,940	-	-	-	-	551,940
Lease liabilities	16,036	16,513	-	-	-	-	32,549
	16,036	568,453	-	-	-	-	584,489
Floating rate							
Loans from subsidiaries	547,771	-	-	-	-	-	547,771
Total borrowings	563,807	568,453	-	-	-	-	1,132,260

Notes to the Financial Statements

31 December 2023

18. 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: (cont'd.)

	Within 1 year	More than 1 year and within 2 years	More than 2 years and within 3 years	More than 3 years and within 4 years	More than 4 years and within 5 years	More than 5 years	Total
At 31 December 2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	90,651	33,154	29,852	10,369	9,398	30,129	203,553
	1,236,718	1,215,273	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	3,605,459	1,302,971	3,619,258	1,410,248	5,642,099	2,281,483	17,861,518
Corporation							
Fixed rate							
Lease liabilities	13,723	14,163	15,122	-	-	-	43,008
Floating rate							
Loans from subsidiaries	1,441,939	-	-	-	-	-	1,441,939
Total borrowings	1,455,662	14,163	15,122	-	-	-	1,484,947

Notes to the Financial Statements

31 December 2023

18. 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	
	2023 RM'000	2022 RM'000
Less than 1 year	2,440,152	2,557,347
1 to 2 years	2,358,382	2,494,276
2 to 3 years	2,319,374	2,412,743
3 to 4 years	2,214,005	2,372,175
4 to 5 years	2,137,425	2,270,119
More than 5 years	8,120,908	10,524,267
Total undiscounted lease payments	19,590,246	22,630,927
Unearned interest income	(5,155,822)	(6,243,065)
Changes in residual value	-	(58,725)
Net investment in lease	14,434,424	16,329,137

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	
	2023 RM'000	2022 RM'000
Less than 1 year	1,517,205	1,521,865
1 to 2 years	1,531,423	1,555,412
2 to 3 years	1,582,404	1,563,015
3 to 4 years	1,591,987	1,616,172
4 to 5 years	1,613,476	1,625,137
More than 5 years	6,597,929	8,447,536
	14,434,424	16,329,137
Less: Impairment	(44,125)	(54,476)
	14,390,299	16,274,661

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31 December 2023

18. 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	
	2023 RM'000	2022 RM'000
Analysed as:		
Due within 12 months (Note 20)	1,517,205	1,521,865
Due after 12 months (Note 20)	12,873,094	14,752,796
	14,390,299	16,274,661

The effective interest rate of the Group's finance lease receivables is between 2.20% to 9.04% (2022: 2.20% to 9.04%). Included in minimum lease receivables are the estimated unguaranteed residual values of the leased assets of RM735,669,000 (2022: RM732,583,000).

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

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At 1 January	54,476	59,879	-	5,516
Write back of impairment loss (Note 4)	(11,302)	(9,858)	-	(6,375)
Currency translation differences	951	4,455	-	859
At 31 December	44,125	54,476	-	-

19. INVENTORIES

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At cost	92,883	97,879	946	2,016

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 RM734,197,000 (2022: RM975,602,000) and RM30,307,000 (2022: RM53,396,000).

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20. TRADE AND OTHER RECEIVABLES

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Trade receivables				
Third parties	3,391,266	3,259,795	76,000	81,063
Fellow subsidiaries	83,092	37,956	6,905	450
Associates	-	-	63	163
Joint ventures	32,591	30,153	32,169	30,039
	3,506,949	3,327,904	115,137	111,715
Finance lease receivables (Note 18(d))	1,517,205	1,521,865	-	-
Due from customers on contracts (Note 21)	1,066,478	511,709	-	-
	6,090,632	5,361,478	115,137	111,715
Less: Impairment loss on trade receivables:				
Third parties	(387,204)	(377,604)	(68,063)	(64,455)
Joint ventures	(24,856)	(23,859)	(24,856)	(23,859)
	(412,060)	(401,463)	(92,919)	(88,314)
Trade receivables, net	5,678,572	4,960,015	22,218	23,401

Notes to the Financial Statements

31 December 2023

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

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Other receivables				
Amount due from related parties:				
Subsidiaries	-	-	1,027,805	1,066,162
Fellow subsidiaries	34,322	5,631	143	183
Joint ventures	11,519	7,991	3,756	253
	45,841	13,622	1,031,704	1,066,598
Loans and advances:				
Subsidiaries	-	-	1,655,483	766,652
Deposits	17,740	35,975	1,716	2,494
Prepayments	87,433	108,059	19,364	17,737
Others	168,637	263,633	63,705	54,839
	319,651	421,289	2,771,972	1,908,320
Less: Impairment loss on other receivables:				
Third parties	(529)	(753)	(13)	(49)
Subsidiaries	-	-	(94,025)	-
Joint ventures	-	-	(2,225)	(1,554)
	(529)	(753)	(96,263)	(1,603)
Other receivables, net	319,122	420,536	2,675,709	1,906,717
Total trade and other receivables	5,997,694	5,380,551	2,697,927	1,930,118
Add: Cash, deposits and bank balances (Note 22)	7,731,558	7,134,027	1,975,099	2,515,691
Add: Net loans and advances (Note 18(a))	117,230	204,084	76,658	101,989
Add: Net long term receivables (Note 18(a))	366,455	340,085	144,929	145,527
Add: Long term finance lease receivables (Note 18(d))	12,873,094	14,752,796	-	-
Less: Due from customers on contracts (Note 21)	(1,066,478)	(511,709)	-	-
Less: Prepayments	(87,433)	(108,059)	(19,364)	(17,737)
Total financial assets carried at amortised cost	25,932,120	27,191,775	4,875,249	4,675,588

(a) Trade receivables

The Group and the Corporation's normal trade credit terms with its customers range from 7 to 90 days (2022: 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.

Notes to the Financial Statements

31 December 2023

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

(b) Other receivables and amounts due from related parties

The non-trade balances due from fellow subsidiaries, subsidiaries, associates and joint ventures arose in the normal course of business. Certain loans and advances to subsidiaries bear interest ranging from 4.15% to 6.88% (2022: 4.70% to 5.60%) 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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Current	619,278	552,781	8,800	7,732
Past due 1-30 days	115,653	149,080	105	6,189
Past due 31-60 days	52,519	18,648	511	888
Past due 61-90 days	16,544	16,655	-	2,655
Past due more than 90 days	2,702,955	2,590,740	105,721	94,251
	3,506,949	3,327,904	115,137	111,715
Less: Impairment	(412,060)	(401,463)	(92,919)	(88,314)
	3,094,889	2,926,441	22,218	23,401

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 18(a)) RM'000	Trade and other receivables RM'000	Other non-current assets (Note 18(a)) RM'000
At 1 January 2023	402,216	321,654	89,917	294,262
Impairment loss (Note 5)	24,455	51,837	118,110	37,756
Write back of impairment loss (Note 4)	(1,508)	-	(2,425)	-
Unwinding of discount on trade receivables (Note 8(a))	(22,000)	-	(22,000)	-
Currency translation differences	9,426	13,800	5,580	12,583
At 31 December 2023	412,589	387,291	189,182	344,601

Notes to the Financial Statements

31 December 2023

20. 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 18(a)) RM'000	Trade and other receivables RM'000	Other non-current assets (Note 18(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 8(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

21. DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group	
	2023 RM'000	2022 RM'000
Due from customers on contracts:		
Non-current (Note 18(a))	8,792,678	6,649,003
Current (Note 20)	1,066,478	511,709
	9,859,156	7,160,712
Due to customers on contracts (Note 24)	(170,671)	(15,152)
	9,688,485	7,145,560

Notes to the Financial Statements

31 December 2023

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

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

	Group	
	2023 RM'000	2022 RM'000
At the beginning of the year	7,145,560	3,125,924
Revenue recognised during the year (Note 3)	5,084,409	5,329,763
Billings during the year	(2,833,384)	(1,480,500)
Currency translation differences	291,900	170,373
At the end of the year	9,688,485	7,145,560
Revenue recognised which was included in amount due to customers at the beginning of the financial year	15,152	119,192
Revenue recognised from performance obligations satisfied in the previous periods	13,689	9,309

Notes to the Financial Statements

31 December 2023

22. CASH, DEPOSITS AND BANK BALANCES

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash with PETRONAS Integrated Financial Shared Services Centre	3,831,374	4,107,077	1,972,936	2,508,507
Cash and bank balances	2,533,078	2,877,928	99	2,397
Deposits with licensed banks	1,367,106	149,022	2,064	4,787
	7,731,558	7,134,027	1,975,099	2,515,691

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 Corporation and earn interest rates ranging from 2.55% to 5.80% (2022: 1.70% to 5.00%) per annum. The maturity periods of the Group and the Corporation's deposits with licensed banks as at the reporting date ranged between 1 day to 91 days (2022: 1 day to 91 days).

Included in cash and bank balances and deposits with licensed banks of the Group is the retention account of RM1,107,476,000 (2022: RM726,667,000) 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 RM6,364,452,000 (2022:RM6,985,005,000) and RM1,973,035,000 (2022: RM2,510,904,000) respectively.

Other information on financial risks of cash and cash equivalents are disclosed in Note 36.

Notes to the Financial Statements

31 December 2023

23. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Ships	86,116	132,450	-	-
Investment in a subsidiary	-	-	17,844	-

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

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At 1 January	132,450	14,312	-	-
Transfer from ships (Note 12)	58,147	132,036	-	-
Transfer from finance lease receivables	27,321	-	-	-
Transfer from investment in subsidiaries (Note 15)	-	-	17,709	-
Disposals	(136,946)	(14,312)	-	-
Currency translation differences	5,144	414	135	-
At 31 December	86,116	132,450	17,844	-

The above amount represents carrying values of assets owned by the Group and the Corporation with the intention of disposal in the immediate future.

Notes to the Financial Statements

31 December 2023

24. TRADE AND OTHER PAYABLES

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Trade payables				
Third parties	156,810	207,130	3,566	10,059
Subsidiaries	-	-	1,995	6,198
Holding company	617	161	502	24
Fellow subsidiaries	4,682	718	-	6
Associates	17,530	10,557	-	-
Accruals	3,051,333	2,571,177	151,971	199,375
Deferred income (Note 28)	251,394	187,967	32,367	6,296
Due to customers on contracts (Note 21)	170,671	15,152	-	-
	3,653,037	2,992,862	190,401	221,958
Other payables				
Amount due to related parties:				
Subsidiaries	-	-	247,681	182,814
Holding company	3,076	1,358	1,495	1,358
Fellow subsidiaries	32	1,954	-	-
Associates	-	-	6,056	10,861
Joint ventures	11,239	2,707	-	-
Accruals	840,786	661,925	152,422	131,789
Provisions (Note 24(c))	1,382,570	1,346,793	26,086	25,040
Others	219,864	140,081	120,650	74,473
	2,457,567	2,154,818	554,390	426,335
Total trade and other payables	6,110,604	5,147,680	744,791	648,293
Add: Total borrowings (Note 18(c))	17,544,981	17,861,518	1,132,260	1,484,947
Less: Due to customers on contracts (Note 21)	(170,671)	(15,152)	-	-
Less: Provisions (Note 24(c))	(1,382,570)	(1,346,793)	(26,086)	(25,040)
Less: Deferred income (Note 28)	(251,394)	(187,967)	(32,367)	(6,296)
Total financial liabilities carried at amortised cost	21,850,950	21,459,286	1,818,598	2,101,904

Notes to the Financial Statements

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24. 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 and the Corporation ranges from 14 to 90 days (2022: 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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At 1 January	1,618,260	1,438,973	36,298	34,317
Arose during the year	45,576	115,218	-	-
Reversal of provision	(31,426)	(19,816)	(11,640)	-
Currency translation differences	67,164	83,885	1,428	1,981
At 31 December	1,699,574	1,618,260	26,086	36,298
Analysed as:				
Due within 12 months	1,382,570	1,346,793	26,086	25,040
Due after 12 months	317,004	271,467	-	11,258
	1,699,574	1,618,260	26,086	36,298

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

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25. SHARE CAPITAL AND TREASURY SHARES

	Group and Corporation			
	Number of shares		Amount	
	Share Capital	Treasury Shares	Share Capital	Treasury Shares
	'000	'000	RM'000	RM'000
			(i)	
At 1 January/31 December 2023	4,463,794	(47)	8,923,262	(271)
At 1 January/31 December 2022	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.

26. OTHER RESERVES

Group	Capital Reserve	Other Capital Reserve	Put Option Reserve	Hedging Reserve	Currency Translation Reserve	Total
	26(b) RM'000	26(c) RM'000	26(d) RM'000	26(f) RM'000	26(g) RM'000	RM'000
At 1 January 2023						
Currency translation differences:	435,199	60,018	(10,572)	940,067	8,131,173	9,555,885
Group	-	-	-	-	1,511,130	1,511,130
Associates	-	-	-	-	27	27
Joint ventures	-	-	-	-	27,450	27,450
Fair value loss on cash flow hedges:						
Group	-	-	-	(232,958)	-	(232,958)
Joint ventures	-	-	-	(5,672)	-	(5,672)
Reversal of provision for put option	-	-	10,572	-	-	10,572
At 31 December 2023	435,199	60,018	-	701,437	9,669,780	10,866,434

Notes to the Financial Statements

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26. OTHER RESERVES (CONT'D.)

	Revaluation Reserve	Capital Reserve	Other Capital Reserve	Put Option Reserve	Statutory Reserve	Hedging Reserve	Currency Translation Reserve	Total
Group	26(a)	26(b)	26(c)	26(d)	26(e)	26(f)	26(g)	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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 joint venture	(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

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 lands.

(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.

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27. DEFERRED TAX

	Group	
	2023	2022
	RM'000	RM'000
At 1 January	(96,995)	(95,084)
Recognised in income statement (Note 9):		
In Malaysia	(4,062)	320
Outside Malaysia	(1,209)	(1,879)
	(5,271)	(1,559)
Currency translation differences	(246)	(352)
At 31 December	(102,512)	(96,995)
Presented after appropriate offsetting as follows:		
Deferred tax assets	(104,683)	(98,801)
Deferred tax liabilities	2,171	1,806
	(102,512)	(96,995)

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	Others	Total
	RM'000	RM'000	RM'000
At 1 January 2023	98,083	765	98,848
Recognised in income statement:			
In Malaysia	(23,439)	1,113	(22,326)
Currency translation differences	-	7	7
At 31 December 2023	74,644	1,885	76,529
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

Notes to the Financial Statements

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27. DEFERRED TAX (CONT'D.)

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 2023	(13,310)	(166,378)	(16,155)	(195,843)
Recognised in income statement:				
In Malaysia	(4,718)	27,799	(4,817)	18,264
Outside Malaysia	-	-	(1,209)	(1,209)
Currency translation differences	(102)	-	(151)	(253)
At 31 December 2023	(18,130)	(138,579)	(22,332)	(179,041)
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)

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

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Unused tax losses	5,972,743	5,529,014	5,511,273	5,474,187
Unabsorbed capital allowances	564,814	564,554	544,884	544,884
Unabsorbed investment tax allowances	1,100,943	996,952	-	-
Unabsorbed reinvestment allowances	22,183	-	-	-
Other deductible temporary differences	6,054	6,238	-	-
	7,666,737	7,096,758	6,056,157	6,019,071

Notes to the Financial Statements

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27. DEFERRED TAX (CONT'D.)

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. Year of expiry of unutilised tax losses is analysed as follows:

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Expired by 2028	5,561,550	5,497,296	5,511,273	5,474,187
Expired by 2029	5,579	15,817	-	-
Expired by 2030	8,381	11,513	-	-
Expired by 2031	98,034	4,258	-	-
Expired by 2032	-	130	-	-
Expired by 2033	299,199	-	-	-
	5,972,743	5,529,014	5,511,273	5,474,187

28. DEFERRED INCOME

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At 1 January	1,251,610	1,273,575	6,296	-
Advances received during the year	811,347	375,562	243,760	18,626
Recognised during the year in income statement	(857,242)	(470,262)	(218,146)	(12,350)
Currency translation differences	51,633	72,735	457	20
At 31 December	1,257,348	1,251,610	32,367	6,296
Current (Note 24)	251,394	187,967	32,367	6,296
Non-current	1,005,954	1,063,643	-	-
	1,257,348	1,251,610	32,367	6,296

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

Notes to the Financial Statements

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29. CASH FLOWS FROM INVESTING ACTIVITIES

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Purchase of ships, other property, plant and equipment and intangible assets	(2,523,435)	(2,293,532)	(108,595)	(80,279)
Loan and advances to subsidiaries	-	-	(259,198)	(4,079,528)
Loan to a joint venture	(12,302)	-	-	-
Redemption of shares in subsidiaries	-	-	679,274	286,081
Dividend received from:				
Quoted and unquoted equity investment	957	2,486	957	2,486
Subsidiaries	-	-	1,973,567	1,649,092
Associates and joint ventures	167,545	169,896	155,727	121,055
Net repayment of loans due from subsidiaries	-	-	231,846	3,676,184
Proceeds from disposal of ships	216,817	292,435	6,833	-
Proceeds from disposal of non-current assets held for sale	116,404	14,682	-	-
Deposits received for asset held for sale	-	19,806	-	-
Investment in:				
Subsidiaries	-	-	(2,908,405)	(2,497,264)
Associates	(42,878)	(283,066)	-	-
Interest received	287,604	117,579	113,136	55,627
Net fixed deposit (placement)/withdrawal	(76,924)	16,748	-	-
Net cash used in investing activities	(1,866,212)	(1,942,966)	(114,858)	(866,546)

Notes to the Financial Statements

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30. CASH FLOWS FROM FINANCING ACTIVITIES

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Drawdown of term loans	2,985,477	8,993,597	-	-
Drawdown of revolving credits	780,786	1,207,880	547,786	880,248
Drawdown of loans from subsidiaries	-	-	970,008	2,625,780
Repayment of term loans	(4,204,320)	(8,851,339)	-	-
Repayment of revolving credits	(712,786)	(1,517,581)	(547,786)	(880,248)
Repayment of loan due to subsidiaries	-	-	-	(1,208,312)
Dividends (Note 11)	(1,606,948)	(1,473,035)	(1,606,948)	(1,473,035)
Dividends paid to minority shareholders of subsidiaries	(8,040)	-	-	-
Interest paid	(709,486)	(544,570)	(68,177)	(8,985)
Payment of lease liabilities	(97,334)	(122,902)	(11,376)	(14,462)
(Placement)/withdrawal of cash pledged with bank (restricted)	(347,804)	267,779	-	-
Net cash used in financing activities	(3,920,455)	(2,040,171)	(716,493)	(79,014)

Notes to the Financial Statements

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31. 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.

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
(a) Income from fellow subsidiaries				
Freight and charter hire revenue	2,098,614	2,259,540	874,678	810,777
Fabrication, repair and drydocking services	2,013,750	458,328	-	-
Finance lease income	273,566	318,845	-	-
Offshore, maintenance and manpower services	31,296	38,559	31,296	38,559
Marine and consultancy services	31,309	28,530	-	-
Sungai Udang Port management	24,402	21,557	-	-
(b) Purchase from fellow subsidiaries				
Purchase of bunkers, lubricants, spare parts and other materials	(90,851)	(146,554)	(18,840)	(18,704)
Purchase of service for rental of premises	(19,616)	(23,950)	(18,258)	(22,701)
Fees for representation in the Board of Directors*	(321)	(342)	(321)	(342)
(c) Management fee from subsidiaries				
Fees for representation in the Board of Directors**	-	-	797	930

* 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.

Notes to the Financial Statements

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31. RELATED PARTY DISCLOSURES (CONT'D.)

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
(d) Purchase of ship operating and management services from a subsidiary	-	-	(19,021)	(17,671)
(e) Government of Malaysia's related entities				
(i) Purchase of goods and services				
Utilities	(32,065)	(26,760)	(1,140)	(1,815)

(f) 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.

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

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Directors				
Directors' remuneration (Note 7)	5,163	5,622	4,585	5,096
Other key management personnel				
Salaries and benefits	32,143	26,803	10,577	8,489
Defined contribution plans	2,769	2,764	1,776	2,011
	34,912	29,567	12,353	10,500
Total compensation of KMP	40,075	35,189	16,938	15,596

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32. COMMITMENTS

(a) Capital commitments

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Capital expenditure				
Approved and contracted for:				
Ships, offshore floating assets and other property, plant and equipment*	2,176,439	3,819,309	822	736
Information and communication technology	10,708	18,691	1,573	16,172
Equity investment**	545,119	565,782	-	-
	2,732,266	4,403,782	2,396	16,908

- * 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 RM1,112,893,000 as at 31 December 2023 (31 December 2022: RM2,282,435,000) 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 in the previous financial year. This shall be funded via equity contribution and external borrowings. The amount stated reflects the Group's committed equity contribution for this endeavor.

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

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Future minimum rentals receivable:				
Not later than 1 year	4,061,568	3,725,433	1,017,477	795,688
Later than 1 year and not later than 5 years	9,557,581	10,008,436	2,850,559	2,465,874
Later than 5 years	8,672,425	7,039,552	6,008,454	3,738,677
	22,291,574	20,773,421	9,876,490	7,000,239

Operating lease income represent long-term lease arrangements with related and third parties for charter out of ships.

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33. CONTINGENT LIABILITIES

	Group		Corporation	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Unsecured				
Performance bond on contract and bank guarantees extended to third parties	1,037,494	745,604	24,690	7,087

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.

34. 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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34. SEGMENT INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

31 December 2023	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	3,263,860	5,029,046	2,548,128	3,232,636	213,398	14,287,068	(15,411)	14,271,657
Inter-segment	-	1,169	-	76,572	240,211	317,952	(317,952) A	-
	3,263,860	5,030,215	2,548,128	3,309,208	453,609	14,605,020	(333,363)	14,271,657
Results								
Segment results	2,053,197	2,537,714	400,560	(420,775)	(682,354)	3,888,342	403,753 A	4,292,095
Other operating income	105,293	28,615	214,423	12,582	3,612,568	3,973,481	(3,582,949) A	390,532
Depreciation	(781,009)	(1,241,959)	(427)	(68,202)	(40,380)	(2,131,977)	(9,932)	(2,141,909)
Amortisation of intangible assets	-	-	-	-	(13,701)	(13,701)	(1,238)	(14,939)
Amortisation of prepaid lease payments on land and buildings	-	-	-	(7,037)	(109)	(7,146)	-	(7,146)
Impairment provisions	(83,273)	-	-	-	(103,937)	(187,210)	-	(187,210)
Gain on disposal of ships	12,070	-	-	-	2,252	14,322	-	14,322
Finance income	194,575	32,226	37,621	15,763	632,970	913,155	(550,380) A	362,775
Finance costs	(337,611)	(223,690)	(450,778)	(15,382)	(259,531)	(1,286,992)	556,522 A	(730,470)
Share of (loss)/profit of associates	(16)	-	1,057	-	-	1,041	-	1,041
Share of profit of joint ventures	10,406	11,596	89,549	-	-	111,551	3,079	114,630
Profit before taxation								2,093,721
Taxation								(134,774)
Profit after taxation								1,958,947
Non-controlling interests								164,572
Net profit attributable to equity holders of the Corporation								2,123,519
ASSETS								
Ships	7,044,943	16,533,696	-	-	15,385	23,594,024	-	23,594,024
Offshore floating asset	-	-	19,933	-	-	19,933	-	19,933
Other property, plant and equipment	-	65,987	7,032	1,523,200	233,017	1,829,236	-	1,829,236
Prepaid lease payments on land and buildings	-	-	-	187,908	3,686	191,594	-	191,594
Non-current assets classified as held for sale	27,528	58,588	-	-	-	86,116	-	86,116
Intangible assets	-	929,256	-	-	19,855	949,111	-	949,111
Investments in associates	339,039	-	-	-	21,884	360,923	-	360,923
Investments in joint ventures	253,820	26,227	842,916	1,519	-	1,124,482	-	1,124,482
Finance lease receivables	6,614,650	-	7,775,649	-	-	14,390,299	-	14,390,299
Other assets (unallocated)							B	22,875,272
								65,060,067
LIABILITIES								
Interest-bearing loans and borrowings	6,086,747	7,299,497	4,080,649	374,934	5,240,026	23,081,853	(5,536,872)	17,544,981
Other liabilities (unallocated)							C	7,549,316
								25,094,297

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34. 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)	-
	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	4,570,372
Other operating income	64,937	244,915	38,634	51,349	1,824,829	2,224,664	(1,782,932)	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)
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)	157,221
Finance costs	(191,337)	(196,058)	(337,920)	(14,182)	(145,358)	(884,855)	233,620	(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)								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.

Notes to the Financial Statements

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34. 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:

	2023 RM'000	2022 RM'000
Investment in associates	360,923	305,976
Other non-current assets	9,394,720	7,316,229
Deferred tax assets	104,683	98,801
Inventories	92,883	97,879
Trade and other receivables (excluding finance lease receivables)	4,480,489	3,858,686
Cash, deposits and bank balances	7,731,558	7,134,027
Derivative assets	710,016	910,783
	22,875,272	19,722,381

C Other liabilities comprise the following items:

	2023 RM'000	2022 RM'000
Trade and other payables	6,110,604	5,147,680
Provision for taxation	87,535	7,620
Deferred tax liabilities	2,171	1,806
Derivative liabilities	26,048	6,422
Deferred income	1,005,954	1,063,643
Other non-current liabilities	317,004	271,467
	7,549,316	6,498,638

Notes to the Financial Statements

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34. 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 2023				
Revenue	6,756,127	6,880,852	634,678	14,271,657
Assets	28,801,169	29,010,414	7,248,484	65,060,067

31 December 2022				
Revenue	5,010,171	8,395,701	461,100	13,866,972
Assets	30,645,344	26,217,887	5,801,010	62,664,241

(c) Information about major customers

Breakdown of revenue from major customers are as follows:

	2023 RM'000	2022 RM'000
Fellow subsidiaries:		
- PETRONAS Carigali Sdn. Bhd.	2,252,961	488,262
- PETRONAS LNG Sdn. Bhd.	1,234,268	1,284,551
- Malaysia LNG Sdn. Bhd.	928,237	1,043,021
	4,415,466	2,815,834

Notes to the Financial Statements

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34. SEGMENT INFORMATION (CONT'D.)

(c) Information about major customers (cont'd.)

	2023 RM'000	2022 RM'000
Third Parties:		
- Petróleo Brasileiro S.A. ("Petrobras")	2,573,937	4,370,549
- TOTAL SE	450,554	314,249
- Equinor ASA	445,076	382,468
- Royal Dutch Shell PLC	441,880	441,004
- Sabah Shell Petroleum Company Limited ("SSPC")	401,469	427,036
- Satellite Chemical Co. Ltd	376,762	371,688
- Trafigura Group Pte. Ltd	299,456	103,957
- BP PLC	288,957	127,416
- China Petroleum & Chemical Corporation ("SINOPEC")	274,806	193,655
- PBF Energy Inc.	227,788	373,665
	5,780,685	7,105,687

35. 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.

Notes to the Financial Statements

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35. FAIR VALUE DISCLOSURES (CONT'D.)

Fair value information (cont'd.)

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.

Group	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
At 31 December 2023					
Financial assets:					
Quoted equity investment	18(a)	54,582	-	-	54,582
Unquoted equity investments	18(a)	-	-	68,171	68,171
Interest rate swaps designated as hedging instruments	18(b)	-	710,016	-	710,016
		54,582	710,016	68,171	832,769
Non-financial assets:					
Non-current assets classified as held for sale	23	-	-	86,116	86,116
Financial liabilities:					
Forward currency contracts	18(b)	-	(26,048)	-	(26,048)

At 31 December 2022

Financial assets:					
Quoted equity investment	18(a)	50,971	-	-	50,971
Unquoted equity investments	18(a)	-	-	75,411	75,411
Interest rate swaps designated as hedging instruments	18(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	23	-	-	132,450	132,450
Financial liabilities:					
Forward currency contracts	18(b)	-	(6,422)	-	(6,422)

Notes to the Financial Statements

31 December 2023

35. FAIR VALUE DISCLOSURES (CONT'D.)

Fair value information (cont'd.)

		Fair value of financial instruments not carried at fair value				
Group	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
At 31 December 2023						
Financial assets:						
Long term receivables	18(a)	-	-	354,981	354,981	366,455
Finance lease receivables	18(d)	-	-	13,945,319	13,945,319	12,873,094
		-	-	14,300,300	14,300,300	13,239,549
Financial liabilities:						
Term loans						
- fixed rate	18(c)	-	(12,326,616)	-	(12,326,616)	(14,177,761)
At 31 December 2022						
Financial assets:						
Long term receivables	18(a)	-	-	355,264	355,264	340,085
Finance lease receivables	18(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	18(c)	-	(11,599,422)	-	(11,599,422)	(13,272,114)

Notes to the Financial Statements

31 December 2023

35. FAIR VALUE DISCLOSURES (CONT'D.)

Fair value information (cont'd.)

		Fair value of assets and liabilities carried at fair value			
Corporation	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 December 2023					
Financial assets:					
Quoted equity investment	18(a)	54,582	-	-	54,582
Unquoted equity investments	18(a)	-	-	62,035	62,035
		54,582	-	62,035	116,617
Non-financial assets:					
Non-current assets classified as held for sale	23	-	-	17,844	17,844
At 31 December 2022					
Financial assets:					
Quoted equity investment	18(a)	50,971	-	-	50,971
Unquoted equity investments	18(a)	-	-	69,574	69,574
Loans to subsidiaries					
- floating rate	18(a)	-	90,254	-	90,254
		50,971	90,254	69,574	210,799

Notes to the Financial Statements

31 December 2023

35. FAIR VALUE DISCLOSURES (CONT'D.)

Fair value information (cont'd.)

		Fair value of financial instruments not carried at fair value				
Corporation	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
At 31 December 2023						
Financial assets:						
Long term receivables	18(a)	-	-	281,853	281,853	144,929
Loans to subsidiaries						
- fixed rate	18(a)	-	122,375	-	122,375	76,658
		-	122,375	281,853	404,228	221,587
Financial liabilities:						
Loan from subsidiaries						
- fixed rate	18(c)	-	(664,558)	-	(664,558)	(551,940)
At 31 December 2022						
Financial assets:						
Long term receivables	18(a)	-	-	279,267	279,267	145,527
Loans to subsidiaries						
- fixed rate	18(a)	-	21,275	-	21,275	11,735
		-	21,275	279,267	300,542	157,262

Notes to the Financial Statements

31 December 2023

35. 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

31 December 2023

35. 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		Valuation techniques	Unobservable inputs
	Fair value at 31 December 2023 RM'000	Fair value at 31 December 2022 RM'000	Fair value at 31 December 2023 RM'000	Fair value at 31 December 2022 RM'000		
Assets measured at fair value						
Non-current assets held for sale						
- Ships	86,116	132,450	-		- Market comparable approach	Transacted comparable assets adjusted for the current condition of the assets/Sales price offered by potential buyers.
- Investment in a subsidiary	-	-	17,844		- approach	
	86,116	132,450	17,844	-		
Financial assets not measured at fair value						
Long term receivables	354,981	355,264	281,853	279,267	Discounted cash flow method	Discounting expected future cash flows applying market rate of interest at the end of the reporting period.
Finance lease receivables	13,945,319	15,728,644	-		- Discounted cash flow method	Discounting expected future cash flows applying latest estimated borrowing rate of the charterers.
	14,300,300	16,083,908	281,853	279,267		

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.

Notes to the Financial Statements

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36. 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 integrated 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 2023, 90.2% (2022: 81.7%) and 50.2% (2022: Nil) 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 RM14.5 billion (2022: RM14.5 billion). The fixed interest rates relating to interest rate swaps at the reporting date ranges from 0.46% - 3.45% (2022: 0.46% - 3.19%) per annum.

Notes to the Financial Statements

31 December 2023

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

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

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.

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 2023			
Group			
USD - 3 Months IBOR	+660	(126,325)	42,548
USD - 3 Months IBOR	-660	126,325	(42,548)
USD - 1 day SOFR	+670	-	5,073
USD - 1 day SOFR	-670	-	(5,073)
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 2023, 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 joint ventures, interest-bearing loans and borrowings and loans from subsidiaries.

Notes to the Financial Statements

31 December 2023

36. 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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Fixed rate instruments				
Financial assets				
Deposits with licensed banks	1,367,106	149,022	2,064	4,787
Deposits with IFSSC	3,831,374	4,107,077	1,972,936	2,508,507
Loans and advances to subsidiaries	-	-	96,886	116,042
Financial liabilities				
Fixed rate borrowings	4,889,745	335,186	-	-
Floating rate borrowings (swapped to fixed rate)	10,651,907	14,082,995	-	-
Loans from subsidiaries	-	-	551,940	-
Floating rate instruments				
Financial assets				
Cash and bank balances	2,533,078	2,877,928	99	2,397
Loans and advances to subsidiaries	-	-	1,541,230	752,599
Financial liabilities				
Floating rate borrowings	1,684,171	3,239,784	-	-
Loans from subsidiaries	-	-	547,771	1,441,939

The Group's and the Corporation's main IBOR exposure are indexed to USD LIBOR which was discontinued on 30 June 2023. The alternative benchmark rate is indexed to Secured Overnight Financing Rate ("SOFR"). As at reporting date, the Group and the Corporation have completed the transitional activities and have applied the practical expedients to negotiated contracts for which the benchmark rate had been replaced to SOFR. The negotiated contracts that had been replaced to SOFR are fully economically equivalent with no profit or loss impact upon initial transition.

Notes to the Financial Statements

31 December 2023

36. 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 11% (2022: 4%) and 2% (2022: 3%) 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 9% (2022: 5%) and 6% (2022: 11%) 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 gain of RM6,025,000 (2022: RM5,535,000 of derivative loss) 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.

	2023			2022		
	Change in currency rate %	Effect on profit before taxation Increase/ (Decrease) RM'000	Effect on other comprehensive income Increase/ (Decrease) RM'000	Change in currency rate %	Effect on profit before taxation Increase/ (Decrease) RM'000	Effect on other comprehensive income Increase/ (Decrease) RM'000
Group						
USD/RM	+10%	4,322	1,682	+10%	34,316	17,026
	-10%	(4,322)	(1,682)	-10%	(34,316)	(17,026)
Corporation						
USD/RM	+10%	13,094	-	+10%	(1,536)	-
	-10%	(13,094)	-	-10%	1,536	-

Notes to the Financial Statements

31 December 2023

36. 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:

Functional currency of Group entities	Net financial receivables/(payables) and cash and bank balances held in non-functional currencies					
	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 2023						
Ringgit Malaysia	-	18,930	76	(13)	10,359	29,352
United States Dollar	(26,925)	-	12,996	18,193	(4,190)	74
	(26,925)	18,930	13,072	18,180	6,169	29,426
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
Functional currency of Corporation						
At 31 December 2023						
United States Dollar	(145,125)	-	456	62,245	(4,211)	(86,635)
At 31 December 2022						
United States Dollar	16,954	-	239	17,864	(6,965)	28,092

(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 RM6,545,245,000 (2022: RM6,406,083,000) and RM1,975,099,000 (2022: RM2,515,691,000) respectively. As at 31 December 2023, the Group and the Corporation have unutilised credit lines of RM14.1 billion (2022: RM13.4 billion) and RM3.2 billion (2022: RM3.1 billion) respectively, which could be used for working capital purposes.

Notes to the Financial Statements

31 December 2023

36. 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	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	5 years RM'000
At 31 December 2023								
Group								
Interest-bearing loans and borrowings	17,225,823	19,516,725	2,223,998	4,044,335	2,119,288	6,375,253	1,093,273	3,660,578
Lease liabilities	319,158	355,506	114,929	72,334	46,365	44,791	39,405	37,682
Trade and other payables	4,305,969	4,305,969	4,305,969	-	-	-	-	-
	21,850,950	24,178,200	6,644,896	4,116,669	2,165,653	6,420,044	1,132,678	3,698,260
Corporation								
Interest-bearing loans and borrowings	1,099,711	1,168,307	578,068	590,239	-	-	-	-
Lease liabilities	32,549	34,040	17,160	16,880	-	-	-	-
Trade and other payables	686,338	686,338	686,338	-	-	-	-	-
	1,818,598	1,888,685	1,281,566	607,119	-	-	-	-
At 31 December 2022								
Group								
Interest-bearing loans and borrowings	17,657,965	19,629,006	4,068,818	1,711,116	3,957,032	1,677,067	5,821,351	2,393,622
Lease liabilities	203,553	220,573	93,055	35,638	31,256	11,811	10,157	38,656
Trade and other payables	3,597,768	3,597,768	3,597,768	-	-	-	-	-
	21,459,286	23,447,347	7,759,641	1,746,754	3,988,288	1,688,878	5,831,508	2,432,278
Corporation								
Interest-bearing loans and borrowings	1,441,939	1,515,693	1,515,693	-	-	-	-	-
Lease liabilities	43,008	47,168	16,049	15,637	15,482	-	-	-
Trade and other payables	616,957	616,957	616,957	-	-	-	-	-
	2,101,904	2,179,818	2,148,699	15,637	15,482	-	-	-

Notes to the Financial Statements

31 December 2023

36. 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 2023 was RM14.5 billion (2022: RM14.5 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 2023 and 31 December 2022:

	Carrying amount RM'000	Contractual cash flows RM'000	Within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	5 years RM'000
At 31 December 2023								
Net cash inflows	710,016	2,091,246	379,508	377,330	369,392	254,544	205,823	504,649
At 31 December 2022								
Net cash inflows	910,783	2,214,060	354,323	355,293	352,249	338,819	220,866	592,510

The Group's hedging activities on the IRS are tested to be effective. During the year, the Group recognised in other comprehensive income a loss of RM236,965,000 (2022: gain of RM1,022,268,000) on the IRS of its subsidiaries due to lower market expectation of floating rate in comparison to the previous year's market expectations.

The Group's share of its joint ventures' in other comprehensive income a loss on IRS during the year was RM11,122,000 (2022: gain of RM113,408,000) due to lower market expectation of floating rate in comparison to the previous year's market expectations.

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

(d) Credit risk

Counterparty credit risk refers to risk of loss resulting from a counterparty failing to perform its contractual financial obligation or making payment for goods and services, due to circumstances such as bankruptcy, financial constraints, political restrictions and government directives. The Group and the Corporation exposure to credit risk arise primarily from their 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. Credit risks are controlled in accordance with PETRONAS' policies, standards and guidelines implemented across PETRONAS Group.

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 18(a), 18(d), 20 and 22, and is recognised in the statements of financial position.

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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Gas Assets & Solutions	3,428,578	3,396,387	152,866	158,105
Petroleum & Product Shipping	366,336	405,743	-	-
Offshore Business	18,955,715	17,236,104	-	1,043
Marine & Heavy Engineering	1,115,379	648,418	-	-
Others	9,677	22,176	-	2,987
	23,875,685	21,708,828	152,866	162,135

At reporting date, approximately 1.4% (2022: 2.0%) and 37.3% (2022: 40.2%) 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.

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

(d) Credit risk (cont'd.)

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

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.

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		
	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2023			
Credit risk rating			
Low risk rating	12,357,829	(6,179)	12,351,650
Medium risk rating	16,138,195	(493,188)	15,645,007
High risk rating	490,736	(344,638)	146,098
	28,986,760	(844,005)	28,142,755
Representing:			
Trade and other receivables (Note 20)	6,410,283	(412,589)	5,997,694
Long term receivables, contract assets, loans and advances (Note 18(a))	9,659,258	(387,291)	9,271,967
Finance lease receivables (Note 18(d))	12,917,219	(44,125)	12,873,094
	28,986,760	(844,005)	28,142,755

	Corporation		
	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Credit risk rating			
Low risk rating	76,658	-	76,658
Medium risk rating	2,887,109	(189,182)	2,697,927
High risk rating	489,530	(344,601)	144,929
	3,453,297	(533,783)	2,919,514
Representing:			
Trade and other receivables (Note 20)	2,887,109	(189,182)	2,697,927
Long term receivables, contract assets, loans and advances (Note 18(a))	566,188	(344,601)	221,587
	3,453,297	(533,783)	2,919,514

Notes to the Financial Statements

31 December 2023

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

(d) Credit risk (cont'd.)

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

	Group		
	Gross carrying amount	Loss allowance	Net balance
2022	RM'000	RM'000	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 20)	5,782,767	(402,216)	5,380,551
Long term receivables, contract assets, loans and advances			
Note 18(a)]	7,511,501	(321,654)	7,189,847
Finance lease receivables (Note 18(d))	14,807,272	(54,476)	14,752,796
	28,101,540	(778,346)	27,323,194
	Corporation		
	Gross carrying amount	Loss allowance	Net balance
	RM'000	RM'000	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 20)	2,020,035	(89,917)	1,930,118
Long term receivables, contract assets, loans and advances			
(Note 18(a))	541,778	(294,262)	247,516
	2,561,813	(384,179)	2,177,634

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.

Notes to the Financial Statements

31 December 2023

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

(d) Credit risk (cont'd.)

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 and Corporation's investment in quoted equity shares listed on Bursa Malaysia. At the reporting date, the exposure to the security carried at fair value was RM54,582,000 (2022: 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	Weighted average change in index rate	Effect on profit before taxation
	RM'000	%	Increase/ (Decrease) RM'000
2023			
Malaysian quoted equity shares	54,582	+10	5,458
Malaysian quoted equity shares	54,582	-10	(5,458)
2022			
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.

Notes to the Financial Statements

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37. 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 as outlined in the PETRONAS 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 2023 and 31 December 2022 are as follows:

	Note	Group		Corporation	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Short term borrowings	18(c)	1,719,380	3,605,459	563,807	1,455,662
Long term borrowings	18(c)	15,825,601	14,256,059	568,453	29,285
Gross debts		17,544,981	17,861,518	1,132,260	1,484,947
Cash, deposits and bank balances	22	7,731,558	7,134,027	1,975,099	2,515,691
Net debts		9,813,423	10,727,491	(842,839)	(1,030,744)
Total equity		39,965,770	38,304,085	29,808,119	26,485,611
Gross debt equity ratio		0.44	0.47	0.04	0.06
Net debt equity ratio		0.25	0.28	(0.03)	(0.04)

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

Notes to the Financial Statements

31 December 2023

38. SUBSIDIARIES AND PRINCIPAL ACTIVITIES

Name of company	Country of incorporation	Principal activities	Effective interest held (%)	
			2023	2022
MISC Tankers Sdn. Bhd.	Malaysia	Investment holding and provision of management services	100	100
Puteri Delima Sdn. Bhd.	Malaysia	In Member's Voluntary Liquidation	100	100
Puteri Firus Sdn. Bhd.	Malaysia	In Member's Voluntary Liquidation	100	100
Puteri Intan Sdn. Bhd.	Malaysia	In Member's Voluntary Liquidation	100	100
Puteri Nilam Sdn. Bhd.	Malaysia	In Member's Voluntary Liquidation	100	100
Puteri Zamrud Sdn. Bhd.	Malaysia	In Member's Voluntary Liquidation	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	100
Puteri Intan (L) Pte. Ltd.	Malaysia	Shipping	100	100
Puteri Nilam (L) Pte. Ltd.	Malaysia	Shipping	100	100
Puteri Zamrud (L) Pte. Ltd.	Malaysia	Shipping	100	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
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

Notes to the Financial Statements

31 December 2023

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

Name of company	Country of incorporation	Principal activities	Effective interest held (%)	
			2023	2022
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	100
Polaris LNG Four Pte. Ltd.#	Singapore	Owning and operating LNG ships for transportation of LNG	100	100
Seri Everest (Singapore) Pte. Ltd.#	Singapore	Owning and operating Very Large Ethane Carrier ("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
Polestar One (S) Pte. Ltd.	Singapore	Chartering and LNG trading activity	100	-
MISC GAS Holdings (L) Pte. Ltd.	Malaysia	Investment holding	100	-
MISC GAS Tankers One (L) Pte. Ltd.	Malaysia	Investment holding	100	-

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31 December 2023

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

Name of company	Country of incorporation	Principal activities	Effective interest held (%)	
			2023	2022
MISC GAS Tankers Two (L) Pte. Ltd.	Malaysia	Investment holding	100	-
Southern Gas Terminal (L) Private Limited	Malaysia	Provision of supply, operation and maintenance of LNG floating storage unit	100	-
Oasis LNG Destiny Pte. Ltd.	Singapore	Ship management services and accounting services	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
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

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31 December 2023

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

Name of company	Country of incorporation	Principal activities	Effective interest held (%)	
			2023	2022
AET Azerbaijan Limited	Azerbaijan	Dormant	100	100
AET Inc. Limited	Bermuda	Ship owning and marine transportation services	100	100
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
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

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31 December 2023

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

Name of company	Country of incorporation	Principal activities	Effective interest held (%)	
			2023	2022
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 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
AET Tankers VLCC III Pte. Ltd.	Malaysia	Ship owning and marine transportation services	100	-
AET Tankers VLCC IV Pte. Ltd.#	Singapore	Ship owning and marine transportation services	100	-
AET Tankers VLCC V Pte. Ltd.#	Singapore	Ship owning and marine transportation services	100	-
MISC AET Holdings (L) Pte. Ltd.	Malaysia	Investment holding	100	-
MISC Offshore Holdings (Brazil) Sdn. Bhd.	Malaysia	Investment holding	100	100
MISC Offshore (USA) LLC	The United States of America	Providing support services in the bidding and execution of offshore deepwater FPSO projects	100	100
MISC do Brasil Servicos de Energia Ltda	Brazil	Dormant	100	100
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

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

Name of company	Country of incorporation	Principal activities	Effective interest held (%)	
			2023	2022
MISC Offshore Services Pte. Ltd.#	Singapore	Provision of operations and maintenance services for deepwater offshore assets	100	100
MISC Serviços de Petróleo do Brasil Ltd	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
MISC OBU Holdings (L) Pte. Ltd.	Malaysia	Investment holding	100	-
MISC OBU One (L) Pte. Ltd.	Malaysia	Investment holding	100	-
MISC OBU Two (L) Pte. Ltd.	Malaysia	Investment holding	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
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	66.5
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

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

Name of company	Country of incorporation	Principal activities	Effective interest held (%)	
			2023	2022
MISC Maritime Education Group Sdn. Bhd.	Malaysia	Dormant	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
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 Berhad (UK) Limited#	United Kingdom	Commercial operation	100	100
MISC Ferry Services Sdn. Bhd.	Malaysia	Dormant	100	100
MISC Assets Holdings (L) Pte. Ltd.	Malaysia	Investment holding	100	-
MISC Marine Services Holdings (L) Pte. Ltd. (Formerly known as MISC Strategic Services Holdings (L) Pte. Ltd.)	Malaysia	Investment holding	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	95.2	100
CHORD X Pte. Ltd.#	Singapore	Providing data-driven solutions for maritime and industrial machinery application	95.2	88.5
SOL-X Pte. Ltd.#	Singapore	Providing health, safety, operation and workflow management technology solutions	95.2	87.5
Spares CNX Pte. Ltd.#	Singapore	Providing inventory management and procurement systems	95.2	89.0
MGLNX India Private Limited	India	Development of software and applications and provision of consultancy and data processing services for information technology, energy industrial and maritime sectors	95.2	-

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

Name of company	Country of incorporation	Principal activities	Effective interest held (%)	
			2023	2022
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
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	100
ES Crewing Pte. Ltd.#	Singapore	Ship management services	100	100
ES Marine Servicos (Brazil) Ltda.	Brazil	Provision of marine-related technical services, including ship management and crew management services	100	-

* Audited by firms of auditors other than Ernst & Young PLT.

Audited by overseas offices of Ernst & Young PLT.

^ The shares of this subsidiary are quoted on the Main Board of Bursa Malaysia Securities Berhad.

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39. ASSOCIATES AND PRINCIPAL ACTIVITIES

Name of company	Country of incorporation	Principal activities	Effective interest held (%)	
			2023	2022
FPSO Ventures Sdn. Bhd.	Malaysia	Provision of operations and maintenance of FPSO, floating storage and offloading, mobile offshore production unit, floating liquefied natural gas 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	25
Oasis LNG No 2 Pte. Ltd.	Singapore	Shipping	25	25
Oasis LNG No 3 Pte. Ltd.	Singapore	Shipping	25	25
Oasis LNG No 4 Pte. Ltd.	Singapore	Shipping	25	25
Oasis LNG No 5 Pte. Ltd.	Singapore	Shipping	25	25
Oasis LNG No 6 Pte. Ltd.	Singapore	Shipping	25	25
Oasis LNG No. 7 Pte. Ltd.	Singapore	Shipping	25	25
Oasis LNG No. 8 Pte. Ltd.	Singapore	Shipping	25	25
Oasis LNG No. 9 Pte. Ltd.	Singapore	Shipping	25	25
Oasis LNG No. 10 Pte. Ltd.	Singapore	Shipping	25	25
Oasis LNG No. 11 Pte. Ltd.	Singapore	Shipping	25	25
Oasis LNG No. 12 Pte. Ltd.	Singapore	Shipping	25	25

Notes to the Financial Statements

31 December 2023

40. JOINT ARRANGEMENTS AND PRINCIPAL ACTIVITIES

(a) Joint ventures and principal activities

Name of company	Country of incorporation	Principal activities	Effective interest held (%)	
			2023	2022
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
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

Notes to the Financial Statements

31 December 2023

40. 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 (%)	
			2023	2022
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.

(b) Joint operations

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

Name	Effective interest held (%)	
	2023	2022
Technip MMHE (Kasawari) Joint Venture	40	40

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

41. 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, in particular to the announcement on 10 April 2020 regarding the award issued by the Arbitral Tribunal and on 30 December 2022 regarding the decision of the High Court.

Notes to the Financial Statements

31 December 2023

41. 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.)

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.
- 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 USD 12,746,570.70;

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.

Notes to the Financial Statements

31 December 2023

41. 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.)

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").

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) Setting Aside OS

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. As announced on 30 December 2022, the High Court had dismissed GKL's Originating Summons to set aside parts of the Arbitral Award on 29 December 2022 with costs. Upon review of the written grounds of the High Court, 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. The records of appeal were filed on 29 March 2023 and a case management was conducted on 19 April 2023. A further case management was held on 18 May 2023, where the hearing of the appeal is now fixed on 29 March 2024.

- (ii) 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. 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.

Notes to the Financial Statements

31 December 2023

41. SIGNIFICANT EVENTS (CONT'D.)

(a) Material litigation (cont'd.)

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

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

By way of Final Award dated 23 July 2021 that was made available to MMHE on 3 August 2021 ("Final Award"), the Arbitral Tribunal has ordered that MMHE shall pay KPOC the following:

- (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 dismissed all of KPOC's claim for loss of revenue in the sum of RM28,030,906.

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

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

On 27 September 2022, KPOC lodged Notices of Appeal at the Court of Appeal against the Orders of the High Court dated 30 August 2022.

Various case managements were held between 27 December 2022 to 16 October 2023. Subsequently, the High court has submitted the Grounds of Judgement and Notes of Evidence to the Court of Appeal. The matter is fixed for hearing on 11 July 2024.

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 2023 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 material accounting policies, as set out on pages 9 to 166.

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 2023, 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 - <i>(Refer to Note 14 - Intangible assets, to the financial statements)</i> 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 2023 of RM929.3 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; (d) assessed the sensitivity of the goodwill balance to changes in the discount rate, terminal value and growth rate of cash flows; and (e) evaluated the reasonableness of projected cash flows by comparing prior year cash flows projections to current year actual results of the CGU. 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 14 to the financial statements.

Independent Auditors' Report

to the members of MISC Berhad
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Key audit matters (cont'd.)

Key audit matters	How we addressed the key audit matters
Impairment of non-current assets - <i>(Refer to Note 12 - Ships, offshore floating assets and other property, plant and equipment, to the financial statements)</i> 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 (RM22,740.2 million)</u> In addition, certain ships' contracts which have expired or are approaching expiry have been identified by management as indicators that the carrying amount of certain ships 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 RM83.3 million and RM5.4 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; (d) evaluated the reasonableness of projected cash flows by comparing prior year cash flows projections to current year actual results of respective ships respective ships; and (e) 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: (f) considered the independence, competence, capabilities and objectivity of the external valuers; and (g) 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 - <i>(Refer to Note 12 - Ships, offshore floating assets and other property, plant and equipment, to the financial statements)</i> <i>(cont'd.)</i> ii. <u>Other property, plant and equipment and right-of-use assets (RM1,829.2 million)</u> The Group is required to perform an impairment test on cash generating unit ("CGU") whenever there is an indication that the CGU may be impaired. 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. In addition, we also evaluated the adequacy of the Group's disclosures of each key assumption on which the Group has based its cash flow projections and to which the CGU's recoverable amount is most sensitive, as disclosed in Note 12 to the financial statements.

Independent Auditors' Report

to the members of MISC Berhad
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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 - <i>(Refer to Note 3 - Revenue and Note 21 - Due from/(to) customers on contracts, to the financial statements)</i> 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 proportion of physical completion (refer to Note 2.3(u) (i)(a)) 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) read all key contracts to obtain an understanding of the specific terms and conditions; (b) agreed contract revenue to the original signed customer contracts and/or evaluated assumptions applied in recognising change orders; (c) reviewed management meeting minutes to obtain an understanding of the performance and status of the projects above our testing threshold; (d) reviewed management's budgeted project costs to ensure adequacy of costs to complete; (e) assessed the reasonableness of inputs used in the determination of 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; (f) considered the historical accuracy of management's budgeted project margins in assessing the reasonableness of estimated margins of similar projects; (g) assessed and ensured that actual project costs including foreseeable losses are appropriately accrued and supported by documentary evidences, such as work completion reports and material acceptance certificates, which represent activities performed to date; (h) reperformed the calculations of the revenue based on the POC method and where applicable, considered the implications of any changes in estimates; and (i) evaluated the presentation and disclosures of construction contracts in the financial statements, including significant accounting policies.

Independent Auditors' Report

to the members of MISC Berhad
(Incorporated in Malaysia)

Key audit matters (cont'd.)

Key audit matters	How we addressed the key audit matters
Contingent liability - <i>(Refer to Note 41(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)</i> 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 2023 Annual Report, but does not include the financial statements of the Group and of the Corporation and our auditors' report thereon. The Group's 2023 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 38 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
Kuala Lumpur, Malaysia
26 February 2024

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