Annual Report 2014

MHB

Delivering with PASSION

contents

MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD

Delivering with Passion

Passion is at the heart of everything we do. It empowers us to be more successful, to be a winning team. It drives innovation, improvement and change. It is the creative force behind building and delivering on projects of sustainable value. As a leading marine and heavy engineering services provider in Malaysia, the passion to succeed is embedded in every aspect of our culture. It is this passion that propels us towards bigger and better achievements, now and in the future.

our vision

A LEADING MARINE AND HEAVY ENGINEERING ORGANISATION OF CHOICE

our brand pillars

PERFORMANCE

- WE AIM TO BE A HIGH PERFORMANCE COMPANY THAT DELIVERS ENGINEERING SOLUTIONS TO HELP OUR CUSTOMERS STAY AHEAD.

PROFESSIONALISM

- WE TAKE PRIDE IN WHAT WE DO, WORKING AS A TEAM TO ALWAYS MAKE A DIFFERENCE.

PEOPLE

- WE ARE COMMITTED TO NURTURING OUR PEOPLE WHO MAKE US GREAT, NEVER COMPROMISING ON THEIR WELLBEING.

our values

PASSION TO EXCEL, RESPONSIBLE AT WORK, INTEGRITY – THE POWER OF TRUST, DEDICATED TO OUR CUSTOMERS' SUCCESS, ENTERPRISING AS A TEAM

Group Financial Review

SHAREHOLDERS' EQUITY

Shareholders' equity increased to RM2,632.9 million as at 31 December 2014 from RM2,583.9 million as at 31 December 2013.

The increase in shareholders' equity was contributed by total comprehensive income attributable to equity holders of the Company amounting to RM129.0 million; and offset against the payment of final dividend in respect of corresponding financial year of RM80.0 million.

FINANCIAL POSITION

The total assets of the Group decreased by 11.1% or RM555.2 million to RM4,464.9 million as at 31 December 2014 from RM5,020.1 million as at 31 December 2013. The decrease in the Group's total assets was mainly due to lower trade and other receivables as at financial year end.

The Group's total receivables of RM1,850.8 million as at 31 December 2014, registered a 25.4% decrease in total receivables from RM2,480.8 million as at 31 December 2013. This is in tandem with high number of projects at the tail end or had sailed away.

The Group's saw a decrease of RM604.9 million in total liabilities from RM2,433.7 million as at 31 December 2013 to RM1,828.8 million as at 31 December 2014, mainly due to lower trade and other payables.

CASH FLOW

The Group's cash and bank balances reduced to RM589.2 million as at 31 December 2014 from RM623.2 million as at 31 December 2013, as a result of higher cash used in investing and financing activities in FY2014.

The Group's net cash inflow from operating activities was higher by RM539.0 million at RM245.4 million as compared to net cash outflow of RM293.6 million in corresponding year as a result of improved collections for the year under review.

In contrast, net cash outflow from investing activities was higher by RM64.9 million at RM161.5 million in line with higher purchase of plant, property and equipment mainly related to the Yard Optimisation programme.

Net cash outflow from financing activities was higher by RM216.0 million at RM117.9 million as compared to net cash inflow of RM98.1 million due to higher repayment made for revolving credit facilities during the year under review.

REVENUE

Group revenue of RM2,700.5 million for FY2014 was 6.4% lower than RM2,884.5 million in FY2013 as most Offshore projects in hand are at the tail end or had sailed away whereas Marine segment was affected by the lower value per vessel repaired during the year under review.

OPERATING PROFIT

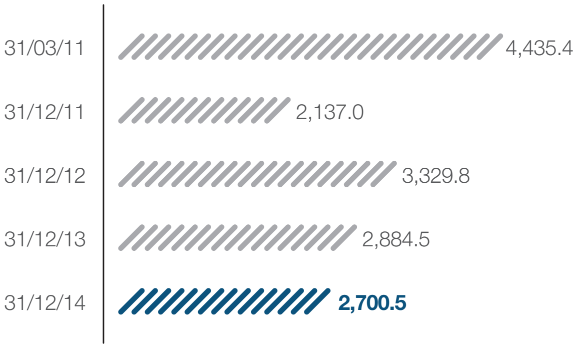
Group operating profit of RM122.6 million was 37.5% lower than RM196.3 million in FY2013 mainly due to higher operating costs during the year under review.

EARNINGS PER SHARE (SEN)

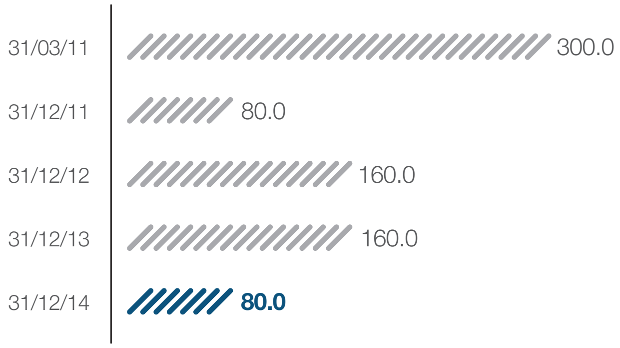
Year on year Basic Earnings Per Share ("EPS") decreased to 8.1 sen in FY2014 from 14.8 sen in corresponding year due to lower profit attributable to the equity holders of the Group at RM129.9 million in FY2014 as compared to RM236.5 million in corresponding year.

5-Year Financial Highlights

REVENUE
(RM'MILLION)

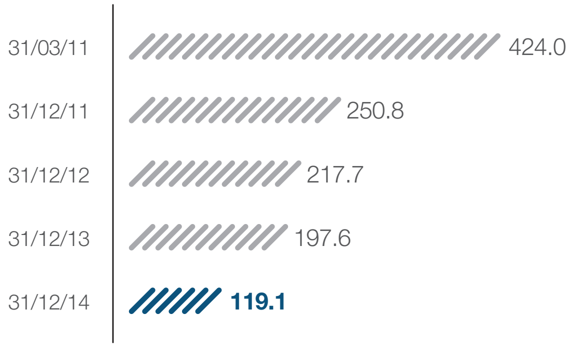


DIVIDENDS
(RM'MILLION)

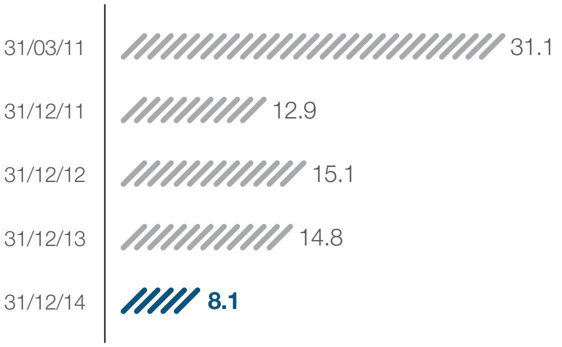


SHAREHOLDERS' EQUITY
(RM'MILLION)

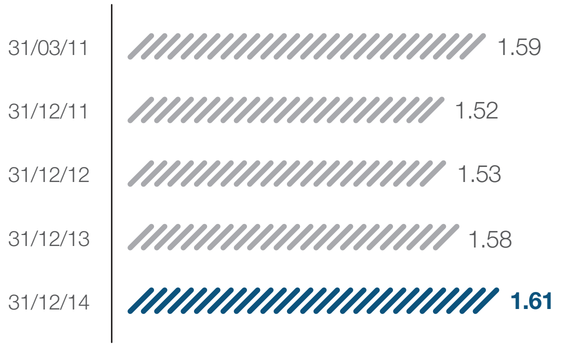
PROFIT BEFORE TAX
(RM'MILLION)



EARNINGS PER SHARE
(SEN)



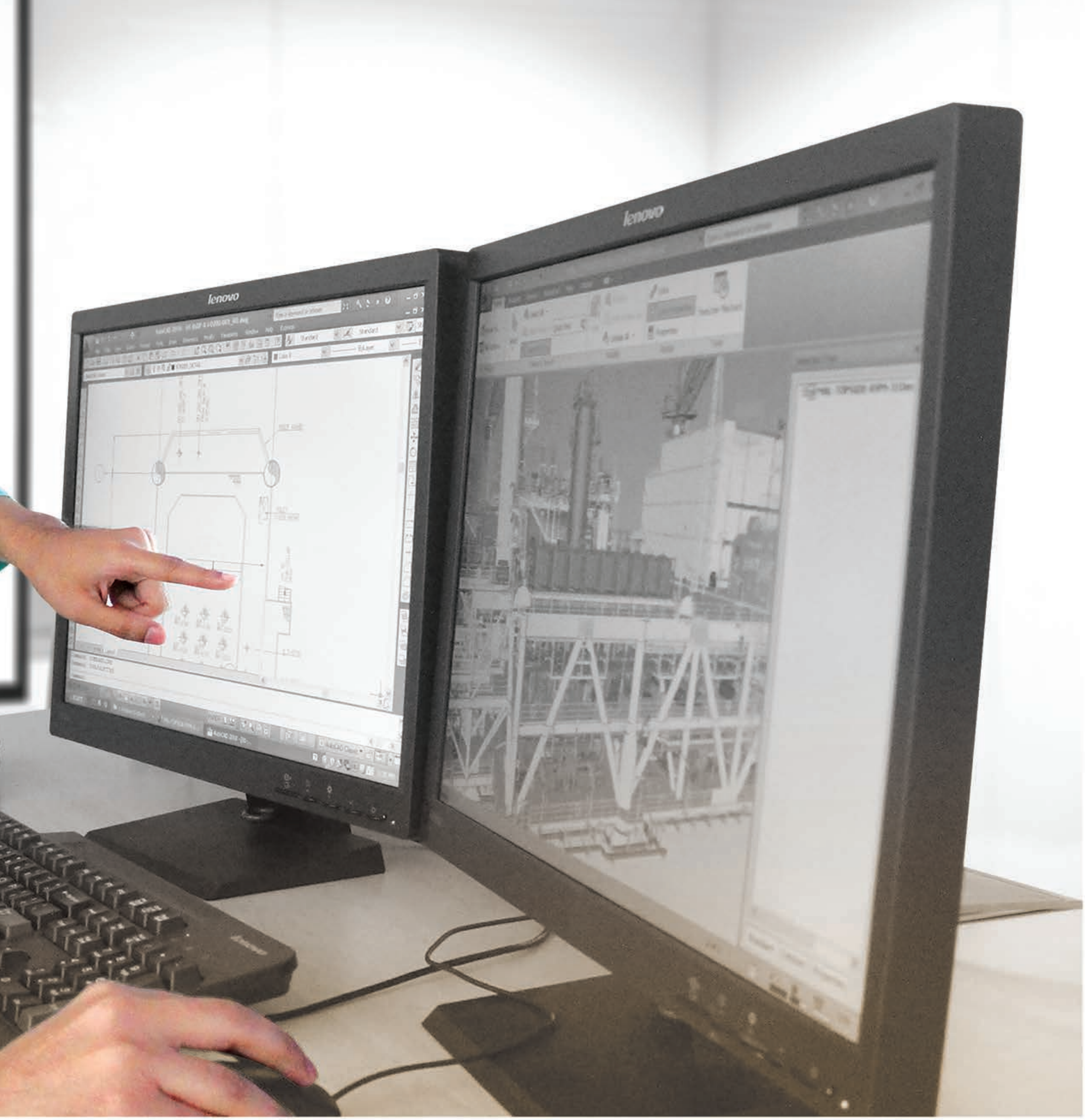
NTA PER SHARE
(SEN)



PASSION

Passion to excel

We strive to be the best and work hard to exceed expectations, thriving on challenges and lifelong learning.



Corporate Profile

MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD (MHB) IS A LEADING OFFSHORE AND MARINE SERVICES PROVIDER IN MALAYSIA, FOCUSED PRIMARILY ON THE OIL AND GAS SECTOR.

IT OFFERS A WIDE SPECTRUM OF OFFSHORE CONSTRUCTION, OFFSHORE CONVERSION AND MARINE REPAIR SERVICES AT TWO YARDS IN PASIR GUDANG, MALAYSIA, NAMELY MMHE EAST AND MMHE WEST.

For over 40 years, MHB has grown organically while enhancing its capabilities and service offering through strategic partnerships with global leaders such as Technip SA of France and ATB Riva of Italy. Today, the Group has a track record of delivering integrated and complex services, including deepwater oil and gas structures and support services, to local and international oil and gas clients. It is also recognised for its expertise in liquefied natural gas (LNG) carrier repair and drydocking, and as a one-stop centre for offshore conversion.

CORE BUSINESSES :

01 *Offshore Construction*

02 *Offshore Conversion*

03 *Marine Repair*

OFFSHORE CONSTRUCTION

Full range of EPCIC construction services for the offshore and onshore oil and gas industry.

EPCIC services include:

- Deepwater facilities
- Integrated platforms
- Wellhead platforms
- Compression, dehydration and water injection modules
- Topsides and hulls
- Jackets
- Living quarters
- Turrets and mooring buoys
- Enhanced Oil Recovery facilities

OFFSHORE CONVERSION

One-stop centre for converting vessels such as VLCCs, Aframax tankers, offshore oil rigs and LNG carriers into floating structures such as:

- FPSOs
- FSOs
- MOPUs
- MODUs
- FSUs

MARINE REPAIR

Comprehensive marine services include repair, refurbishment and upgrading of a wide variety of vessels, including energy-related vessels such as:

- ULCCs/VLCCs
- Crude oil tankers
- LNG Carriers
- LPG Tankers
- Offshore Support Vessels
- Offshore Rigs

Ability to undertake complex and higher value projects such as repair and life extension of LNG carriers and offshore rigs. Other key services include 'jumboisation' and newbuilding of vessels such as tender barges.

CORPORATE HISTORY

MHB was incorporated in Malaysia in 1989 as a private limited company, under the name MSE Holdings Sdn Bhd. In June 2010, when MSE Holdings was converted into a public company, its name was changed to Malaysia Marine and Heavy Engineering Holdings Berhad (MHB). On 29 October 2010, MHB was successfully listed on the Main Market of Bursa Malaysia Securities Berhad, with its Initial Public Offering (IPO) raising of RM2.03 billion. The IPO was the first in Malaysia to be conducted with an international strategic investor, Technip SA of France, a renowned player in project management, engineering and construction in the oil and gas industry.

The history of MHB dates back to the incorporation of its wholly-owned subsidiary, Malaysia Marine and Heavy Engineering Sdn Bhd (MMHE) in May 1973, under the name of Malaysia Shipyard and Engineering Sdn Bhd (MSE). MSE was established by the Government to advance Malaysia's maritime industrialisation programme. It was subsequently privatised and in 2006, became a wholly-owned subsidiary of MISC Berhad. Being within the MISC Group of companies enabled the two organisations to align their goals and objectives to create greater synergies.

One of MHB's proudest achievements to date in 2006 to 2007 was the completion of the FPSO Kikeh and the Kikeh Truss Spar for the Kikeh field, Malaysia's first deepwater project. FPSO Kikeh was the first deepwater FPSO in Malaysia.

Another milestone was achieved in 2007 when the MHB Group ventured abroad to operate and manage the Kiyanly yard, the only fabrication yard in Turkmenistan, on behalf of PETRONAS Carigali (Turkmenistan) Sdn Bhd.

The most recent achievement was the completion of the Gumusut-Kakap semi-submersible floating production system (FPS). It is the largest of such a facility in the world to have been fully built and integrated on land. The FPS left MMHE West yard in Pasir Gudang, Johor on 13 May 2013. MMHE East and MMHE West are the only fabrication yards in Southeast Asia to have constructed deepwater facilities in Malaysia for its international oil and gas clients.

In April 2012, through the yard optimisation initiative, MHB expanded its yard size and capacity with the acquisition of new land for the fabrication of offshore oil and gas related structures, to cater to EPCIC works. The acquisition has significantly increased MHB's Pasir Gudang yard capacity from 69,700 MT to 129,700 MT, making MHB the largest fabricator in Malaysia today in terms of yard size and capacity. In conjunction with the acquisition, MMHE's yard in Jalan Pekeliling was renamed "MMHE West", while the acquired yard is known as "MMHE East". There are approximately 4,000 operations and services support staff working at both yards in Pasir Gudang as well as in the Group Corporate Office in Menara Dayabumi, Kuala Lumpur on any given day.

Corporate Profile

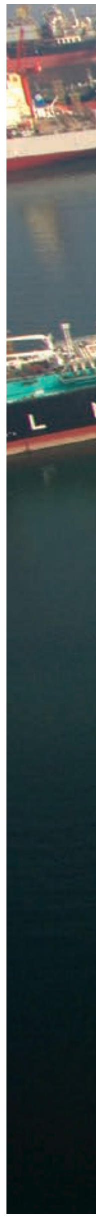
FACILITIES IN PASIR GUDANG, JOHOR, MALAYSIA

MMHE WEST YARD

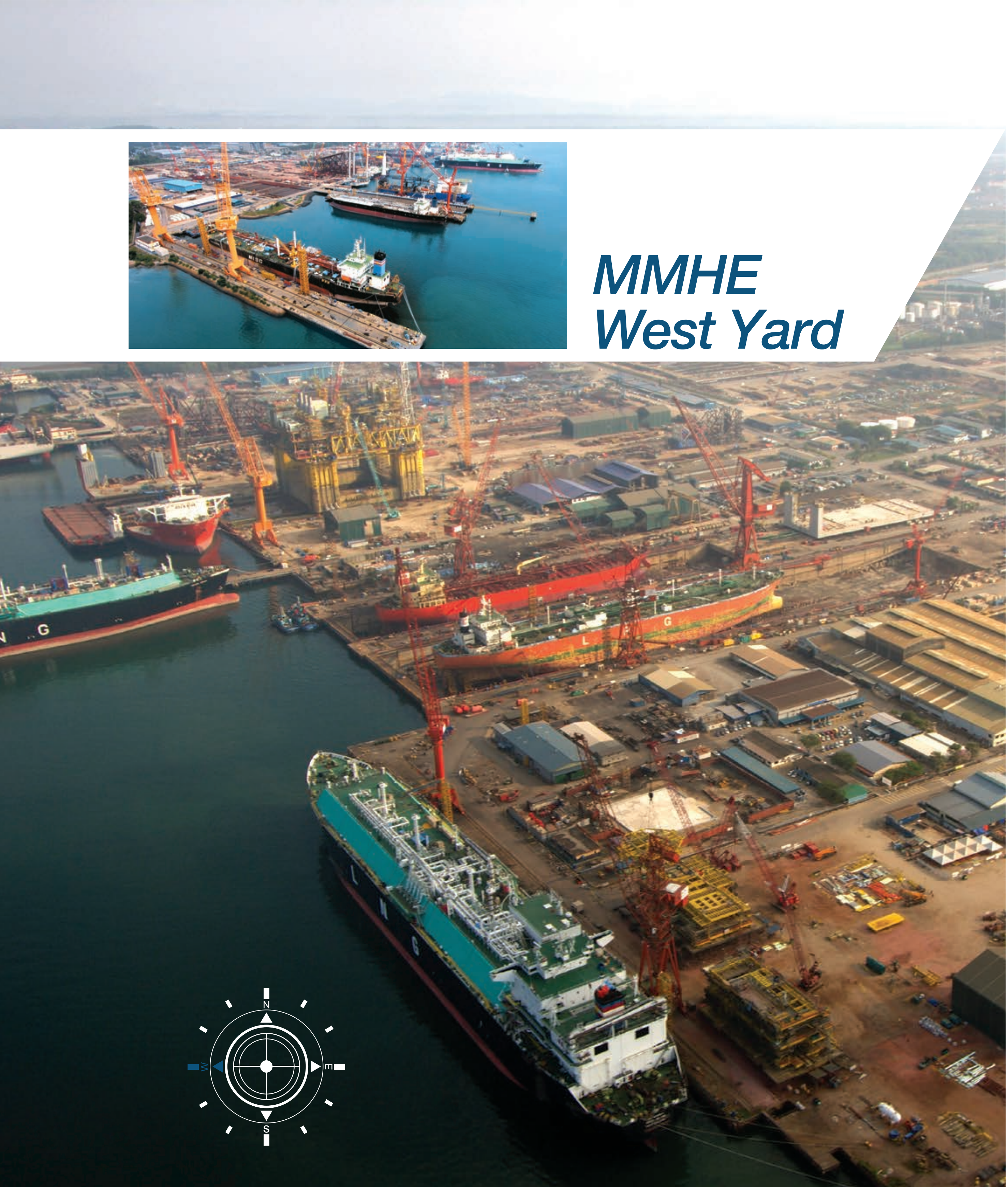
The MMHE West yard is the single largest fabrication yard by annual tonnage capacity in Malaysia. It also boasts one of the largest drydocks in Southeast Asia.

Key Highlights

- The only yard in Malaysia that has constructed deepwater structures for the oil and gas industry
- The only yard in Malaysia that has completed FPSO/FSO conversions, the first being the FPSO Perintis completed in March 1999
- Pioneered the construction of Malaysia's first deepwater project namely the FPSO Kikeh
- Constructed the Gumusut-Kakap semi-submersible floating production system, Asia's largest offshore operating facility



WEST YARD		
Capacities	Ability to construct large marine structures with a total tonnage of 69,700 MT per year	
Total Area	150.6 hectare (372 acres) complex with 1.8 kilometres seafront	
Fabrication Area	6 fabrication and assembly areas totaling 341,680 m^2	
Workshops	38 fully equipped service and production workshops covering an area of 106,100 m^2	
Skid Tracks	Skidding facilities that are able to cater up to 55,000 MT	
Docking Facilities	• 2 drydocks accommodating vessels up to 450,000 dwt • Has one of the world's largest shiplift systems that is able to cater up to 50,000 dwt **Others** LNG Carrier Repair Facilities • 3 Global Test Control Rooms • 1 Cryogenic Workshop (750 m^2) • Invar Welding Training Centre • In-house Invar Welders/Fitters	
Landberths	**Landberth 1** Length : 345 m Capacity : 142 tonnes/m	**Landberth 2** Length : 345 m Capacity : 125 tonnes/m



MMHE West Yard

Corporate Profile

MMHE EAST YARD

MHB started to operate in MMHE East yard in April 2012 following the acquisition of the yard.

EAST YARD	
Capacities	Ability to construct large marine structures with a total tonnage of 60,000 MT per year
Total Area	46.8 hectare (116 acres) complex with 500 metres seafront
Fabrication Area	3 fabrication and assembly areas totaling 200,700 m^2
Workshops	9 fully equipped service and production workshops covering an area of 19,590 m^2
Skid Tracks	Skidding facilities that are able to cater up to 25,000 MT

WORLD CLASS FACILITIES


01


04


05


02


06


07


03

01 *Fabrication area*

02 *Rough terrain and crawler cranes*

03 *Drydocks*

04 *Skid track*

05 *West finger pier*

06 *Shiplift system*

07 *Cutting and assembly workshop*

Corporate Information (As at 23 March 2015)

Board of Directors

Chairman, Non-Independent Non-Executive Director
- **Datuk Nasarudin Md Idris**

Independent Non-Executive Directors
- **Dato' Halipah binti Esa**
- **Heng Heyok Chiang @ Heng Hock Cheng**
- **Yong Nyan Choi @ Yong Guan Choi**
- **Choy Khai Choon**

Non-Independent Non-Executive Directors
- **Bernard Rene Francois di Tullio**
- **Yee Yang Chien**
- **Captain Rajalingam a/l Subramaniam**

Managing Director & Chief Executive Officer
Non-Independent Executive Director
- **Abu Fitri bin Abdul Jalil**

Board Audit Committee

Dato' Halipah binti Esa (*Chairperson*)
Heng Heyok Chiang @ Heng Hock Cheng
Yong Nyan Choi @ Yong Guan Choi
Choy Khai Choon
Bernard Rene Francois di Tullio
Captain Rajalingam a/l Subramaniam

Nomination & Remuneration Committee

Heng Heyok Chiang @ Heng Hock Cheng (*Chairman*)
Dato' Halipah binti Esa
Choy Khai Choon
Yee Yang Chien
Captain Rajalingam a/l Subramaniam

Board Bid Committee

Heng Heyok Chiang @ Heng Hock Cheng (*Chairman*)
Yong Nyan Choi @ Yong Guan Choi
Bernard Rene Francois di Tullio
Yee Yang Chien

Company Secretaries

Fadzillah binti Kamaruddin (*LS 0008989*)
Ausmal bin Kardin (*LS 0009383*)

Registered Office

Level 31, Menara Dayabumi
Jalan Sultan Hishamuddin
50050 Kuala Lumpur
Malaysia
Telephone +603 2273 0266
Facsimile +603 2273 8916
Email enquiries@mmhe.com.my
Homepage www.mhb.com.my

Auditors

Ernst & Young
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Malaysia
Telephone +603 7495 8000
Facsimile +603 2095 5332

Share Registrar

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Telephone +603 7849 0777
Facsimile +603 7841 8151/+603 7841 8152

Form Of Legal Entity

Incorporated on 18 February 1989 as a private company limited by shares under the Companies Act 1965, and converted into a public company limited by shares on 14 June 2010.

Stock Exchange Listing

Listed on the Main Market of Bursa Malaysia Securities Berhad since 29 October 2010.
Stock Code 5186
Stock Name MHB

Place of Incorporation and Domicile

Malaysia

Group Structure (As at 23 March 2015)

MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD

100%

MALAYSIA MARINE AND HEAVY ENGINEERING SDN BHD

Provision of oil and gas engineering and construction works and marine conversion and repair services

100%

TECHNO INDAH SDN BHD

Sludge disposal management

100%

MMHE INTERNATIONAL SDN BHD

(Formerly known as Malaysia Marine and Heavy Engineering (Turkmenistan) Sdn Bhd)

Dormant

70%

MMHE-SHI LNG SDN BHD

Provision of repair services and drydocking of liquefied natural gas carriers

50%

TECHNIP MHB HULL ENGINEERING SDN BHD

Builds and develops hull engineering and engineering project management capacities

60%

MMHE-TPGM SDN BHD

Provision of engineering, procurement, construction, installation and commissioning services

40%

MMHE-ATB SDN BHD

Manufacturing of pressure vessels and tube heat exchangers

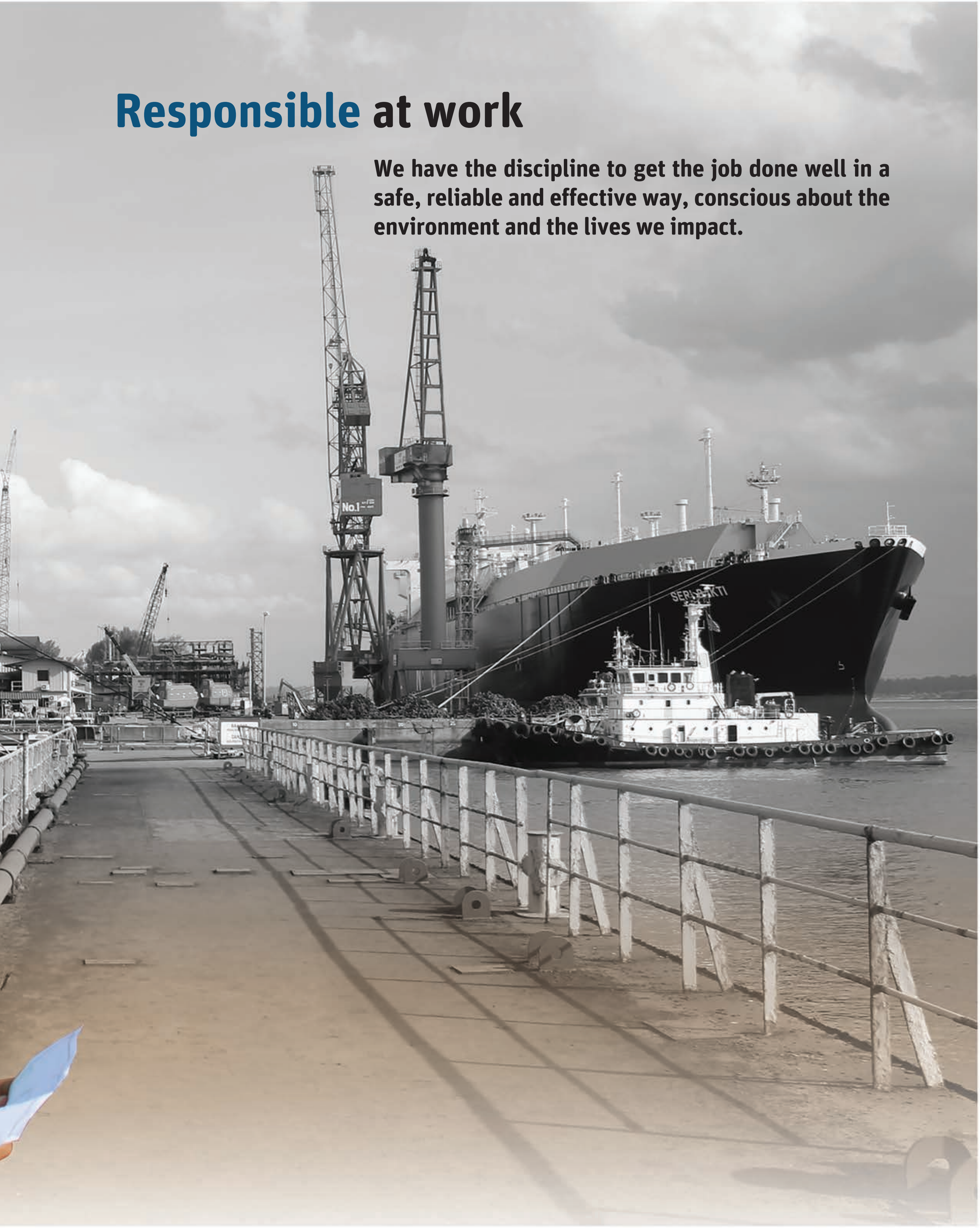
■ Subsidiary

■ Jointly Controlled Entity

RESPONSIBILITY

Responsible at work

We have the discipline to get the job done well in a safe, reliable and effective way, conscious about the environment and the lives we impact.



Board of Directors

Sitting from left:

Datuk Nasarudin Md Idris, Dato' Halipah binti Esa, Bernard Rene Francois di Tullio, Abu Fitri bin Abdul Jalil

Standing from left:

Yong Nyan Choi @ Yong Guan Choi, Dominique de Soras, Heng Heyok Chiang @ Heng Hock Cheng, Captain Rajalingam a/l Subramaniam, Choy Khai Choon, Yee Yang Chien

Profile of Directors

01 **Datuk Nasarudin Md Idris**
Chairman, Non-Independent Non-Executive Director

02 **Dato' Halipah binti Esa**
Independent Non-Executive Director

03 **Heng Heyok Chiang @ Heng Hock Cheng**
Independent Non-Executive Director

04 **Yong Nyan Choi @ Yong Guan Choi**
Independent Non-Executive Director

05 **Choy Khai Choon**
Independent Non-Executive Director

06 **Bernard Rene Francois di Tullio**
Non-Independent Non-Executive Director

07 **Captain Rajalingam a/l Subramaniam**
Non-Independent Non-Executive Director

08 **Yee Yang Chien**
Non-Independent Non-Executive Director

09 **Dominique de Soras**
Managing Director & Chief Executive Officer
Non-Independent Executive Director
(Ceased with effect from 28 February 2015)

10 **Abu Fitri bin Abdul Jalil**
Managing Director & Chief Executive Officer
Non-Independent Executive Director
(Appointed with effect from 1 March 2015)

Datuk Nasarudin Md Idris

Non-Independent Non-Executive Director

Datuk Nasarudin Md Idris, a Malaysian, aged 59, was appointed as Chairman of the Board of MHB on 15 June 2010.

Qualification, Skills and Experience

Datuk Nasarudin graduated from the University of Malaya with a Bachelor of Arts (Honours) Degree and holds a Masters Degree in Business Administration from Henley-The Management College (Brunel University), United Kingdom. He had also attended the Stanford Executive Programme at Stanford University, United States of America.

He joined PETRONAS in 1978 and had held various positions within the PETRONAS Group including as President/Chief Executive Officer of MISC Berhad; Vice President, Corporate Planning and Development; Group Chief Executive Officer of KLCC Holdings Berhad; Senior General Manager, Corporate Planning and Development Division; Executive Assistant to the President; General Manager, Marketing of PETRONAS Dagangan Berhad; General Manager, Corporate Development; and General Manager, Group Strategic Planning.

Other Commitments

Datuk Nasarudin is currently a Director of MISC Berhad and Bintulu Port Holdings Berhad. He is also Chairman of AET Tanker Holdings Sdn. Bhd. and Malaysian Maritime Academy Sdn. Bhd., wholly-owned subsidiaries of MISC Berhad.

Profile of Directors

Dato' Halipah binti Esa

Independent Non-Executive Director

Dato' Halipah binti Esa, a Malaysian, aged 65, was appointed to the Board of MHB on 1 April 2007.

Qualification, Skills and Experience

Dato' Halipah received her Bachelor of Arts (Honours) Degree in Economics and a Master of Economics from the University of Malaya. She also holds Certificates in Economic Management from the IMF Institute, Washington and the Kiel Institute for World Economics, Germany as well as a Certificate in Advanced Management Programme from Adam Smith Institute, London.

She started her career with the Administrative and Diplomatic Services in 1973 in the Economic Planning Unit (EPU) of the Prime Minister's Department. During her tenure in EPU, she served in various capacities in the areas of infrastructure, water supply, energy, health, housing, telecommunications, urban services, human resource development, macro economy, international economy, environment, regional development and distribution. She held various senior positions in the EPU and was the Director General before retiring in 2006. She had also served in the Ministry of Finance as Deputy Secretary General.

She was previously the Chairman of Pengurusan Aset Air Berhad and had also served on the boards of Petroliam Nasional Berhad, Employees Provident Fund, Inland Revenue Board, FELDA and UDA Holdings Berhad. She was a consultant to the World Bank and United Nations Development Programme in advising the Royal Kingdom of Saudi Arabia on economic planning, and had also provided technical advice to planning agencies in Vietnam, Cambodia, Indonesia and several African countries.

Other Commitments

Currently, Dato' Halipah serves on the boards of MISC Berhad, KLCC Property Holdings Berhad, KLCC REIT Management Sdn Bhd, NCB Holdings Berhad, Cagamas Berhad, SP Setia Berhad, Malaysia Deposit Insurance Corporation and Securities Industry Dispute Resolution Centre.

Board Committee Membership

Dato' Halipah chairs the Board Audit Committee and is a member of the Nomination & Remuneration Committee of the Board.

Heng Heyok Chiang @ Heng Hock Cheng

Independent Non-Executive Director

Mr Heng Hock Cheng, a Malaysian, aged 65, was appointed to the Board of MHB on 15 June 2010.

Qualification, Skills and Experience

Mr Heng holds a Bachelor of Science (Honours) Degree in Chemical Engineering from the University of Birmingham, United Kingdom in 1972.

He retired from Shell in October 2006 after 34 years of service, spanning Upstream, Downstream and Gas & Power divisions. He had served with various Shell entities in Malaysia, United Kingdom, Holland and China, holding positions, amongst others, as Technical Director of Sarawak Shell Berhad/Sabah Shell Petroleum Co. Ltd, Managing Director of Shell Gas & Power Malaysia and Chairman of Shell China based in Beijing.

Other Commitments

Mr Heng is a Director of AET Tankers Holdings Sdn Bhd, AET Shipmanagement (Malaysia) Sdn Bhd and AET Shipmanagement (Singapore) Pte Ltd. He is also an Independent Director of Otto Marine Limited (Singapore).

Board Committee Membership

Mr Heng is the Chairman of the Nomination & Remuneration Committee and the Board Bid Committee. He is also a member of the Board Audit Committee.

Profile of Directors

Yong Nyan Choi @ Yong Guan Choi

Independent Non-Executive Director

Mr Yong Nyan Choi, a Malaysian, aged 62, was appointed to the Board of MHB on 14 January 2011.

Qualification, Skills and Experience

Mr Yong was awarded a Master's Degree in Business Administration in 1995 and a Bachelor of Science Degree in Civil Engineering in 1976, both from the University of Strathclyde, Glasgow, United Kingdom. He obtained his Diploma in Civil Engineering from Technical College, Kuala Lumpur in 1972.

He began his career in 1972 as an Engineering Assistant at Public Works Department Sarawak. In 1976, he joined Konsortium Malaysia, Kuching as an Executive Engineer. He moved to Shell in 1978 where he held various positions in Malaysia and abroad before being appointed as the General Manager of Shell China Sourcing in China until his retirement in 2008. Currently, he manages his own management consultancy business.

Board Committee Membership

Mr Yong is a member of the Board Audit Committee and the Board Bid Committee.

Choy Khai Choon

Independent Non-Executive Director

Mr Choy Khai Choon, a Malaysian, aged 57, was appointed to the Board of MHB on 5 February 2013.

Qualification, Skills and Experience

Mr Choy graduated from the University of New South Wales, Australia with a Bachelor of Commerce and holds a Master in Business Administration from Oklahoma City University, United States of America. He has attended the General Management Programme at INSEAD, France over a period of 2 years from 2001 to 2002. He is a fellow of the Certified Practising Accountants Australia and a member of the Malaysian Institute of Accountants.

He has extensive experience in the financial sector and had served as the President/Chief Executive Officer of Cagamas Berhad for 6 years before retiring in March 2012. Prior to that, he was the Senior General Manager, Group Head, Business Reengineering with RHB Banking Group and had held various senior positions with Aviva Insurance Group and Credit Corporation Malaysia Berhad.

Other Commitments

Mr Choy is currently a Director of Deutsche Bank (Malaysia) Berhad, RAM Rating Services Berhad and Zurich Malaysia Insurance Berhad.

Board Committee Membership

Mr Choy is a member of the Nomination & Remuneration Committee and Board Audit Committee.

Profile of Directors

Bernard Rene Francois di Tullio

Non-Independent Non-Executive Director

Mr Bernard di Tullio, a French, aged 65, was appointed to the Board of MHB on 22 November 2010.

Qualification, Skills and Experience

Mr di Tullio graduated with a Masters Degree from the Ecole Spècial de Mècanique d'Èletricitè (ESME) Paris as a Graduate Engineer in Mechanical/ Electrical in 1974 and DESS (post-graduate degree) in Management from the Institut d' Administration des Enterprise Paris in 1978.

He has been with Technip Group for 37 years, having served 24 years in Technip Geoproduction (M) Sdn Bhd ("TPGM"). He was the President & Chief Operating Officer of Technip (2005-2011); President & Chief Executive Officer, Asia Pacific, Technip Group (1998 – 2005); President & Chief Operating Officer of TPGM and the Managing Director, Technip Far East Sdn Bhd (1986 – 2005).

Other Commitments

Mr Bernard di Tullio is currently the Advisor to the Chairman and Chief Executive Officer of Technip, a role he has served since November 2011.

Board Committee Membership

Mr Bernard di Tullio is a member of the Board Audit Committee and the Board Bid Committee.

Captain Rajalingam a/l Subramaniam

Non-Independent Non-Executive Director

Captain Rajalingam a/l Subramaniam, a Malaysian, aged 49, was appointed to the Board of MHB on 15 June 2010.

Qualification, Skills and Experience

Captain Rajalingam holds a Master's Degree in Business Administration from Universiti Utara Malaysia and a Master Certificate of Competency – Foreign Going from Akademi Laut Malaysia (ALAM), a wholly-owned subsidiary of MISC Berhad.

Captain Rajalingam graduated from ALAM in 1983 and subsequently sailed on MISC vessels as a Sea Going Officer before joining shore services in 1996 as a Marine Superintendent. Since then, he has held various positions in MISC Berhad. Between 2005 to 2008, he served in AET as General Manager Shipmanagement and subsequently as Group Vice President of AET Shipmanagement. On 1 September 2008, he was appointed as Vice President, Fleet Management Services in MISC Berhad.

In November 2009, Captain Rajalingam was appointed as Honorary Commander of the Royal Malaysian Navy, in recognition of MISC's support to the Naval Reservist Programme and his role as Patron of MISC's Naval Reservist.

Other Commitments

Captain Rajalingam was elected as the Vice Chairman of the International Tanker Owners' Association (INTERTANKO) in 2012 and was appointed as a Director of The London P&I Club in 2010. He also sits as a board member in several subsidiaries and joint venture companies within MISC Group.

Board Committee Membership

Captain Rajalingam is a member of the Nomination and Remuneration Committee as well as Board Audit Committee.

Profile of Directors

Yee Yang Chien

Non-Independent Non-Executive Director

Mr Yee Yang Chien, a Malaysian, aged 47, was appointed to the Board of MHB on 1 April 2008.

Qualification, Skills and Experience

Mr Yee holds a double-degree in Financial Accounting/Management and Economics from the University of Sheffield, United Kingdom.

Mr Yee began his working career as an auditor, undertaking both external and internal audit assignments, and progressed on to equity research and investment banking work with various local and international financial institutions.

He joined MISC Berhad in 2001 as Senior Manager in Research and Evaluation of the Corporate Planning and Development Unit. He subsequently joined AET as Group Vice President of Corporate Planning in June 2005.

Mr Yee returned to MISC Berhad in April 2008 as the Vice President of Corporate Planning and Development, focusing on strategic planning and budget development for the Group. Prior to his current appointment, he was the Chief Operating Officer of MISC Berhad from July 2013 to December 2014 where he was also given oversight over the Group Finance and Human Resource functions as well as the Chemical Tanker Business unit.

Other Commitments

Mr Yee assumed the position as President/Chief Executive Officer of MISC Berhad and Chairman of Malaysia Marine and Heavy Engineering Sdn Bhd, a wholly-owned subsidiary of MHB, since 1 January 2015. He also sits as a board member of several subsidiaries and joint venture companies within the MISC Group.

Board Committee Membership

Mr Yee is a member of the Nomination & Remuneration Committee and Board Bid Committee.

Dominique de Soras

Managing Director & Chief Executive Officer
Non-Independent Executive Director
(Ceased with effect from 28 February 2015)

Mr Dominique de Soras, a French, aged 58, was appointed to the Board of MHB as the Managing Director & Chief Executive Officer on 1 February 2011. He ceased serving as Managing Director & Chief Executive Officer following the conclusion of his contract of employment on 28 February 2015.

Qualification, Skills and Experience

Mr Dominique graduated with an Engineering Degree and MSc in Mechanical Engineering from Ecole catholique de Arts et Metiers (ECAM) in Lyon, France.

Mr de Soras has 22 years of experience in the oil and gas industry which covers areas of petroleum engineering, operations management, commercial and major projects in the oil and gas industry. He has broad experience in senior executive roles within the contracting oil and gas industry in business development, acquisitions and major project delivery and in general management of asset base organisation with large capital expenditure budget. Prior to joining MHB, Mr de Soras was the President, Subsea Division of Technip (2007 – 2010), Executive Vice President, Oil and Gas Division of Technip (2006 – 2007) and Vice President, Offshore Resources Profit Unit of Technip Offshore UK Limited (2001 – 2006). He was also a member of Technip's Executive Committee. He has worked with the Conflexip Group since 1982 until 2006, having held various senior positions.

Up to 28 February 2015, Mr de Soras was the Chairman of several subsidiaries and jointly controlled entities of the MHB Group.

Profile of Directors

Abu Fitri bin Abdul Jalil

Managing Director & Chief Executive Officer
Non-Independent Executive Director

(Appointed with effect from 1 March 2015)

Tuan Haji Abu Fitri bin Abdul Jalil, a Malaysian, aged 50, was appointed to the Board of MHB as a Non-Independent Non-Executive Director on 1 February 2015. He assumed the position as Managing Director & Chief Executive Officer of MHB with effect from 1 March 2015.

Qualification, Skills and Experience

Tuan Haji Abu Fitri graduated with a Bachelor of Science Degree in Chemical Engineering from California State University, United States of America in 1987.

Prior to joining MHB, Tuan Haji Abu Fitri was the Vice President, Offshore Business in MISC Berhad, a position he held since 16 March 2013. He was also a board member of several subsidiaries and joint venture companies within the MISC Group. Tuan Haji Abu Fitri joined PETRONAS in 1991 and had served in various senior positions both in Malaysia and overseas including as Senior General Manager of the Petroleum Operations Management and Head of Performance Management in the Human Resource Management Unit.

Other Commitments

Tuan Haji Abu Fitri is the Chairman of several subsidiaries and jointly controlled entities within the MHB Group.

ADDITIONAL INFORMATION:

1. *None of the Directors have any family relationship with any other Directors and/or major shareholders of the Company or have any conflict of interest with the Company.*
2. *None of the Directors have convictions for offences within the past ten years.*
3. *The details of Directors' attendance at Board Meetings held in the financial year ended 31 December 2014 are set out in the Statement on Corporate Governance on page 090 of the Annual Report.*

Management Committee

01 **Dominique de Soras**
Managing Director & Chief Executive Officer
(Ceased with effect from 28 February 2015)
(Please refer to page 29 for his profile)

02 **Abu Fitri bin Abdul Jalil**
Managing Director & Chief Executive Officer
(Appointed with effect from 1 March 2015)
(Please refer to page 30 for his profile)

03 **Ahmad Zaki Abd Malik**
Senior General Manager,
Marine Repair Business Unit

04 **Mr Stephane Denoun**
Senior General Manager,
Offshore Business Unit

05 **Mr Foo Kee Eng**
Senior General Manager,
Production Service Unit

06 **Wan Mashitah Wan Abdullah Sani**
Chief Financial Officer

07 **Captain Selva Kumar Veerappan**
Chief Transformation Officer

08 **Ausmal Kardin**
Senior General Manager,
Legal and Human Resource

Profile of Management Committee

Ahmad Zaki Abd Malik

Senior General Manager, Marine Repair Business Unit

En Ahmad Zaki Abd Malik, a Malaysian, aged 53, was appointed as the Senior General Manager, Operations of Malaysia Marine and Heavy Engineering Sdn Bhd on 1 April 2010 and his position was redesignated as Senior General Manager, Marine Repair Business Unit in April 2012.

Qualification, Skills and Experience

En Ahmad Zaki graduated from South Shield Marine and Technical College, South Shield, England with a Diploma in Marine Engineering in 1984. He obtained his First Class Marine Engineer Certificate of Competency from the United Kingdom.

He joined MISC Berhad in December 2000 and had held various positions with his last position as General Manager, Maintenance of Fleet Management Services prior to his appointment in Malaysia Marine and Heavy Engineering Sdn Bhd.

Other Commitments

En Ahmad Zaki sits as a board member of MMHE-ATB Sdn Bhd and in several subsidiaries within the MHB Group.

Stephane Denoun

Senior General Manager, Offshore Business Unit

Mr Stephane Denoun, a French, aged 47, was appointed as Senior General Manager of Malaysia Marine and Heavy Engineering Sdn Bhd on 1 January 2015.

Qualification, Skills and Experience

Mr Stephane holds a Bachelor of Engineering (Honours) Degree in Mechanical Engineering from the Institut National des Sciences Appliquées de Toulouse in France. He has attended the executive management programmes at ESSEC France and INSEAD Singapore.

Mr Stephane has 24 years of extensive international working experience in the oil and gas industry covering general management, business development as well as project management for both subsea and offshore projects (shallow and deepwater). He had worked in South East Asia, West Africa, The Netherlands, The Emirates, USA, Colombia and Switzerland. Prior to joining the MHB Group, he was the Asia-Pacific Deputy Chief Operating Officer & Vice President Subsea Business Unit of Technip Asia Pacific based in Kuala Lumpur, Malaysia.

Profile of Management Committee

Foo Kee Eng

Senior General Manager, Production Service Unit

Mr Foo Kee Eng, a Singaporean, aged 61, was appointed as the Senior General Manager, Production Service Unit of Malaysia Marine and Heavy Engineering Sdn Bhd with effect from 1 January 2015.

Qualification, Skills and Experience
Mr Foo graduated from the University of Malaya with a Bachelor of Engineering (Honours) Degree in Mechanical Engineering in 1977.

Mr Foo has extensive engineering and management experience in the oil and gas industry. His 37 years of working experience extends from undertaking projects in Southeast Asia to China, Australia, India, Brazil and the Middle East region.

Prior to joining the MHB Group, Mr Foo was the Director, Business Development of Kencana HL Sdn Bhd and was also involved in its yard operations on an advisory role.

Wan Mashitah Wan Abdullah Sani

Chief Financial Officer

Cik Wan Mashitah Wan Abdullah Sani, a Malaysian, aged 48, was appointed as the Chief Financial Officer ("CFO") of MHB on 30 June 2010.

Qualification, Skills and Experience
Cik Wan Mashitah is an accountant by profession. She is a fellow of the Chartered Association of Certified Accountants, United Kingdom and a member of the Malaysian Institute of Accountants.

She joined MISC Berhad in 2002 and had served in various capacities with her last position being the General Manager, Finance before being seconded to Malaysia Marine and Heavy Engineering Sdn Bhd as the CFO in May 2010. Prior to joining the MISC Group, she was a professional accountant at Grant Thornton, Malaysia.

Other Commitments
Cik Wan Mashitah sits on the board of several subsidiaries and jointly controlled entities within the MHB Group.

Captain Selva Kumar Veerappan

Chief Transformation Officer

Captain Selva Kumar Veerappan, a Malaysian, aged 52, was appointed as Chief Transformation Officer of MHB on 1 May 2012.

Qualification, Skills and Experience
Captain Selva holds a Diploma in Applied Science (Shipmaster) and Master Mariner Certificate of Competency (Master Class 1 (1990)) from the Australian Maritime College in Tasmania, Australia.

Captain Selva joined the MISC Group in 1980 and has 32 years of experience in the LNG, petroleum and chemical tanker transportation sector. He has vast international experience in the same sectors, having worked in Holland, Nigeria and the UK on commercial assignments. Prior to his current appointment with MHB, Captain Selva was the General Manager of Ship Management Audit in MISC Berhad.

Ausmal Kardin

Senior General Manager, Legal and Human Resource

En Ausmal Kardin, a Malaysian, aged 44, assumed his current position as Senior General Manager, Legal and Human Resource with effect from 1 March 2015. He also serves as the Company Secretary of MHB since 30 June 2010.

Qualification, Skills and Experience
Encik Ausmal Kardin holds a Bachelor's Degree in Law from the University of Wales, Aberystwyth and is a licensed Company Secretary.

He started his career with MISC Berhad in 1994 where he had held various positions within its Legal & Corporate Secretarial Affairs Division.

He was the Senior Manager, Maritime Legal Services in MISC Berhad before joining Bumi Armada Berhad as Vice President, Legal & Secretarial in 2005. In March 2010, he took up the position as General Manager, Legal & Administration at Malaysia Marine and Heavy Engineering Sdn Bhd and was subsequently appointed as General Manager, Legal, Corporate Secretarial and Administration of the MHB Group on 30 June 2010.

Other Commitments
En Ausmal is the Company Secretary of the subsidiaries and jointly controlled entities within the MHB Group.

Statistics on Shareholdings As at 23 March 2015

Authorised Share Capital	:	RM2,500,000,000.00 divided into 5,000,000,000 ordinary shares of RM0.50 each
Issued and Paid-up Share Capital	:	RM800,000,000.00 divided into 1,600,000,000 ordinary shares of RM0.50 each
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	One vote per ordinary share

ANALYSIS OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
Less than 100	56	0.63	759	0.00
100 – 1,000	1,863	20.86	1,651,682	0.10
1,001 – 10,000	5,245	58.74	23,805,096	1.49
10,001 – 100,000	1,549	17.35	45,997,857	2.87
100,001 to less than 5% of issued shares	213	2.39	231,526,106	14.47
5% and above of issued shares	3	0.03	1,297,018,500	81.07
TOTAL	**8,929**	**100.00**	**1,600,000,000**	**100.00**

DIRECTORS' INTERESTS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS

Directors' Interest in the Company

	DIRECT		INDIRECT	
NAME	NO. OF SHARES	%	NO. OF SHARES	%
Datuk Nasarudin Md Idris	10,000	0.00	–	–
Dato' Halipah binti Esa	10,000	0.00	10,000	0.00
Heng Heyok Chiang @ Heng Hock Cheng	10,000	0.00	–	–
Yong Nyan Choi @ Yong Guan Choi	10,000	0.00	–	–
Captain Rajalingam a/l Subramaniam	10,000	0.00	–	–

Directors' Interests in Related Corporations

MISC Berhad

	DIRECT		INDIRECT	
NAME	NO. OF SHARES	%	NO. OF SHARES	%
Dato' Halipah binti Esa	–	–	10,000	0.00
Heng Heyok Chiang @ Heng Hock Cheng	20,000	0.00	–	–
Yong Nyan Choi @ Yong Guan Choi	10,000	0.00	–	–

PETRONAS Gas Berhad

NAME	DIRECT		INDIRECT	
	NO. OF SHARES	%	NO. OF SHARES	%
Datuk Nasarudin Md Idris	3,000	0.00	–	–

PETRONAS Chemicals Group Berhad

NAME	DIRECT		INDIRECT	
	NO. OF SHARES	%	NO. OF SHARES	%
Datuk Nasarudin Md Idris	10,000	0.00	–	–
Dato' Halipah binti Esa	10,000	0.00	13,100	0.00
Heng Heyok Chiang @ Heng Hock Cheng	20,000	0.00	4,000	0.00

KLCC Property Holdings Berhad and KLCC Real Estate Investment Trust ("KLCC REIT")

NAME	DIRECT		INDIRECT	
	NO. OF STAPLED SECURITIES*	%	NO. OF STAPLED SECURITIES*	%
Datuk Nasarudin Md Idris	5,000	0.00	–	–
Heng Heyok Chiang @ Heng Hock Cheng	60,000	0.00	6,000	0.00

* *All ordinary shares of KLCC Property Holdings Berhad are stapled together with all units of KLCC REIT ("Stapled Securities")*

SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

NO	NAME	DIRECT		INDIRECT	
		NO. OF SHARES	%	NO. OF SHARES	%
1	MISC Berhad	1,064,000,000	66.50	–	–
2	Technip – shares held through HSBC Nominees (Asing) Sdn Bhd	136,000,000	8.50	–	–
3	Lembaga Tabung Haji – 335,000 shares held through Asian Islamic Investment Management Sdn Bhd	97,018,500	6.06	–	–

30 Largest Shareholders

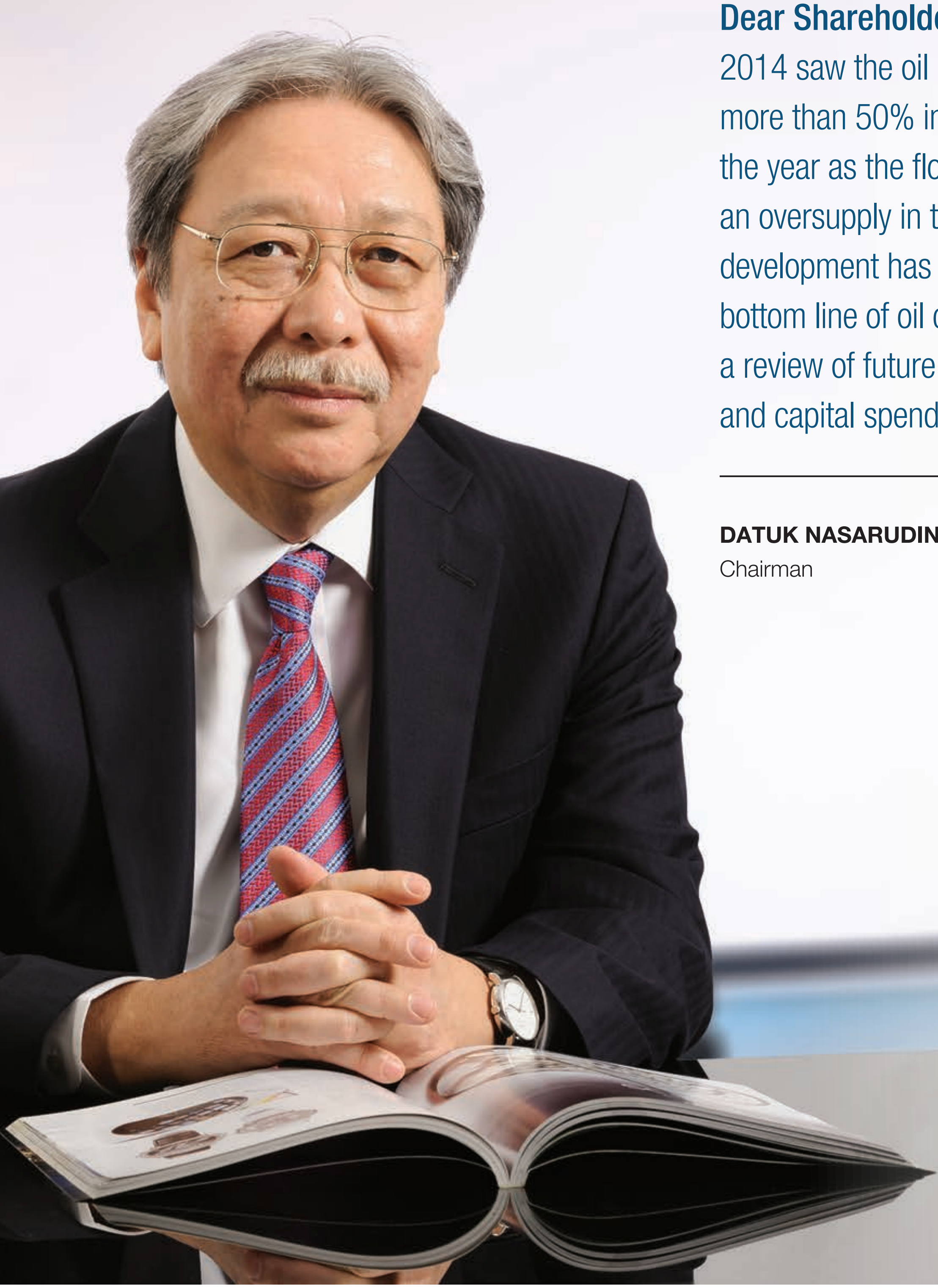
NO.	NAME OF SHAREHOLDERS	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
1	MISC BERHAD	1,064,000,000	66.50
2	HSBC NOMINEES (ASING) SDN BHD TECHNIP	136,000,000	8.50
3	LEMBAGA TABUNG HAJI	96,683,500	6.04
4	LEMBAGA TABUNG ANGKATAN TENTERA	55,808,100	3.49
5	AMANAHRAYA TRUSTEES BERHAD SKIM AMANAH SAHAM BUMIPUTERA	30,000,000	1.88
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	17,766,890	1.11
7	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	8,832,735	0.55
8	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM WAWASAN 2020	8,648,200	0.54
9	PERTUBUHAN KESELAMATAN SOSIAL	8,432,200	0.53
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA TAKAFUL BERHAD (FAMILY PRF EQ)	7,525,900	0.47
11	AMANAHRAYA TRUSTEES BERHAD AS 1MALAYSIA	6,189,400	0.39
12	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (DR)	5,000,000	0.31
13	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SECTOR SELECT FUND	4,278,600	0.27
14	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC EQUITY FUND	3,467,400	0.22
15	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)	2,866,371	0.18
16	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC DIVIDEND FUND	2,784,300	0.17

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
17	MUHAMAD ALOYSIUS HENG	2,732,900	0.17
18	TAN ENG @ TAN CHIN HUAT	2,234,200	0.14
19	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	2,031,400	0.13
20	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND RCER FOR ROCK CREEK EMERGING MARKETS FUND SPC, LTD	1,888,000	0.12
21	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND WTAU FOR WISDOMTREE EMERGING MARKETS SMALLCAP DIVIDEND FUND	1,710,100	0.11
22	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	1,686,100	0.11
23	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	1,682,400	0.11
24	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT AL-FAID (4389)	1,620,400	0.10
25	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (RHB INV)	1,586,500	0.10
26	EMPLOYEES PROVIDENT FUND BOARD	1,500,000	0.09
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANG PIANG KOK	1,391,800	0.09
28	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BERHAD FOR PACIFIC DANA AMAN (3717TR01)	1,363,200	0.08
29	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT AL-FAUZAN (5170)	1,131,500	0.06
30	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG	1,075,545	0.06
	TOTAL	**1,481,917,641**	**92.62**

INTEGRITY

Integrity - the power of trust

We are honest and fair in what we say and do, because trust is the foundation of our business.



Dear Shareholders,

2014 saw the oil price crumbling by more than 50% in the second half of the year as the flood of shale oil created an oversupply in the market. This development has a huge impact on the bottom line of oil companies, necessitating a review of future development projects and capital spending.

DATUK NASARUDIN MD IDRIS
Chairman

Chairman's Statement

ECONOMIC OUTLOOK

The world economy continued to be volatile in 2014. While the economy of the United States (US) was seen to be stabilising, Europe remained fragile and other countries such as the Middle East and Russia were plagued with geopolitical risks. Meanwhile, China's economy grew at its slowest pace in 24 years as property prices cooled, and companies as well as local governments struggled under heavy debt burdens.

The global oil environment took a turn south by mid-2014 when the oil prices slumped to below USD50 per barrel. OPEC had refused to intervene, presumably to put pressure on US shale producers to cut their production. The general view is that the oil market is expected to rebound, albeit at a slower pace. The last time oil prices declined progressively was during the 2008 financial crisis when it dipped to USD40 a barrel; and it was only five years later, before it stabilised to around USD100. While Malaysia Marine and Heavy Engineering Holdings Berhad (MHB) had taken steps to be more efficient and cost competitive through its transformation initiatives, this new challenging environment will definitely test our fortitude and resolve towards becoming a leader in our industry.

FINANCIAL HIGHLIGHTS

For the financial year ended 31 December 2014, the Group posted a net profit after tax of RM130.6 million on the back of RM2.7 billion in revenue. Both revenue and net profit were lower compared to the previous financial year as we completed and delivered a number of major projects during the year.

As at 31 December 2014, MHB's balance sheet remained healthy with a cash balance of RM589.2 million.

Chairman's Statement

CORPORATE DEVELOPMENTS

As part of our continuous effort to improve upon project execution and delivery, we have reorganised the Offshore Business Unit (OBU). Resulting from this initiative is the creation of the Production Service Unit (PSU) which will focus on the efficiency and productivity of all fabrication activities and seamless project execution. The OBU role has been redefined to improve upon business development, project acquisition to project delivery, contract management and to provide a more active customer relationship management.

Recognising the importance of managing our massive assets and facilities more efficiently under one roof, the Facilities, Assets & Services Team (FAST) was also established as part of this reorganisation process. This will ensure better utilisation and productivity of our assets. Essentially, these organisational changes demonstrated our deep commitment towards improving our position in this competitive business by continuously improving our efficiency, productivity and cost, and project management.

Despite the difficult market conditions, we remained committed in ensuring our operations and projects were delivered flawlessly, timely and with strong cost management. In 2014, our transformation efforts paid off with the smooth delivery of the floating, production, storage and offloading (FPSO) facility, Cendor, which left the yard on 29 March 2014. This was followed by the sail away of Tapis-R topside, MHB's first Enhanced Oil Recovery (EOR) project on 17 April 2014; as well as the Kebabangan (KBB) topside which left the yard on 16 June 2014.

On the contracting front, we had made some encouraging progress by securing new contracts such as the Besar-A from PETRONAS, North Malay Basin (NMB) Bergading Complex from Hyundai Heavy Industries, PETRONAS FLNG2 External Turret Mooring System from SOFEC Inc as well as a number of marine repair projects from both returning and new clients, thus reaffirming our competitiveness in the industry.

FUTURE OUTLOOK

In view of the weak oil prices, oil companies are re-evaluating the viability of some of their development projects and capital spend. PETRONAS has announced a reduction to its capital expenditure for new projects by 15% to 20% from the current RM60 billion allocated. With budget tightening actions taken by PETRONAS and other oil companies, replenishment of our order book will be a big challenge. Nonetheless, we are optimistic that oil prices will eventually firm up, and despite the less than favourable returns, the need to develop new reserves to maintain production levels remains a priority among oil companies. Consequently this will spur the demand for offshore structures leading to a more promising outlook in the fabrication segment. The growing competition between both local and regional yards may also open up further opportunities for collaboration as a strategy to thrive in the current environment.

02

01 *Tapis-R Topside*

02 *Audacia, the largest pipelay vessel in the world underwent repair work in MMHE yard*

Moving forward, I believe that we have to be more vigilant in our approach to managing costs in view of the moderate outlook. I am confident that if we continue to drive down cost, improve our efficiency and productivity, enhance our project management and execution, and deliver projects to the satisfaction of our customers, we will be able to pursue growth opportunities and drive value.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to convey my deepest gratitude towards our shareholders for their continued support and trust in us.

To my fellow board members, I would like to thank them for their wise counsel and guidance. Their experience and knowledge have been valuable in helping us to steer through this challenging period.

I would like to also express my appreciation to Mr Dominique de Soras who has retired as our MD & CEO at end February 2015, and I would like to welcome Tuan Haji Abu Fitri bin Abdul Jalil who has taken over the helm as our new MD & CEO on 1 March 2015.

I would also like to record my appreciation for the cooperation extended by our business partners, as well as our valued clients and customers for their unrelenting support to us.

Above all, I would like to commend the praiseworthy efforts and commitment shown by the Management and Staff of MHB who have always strived for the best for the Company.

DATUK NASARUDIN MD IDRIS
Chairman

Dear Shareholders

2014 was a difficult year as we saw the global economy facing one of its biggest surprises with the rapid decline in crude oil prices. Having fallen sharply by almost 50% since the second half of 2014, the ramification of the decline is still being assessed today by companies and countries alike.

For Malaysia, where the oil and gas sector is a key economic driver, the rapid decline of the oil prices was certainly something the local economy did not anticipate.

DOMINIQUE DE SORAS
Managing Director &
Chief Executive Officer
(Ceased with effect from 28 February 2015)

As for MHB, while the current market condition does not impact our 2014 performance, it does however provide caution as to how we will move forward into the future.

For the year under review, despite the challenging environment, we made encouraging progress in securing new contracts such as the procurement, construction, hook-up and commissioning of the Besar-A wellhead platform and jacket with the associated host tie-in for PETRONAS Carigali Sdn Bhd (PCSB). MHB was also awarded the fabrication engineering, construction, onshore pre-commissioning and commissioning, sea fastening and load-out of North Malay Basin (NMB) Bergading wellhead platform and jackets as well as the connecting bridge from Hyundai Heavy Industries (HHI).

In 2014, we safely delivered the Cendor floating, Production Storage and Offloading (FPSO) to MISC Berhad, Tapis-R topside to ExxonMobil Exploration and Production Malaysia Inc (EMEPMI) and Kebabangan (KBB) Topside to Kebabangan Petroleum Operating Company (KPOC). In same period, Marine Repair business also recorded excellent performance in ensuring safe and reliable project delivery to our customers' satisfaction.

Our two strategic partnership projects with Technip, namely Malikai Tension Leg Platform (TLP) and SK316 topsides and jacket, as managed by MHB's joint-venture known as Technip MMHE Joint Venture (TMJV), are showing good progress. We also saw a number of both returning and new clients for the Marine Repair business which affirms MHB's competitiveness in the market place, and the results of sheer hard work from our *warga* MMHE.

Thanks to the *New MMHE Way,* we are continuing to improve on our core competencies. The last few years have brought a lot of excitement and challenges. We believe that 2015 will surely be another challenging year as major resource owners as well as oil and gas operators cope with the lower than expected revenue from the declining oil prices. With the industry impacted, it is imperative that we remain vigilant in monitoring our cost and delivery more effectively and efficiently.

We recently undertook structural changes to the Group's organisation to further streamline the processes for better delivery on cost and productivity. Innovation will be key as we look for new opportunities to better serve our customers.

In the last few years, we have made substantial progress in our transformation journey as we navigated through a demanding environment. We need to maintain the momentum by improving our performance and sustaining our competitive advantage which I know we can achieve as a team. *1Heart, 1Mind, 1MMHE* therefore reflects the solidarity required at all levels of the organisation for more effective collaboration, communication and stronger cohesiveness among *warga* MMHE.

MD & CEO'S Report

MD & CEO'S Report

OFFSHORE BUSINESS UNIT (OBU)

Our OBU order book stood at RM1.6 billion in backlog as at 31 December 2014. Projects during the year include FPSO Cendor conversion for MISC Berhad, KBB Topside for KPOC, Tapis-R topside for EMEPMI, SK316 gas development for PCSB and Malikai TLP deepwater for Sabah Shell Petroleum Company (SSPC).

During the year under review, we completed the FPSO Cendor for MISC Berhad, making it the eleventh conversion for the Group. The proven track record reinforced MHB's position as the only domestic company that has the capability, know-how and facilities to convert floating structures into FPSO and Floating, Storage and Offloading (FSO) vessels. This project sailed away from the yard on 29 March 2014 to its location offshore Terengganu, Peninsular Malaysia.

Meanwhile, MHB and KPOC hosted the clockwork KBB Topsides Sail-away Ceremony on 12 June 2014. The KBB Topside safely sailed away from the yard on 16 June 2014. The topside, weighing at 17,442 MT is also the first platform in Malaysia that used

01

free-fall lifeboats, which is the fastest and safest way of escaping from the platform in the event of any crisis.

We also completed the Tapis-R integrated deck project for EMEPMI, which sailed away on 17 April 2014. The 18,000 MT structure has achieved several milestones and completed its gas injection (first train) on 22 August 2014, while the offshore hook-up and commissioning was conducted on 30 September 2014. This is one of the largest Enhanced Oil Recovery (EOR) offshore platforms in Malaysia and Southeast Asia.

Progress has been steady for our on-going SK316 gas development project, reaching 49% progress as of December 2014. The engineering, procurement, construction, installation and commissioning (EPCIC) contract included a central processing platform and a bridge-linked wellhead platform, subsea pipeline and host tie-in. Upon completion, the overall weight is projected at 33,500 MT. Full delivery is expected to be completed by August 2015. All offshore structures will be located 180 kilometres north of Bintulu, Sarawak.

TMJV's EPC Malikai TLP deepwater contract with SSPC has reached 72% progress as of December 2014 recording a total of 11 blocks erected. The project is expected to be completed by end of 2015 with an overall weight of 26,300 MT. The TLP will be fastened and attached to the seabed at a water depth of 500 metres, about 110 kilometres offshore Sabah.

MHB was also awarded the PCC Besar A topside and jacket project in September 2014. This gave us the opportunity to be part of PETRONAS' upstream development projects for Malaysia, acknowledging the importance of securing new projects to support our growth. The topside and jacket with total weight of 5,100 MT are meant for the Besar field, located 185 kilometres offshore north-east of Kerteh, Terengganu. We expect to complete the Besar A project by the end of 2015.

MHB reached another milestone when it was awarded the fabrication contract for an External Turret Mooring System by our client, SOFEC Inc. This turret is for the PETRONAS FLNG2 Facility and will be located at Rotan Field, offshore Sarawak. Upon completion, it will weigh approximately 2,338 MT and will be the 20th turret fabricated in MHB's yard. The project is scheduled for delivery and sail-away in 2016.

MHB received a Subcontract Agreement from Hyundai Heavy Industries (HHI) on 2 October 2014 for the fabrication of well head platform, jackets and the connecting bridge for the Bergading Complex, located offshore Peninsular Malaysia, within Block PM302 immediately south of the Malaysia-Thailand Joint Development Areas (MTJDA), approximately 150 kilometres North East off Kota Bharu in 55 to 60 m water depth. Total estimated weight of all structures when completed is approximately 14,800 MT and is scheduled for sailaway and delivery to the project's ultimate client, Hess E&P Malaysia BV by April 2016.

01 *Kebabangan topside*

02 *FPSO Cendor*

MD & CEO'S Report

MARINE REPAIR BUSINESS UNIT (MBU)

With over four decades in the industry, MBU has been a leader in delivering projects on time, at cost and upholding excellence in client satisfaction. Having repaired more than 3,700 vessels and rigs for local and international clients, MBU has successfully paired technical experience and good customer relations. These practices have resulted in the yard's full occupancy of 15 vessels and rigs for repair and refurbishment works at the same time. This also saw the return of 12 clients that entrusted MHB with various service requirements, including a number of complex projects.

Throughout 2014, some of our notable projects include LNG vessel repairs for LNG Hyundai Utopia, LNG Puteri Firus and LNG Seri Anggun.

SUBSIDIARIES, ASSOCIATES AND JOINT-VENTURES (JVS)

Technip MHB Hull Engineering Sdn Bhd (TMH)

In the year under review, TMH was primarily focused on providing engineering support to the Malikai TLP project. Responding to market needs, we expanded our capabilities and capacity in the area of marine systems design, enabling the Company to make a unique offering of multi-disciplined skills in the offshore hull and marine engineering market. It also provided MHB with direct access to engineering solutions required to execute projects for floating production facilities such as FPSOs, FSOs, TLPs, semi-submersibles and SPARs.

MHB-SHI LNG Sdn Bhd (MSLNG)

Throughout 2014, we witnessed aggressive measures by competitor shipyards in taking a piece of regional market share. Nevertheless, we remained positive about the future. MHB secured some remarkable projects such as undertaking the reinforcement work for all GT No.96 Cargo Tanks for two LNG vessels (Puteri Nilam and Puteri Delima of MISC Berhad) in series at afloat condition, making this the first reinforcement work done in the world and an outstanding repair accomplishment in the global LNG vessel repair business.

Another significant achievement was the delivery of one LNG Carrier "Shen Hai" for an intermediate dry-docking repair from another client who also had a frame agreement with a Singaporean Yard. Our efforts did not go unnoticed as both owner and charterer of the vessel were very happy with the overall results, final costs and delivery schedule of the project.

MMHE-ATB Sdn Bhd

Our Joint Venture MMHE-ATB has been operating since the year 2000. In 2014, it achieved some important targets, such as the delivery of Dry Dock Gate to MHB, the cooperation in Malikai Shell project with TMJV for the supply of both Pressure Vessels and Heat Exchangers, a remarkable increase of overseas operations with international clients and an extensive training programme to transfer technological expertise from Italy to Malaysia.

In the last quarter of the year, the company has been awarded major pressure vessels and tanks orders from SAIPEM France for the Kaombo Project in Angola and from South Korea's HHI. Both of them are expected to be executed in 2015.

Moving forward, MHB-ATB JV is looking to cooperate extensively with the major global EPC main contractors involved in the PETRONAS Refinery and Petrochemical Integrated Development (RAPID) project realisation.

BUSINESS TRANSFORMATION

Changes in the oil and gas business landscape, intense competition as well as several operational challenges in managing large EPCIC contracts have been some of the key drivers in reviewing the structure for OBU and creating the Production Service Unit (PSU). This evolution is another step towards enhancing the Company's business operating model and adapting to the changes mentioned. The new structure places greater emphasis on the productivity and efficiency of our yard operation, while improving the focus on managing our client and partner interface. OBU will take ownership of delivering projects from business development, project acquisition to project delivery while PSU will be the production arm for project execution. The ultimate goal is to maximise our production tools and asset base to further improve our competitive edge.

01 *LNG Carrier Hyundai Utopia drydocking in MMHE*

02 *In-house safety training*

MHB's Facilities, Assets and Services Team (FAST) was officially launched on 13 August 2014, with the aim of optimising manpower, operations and utilisation of the yards' assets. FAST aims to effectively manage all assets and equipment with the establishment of new process flows for greater efficiencies, set up a 'one stop centre' for better delivery of services as well as centralise asset and equipment management.

Recognising the value in continuously enhancing workforce skills and professional knowledge, the MMHE Centre of Excellence (COE) has been set up as the knowledge hub for MHB. This four-acre training campus is located close to MMHE East in Pasir Gudang, Johor. The COE will play a critical role in supporting the company's aspiration to become a high performance organisation that practises the highest safety and quality standards. The MMHE COE will focus on providing training and competency development in a safe environment, applying hands-on technical programmes which are crucial in the real working environment. As the success of the projects in our yards are largely dependent on schedule and cost, the COE will play a leading role in the development of our in-house skilled manpower resources. This initiative will improve MHB's cost competitiveness and increase operations reliability by reducing dependency on subcontractors.

The initiative to introduce the Code of Conduct and Business Ethics (CoBE) and Whistleblowing Policy in November 2012 has had a positive impact on the Company. As an organisation practicing integrity and good governance, MHB creates initiatives and strategies to embrace the culture of clean business and to promote integrity internally. We made significant progress with the introduction of the Anti-Bribery and Corruption (ABC) Policy in April 2014 followed by the signing of Company Integrity Pledge (CIP) between MHB's subsidiary, MMHE and the Malaysian Anti-Corruption Commission (MACC) in July 2014. We believe that every employee in MHB has a stake in the governance process and by upholding this; it will provide enormous benefits to an organisation like ours.

MD & CEO'S Report

The new Centralised Piping Workshop in MMHE

YARD OPTIMISATION

The Group's cumulative yard optimisation capital expenditure as at December 2014 stood at RM1.1 billion, with RM136 million spent in 2014. Among the notable milestones achieved were:

- In March 2014, a Centralised Piping Workshop (CPW) dedicated to the fabrication of carbon steel pipe spools complete with equipment, machineries with sufficient transit storage area was introduced. In tandem, we have built a dedicated in-house Radiography Test (RT) Bunker, to improve our RT tests frequency and quality for all the piping pre-fabrication works completed in our CPW. These, together with our effort to enhance a skilled and disciplined workforce, is part of our effort to ensure better productivity and quality of our main work activities.
- Fabrication and installation of the new Dock Gate for Dry Dock 1, which now has an extended life of 50 years. This was a planned replacement and is essential to ensure future safe usage.
- 2014 also saw the delivery of four (4) units of 250 T Crawler Cranes and eight (8) units of 50 T Rough Terrain Cranes. With dedicated drivers, we are now able to rely on our own assets and workforce to ensure timely lifting of critical components, while reducing the expensive rental charges on cranes.
- Whilst most of our Yard Optimisation projects are related to our core business activities, we have also completed several projects that markedly improved the working conditions and welfare of the over 3,000 population of MMHE. This includes the introduction of the Shuttle Bus Service in February 2014 within West Yard and the new clinic at the East Yard in July 2014. All services are available for all employees, workers and clients of MHB.

HEALTH, SAFETY AND ENVIRONMENT

Driving performance in Health, Safety and Environment (HSE) remains paramount within the Group as this ensures we are safeguarding our people, assets, environment as well as our reputation wherever we operate. During the year under review, we recorded 20.15 million man hours. Our Total Recordable Cumulative Frequency (TRCF) stood at 0.69 while our Loss Time Injury Frequency (LTIF) was 0.10 which is 0.02 better than our planned target.

OUTLOOK AND PROSPECTS

The Exploration and Production (E&P) environment in Malaysia continues to remain challenging with PETRONAS reducing its capital expenditure between 15% and 20%. The squeezing of margin for E&P companies will result in a stiff price competition situation for OBU. As a result, MHB's new order intake replenishment is expected to face a great challenge at least through 2015. MHB will however be actively participating for tenders from PETRONAS sanctioned projects. In addition, MHB is undertaking major operations excellence and cost leadership initiatives to ensure MHB retains its market competitiveness during this difficult period.

Meanwhile, the shipping sector continues to benefit from the lower oil price as it has generally impacted tanker rates positively. Encouraging stockpiling of crude oil could translate into higher demand for oil over a period of time. The decreasing oil prices have also lowered ship owners' operating expenses as bunker fuel cost is a major cost item. Notwithstanding the positives, we see this sector having high capacity to be filled up, especially with the newly introduced Singapore docks, which underscores the competitiveness of doing business in this sector.

APPRECIATION

On behalf of the management of MHB, I wish to express my heartfelt appreciation to everyone for your continued trust, support and commitment in us over the years. Our achievements thus far are a testament of the drive and resilience of everyone.

Throughout my tenure as the Managing Director of MHB in the last four years, we have moved ahead with continued dedication and determination in building a secure sustainable outlook for the business. We have made positive strides in strengthening the foundations of MHB and achieved commendable results as the team continued to deliver and act on realising the goals set. I am confident that we are well positioned for continued growth in the next few years.

Moving forward, I believe that my successor, Tuan Haji Abu Fitri bin Abdul Jalil, will go on to achieve greater progress on our results, to ensure our projects are delivered on-time, on-budget and safely to our clients and customers, thus taking our Group to higher standards of excellence.

DOMINIQUE DE SORAS

Managing Director and Chief Executive Officer

Business Overview

20 February 2014

MHB RECEIVES 2013 CEO'S HSSE & SP AWARDS

MHB was named as 2013 Chief Executive Officer's Health Safety, Security, Environment and Social Performance Award (CEO's HSSE & SP Awards) in 'Do The Right Thing' Category by Sarawak Shell Berhad (SSB) for project F14 & F29. The award was presented during an appreciation dinner hosted by SSB in Miri Marriot Resort, Miri, Sarawak.

The CEO's HSSE & SP Awards recognise achievements in sustaining HSSE performance and goal zero i.e. zero fatalities, zero accidents and zero significant incidents throughout the entire fabrication work load out and sail away activities.

26 February 2014

MHB RECEIVES AWARD FOR ENGINEERING AND CONSTRUCTION PROJECT OF THE YEAR 2013

MHB was awarded the Engineering and Construction Project of the Year 2013 for the tension leg platform Malikai Deepwater Project by energy industry publisher 'The Oil & Gas Year'. The award presentation was held on 26 February 2014 at Canada Place, Wisma Selangor Dredging, Kuala Lumpur.

This award recognises MHB as the only offshore heavy engineering yard in Malaysia for deepwater fabrication. The implementation of the Company's 'New MMHE Way' focuses on the fundamental changes that have further strengthened MHB's foothold in the fabrication business.

29 March 2014

SAIL AWAY OF FPSO CENDOR PHASE II PROJECT

MHB completed the conversion of FPSO Cendor for MISC Berhad which is now deployed at Cendor field, offshore Terengganu, Malaysia.

The scope of work covered engineering, procurement, construction and commissioning work for the 12,032 MT facility.

17 April 2014

MHB DELIVERS TAPIS-R TOPSIDE

MHB marked another milestone with the delivery of the Tapis-R topside for ExxonMobil Exploration and Production Malaysia Inc (EMEPMI).

Tapis-R topside is a part of the Tapis-R Enhance Oil Recovery (EOR) project which is one of several upstream investments highlighted by Prime Minister Dato' Sri Najib Tun Razak under Malaysia's Economic Transformation Programme in 2011. The project is also one of the largest EOR projects in Southeast Asia.

The topside comprised an 18,000 MT integrated deck with space for production processing equipment, utilities systems and living quarters for 145 personnel.

MHB's scope of work included procurement, fabrication, load-out, tie-down, transportation, installation and commissioning of the topside.

Business Overview

19 May 2014

MHB HOLDS 25TH AGM

MHB held its 25th Annual General Meeting (AGM) at the Sime Darby Convention Centre, Kuala Lumpur, where its shareholders attended the meeting to review the Group's annual performance. 380 shareholders and proxies attended this year to vote on and approve the tabled resolutions.

16 June 2014

SAFE SAILAWAY OF KBB TOPSIDES

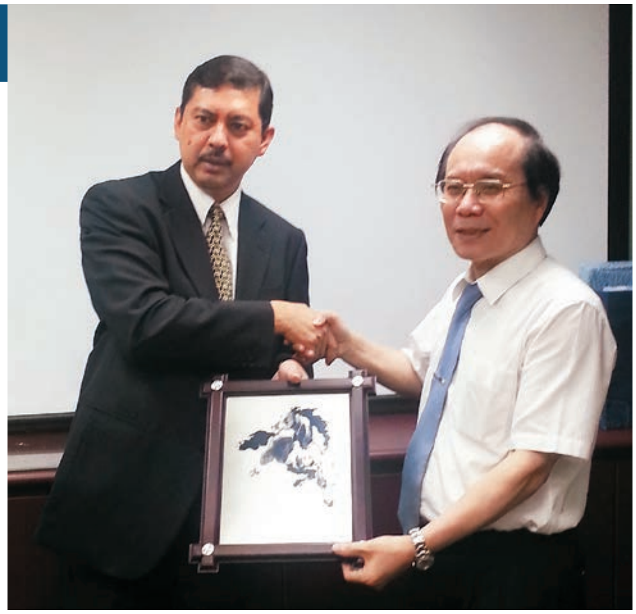
MHB delivered the Kebabangan (KBB) Topsides for Kebabangan Petroleum Operating Company (KPOC). The 17,442 MT topsides are now installed offshore Sabah. MHB's scope of work included the engineering, procurement and construction of the topsides.

23 June 2014

MHB WORKS ON LARGEST PIPELAY VESSEL IN THE WORLD

MHB had the privilege to work on Audacia, the largest pipelay vessel in the world. Owned by Allseas Engineering BV, Audacia is a dynamically positioned pipelay vessel for all water depths with the capability to install pipelines up to diametre of 60 inches, inclusive of coating.

7 & 20 August 2014



MBU SECURES CONTRACTS FROM SIMOSA & FPMC

MHB achieved a significant milestone when it secured en bloc contracts by Taiwanese shipping companies; Simosa Oil Co Ltd (Simosa) and Formosa Plastics Marine Corp (FPMC).

The contract from Simosa was awarded on 7 August 2014 for drydocking repair works for two of their tankers. The contract from FPMC was awarded on 20 August 2014.

23 September 2014

MHB AND TECHNIP LAUNCH TMJV

MHB and Technip officially launched Technip-MMHE Joint Venture (TMJV) during the 2nd Malaysia Oil & Gas Services Exhibition and Conference (MOGSEC) at Kuala Lumpur Convention Centre.

TMJV is an international EPCIC contractor specialised in delivering large and complex projects for the offshore Oil & Gas industry.

Established in July 2011, this 50-50 unincorporated joint-venture (JV) between Technip and MHB leverages on Technip's design engineering capabilities and MHB's fabrication expertise in providing world-class EPCIC services.

Projects under TMJV which are currently under construction at MMHE yards include the tension leg platform (TLP) Malikai Deepwater Project and SK316 Gas Development Project.

Business Overview

3 November 2014

MHB SECURES CONTRACTS WORTH RM350 MILLION

MHB secured contracts close to RM350 million which involves fabrication and other associated works for two exploration and production projects offshore Peninsular Malaysia.

The first contract is for the fabrication of a well head platform and its jacket, the connecting bridge, and heavier jacket for the central processing platform for the North Malay Basin (NMB) Bergading Complex where MHB will be the subcontractor for Hyundai Heavy Industries Co Ltd. The total weight of these structural components under MHB's work scope is about 14,800 MT and they are scheduled for sailaway and delivery to the project's ultimate client, Hess E&P Malaysia BV by 2016. The NMB Bergading Complex is located offshore Peninsular Malaysia in water depth of between 55 and 60 metres.

The second contract is the procurement, construction, hook up and commissioning contract for the Besar–A well head platform and its jacket as well as the associated host tie-in work for PETRONAS Carigali Sdn Bhd. With total components weighing 5,100 MT, the project is scheduled to be completed towards the end of 2015. The Besar field is located offshore 185 kilometres northeast of Kerteh in Terengganu at a water depth of approximately 70 metres.

Bergading Wellhead Platform

Besar-A Wellhead Platform

5 November 2014

OFFSHORE BUSINESS WINS TURRET CONTRACT

MHB achieved another milestone when it was awarded a fabrication contract for an external turret mooring system from client, SOFEC Inc.

The turret is for the PETRONAS FLNG2 Facility and will weigh approximately 2,338 MT. It is scheduled for delivery and sailaway in 2016 to its facility location at Rotan Field, Sarawak. Once completed, this turret will be the 20th turret fabricated by MHB.

9-11 November 2014

RECORD VESSEL CAPACITY FOR MARINE REPAIR

For the second time in its 40-year history, MHB recorded a full capacity of 15 vessels and rigs for repair and refurbishment works at the same time. To date, this is the highest number of vessels and rigs occupying MMHE West simultaneously. The last time the yard accommodated a large number of ships for repair was in 2003 with 14 vessels.

The yard's full occupancy saw 12 returning clients and 3 new clients, entrusting MHB with various requirements including a number of complex projects and services.

ON-GOING PROJECTS

- Construction of Malikai tension leg platform Malikai Deepwater Project for Sabah Shell Petroleum Company (SSPC).
- Construction of a central processing platform and a bridge-linked well head platform for the development of two gas fields in Block SK316 for PETRONAS Carigali.
- Construction of North Malay Basin (NMB) Bergading Complex well head platform and its jacket, the connecting bridge, and heavier jacket for the central processing platform for Hess E&P Malaysia.
- Construction of Besar–A well head platform and its jacket as well as the associated host tie-in work for PETRONAS Carigali Sdn Bhd.
- Fabrication of an external turrent motoring system for PETRONAS FLNG2 Facility for client, SOFEC Inc.

Share Performance

MONTH	VOLUME	PRICE
Jan-15	94,343,300	1.57
Dec-14	76,169,300	1.78
Nov-14	28,593,700	1.79
Oct-14	18,046,500	2.27
Sep-14	8,463,600	3.00
Aug-14	10,118,800	3.28
Jul-14	7,164,600	3.48
Jun-14	5,855,200	3.72
May-14	4,088,300	3.80
Apr-14	11,402,800	3.95
Mar-14	7,108,700	3.76
Feb-14	23,828,400	3.57
Jan-14	5,507,000	3.63

Financial Calendar

FINANCIAL YEAR 2014

- **7 MAY 2014, WEDNESDAY**
  – Q1 FY2014 results announced

- **5 AUGUST 2014, TUESDAY**
  – Q2 FY2014 results announced

- **5 NOVEMBER 2014, WEDNESDAY**
  – Q3 FY2014 results announced

FINANCIAL YEAR 2015

- **5 FEBRUARY 2015, THURSDAY**
  – FY2014 Full year results announced

- **25 MAY 2015, MONDAY**
  – Annual General Meeting

ENTERPRISE

Enterprising as a team

We are at our best when we work as a team, respecting each other, while pushing the boundaries of innovation.

Sustainability Report

With more than 40 years of experience in servicing the oil & gas and marine industries, MHB takes pride in efforts to create sustainable ways of operating our business.

Colouring activity with the children of Orang Asal Seletar, Pasir Gudang

To ensure our business sustainability objectives are met, we continuously embed best practices across the Group to improve our way of doing things. Our operation initiatives cover the following key areas, which encompasses the four pillars of Sustainability **– Workplace, Marketplace, Environment** and **Community**:

Business Conduct

MHB is committed to making the Company a leading marine and heavy engineering organisation of choice. We will base our progress upon the lessons and experiences that transformed MHB into a versatile business entity, meeting the challenges of the new millennium, and maintaining the unique characteristics of the oil & gas and marine services company.

MHB has put in place codes and policies to achieve our business objectives while adhering to best practices. We take these values seriously and enforce them both internally within our organisation and externally.

OUR BUSINESS PRINCIPLE:

While we maintain flexibility to adapt to changing conditions, the nature of our business requires a focused, long-term approach and the need to balance risks and rewards. We will consistently strive to improve through learning, sharing and implementing best practices.

In our quest for globalisation, we continue to seek opportunities in regions of the world where we can create value. We are committed with existing and new partners who share our values, philosophy and business approach.

To this end, we aspire to achieve excellent financial and operating results while adhering to the highest standards of business conduct. These objectives provide the foundation for our commitment to those with whom we interact. MHB recognises five core areas of responsibility:

1. **SHAREHOLDERS**
2. **EMPLOYEES**
3. **CUSTOMERS**
4. **BUSINESS PARTNERS**
5. **COMMUNITIES**

MHB Code of Conduct and Business Ethics (CoBE)

The Company is required to comply with MHB CoBE that is adopted from PETRONAS CoBE. The CoBE is applicable to all Directors, employees and third parties performing works or services for, or on behalf of the Company.

It is benchmarked to international standards and is further enhanced to accommodate developments in local and international laws, as well as provisions on anti-trust laws, money laundering and reference to whistleblowing.

The CoBE covers four areas, namely:

1. **CORE VALUES AND CULTURE**
2. **DUTIES OF GOOD FAITH, FIDELITY, DILIGENCE AND INTEGRITY**
3. **WORKPLACE CULTURE AND ENVIRONMENT**
4. **DISCIPLINE, DISCIPLINARY PROCESS AND SANCTIONS**

Business Conduct

01

MHB Group has adopted a zero tolerance policy against all forms of solicitation, bribery and corruption.

Solicitation, Bribery and Corruption

The MHB Group has adopted a zero tolerance policy against all forms of solicitation, bribery and corruption. The MHB Code of Conduct and Business Ethics (CoBE) sets out MHB's core principles in this regard. The MHB Anti-Bribery and Corruption Policy and Guidelines (referred to as the 'ABC Manual') elaborate upon those principles, providing guidance to employees concerning how to deal with improper solicitation, bribery and other corrupt activities and issues that may arise in the course of business.

The Code also sets out guidance concerning the giving and accepting gifts and entertainment. The Company enforces a 'No Gift Policy' whereby the receiving of gifts from third parties in cash or in-kind in the course of business or stemming from any business relationships is prohibited.

On 26 June 2014, MHB signed 'Corporate Integrity Pledge' with Malaysian Anti-Corruption Commission. By signing this pledge, MHB formally declares that it will work to create a

MHB enforces a

'NO GIFT POLICY'

THE COMPANY ENCOURAGES TO DISCLOSE IMPROPER CONDUCT COMMITTED OR ABOUT TO BE COMMITTED WITHIN MHB

01 *MHB signed 'Corporate Integrity Pledge' with Malaysian Anti-Corruption Commission*

02 *MHB upholds the highest integrity with all stakeholders*

business environment that is free from corruption; and that MHB will uphold the Anti-Corruption Principles for Corporations in Malaysia in the conduct of its business and in the Company's interactions with the Malaysian Government and its global-local business partners.

Whistleblowing

MHB provides an avenue for employees and members of the public to report any improper conduct (misconduct or criminal offence) committed or about to be committed within MHB. This is to demonstrate MHB's commitment in promoting the highest standard of integrity, openness and accountability in the conduct of its businesses and operations.

Disclosures can be made to any of the following reporting channels, in strict confidential manner through email, online submission via MHB's website, in person to General Manager/Chief People Officer of Human Resource, snail mail and via telephone hotline.

Public Policy Positions/Political Donations

MHB does not allow for any political contributions or the use of MHB's facilities, resources and equipment for any politically related activities, campaigns or functions so as not to compromise its interest. Employees are also prohibited from using their positions in MHB to influence political contributions and support.

Health, Safety and Environment

MHB views Health, Safety and Environment (HSE) as of paramount importance. Through the implementation of our HSE initiatives, we are committed to creating a culture of healthy living, work safety and environmental conservation.

OHSAS 18001:2007 Certified Occupational Health & Safety Management System

ISO 14001:2004 Certified Environmental Management System

01

02

01 *MHB provides in-house clinics in its yards*

02 *MHB blood donation drive*

HEALTH

The health and welfare of employees is MHB's priority as a healthy workforce is key to safe operations and high productivity. To enhance employee awareness in occupational health and personal health management, a series of health talks were organised throughout the year. The talks were delivered by the Company's occupational health doctor and external guest speakers. Among the topics discussed in FY2014 were on occupational disease, communicable disease, food hygiene and safety, noise-induced-hearing loss, ergonomics-body posture and manual handling, and tuberculosis.

Basic principles of risk identification, risk assessment and risk control were being implemented to ensure employees are protected from health risk exposures. Positive noise and chemical exposure monitoring, local exhaust ventilation testing, hearing protection and respiratory protection programmes were conducted as part of occupational health management.

MHB's Drug and Alcohol Policy is MHB's commitment to ensure the workforce is free from the influence of drugs and alcohol that will adversely affect productivity and operations. Pre-access, random, periodic and with-cause drugs and alcohol tests were performed extensively on MHB's employees and contractors to uphold the policy, safeguard employees and create a safe and healthy workplace.

By virtue of promoting work-life balance, MHB has organised several health campaigns throughout the financial year such as:

- Drug and Alcohol Prevention Campaign
- SOCSO Health Screening and Health Talk Campaign
- Hearing Conservation Campaign
- Health Risk Assessment Programme
- Blood Donation Drives

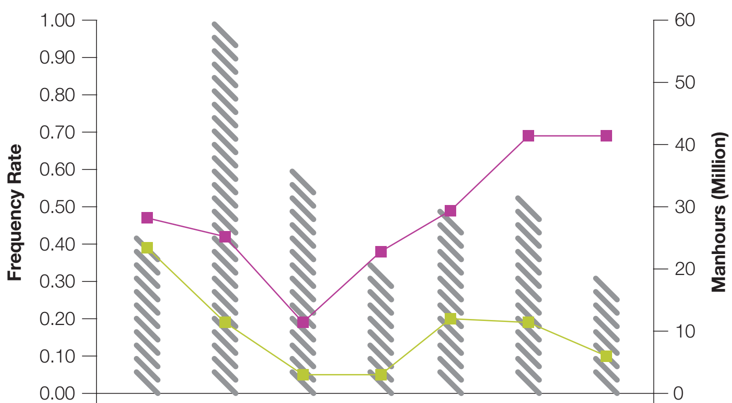
Health, Safety and Environment

SAFETY

Safety takes supremacy as one of MHB's core values and forms as an integral aspect of MHB's business operations. Recognising that good safety management contributes to operational excellence, MHB has systems and programmes to ensure that safety remains its topmost agenda.

Embracing the philosophy that safety is everyone's business, MHB aims to achieve the target of 'Nobody Gets Hurt' and zero harm workplace, zero environmental spillage, zero property damaged and zero fire. We believe that creating a safe workplace is a continuous effort and journey which requires collaboration of all stakeholders which include the employees, subcontractors, clients and everyone that we do business with. They are encouraged to take ownership of safety, exchange experiences and knowledge, as well as foster positive behaviour.

End of 2014 saw MHB soaring with steady HSE achievement, in which our total lost time injury frequency (LTIF) improved to 0.10 against FY2013 achievement of 0.19. Our total reportable case frequency (TRCF) remained unchanged with 0.69. In FY2014, we experienced several incidents that reinforced the need to stay vigilant and to maintain our focus on operational safety. It was indeed a challenging year as we saw one fatality recorded in FY2014. The Company continuously raising the HSE bar by implementing effective management system, enhancing safety ownership and behaviour, and strengthening safety partnerships.



	2008	2009	2010	2011	2012	2013	2014
Manhours (million)	25.61	63.03	37.59	21.04	30.32	32.01	20.15
LTIF	0.39	0.19	0.05	0.05	0.20	0.19	0.10
TRCF	0.47	0.42	0.19	0.38	0.49	0.69	0.69

7-Year HSE Performance

Incidents Lessons Learnt

MHB issued lessons learnt alerts to communicate information on safety issues and incidents within and outside the Company which highlighted on potential unsafe working conditions or practices. These alerts include specific requirements or recommendations for our operations to implement wherever applicable. It aims to prevent any incident re-occurring.

MHB-Client HSE Management

MHB values clients' opinions for the betterment of the Company. In FY2014, MHB initiated a forum where all present clients were gathered in a one day event where they shared information to improve HSE performance and explored opportunities to develop business practices.

MHB Contractors CEO HSE Forum

Our subcontractors are one of our largest and important stakeholders. FY2014 saw MHB hosted two Contractors CEO HSE forums with the objective of sharing information on HSE at operation level. The two-way communication platform was intended for all parties to achieve similar goals of continuous HSE improvements.

Behaviour Based Safety through Intervention of Unsafe Act

MHB started the Behaviour Based Safety (BBS) programme since FY2012 through the implementation of MMHE 10 Safety Rules Intervention and Marine Repair Business Unit's DAPAT (*Dah Ambil Peduli Ambil Tindakan*/When you know it is an HSE issue, be responsible and act on it) behaviour programmes.

In FY2014, the efforts to promote and encourage intervention of unsafe act continue with the launched of Offshore Business Unit's own BBS programme named Behavioural Excellence All Together.

Near Miss Reporting

In MHB, we strongly believe that proper management of near miss incidents will prevent major incidents occurrence. Thus, we highly encourage everyone to report near miss incidents regardless of whether it is a low or high potential incident and reward the notifier as a token of appreciation. The near miss reporting campaign is one of the mandatory campaigns in MHB.

Safety Campaigns

In FY2014, significant campaigns were organised with the objective of instilling HSE awareness and enhancing greater involvement among the workforce. The campaigns organised include:

a. Near Miss Reporting Campaign
b. Caught in Between Campaign
c. Dropped Object Campaign
d. Hand & Finger Injury Prevention Campaign
e. Road Safety Campaign
f. Specific Project HSE Campaign

Emergency Response

Emergency preparedness and response unit was developed to ensure sustainability and business continuity.

In FY2014, we conducted a total of 62 emergency drills on MHB fixed assets, offshore projects and vessels. Various scenarios were introduced to the drill including firefighting, building rescue, high angle rescue, confined space rescue, evacuation of workforce and medical emergency response.

Two main highlights in FY2014 were:

- **Joint Venture drill with neighbouring companies located around MMHE East's perimeter.** It was a successful drill targeted on communication, strategic fire plan and knowledge sharing. We also conducted several fire extinguishment practical sessions.
- **Pasir Gudang Emergency Mutual Aid annual emergency drill 2014 in MMHE West.** This is a major drill involving all relevant government agencies such BOMBA, police, civil defense, marine police, marine department, hospitals, Department of Occupational Safety and Health (DOSH), Department Of Environment (DOE) and chemistry department.

Emergency Response Team (ERT) achieved another milestone when we received a rescue boat and oil spill containment boom. These new assets will be the first line defense equipment in the case of man overboard incident at sea and water pollution from oil spill.

In FY2014, we sent our personnel to multiple competency trainings to qualify for the high risk emergency operation. The external courses include Sea Water Rescue, Advanced First Aid, Boatman and Helmsman, High Angle Rescue and Poisonous Snake Catch & Handling. The objective of these trainings is to equip the ERT crews with advanced knowledge and skills.

MMHE hosts Pasir Gudang Emergency Mutual Aid annual emergency drill 2014

Health, Safety and Environment

ENVIRONMENT

In line with our policy on environmental sustainability, protection and conservation, MHB remains committed to operate in and environmentally responsible manner in compliance with local and international environmental best practices and legislation. Our ISO 14001:2004 Environmental Management System (EMS) certifications demonstrate our attitude towards protecting and conserving the environment. The certification reflects the implementation of a proactive EMS, management commitment, interest towards recycling and reusing resources, monitoring of pollution and waste minimisation programme.

Commitment, passion and adherence to conserve the environment helped reduced operating liabilities, operation costs and compliances to regulatory requirement.

MHB's environmental initiatives to date include air emission monitoring activities, air ambient monitoring, water sampling for wastewater and sewage, noise monitoring at fabrication areas and effluents discharge, as well as spills containment facilities. These initiatives were strengthen by the availability of Centralised Scheduled Waste store and Industrial Effluent Treatment System facility.

We ensured the placement of filtration and dust collectors for all auto blast machines to eliminate the release of contaminated particles. Blasting and spray painting activities are now carried out in enclosed workshop/chamber equipped with dust extraction and a filtration system to reduce the release of dust into the environment and promote recycling of abrasive material such as spent steel grit, spent copper slag, spent garnet etc.

For scheduled waste, we have put in place an effective segregation, storage and disposal system. Disposal or treatment of MHB's scheduled waste is done in accordance with legislative requirements while licensed contractors undertake all collection and disposal activities.

MHB's environmental conservation focuses on reducing the environmental impact of our business activities. In FY2014, MHB launched the 7 Environment Rules. It is a part of the environmental awareness campaigns and programmes related to waste management and pollution control of water, air, soils and the sea. In the year under review, MHB conducted various campaigns and trainings to promote environmental awareness among staff and subcontractors.

We continue embarking on environmental conservation initiative by launching the Environment Campaign which carried the theme "Our Environment, Our Future & Our Life". The highlights of the campaign were the introduction of 7 Environment Rules and promoting 3R (Reduce, Reuse and Recycle) activity. The programme aims to promote awareness on how to sustain the environment and to promote the 7 Environment Rules.

MHB practices 3R in daily operations

Tree planting activity during 'Minggu Alam Sekitar Malaysia' with DOE

The disposal method initiatives embarked by MHB under the 3R concept were:

- **Reuse of spent copper slag and spent garnet**

  A key environmental initiative was to manage the spent blasting materials from the blasting process. Spent blasting materials are viable to be used by cement industries as sand replacement in blended cement. With approval from DOE, an agreement was signed with local cement companies to transport the spent blasting materials to be recycled by cement companies.

- **Recycling of used paint containers & expired/discarded paint**

  Almost 100% of used paint containers and expired paint were sent for recycling. Contaminated rags/filter were partially recycled while solid paint waste was sent for disposal by DOE's licensed contractors.

- **Recovering value of scheduled waste**

  Almost 100% of spent lubricating oil, spent hydraulic oil, electric/electronic and acid battery waste in the yards were sent for recovery as value waste. This resulted in a saving of approximately RM0.5 million in overall 3R activity in MHB.

As part of the conservation activity, MHB also participated in DOE environment week and mangrove replantation activity in October 2014.

MHB continuously seek to mitigate the environmental impact of our operations by reducing emissions, discharges and wastes. As we continue to improve and maintain a solid business performance, we are well on our way to achieve environmental conservation excellence.

Marketplace

MHB conducts business ethically as we strive towards greater sustainability. We are committed to creating value for our shareholders by ensuring the highest quality of work and services for the industry.

ISO 9001:2008 Certified
Quality Management System

SUBCONTRACTOR & VENDOR MANAGEMENT

Competitive Procurement

MHB emphasises on organisational cost and operating efficiency. In response to the challenging business environment and to become more competitive, MHB redefines the organisation structure of Supply Chain Management Division (SCM) on 25 April 2014. The intention is to optimise human resource within the division. The key design principle of the new structure:

i. Emphasise on process and strategy improvement to develop a lean structure
ii. Increase efficiency by applying suitable procurement tools
iii. Retaining capability for full-fledged SCM as talent retention strategy

Spend analysis is now conducted on all expenses procured by MHB allowing the management to examine the trend and determine the right procurement tools to be adopted.

Another factor that calls for competitive procurement is the implementation of Goods and Services Tax (GST) in 2015. 92% of active MHB's registered vendors are now GST registered. Procurement can only be competitive when buying from GST registered vendors in order to recover the input tax paid on purchased goods and services. Other preparations on GST are continuously being detailed out in the pipeline.

Cost Saving Initiatives

SCM launches "SCM New Way" in 2014, doubling the effort to deliver on time and at cost. Buying materials are no longer the same. MHB is more specific in the buying strategy where it can leverage on the volume it buys. Bulk materials are sourced directly from manufacturers while small quantity orders are sourced through local suppliers. We value our subcontractors and vendors who supported us during new project biddings. Under the "SCM New Way", MHB formed the Win-bid Strategy with the vendors and subcontractors right at the bidding stage. The intention is to get high accuracy bidding price and eventually award the package to the most competitive vendors and subcontractors during bidding. This would help to avoid double-handling of tendering activities and able to immediately kick-start any new projects awarded to MHB. Vendors and contractors are given fair chances with transparent selection processes.

Contractors CEO HSE Forum

On the other hand, we reduced our warehouse holding cost by redefining the stock level and economic re-order point for 'slow-moving items'. Unused items were sold to external parties or sent for proper disposal.

MHB renegotiates most of the price and frame agreements for new project bids to be competitive.

Another initiative to promote better cost saving is the handover of Warehouse C and Tool Centre at MMHE West to Facilities and Assets Services Division (FAST). FAST was formed with the intention to optimise manpower, operations and utilisation of MHB's assets, to increase cost efficiency.

Stringent HSE Requirements in Engaging Partners

Aligned with MHB HSE's target of 'Nobody Gets Hurt', all employees, clients, vendors and subcontractors or anyone who are partners to MHB are expected to comply with MHB's HSE rules and regulations. Contractual terms are very specific in outlining MHB's expectations on standard levels and key deliverables for HSE. A campaign was also conducted specifically on equipment maintenance to create more awareness on the importance of scheduled inspection and preventive maintenance. This is to ensure that the equipment is fit for use at all times. Good upkeep of equipment saves lives and directly contributes to the productivity of MHB's projects.

Outcome of Framework Agreement

The two first frame agreements are the Structural and Piping Work Services signed in 2012. Both were piloted on Malikai and SK 316 projects. Spend analysis conducted in December 2014 showed 99% spent on both disciplines were made to our frame agreement panel subcontractors. MHB does not tolerate non-performance subcontractors and it is reflected in the removal of panels from these agreements. There are 32 disciplines now using the framework agreements. The utilisation, leakage and unexplored items are monitored on annual basis to gauge the effectiveness of each frame agreement.

Marketplace

01

02

01 *MHB places emphasis on quality of work. Photo is showing painting activity in one of the MHB's workshops*

02 *An employee performing Ultrasonic Testing, one of the non destructive testing methods*

QUALITY

As a responsible corporate citizen, MHB is committed to ensuring our services benefits not just our stakeholders but towards the oil & gas and marine industry as well. Thus it is important for us to step up our initiative on providing the best quality for the industry, not just for the end product but also to produce competitive professionals in the market.

Enhance Competency Level

MHB is committed to continually develop specific task competency programme by fully utilising internal subject matter experts. In FY2014, MHB successfully launched Preservation Competency Programme to improve the preservation activities in warehouse and fabrication site. At least fifty personnel were qualified and already deployed at respective areas which significantly reduced the risk of loses due to improper preservation activities.

This programme was driven by the successful implementation of previous internal competency programmes such as non destructive testing (NDT) Level II and Welding Consumable Controller Competency Programme.

The competent NDT Level II personnel is a main success factor of in-house NDT programme where it recorded significant saving of RM43,000 in FY2014. Whereas, the competent consumable controller helped project management team to reduce welding defect rate due to crack and porosity.

Nurturing Quality Mindset

Realising the important of having good quality practices and mindset, MHB launched Quality Control Circle on 23 September 2014 to promote the effective problem solving among onsite workers. Eight small working groups were formed to solve identified high impact issues and it progressively showing improvements. This programme will be continued in year 2015 where more participations from business and service units are expected.

In addition, a series of quality pocket books for selected trades will be published for better understanding and compliance to relevant standards or requirements. In 2014, MHB successfully published blasting and painting pocket book, distributed to employees working in the yards.

Monitoring Quality Assurance Compliance

MHB conducted three Quality Steering Committee meetings to discuss quality issues and potential improvement programmes for implementation in FY2014. The identified quality performance indicators such as audits, quality non-conformance and others were analysed and presented to the Quality Steering Committee for management decision.

Also, 13 audits for projects, service units and business units were conducted to verify the quality assurance compliance. In addition to the yearly planned audits, MHB conducted at least five audits for material preservation assessment activities in MMHE West and MMHE East. The audit findings were subsequently presented to the management for follow up actions.

To further assured the quality compliance, MHB guided few potential subcontractors for ISO 9001:2008 certification by providing advices, documentation supports and trainings. Special attention was given to information related to quality management system and internal audit training. This programme successfully attracted five contractors where two of them were seriously engaged with the certification body to proceed with the actual quality management system certification.

Enhancing Quality Awareness at All Levels

The annual Good Quality Practice Campaign was held on 29 November 2014 with objective to increase quality awareness among employees and contractors. Among the quality related programmes conducted were:

- Walkabouts/Surveys & Inspections
- Quality Talk
- Quality Quiz
- Quality Treasure Hunt
- Quality Workshop

The main objective of these programmes were to identify the possible issues to be solved or to recommend improvement initiatives which will be incorporated in year 2015 quality plan. The activities attracted many participants namely the Quality Treasure Hunt, Quality Talk and Quality Quiz.

Good Quality Practice campaign

Sustaining Competent Internal Auditors

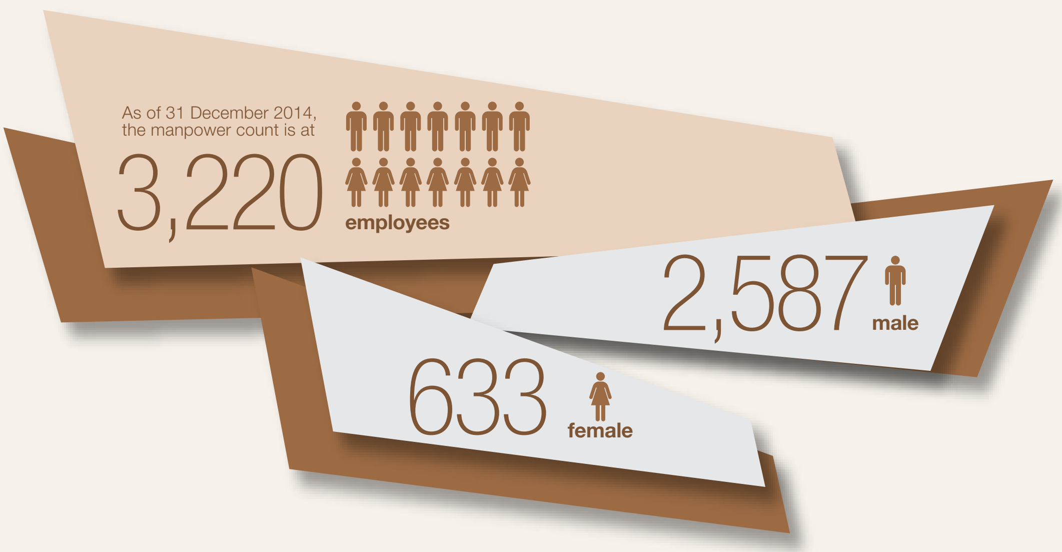
MHB successfully qualified 55 internal auditors for Quality, Health, Safety and Environment (QHSE) Management System. In FY2014, 10 experienced auditors and 20 intermediate auditors successfully qualified based on specified criteria such as audit hours and required competencies or training. MHB attracted 25 new auditors as apprentice for auditing the management system under supervision of qualified lead auditors.

This pattern showed that the auditors' development for QHSE Management System was consistently maintained and continuously improving. In FY2014, most of the Auditor Development Programme targets were achieved where audit activities consistently done in accordance to the approved plan.

Engagement session among the auditors was conducted in September 2014 as a platform to share the auditors' performance and obtain their feedback for betterment.

Workplace

MHB has 3,220 site and office employees who are the pillars in supporting the Company's growth. We place emphasis on developing our people and in producing dynamic and innovative thinking professionals.



Diversity and Equality (as of 31 December 2014)

As of 31 December 2014, our manpower count is 3,220 employees of which 87% are Malaysians. This number encompasses permanent, contract, and project based employees whose nationalities include Malaysian, Indonesian, Filipino, Pakistani, Indian, British, French, Singaporean, Bruneian, South Korean, Egyptian and German. Foreigners make up about 12.55% of our diverse workforce. With such diversity, it is crucial that our workplace policies are able to manage our employees' wellbeing and at the same time to develop their capability and potential.

Long Service Awards 2014

As the Company is in the oil & gas contracting sector, the majority of our employees are male (2,587 employees). Approximately 19.66% (633 employees) of the workforce is female.

Protecting Employee Rights

The in-house union for non executives works together with the Management to achieve organisation productivity and harmony. The collective agreement (CA) is reviewed or negotiated every three years. The 11th CA expired on 31 December 2014 and the 12th CA will take effect from January 2015 to December 2017. A total of 548 employees are governed under this CA.

Due diligence will be observed prior to any disciplinary action taken against employees who have committed any misconduct. Employees will be given due regards to their rights under the principles of natural justice. The Company makes every effort to provide an orderly, fair and effective means of conducting and resolving any misunderstanding or grievance. Opportunities are given to the aggrieved employees to appeal against any actions meted out by the Disciplinary Board.

Rewarding Success

Rewards in the organisation are based on the employees' performance. Emphasis is placed on a high performance culture. The Performance Management System (PMS) has been enhanced to enable on-going performance conversation, informal feedback and coaching. The formal performance review is conducted twice a year.

Recognition is also given to long-serving employees who have worked for the Company for 20 years, 25 years, 30 years and 35 years. In 2014, a total of 49 employees were given recognition for their loyal service to the Company.

To enhance awareness on the importance of education, employees' children who have achieved excellent results during the major examinations in primary and secondary school will be recognised via MHB's Education Excellence Award. 49 bright students were rewarded for their achievements in the 2013 examinations. In order to develop a sustainable future for the Company, the Innovation Excellence Awards commenced in 2013. The award encourages employees to contribute to the organisation's success through creative and innovative thinking. A total of 96 ideas were submitted in 2014.

Workplace

People Development

In the year 2014, a total of 62,312 hours of training were conducted for the employees. This is an average of 25 hours per person. The employees are trained in combination of soft skills as well as technical skills. Some of the programmes conducted at the in-house training centre were Managing Self, Managing Others, Impactful Presentation, Advanced Communication, Business Acumen, FLNG & FRSU, Project Quality Management, Project Cost Control, Planning & Scheduling and Change Process Control.

A development programme targeted at high potential (Hi-Po) employees is also in place as a strategy for retaining talents who have potential to grow into leadership roles within the organisation. The programme consists of skill/competency building, mentoring, coaching, and job rotation. A special retention scheme is also developed to ensure potential talents grow with the Company. A Career Development Committee (CDC) was established to oversee the Hi-Po programme. The CDC provides regular feedback on the talents' progress to ensure that expectations are met.

MHB has its own management trainee programme named Epsilon, a premier talent initiative for new graduates in the developing talent pipeline for the organisation. The programme provides cross operational and cross functional exposure through rotation and structured workshops. This enhances talent mobility in the Company.

Succession Planning

It is important for an organisation to be prepared with potential successors to ensure a structured business continuity plan is in place and to groom potential leaders.

MHB has identified and approved 29 positions deemed as critical. Successors identified for such critical positions will be developed in accordance with the succession planning framework to increase their leadership competency and enhance their readiness level. Individual development plans for successors in such critical positions will be monitored by the talent management team.

Employee Engagement

Employee engagement is a crucial enabler to high performance. Consistent engagement between staff and Management will motivate employees to fulfil their tasks with passion.

A total of two townhall sessions were organised in 2014. These were mainly to provide snapshot reviews of the Company's financial and operational performance over 2013 as well as a look-forward on the strategic intent and business priorities of 2014.

Several informal activities were also organised to promote engagement among employees such as 1Malaysia Celebration, 'Lunch & Learn' Series, Family Day, Majlis Gotong-Royong at MMHE Flats, Futsal and Badminton Tournament, MHB Bowling Tournament and Maulidur Rasul celebration to name a few.

The Company's Family Day 2014

01 *Auditorium*

02 *Training building*

03 *Heritage corner*

04 *Welding bay- one of the training workshops*

Regional Centre of Excellence for Oil & Gas Industry

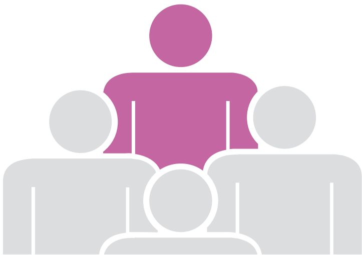
On 16 February 2015, MHB officially launched its new integrated training facility – the MMHE Centre of Excellence (COE), located at Jalan Pekeliling in Pasir Gudang, Johor.

The first-of-its-kind facility was developed with the objective to provide training and competency development of our workforce in a safe environment and to apply hands-on technical programmes which are crucial in the real working environment.

COE is a significant accomplishment for MHB over the span of 40 years in developing the Company's human capital. As the country's leading offshore and marine services provider, it is the Company's aspiration that this regional knowledge hub will set the benchmark for the oil & gas contracting industry for years to come.

In addition the 4-acre campus will also be made available to our partners who include vendors, subcontractors and clients. This is part of the Company's corporate and professional responsibility to its stakeholders. COE is equipped with state of the art training facilities such as simulators for confined space, scaffolding, an auditorium, open space for fire fighting training, classrooms and workshops.

Facilities	Type of Facilities	Quantity
Classroom	Classrooms (300 pax)	9
	Auditorium (120 pax)	1
Workshop	Pipe & Structure Fitting Tables	20
	Welding & Grinding Bays	56
	Safety Simulation Booths	10
	Electrical Training Booths (with Termination & Gland Stations)	25
	Overhead Crane Practice Area	1
	AESP Simulator with Ventilation Fan	1
	Rigging & Signaling Station	1
Open Space	Fire-Fighting Practice Area (Open Fire Pit & Specific Fire-Fighting)	1
	Forklift Practice Area	1
	Scaffolding, Rigging & Working at Height Tower	1
	Blasting/Painting/Hydro-Jetting Simulator	1



Community

As a responsible corporate citizen, we believe in supporting the sustainable development of the communities we operate in.

In FY2014, MHB sponsored and engaged in numerous CSR activities for its various stakeholder groups.

01 *MHB 'Art of Science'*

02 *MHB staff volunteers handing over donations to the underprivileged as a part of the Ramadan relief programme*

MHB Art of Science

In March 2014, MHB organised a science programme named MHB's Art of Science for 116 Primary 6 students from Sekolah Kebangsaan Bandar Seri Alam, Johor.

This annual series of educational events and activities, is targeted at young hearts and minds and aims to stimulate their interest in the field of creative science. The programme is jointly organised by MHB and Petrosains, Malaysia's renowned science and discovery centre.

MHB & Subcontractors Donate 5 Hemodialysis Machines

MHB and 28 of its subcontractors donated RM226,500 to the Hospital Waqaf An-Nur Pasir Gudang, Johor, for the purchase of five hemodialysis machines to cater to low income patients.

This special community project by MHB and its subcontractor partners was conceived to commemorate MMHE's 40th anniversary in 2013. The contribution has helped supplement the hospital's existing renal treatment facilities and enables Waqaf An-Nur to carry out its noble work more effectively.

Ramadan relief for the Residents of Kampung Pasir Gudang Baru

MHB organised its annual charity drive to help the underprivileged residents of Kampung Pasir Gudang Baru, Pasir Gudang, Johor. Contributions were collected from MHB's employees, clients and subcontractors. The Company topped up the contribution and channelled the money to buy groceries and *duit raya* (pocket money) for a total of 37 underprivileged households. This initiative was the Company's give back to the wider Pasir Gudang community in which it has an integral presence.

Community

DOE's 'Go Green' efforts receive MHB Boost

MHB participated in the Department of Environment's (DOE) Environmental Week celebration in September 2014. The event was organised in conjunction with the World Environment Day that is aimed to create environmental responsibility and eco-sustainable lifestyles.

With the theme *'Ya! Teruskan Gaya Hidup Lestari',* the event was held at Sekolah Menengah Kebangsaan Seri Aman, Felda Bukit Aping, Kota Tinggi, Johor. This environmental programme provided an opportunity for Johor based private sector companies to support the government and DOE on their environmental initiatives and conservation efforts.

MHB Knights of Nature Sustainability Camp

On December 2014, MHB and its NGO partner, EcoKnights, organised a 'MHB Knights of Nature Sustainability Camp' participated by MHB employees' family members and youths residing or studying in Johor. The sustainability camp aimed to educate and encourage young adults on volunteerism and to take an active role in community care and welfare development projects.

It also provided exposure for its young participants to step up their level of environmental responsibility and to develop living skills such as leadership, teamwork, time management and problem solving.

'MHB Cares' Programme

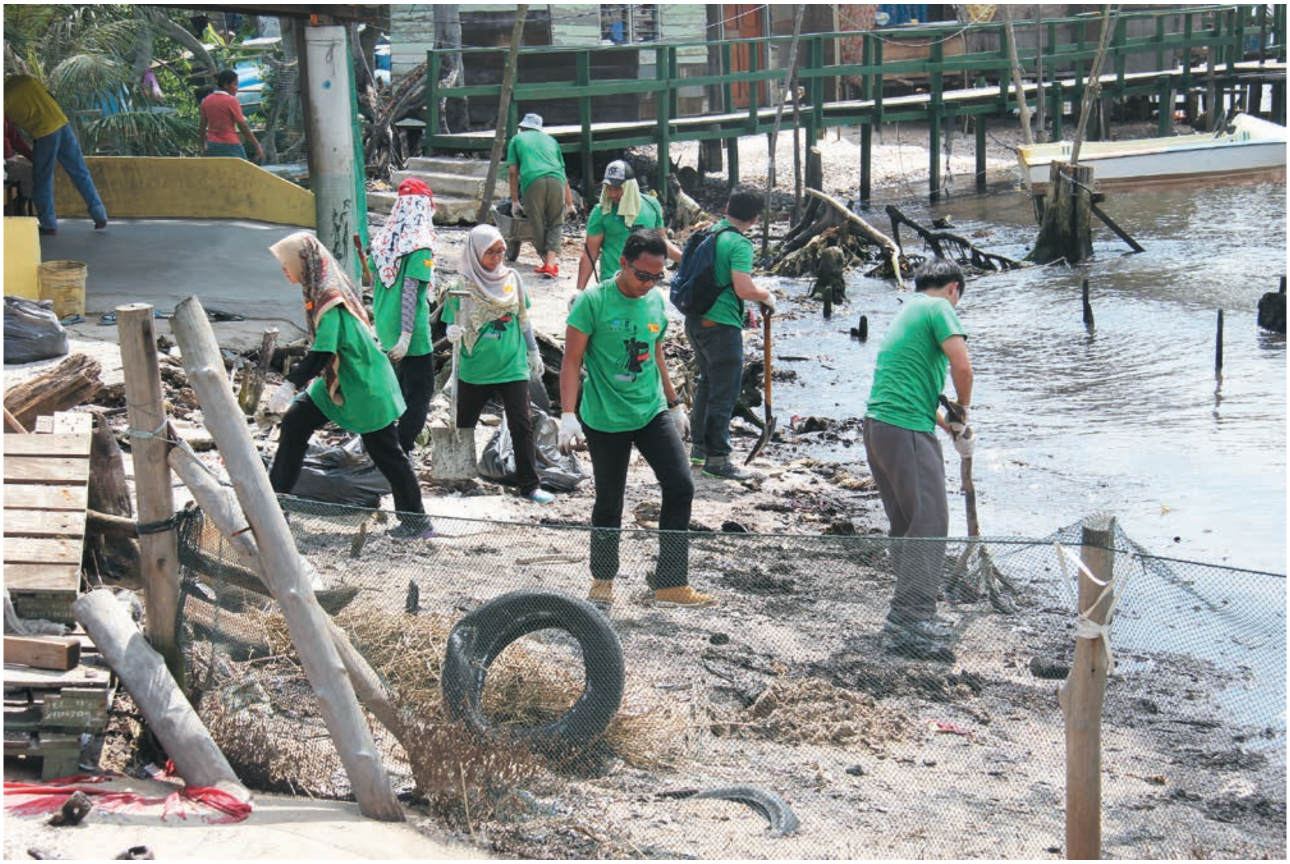
MHB implemented its second 'MHB Cares' community project, a flagship community initiative for the *Orang Asal Seletar* (Indigenous First People) of Kampung Pasir Putih in Pasir Gudang, Johor in December 2014.

Previously, 'MHB Cares' focused on the community's hygiene and living conditions and during the financial under review, MHB continued the programme by focusing on their basic nutrition and educational needs.

'MHB Cares' is a collaboration between MHB and its local environment NGO partner, EcoKnights with further support of the Johor Bahru District Office and Jabatan Kemajuan Orang Asli Negeri Johor.

From September to December 2014, MHB staff volunteers have conducted 20 community activities for the *Orang Asal Seletar* including educational classes on basic English language, self-motivation, healthy lifestyle awareness and baking for the adults. The children were taught fun learning activities such as drawing, painting, singing and creating alphabets using play-dough.

Orang Asal Seletar enjoying the cakes they were taught how to bake



Beach cleaning activity by MHB volunteers during the Knights of Nature Sustainability Camp

MHB contributed resources and funds to other causes such as:

- The Welfare & Education Fund of the Retired Malaysian Naval Officers Association
- Rugby Development plan for Sekolah Menengah Kebangsaan Pasir Gudang 3
- Contribution to Persatuan Pegawai Kastam Marin Malaysia
- Contribution to Buletin Kastam Marin
- Contribution to Persatuan Sukan, Kebajikan dan Kebudayaan, Jabatan BOMBA dan Penyelamat Negeri Johor Darul Takzim
- Contribution to Programme Jom Bijak Niaga, Sekolah Menengah Kebangsaan Dato' Penggawa Timur
- Contribution to Pasir Gudang International Kite Festival 2014
- Sponsorship for the Retired Malaysian Naval Officers Association Charity Golf

DEDICATION

Dedicated to our customers' success

We are always focused on helping our customers stay ahead – delivering smarter solutions and results that create real value.

Statement on Corporate Governance

The Board of Directors of Malaysia Marine and Heavy Engineering Holdings Berhad ("Board") is committed to continually strive for the highest standard of corporate governance to be applied throughout Malaysia Marine and Heavy Engineering Holdings Berhad ("MHB") and its subsidiaries/ jointly controlled entities ("Group"). The Board recognises the importance of good corporate governance in building sustainable growth and maximising shareholder value.

This statement sets out the Group's corporate governance processes and practices applied during the financial year with reference to the principles and recommendations set out in the Malaysian Code on Corporate Governance 2012 ("Code"). As a public company listed on Bursa Malaysia Securities Berhad ("Bursa Securities"), MHB conforms with the requirements of corporate governance set out in the Main Market Listing Requirements ("MMLR") and the Corporate Governance Guide issued by Bursa Securities.

THE BOARD

(a) Principal Responsibilities of the Board

The main task of the Board is to oversee the overall strategy and business direction of the Group to assure the shareholders that their interests are being met in the best possible manner. The Board deals with and decides on Group related issues including:-

- the Group's strategies and business plan;
- business conduct and key operational initiatives;
- financial plans and annual budget and performance reviews;
- major investments, divestments and funding proposals;
- major human resource issues vis-à-vis talent development;
- risk management; and
- corporate governance practices.

The roles, duties, responsibilities and functions of the Board are documented in the Board Charter whilst the MHB Group Limits of Authority defines further the matters specifically reserved for the Board and those delegated to Management. The Board Charter is available on MHB's website at www.mhb.com.my.

(b) Board Composition

The Board consists of nine (9) Directors, all of whom are non-executive, except for the Managing Director & Chief Executive Officer ("MD & CEO"). Of the eight (8) non-executive Directors, four (4) are independent Directors, which exceeds the requirement for one-third (1/3) of the Board members to be independent as set out under the MMLR.

Although the Board does not comprise a majority of independent Directors as advocated under Recommendation 3.5 of the Code where the Chairman is not an independent Director, the balance of power and authority is maintained as the number of independent Directors exceeds the number of representatives of any single substantial shareholder. The size and composition of the Board are reviewed annually, taking into account the scope, nature and diversity of the business operations of the Group. The profile of each Director is presented on pages 020 to 031 of the Annual Report.

The Board consists of members with a balance of skills, attributes, knowledge and experience. They are industry leaders and professionals who possess the background and expertise in specialised fields such as strategic planning, engineering and construction, corporate finance and accounting, oil and gas industry, procurement and management which are critical to the Group's business and growth. Each Director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

In line with the recommendation of the Code, the roles of the Chairman and the MD & CEO are kept separate to ensure an appropriate balance of power, increased accountability and capacity of the Board for independent decision making. The Board is headed by the Chairman who leads and ensures effective and comprehensive Board discussion including strategic issues and business development, planning and execution. The primary role of the MD & CEO is to effectively manage and supervise the day-to-day business operations of the Group in accordance with the Group's strategies and policies.

On 1 February 2015, Tuan Haji Abu Fitri bin Abdul Jalil was appointed as a non-independent non-executive Director of MHB before succeeding Mr Dominique de Soras, who had completed his contract of employment, as the MD & CEO of MHB with effect from 1 March 2015.

The independent non-executive Directors are independent of management and free from any business or other relationships that could materially interfere with their independent judgement in deliberating matters of the Board.

The non-executive Directors have the ability and business insights to ensure that the strategies proposed by the Management are fully deliberated and examined in the long-term interest of the Group, as well as the shareholders and other stakeholders.

Each individual member of the Board is expected to devote sufficient time to the Company in carrying out his or her duties and responsibilities. The current Board members are committed in serving the interest of the Company, and ultimately the interest of the shareholders. Prior to acceptance of any new directorship not within the Group, the Directors shall notify the Chairman of the Board and the notification shall include an indication of time that will be spent on the new appointment.

(c) Board Meetings and Supply of Information

To assist the Directors in planning for their attendance at Board meetings as well as Annual General Meeting ("AGM"), the meetings are scheduled in advance of any new financial year. The Board meets at least four (4) times a year in conjunction with the release of the Group's quarterly financial results to Bursa Securities. Additional meetings are held as and when required. During the financial year ended 31 December 2014, fourteen (14) Board meetings were held.

All Directors complied with the requirements of Paragraph 15.05(3)(c) of the MMLR which stipulates a minimum of 50% attendance of the Board meetings held in a financial year.

Statement on Corporate Governance

Details of the attendance of the Directors in office during the financial year under review are as follows:-

Members	No. of meetings attended
Datuk Nasarudin Md Idris *(Chairman)*	14 out of 14
Dato' Halipah binti Esa	12 out of 14
Heng Heyok Chiang @ Heng Hock Cheng	14 out of 14
Yong Nyan Choi @ Yong Guan Choi	14 out of 14
Choy Khai Choon	14 out of 14
Bernard Rene Francois di Tullio	13 out of 14
Yee Yang Chien	12 out of 14
Captain Rajalingam a/l Subramaniam	13 out of 14
Abu Fitri bin Abdul Jalil *(Appointed on 1 February 2015)*	Not applicable
Dominique de Soras *(Ceased with effect from 28 February 2015)*	14 out of 14

All Board meetings follow an agenda which, together with a set of Board papers containing information for each item on the agenda, is distributed to the Board members prior to the Board meeting to ensure that Directors have sufficient time to evaluate the matters and be prepared for discussion at the meetings. However, sensitive matters may be tabled at the meeting itself. Members of senior management who may provide additional insights into the matters at hand will be present at the relevant time during the Board meeting.

Each scheduled Board meeting includes review of financial and non-financial information covering amongst others, strategic, operational, regulatory, governance and human resource issues. Minutes of Board Committees Meetings are presented to the Board and the respective Committees' chairpersons brief the Board on major issues deliberated by each Board Committee. There are matters reserved specifically for the Board's decision, including the approval of the Group's plans and budget, major investments, acquisitions and divestments, appointment of key management positions, corporate scorecard, performance evaluation as well as establishment of key policies and procedures.

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

Minutes of the Board meetings which include a record of the decisions and resolutions of the Board meetings are properly maintained by the Company Secretaries.

(d) Company Secretaries

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

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

(e) Appointment and Re-election of Directors

The Nomination & Remuneration Committee is responsible for making recommendations for the appointment of Directors to the Board including the re-election of retiring Directors. In making these recommendations, the Nomination & Remuneration Committee considers the required mix of skills, experience, knowledge, competencies and other necessary qualities including gender diversity to the Board.

While the Board supports the philosophy of gender diversity and recognises the benefits that it can bring, the Board believes that any new appointments should be based on merits and capability. Currently, MHB has one female Director on the Board.

The Company's Articles of Association provides that all Directors shall submit themselves for re-election at least every three (3) years in compliance with the MMLR. The Articles of Association also provides that at least one-third (1/3) of the Directors who are longest in office shall retire from office and shall be eligible for re-election. Directors who are newly appointed by the Board shall hold office until the next Annual General Meeting ("AGM") of the Company and shall then retire and be eligible for election by the shareholders. Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with the Companies Act, 1965.

(f) Directors' remuneration

The Nomination & Remuneration Committee is responsible for reviewing and recommending to the Board the Directors' remuneration in line with the responsibilities and contributions made for the year. In line with the Code, the Company aims to set remuneration for Directors at levels which are sufficient to attract and retain persons of calibre to guide the Group, taking into consideration the workload and responsibilities involved.

The level of remuneration for non-executive Directors reflects the level of responsibilities undertaken and contributions made by them. With the exception of the MD & CEO, all non-executive Directors are paid Directors' fees which are subsequently approved by the shareholders at the AGM. For the financial year under review, the breakdown of fees and meeting attendance allowances received by each Director are as listed below:-

Name of Directors	Annual Fees (RM)	Board Meeting Attendance Allowance (RM)	Board Committees Meeting Attendance Allowance (RM)	Total (RM)
Datuk Nasarudin Md Idris	108,000	56,000	–	164,000
Dato' Halipah binti Esa	72,000	36,000	31,000	139,000
Heng Heyok Chiang @ Heng Hock Cheng	72,000	42,000	49,000	163,000
Yong Nyan Choi @ Yong Guan Choi	72,000	42,000	20,000	134,000
Choy Khai Choon	72,000	42,000	24,000	138,000
Bernard Rene Francois di Tullio	72,000	39,000	20,000	131,000
Yee Yang Chien	72,000	36,000	20,000	128,000
Captain Rajalingam a/l Subramaniam	72,000	39,000	18,000	129,000
TOTAL	**612,000**	**332,000**	**182,000**	**1,126,000**

Statement on Corporate Governance

The MD & CEO is not entitled to Directors' fee as he is remunerated as a member of Management. The MD & CEO's remuneration package comprised the following:-

i. Basic Salary

The basic salary for the executive Director was recommended by the NRC and approved by the Board and is fixed for the duration of his contract.

ii. Variable bonus

The bonus payable to the MD & CEO is measured against agreed targets and key performance indicators.

iii. Benefits-in-Kind

The MD & CEO is entitled to housing allowance and a company car.

The aggregate remuneration of Directors categorised into appropriate components are set out in the Financial Statements on page 156 to 157 of the Annual Report.

(g) Directors' Training

Pursuant to the MMLR, a newly appointed Director is required to attend the Mandatory Accreditation Programme ("MAP") within four (4) months of his or her appointment. Tuan Haji Abu Fitri bin Abdul Jalil, who was appointed as a Director of MHB on 1 February 2015 will complete the MAP within the stipulated time. All the other Directors have attended the MAP.

The Directors are also encouraged to attend continuous education programmes, talks, seminars, workshops, conferences and other training programmes to enhance their skills and knowledge and to keep abreast with new developments in the business environment. Training programmes, conferences and seminars deemed beneficial to the Directors are identified on an on-going basis and the Company allocates a training budget to support the continuous development of the Directors. In addition, an in-house training programme on topics of relevance for the Directors is jointly organised with the parent company, MISC Berhad, on an annual basis.

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

Programme title	Organised by	Date
Human Capital Management in the Boardroom & "C–Suite" – Board, Committee, Director and CEO Assessments	Iclif Leadership and Governance Centre	11 February 2014
Offshore Technology Conference Asia	Offshore Technology Conference	25 – 28 March 2014
Board Education Session on Recovery and Resolution Plans	Perbadanan Insurans Deposit Malaysia (PIDM)	12 May 2014
MMHE Bid Estimation Process	Commercial Department, MMHE	27 June 2014
MISC Berhad FY2015 External Environment Analysis (EEA) & Sectorial Outlook	Corporate Planning and Development Department, MISC Berhad	7 August 2014
Corporate Governance Statement Reporting Workshop	Bursa Malaysia	12 August 2014
PETRONAS Directors' Training – In–House Continuing Directors' Training Programme	PETRONAS	25 August 2014
ASEAN Corporate Governance Scorecard Workshop	Minority Shareholder Watchdog Group	27 August 2014
Advocacy Sessions on Corporate Disclosure for Directors of Listed Issuers	Bursa Malaysia	3 September 2014
The 2nd Malaysian Oil & Gas Services Exhibition and Conference	Malaysian Oil & Gas Services Council	23 September 2014
Breakfast Series with Beverly Behan: How Good Boards Become Great and How Great Boards Stay That Way	Bursa Malaysia	10 October 2014
Risk Management & Internal Control Workshop for Audit Committee Members	Bursa Malaysia	14 October 2014
Annual Directors' Training 2014 – Directors' Conflict of Interest – Finance and Accounting Treatment Issues – Outlook of LNG Shipping Industry – Outlook of Oil & Gas Industry	MISC Berhad	15 October 2014
PETRONAS in House Training – Customised Advocacy Session for Directors	PETRONAS	27 November 2014

Statement on Corporate Governance

THE BOARD COMMITTEES

The Board is supported by the following Board Committees whose compositions are in accordance with the best practices as prescribed by the Code to ensure the Board's effectiveness and to efficiently discharge its duties and responsibilities. Each Board Committee operates within its terms, which clearly define its functions and responsibilities. Minutes of Board Committee meetings are circulated at Board Meetings.

(a) Board Audit Committee ("BAC")

The BAC assists the Board in ensuring integrity of financial reporting and that there are sound internal control systems in place. Its main responsibilities are to ensure that there are effective risk monitoring and compliance procedures in place and to act in the interest of the shareholders in respect of matters or issues that affect the financial performance of the Group. The composition and the key functions of the BAC as well as the summary of its activities are as set out in the BAC Report on pages 107 to 111 of the Annual Report.

(b) Nomination & Remuneration Committee

The Nomination & Remuneration Committee ("NRC") consists of five (5) members. The members of the NRC and their attendance at meetings held during the financial year ended 31 December 2014 are as follows:

Members	Position	No. of meetings attended
Heng Heyok Chiang @ Heng Hock Cheng *(Independent Non-Executive Director)*	Chairman	8 out of 8
Dato' Halipah binti Esa *(Independent Non-Executive Director)*	Member	8 out of 8
Choy Khai Choon *(Independent Non-Executive Director)*	Member	7 out of 8
Yee Yang Chien *(Non-Independent Non-Executive Director)*	Member	8 out of 8
Captain Rajalingam a/l Subramaniam *(Non-Independent Non-Executive Director)*	Member	8 out of 8

The terms of reference of the NRC include the following:-

(i) to make appropriate recommendations on matters of appointment to the Board and Board Committees;

(ii) to conduct an annual review of the Board's required mix of skills and experience and other qualities, including core competencies which non-executive Directors should bring to the Board;

(iii) to implement a process for assessing the effectiveness of the Board as a whole, the Board Committees and also the contribution of each individual Director to the effective decision making of the Board, through an evaluation process;

(iv) to make recommendations to the Board on the appointment or extension of the employment of the Management Committee; and

(v) to recommend to the Board the remuneration and compensation of the non-executive Directors, the MD & CEO, the members of the Management Committee and the bonus quantum for the Group.

During the financial year ended 31 December 2014, the key activities carried out by the NRC are summarised as follows:

(i) reviewed the mix of skills and experience of the Board.

(ii) conducted the annual assessment of the performance and effectiveness of the Board Committees and the Board as a whole as well as the contribution of individual Directors through the evaluation of Board proceedings.

(iii) considered the nominations to the Board Committees, the re-election of Directors retiring at the 2014 AGM and remuneration of the non-executive Directors for the financial year ended 31 December 2013 for shareholders' approval at the 2014 AGM.

(iv) reviewed the Company's human capital development plan, succession planning strategy and talent management programme.

(v) deliberated the proposed reorganisation of the Offshore Business Unit and recommended the recruitment of senior personnel into key positions.

(vi) considered the proposed key performance indicators for the Board, the performance evaluation process for the Board and Board Committees and the proposed MHB Corporate Scorecard in respect of the financial year 2015.

(vii) assessed the performance of the Company at the beginning of 2014 in respect of the financial year 2013 against the agreed scorecard and recommended the annual salary increment and performance bonus for the employees of the MHB Group including the members of the Management Committee and the MD & CEO.

(viii) conducted a mid-year review of the Company's achievements in respect of the FY2014 Corporate Scorecard.

(ix) considered the analysis of MHB Group's remuneration package against market benchmark of peer group.

(x) reviewed the work scope of the Management Committee members and recommended the necessary compensation proposal.

(c) Board Bid Committee

The Board Bid Committee ("BBC") was established with the responsibility of reviewing any proposed bid submission by the MHB Group of a certain threshold. The primary duties and responsibilities of the BBC are to ensure that the bid proposals are comprehensive and in the best interest of the Group to allow the Group to make a reasonable profit margin which commensurate with the project risks.

The BBC's recommendation of any bid proposals will be based on, amongst others, Management's confirmation that proper risk assessments have been done and mitigation factors are identified, that the Group has the technical capabilities and competencies to meet potential technical challenges and the financial position of the Group is sufficiently adequate to undertake the projects.

Statement on Corporate Governance

The members of the BBC and their attendance at meetings held during the financial year ended 31 December 2014 are as follows:

Members	Position	No. of meetings attended
Heng Heyok Chiang @ Heng Hock Cheng *(Independent Non-Executive Director)*	Chairman	5 out of 5
Yong Nyan Choi @ Yong Guan Choi *(Independent Non-Executive Director)*	Member	5 out of 5
Bernard Rene Francois di Tullio *(Non-Independent Non-Executive Director)*	Member	5 out of 5
Yee Yang Chien *(Non-Independent Non-Executive Director)* *Appointed on 19 May 2014*	Member	2 out of 2*

* *Reflects the number of meetings held during the time the Director held office as a member of the BBC.*

SHAREHOLDERS AND INVESTORS

The Board values its dialogue and engagement with both institutional shareholders and private investors and recognises the importance of providing timely and equal dissemination of relevant information to them.

The AGM is the principal forum of dialogue with the shareholders and also an avenue for the Chairman and Board members to respond personally to all queries and provide sufficient clarification on issues and concerns raised by the shareholders. Shareholders are encouraged to attend, speak and vote at the Company's general meetings. In compliance with the MMLR, the Company will hold a poll voting whenever general meetings to decide on related party transactions are held.

Other than the forum of the AGM, the other mediums of communication between the Company and shareholders and/or investors are as follows:

- quarterly financial statements and annual reports;
- announcements on major corporate developments to Bursa Securities pursuant to the Listing Requirements;
- the Company's general meetings;
- the Company's website at www.mhb.com.my; and
- briefing sessions between the Company's senior management and analysts/investors.

Further details on the Company's investor relations activities are provided on page 113 of the Annual Report.

ACCOUNTABILITY AND AUDIT

(a) Financial Reporting

The Board aims to present a balanced and meaningful assessment of the Group's financial performance, position and prospects, primarily through the annual financial statements and quarterly announcements of results to the shareholders as well as the Chairman's Statement and MD & CEO'S Report on the business segment review in the Annual Report. The Board is assisted by the BAC to oversee the Group's financial reporting processes and the quality of its financial reporting.

(b) Risk Management and Internal Control

The Board acknowledges its overall responsibility for continuous maintenance of a sound system of risk management and internal control to safeguard shareholders' investment and the Group's assets. This principle is further elaborated under the Statement on Risk Management and Internal Control by the Directors on pages 102 to 106 of the Annual Report.

(c) Relationship with the External Auditors

The Board ensures that there are formal and transparent arrangements for the maintenance of an objective and professional relationship with the external auditors. The BAC met with the external auditors twice during the financial year without the presence of the Management to discuss any matters that they may wish to present.

(d) Related Party Transactions

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

The BAC reviews, from time to time:

(i) any RPTs/RRPTs and conflicts of interests that may arise within the Group; and

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

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

(i) Information on related parties and procedures applicable to all RPTs/RRPTs which involve interest, direct or indirect, of such related parties shall be disseminated to all MHB's business units, service units and MHB's subsidiaries from time to time, for their reference in ensuring that all transactions with such related parties are undertaken on arm's length basis and on normal commercial terms which are not or will not be more favourable to the related parties than those generally available to the public.

(ii) All operating divisions and MHB's subsidiaries review their existing information systems on an on-going basis to ensure that features are incorporated into the systems for capturing information on RPTs/RRPTs at source. All heads of departments in the Group are advised to report on all transactions with related parties.

(iii) Proper records shall be maintained to record all transactions with related parties which are entered into and a database which contains the information on all RRPTs within the Group is being maintained.

Statement on Corporate Governance

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

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

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

(vi) On-going awareness sessions with employees and stakeholders to ensure sufficient knowledge on RPTs/RRPTs in order to comply with the MMLR;

(vii) Internal audit shall review the internal control process and records of RPTs/RRPTs within the affected scope during the course of audit engagements to verify that the relevant approvals have been obtained and procedures in respect of such transactions are adhered to. Any divergence will be reported to the BAC.

(viii) The BAC shall review the audit reports and any other reports required from time to time to ascertain that the procedures established to monitor RPTs/RRPTs have been complied with.

(ix) In the event that a member of the BAC or Board has an interest and/or deemed interest in any particular RPT/RRPT, he or she shall declare his or her interest therein and will have to refrain from any deliberation and also abstain from voting on the matter at the BAC meeting or Board meeting in respect of that transaction.

(x) MHB’s Limits of Authority also reflect the relevant thresholds for the approval of RPT/RRPT. A process flow is defined to articulate the necessary steps of the process.

(xi) If the BAC is of the view that the abovementioned procedures are insufficient to ensure that RPTs/RRPTs are undertaken on an arm’s length basis during their periodic review of the procedures, the BAC has the discretion to request for additional procedures to be imposed on the RPTs/RRPTs.

Details of the RRPTs entered into by the Group during the financial year ended 31 December 2014 are set out below:-

Nature of Transaction	Transacting Party	Related Party
1 Fabrication and construction of oil and gas offshore structures	• PETRONAS Carigali Sdn Bhd • Kebabangan Petroleum Operating Company Sdn Bhd	Petroliam Nasional Berhad ("PETRONAS")[1]
	• MISC Berhad ("MISC")	MISC[2]
2 Provision of dry docking and repairs of vessels	• MISC	MISC[2]
3 Purchase of oil products from PETRONAS Group	• PETRONAS Dagangan Berhad • PETRONAS Smartpay Centre Sdn Bhd	PETRONAS[1]
4 Provision of services/sale of equipment & materials	• Prime Sourcing International Sdn Bhd • PETRONAS Management Training Sdn Bhd • Industrial Gas Solutions Sdn Bhd	PETRONAS[1]
	• MISC	MISC[2]
5 Provision of logistics solution	• MISC Integrated Logistics Sdn Bhd	MISC[2]

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

CODE AND POLICIES

The Company observes its own Code of Conduct and Business Ethics ("CoBE"), which includes the Whistle-blowing Policy and the No Gift Policy. The CoBE is applicable to all Directors and employees within the Group as well as third parties performing works or services for and on behalf of the Company. It governs the desired standard of behaviour and ethical conduct expected from each individual to whom the CoBE applies.

On 10 February 2014, the Board had approved the adoption of an Anti-Bribery and Corruption Manual ("ABC Manual") as adopted by MISC which applies to all Directors and employees of the Group as well as the Group's agents and contractors. The ABC Manual supplements the CoBE and provides the basis on which the Company will be able to defend itself against any corruption charges that may be brought by any parties against the Company.

This statement is made in accordance with the resolution of the Board of Directors duly passed on 23 March 2015.

Statement on Risk Management and Internal Control

The Malaysian Code on Corporate Governance 2012 requires the Board of Directors ("the Board") to establish a sound risk management framework and internal controls system, and disclose in the annual report the main features of this risk management framework and internal controls system.

Further, pursuant to paragraph 15.26(b) of the Bursa Securities Listing Requirements ("LR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board is also required to include in the company's annual report, 'a statement about the state of internal controls of the listed issuer as a group'.

The Board of Directors ("the Board") is pleased to provide the following statement which outlines the nature and scope of internal control of the Group during the financial year ended 31 December 2014 and is committed to continuously improve the Group's system of internal control.

ACCOUNTABILITY OF THE BOARD

The Board recognises its principal responsibility of establishing a sound risk management framework and internal control system, as manifested in Recommendation 6.1 of the Malaysian Code on Corporate Governance 2012.

Accordingly, the Board has entrusted the responsibility of risk management oversight to the Board Audit Committee ("BAC"). The BAC is supported by the Risk Council ("RC"). The Group has put in place a systematic risk management framework adopted from the PETRONAS Risk Governance Framework to identify, evaluate and manage the principal risks of the Group and implement appropriate internal control system to manage these risks, of which details are set-out in the following pages.

In dealing with risks, the Board understands that it is not always possible or cost effective to eliminate risk all together. Accordingly, these internal control systems can only provide reasonable and not absolute assurance against material misstatement or loss, or the occurrence of unforeseeable circumstances. Thus, the Board adopts a cost-benefit approach to ensure the returns must or commensurate with the cost of risk controls.

RISK MANAGEMENT FRAMEWORK

The Risk Management Framework ("RMF") includes risk management policy, risk management manual, generic risk assessment guidelines and project risk assessment guidelines.

The management has leveraged on the PETRONAS Risk Governance Framework to ensure all business risks are prudently identified, evaluated and managed in accordance with acceptable international standards, principles and guidelines on risk management.

The framework of risk management encompasses the following key elements:

- **Risk Management Policy**

  The Group adopts the PETRONAS Enterprise Risk Management ("ERM") policy in identifying, assessing, reporting and monitoring the ever changing risks facing the Group and take specific measures to mitigate these risks in order to minimise foreseeable disruption to operations, harm the people and damage to environment and property. The policy stresses the importance of protecting the interest of stakeholders and to comply with all statutory and legal requirements.

- **Risk Governance Structure**

  The RC was established to assume the role of risk oversight and governance responsibilities.

  The RC chaired by the Managing Director & Chief Executive Officer ("MD & CEO") and consists of selected members of management is primarily responsible for driving the Risk Management framework and acts as the central platform of the Group to undertake the following key responsibilities:

  – Assist the Management in identifying principal risks at Group level and providing assurance that the ERM is implemented group-wide to protect and safeguard MHB interest;

  – Review and recommend frameworks and policies specifically to address risk inherent in all business operations and environment pertaining to the Group; and

  – To provide a reasonable assurance to the BAC that the Group's risks are being managed appropriately.

The implementation of risk management activities are undertaken at corporate and business units/subsidiaries level and risk reports are reviewed and monitored by the Risk Management unit ("RMU") on regular intervals prior to escalation to RC. Each appointed risk focal person owns the responsibility for risk management activities in their specific department/unit to ensure consistent implementation of risk management processes across the Group.

The RC meets on a regular basis to update any risk management issues to the Management Committee ("MC"), MD & CEO and BAC which then updates the Board.

RISK MANAGEMENT PROCESS

The risk management process in MHB requires management to identify business risks at strategic, financial, operational and tactical levels, and assess these risks in terms of likelihood and magnitude of impact, as well as to identify and evaluate the adequacy of mechanisms in place to manage these risks. This process involves assessments at business unit process level before being examined on a strategic perspective.

The following summarises the key risk management activities undertaken during the year in review:

- **Enterprise Risk Management**

  The board acknowledges the significance of managing key risks events to sustain the achievement of business objectives. RMU had worked closely with Business units ("BU") and Service units ("SU") to reassess their respective risk profiles and address MHB's key risk events via Generic Risk Assessment ("GRA").

- **Project Risk Assessment**

  Project Risk Assessment ("PRA") is conducted within a certain criteria set by the management to ensure that the project returns commensurate with the level of risk taken and the controls in place.

  During the year in review, PRAs on specific project was conducted to identify the projects' risks in advance and implementing controls either to reduce or eliminate the risk impact. Risk assessment and monitoring was also carried out along the project execution.

KEY PROCESSES OF GROUP'S SYSTEM OF INTERNAL CONTROL

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

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

2. **MHB Group Internal Audit Division ("GIA")**, which is functionally reporting directly to the BAC, performs independent planned approved audits and initiatives within the Group in evaluating and assessing the effectiveness of risk management, internal control and governance processes. GIA also conducts additional assurance assignments, and special review arising from any potential irregularities upon request by the Management or BAC. The BAC reviews, deliberates and endorses the annual and long term audit plan and strategy including scope of work and resources. Results of the audit engagement are presented and deliberated during quarterly BAC meetings.

Statement on Risk Management and Internal Control

The Group focuses on disciplined execution of audit plans, submission of audit findings, recommendations on audit issues and close follow-up of the Agreed Corrective Actions ("ACAs") which are encompassed in the audit reports. GIA monitors the status of implementation of these ACAs through the Quarterly Audit Status Report of which they are recorded and analysed. The consolidated reports are submitted and presented to the BAC for deliberations and endorsement on quarterly basis.

In addition, BAC conducts half yearly and yearly review and assessment on the adequacy of GIA's scope of work, functions and resources including its annual plan and strategy. The conducts of internal audit work is governed by the Internal Audit Charter and the Internal Audit Charter Memorandum.

3. The **Board Bid Committee ("BBC")** and the **Bid Approval Committee ("BiAC")** are responsible to ensure various project-related risks are identified and evaluated during the bidding stage. The risk assessment activities include review on the bid proposal, proposed contract terms and conditions as well as bid clarifications. The BiAC will propose bid approach method and negotiation strategy for bid during the assessment. They will also ensure the bid proposal is fair and reasonable and likely to allow the company to make a reasonable profit margin which commensurates with the project risk. All BiAC members are MC members. In the event the value of the bid is above a certain threshold, the proposal shall be escalated to the BBC which comprise of the Non-Executive Directors. The BBC was set up to review, deliberate and recommend the bid to the Board for this category.

4. **Senior Management** sets the tone for an effective control environment and culture in the organisation through the Group's vision, mission and brand developed to focus on the importance of these five key values:

   - Passion to excel
   - Responsible at work
   - Integrity – the power of trust
   - Dedicated to our customers' success
   - Enterprising as a team

   The importance of the shared values is manifested in the adoption of the **MHB Code of Conduct & Business Ethics ("CoBE")** applicable and issued to all staff upon joining. Staffs are required to strictly adhere to CoBE in performing their duties and in their interface and engagements with external parties and stakeholders.

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

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

   Our Health, Safety and Environment ("HSE") objectives shall bear equal importance with our fundamental business objectives.

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

   - Prevent all accidents, occupational diseases and fire
   - Prevent damage to plant, equipment and property
   - Protect and preserve the environment
   - Implement safe system of work
   - Promote HSE awareness and provide training to MHB employees to achieve our HSE objectives
   - Provide forum to employees, customers and contractors to actively participate in our HSE programmes
   - Safeguard the interest of the general public and surrounding community
   - Ensure that appropriate contingency measures are in place to deal with emergencies

6. The **Corporate Security Department ("CSD")** maintains a clear policy, procedures and framework with the aim to continuously monitor adherence to established industry security standards as well as international security standards applicable under the International Code for the Security of Ships and of Port Facilities ("ISPS Code").

OTHER SIGNIFICANT ELEMENTS OF INTERNAL CONTROL SYSTEMS

1. The Board reviews quarterly reports from Management on key operating performance, legal, environmental and regulatory matters. Financial performance is deliberated by the MC and also tabled to the BAC and Board on a quarterly basis.

2. **Limits of Authority ("LOA")** manual provides a sound framework of authority and accountability within the organisation and facilitates sound and timely corporate decision making at the appropriate level in the organisation's hierarchy.

3. The Group performs a comprehensive annual planning and budgeting exercise which involves the development of business strategies for the next five years to achieve the Group's vision. The long term strategies are supported by initiatives to be accomplished in the upcoming year, and for effective implementation, the initiatives are tied to specific measurable indicators which will be evaluated against the relevant business/service units and subsidiaries' deliverables. The Group's strategic directions are then reviewed annually taking into account current progress level and other indicators such as latest development in the industry, changes in market conditions and significant business risks. In addition to that, the Group's business plan is translated into budgetary numbers for the next five years and is presented to the Board annually for deliberation and approval. During the year, financial performance is analysed and reported monthly and quarterly to the Group's MC.

4. The Group had implemented the **PETRONAS Financial Control Framework ("FCF")** initiative. The principal objective is to enhance the quality of the Group's financial reports through a structured process of ensuring the adequacy and effectiveness of key internal controls operating at various levels within the Group at all times. FCF requires among others, documentation of process workflows, key controls, remediation of control gaps as well as a regular testing of control operating effectiveness.

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

5. There is a clear procedure for **investment appraisal** for equity investment or divestment or capital expenditure. In relation to Yard Optimisation programme, a specific review will be conducted by **Technical Review Committee** for the technical aspects of the programme and the commercial feasibility of the programme will be deliberated by Management during the Management Committee meeting before submission to the Board for approval to implement.

6. **Procurement process is governed by a series of policies and guidelines** to ensure that a sound framework of authority and accountability within the organisation and facilitates quality and timely corporate decision making at the appropriate level in the organisation's hierarchy. These guidelines and policies are aligned with the LOA to support the objective of project-centric organisation with improved accountability and efficient delivery of projects. High purchase tendering activities are facilitated by a central Supply Chain Management ("SCM") Tender Secretariat to reinforce the objective of doing transactions in effective, transparent and fair manner in the interest of the Group. Recommending bodies and approving authorities consist of members from SCM and Business/Service units to ensure balanced perspectives for decision on purchasing transactions.

Statement on Risk Management and Internal Control

7. The professionalism and competency of employees are enhanced through structured development programmes and potential entrants or candidates are subject to a stringent recruitment process. A **Performance Management System ("PMS")** has been established with performance and behaviour indicators to review and measure employees' performance and conduct or work related behaviour. Action plans to address employees developmental requirements are prepared and implemented in a timely manner. This is to ensure that employees are able to deliver the expected performances in order for the Group to achieve its plans and targets. Upgrading and promotion is conducted by **Management Development Committee** for Senior Managerial grade and above, whereas the upgrading and promotion for Managerial grade and below is performed by **Executive Development Committee**.

   The Board does not regularly review the internal control system of its joint ventures, as the Board does not have direct control over their operations. Notwithstanding, the Group's interests are served through representation on the board of the respective joint ventures, placement of management staff as key employees of the joint ventures and receipt and review of management accounts and inquiries thereon. These representations also provide the Board with information for timely decision making on the performance of the Group's investments of the joint ventures.

   The Board has received the assurance from the Managing Director and Chief Executive Officer ("MD & CEO") and Chief Financial Officer ("CFO") that the risk management and internal control system of the Company and its subsidiaries for the year under review up to the date of approval of the statement is operating adequately and effectively in all material aspects based on the risk management and internal control system of the Group.

REVIEW BY EXTERNAL AUDITORS

The external auditors, Messrs Ernst & Young, have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 December 2014, in compliance with paragraph 15.23 of the Listing Requirements in accordance with guidelines issued by the Malaysian Institute of Accountants, and reported to the Board that nothing has come to their attention to cause them to believe that the statement intended to be included in the annual report is not prepared, in all material respects, in accordance with disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or that the statement is factually inaccurate.

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

This statement is made in accordance with the resolution of the Board of Directors dated 23 March 2015.

Board Audit Committee Report

The Board of Directors of Malaysia Marine and Heavy Engineering Holdings Berhad is pleased to present the Board Audit Committee ("BAC" or "the Committee") Report for the year ended 31 December 2014.

COMPOSITION AND MEETINGS

The BAC consists of four (4) independent Directors and two (2) non-independent Directors. Captain Rajalingam a/l Subramaniam was appointed as a member of the BAC on 4 August 2014.

The composition of the BAC complies with Paragraph 15.09(1) of the Main Market Listing Requirements ("MMLR"). Mr Choy Khai Choon is a member of the Malaysian Institute of Accountants and a fellow of the Certified Practising Accountants ("CPA") Australia which meets the requirement of paragraph 15.09(1)(c) of the MMLR where at least one (1) member of the BAC must be a qualified accountant.

During the financial year, five (5) BAC meetings were held. The BAC members and the details of their attendance at the BAC meetings are as follows:-

Members	Designation	No. of meetings attended
Dato' Halipah binti Esa *(Independent Non-Executive Director)*	Chairperson	5 out of 5
Heng Heyok Chiang @ Heng Hock Cheng *(Independent Non-Executive Director)*	Member	5 out of 5
Yong Nyan Choi @ Yong Guan Choi *(Independent Non-Executive Director)*	Member	5 out of 5
Choy Khai Choon *(Independent Non-Executive Director)*	Member	5 out of 5
Bernard Rene Francois di Tullio *(Non-Independent Non-Executive Director)*	Member	5 out of 5
Captain Rajalingam a/l Subramaniam *(Non-Independent Non-Executive Director)* *Appointed as Member on 4 August 2014*	Member	1 out of 1*

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

Board Audit Committee Report

TERMS OF REFERENCE

The terms of reference of the BAC were reviewed during the year to provide more clarity on the responsibilities of the BAC. The new terms of reference were approved by the Board on 6 May 2014.

The new terms of reference of the BAC are as follows:

(a) Composition

- The BAC shall be appointed by the Board from amongst its non-executive Directors and shall consist of not less than three (3) members with the majority being independent Directors.
- At least one (1) member of the BAC must be a member of the Malaysian Institute of Accountants or have at least three (3) years working experience and must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967 or be a member of one of the associations of accountants specified by Part II of the 1st Schedule of the Accountants Act 1967.
- No alternate Director can be appointed as a member of the BAC.
- In the event of any vacancy in the BAC resulting in the non-compliance with Paragraph 15.09(1) of the MMLR, the vacancy shall be filled within three (3) months or within such extension of time as approved by Bursa Malaysia Securities Berhad.

(b) Chairman

- The members of the BAC shall elect a Chairman from among the members who shall be an independent non-executive Director.

(c) Meetings

- Meetings shall be held not less than four (4) times a year. The quorum for each meeting shall be two (2) members who shall both be independent Directors. The external auditors may request a meeting if they consider it necessary.
- The BAC shall sit with the external auditors at least twice a year without the presence of any executive member of the Board.
- The proceedings of the BAC meetings shall be recorded and maintained by the Secretary to the BAC. The Company Secretary of MHB or any other person appointed by the BAC shall be the Secretary of the BAC.
- The Managing Director & Chief Executive Officer, the Chief Financial Officer and the Head of Group Internal Audit ("GIA") shall normally attend the meetings. Other representatives of Management and representatives of the external auditors may be invited to attend the meetings on matters relevant to them.

(d) Authority

The BAC is empowered by the Board with the following authorities to investigate any matters within its terms of reference at the cost to be borne by MHB:

- Full and unrestricted access to resources and information which are required to perform its duties. This includes authority to seek information from any employees. Employees subjected to such requisition are directed to co-operate with the BAC;
- Direct communication channels with the external auditors and person(s) carrying out the internal audit functions and activities;
- Right to obtain independent professional advice or other advices. The BAC may also invite external independent professionals to its meetings if it considers necessary;
- Right to convene meetings with the external auditors, the internal auditors or both, without the presence of other Directors and representatives of Management of the Group, if necessary; and
- Where the BAC is of the view that a matter reported to the Board has not been satisfactorily resolved resulting in a breach of the MMLR, the BAC shall be obliged to report such matter to Bursa Malaysia Securities Berhad.

(e) Functions

The BAC's functions are to review, evaluate, report and make appropriate recommendations to the Board on the following matters:

(i) In relation to External Auditors:

- Appointment of external auditors, the audit fees payable to the external auditors and any questions of resignation and dismissal;
- Formulation of policies and procedures to assess the suitability and independence of external auditors;
- Review with the external auditors the nature and scope of the audit plan, the system of internal control and the audit report, including the external auditors' management letter and Management's response;
- Assistance and co-operation rendered by the Group's employees to the external auditors;

(ii) In relation to the Group Internal Auditors:

- Adequacy of GIA's resources, its appropriate competency and authority within the Group;
- Identification of the Head of GIA who reports directly to the BAC, and in consultation with the Management;
- GIA's annual internal audit plan, processes and findings/reports generated by GIA and whether appropriate action is taken on the recommendations of GIA;

(iii) In relation to other matters:

- The quarterly results and annual financial statements, focusing particularly on:
  - any changes in or implementation of accounting policy and practices;
  - significant and unusual events arising from the audit; and
  - compliance with accounting standards and other legal requirements;
- Adequacy and effectiveness of the Group's accounting policies and procedures, risk management framework and internal control system;
- Any related party transaction and situation of conflict of interest that may arise within the Group including any transaction, procedure or course of action that raises questions of management integrity;
- Issuance of guidance and instructions for further actions to be taken by Management; and
- Any other topics as defined by the Board.

SUMMARY OF ACTIVITIES

In line with the terms of reference of the BAC, the following activities were carried out by the Committee during the financial year:-

(a) Financial and Annual Reporting

- Reviewed and recommended for Board's approval, the unaudited quarterly financial statements and the necessary announcements relating to the Group's financial results to Bursa Malaysia Securities Berhad.
- Reviewed and recommended for Board's approval, the annual audited financial statements.
- Reviewed and recommended for Board's approval, the Statement on Corporate Governance, the Statement on Risk Management and Internal Control and the BAC Report for inclusion in the Annual Report.
- Reviewed and recommended for Board's approval the proposal for change in accounting estimates.

Board Audit Committee Report

(b) Internal audit

- Reviewed the long term and annual internal audit strategy and plan to ensure adequate scope and comprehensive coverage over the activities of the Group.
- Reviewed the internal audit reports issued by the internal audit division on the effectiveness and adequacy of governance, risk management, operational and compliance processes.
- Reviewed the adequacy and effectiveness of agreed corrective actions taken by the Management on all significant and secondary audit issues raised.
- Reviewed the effectiveness and adequacy of audit process, resource requirements and assessed the performance of the internal audit team on half yearly basis.
- Prior to the Committee meetings, the Chairperson held private sessions and discussions with the Head of GIA on audit reports and any internal audit related matters.

(c) External Audit

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

(d) Risk Management

- Reviewed the progress of the risk management functions and its on-going activities for identifying, evaluating, monitoring and managing risks.
- Received and reviewed quarterly reports from Management on key strategic and operational risks to ensure these are being managed effectively.

(e) Related Party Transactions

- Reviewed the related party transactions entered into by the Group on a quarterly basis.

(f) Others

- Considered the updates on the findings pursuant to the Company's whistle-blowing policy and code of conduct and business ethics.
- Reviewed and recommended the revised Terms of Reference of the BAC to the Board for approval.

INTERNAL AUDIT FUNCTIONS AND ACTIVITIES

The BAC is supported by the MHB Group Internal Audit Division in the discharge of its duties through independent scheduled audits to ensure there are effective risk monitoring, internal controls, governance process and compliance procedures to provide the level of assurance required by the Board.

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

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

At the Board of Directors' meetings, the Chairperson of the Committee highlights key audit issues and overall decisions and resolutions made during the BAC meeting to the Board members.

During the financial year, GIA had carried out audits according to the internal audit plan approved by the BAC. The total cost incurred for the internal audit function for the financial year ended 31 December 2014 was RM1.57 million.

BAC STATEMENT ON RECURRENT RELATED PARTY TRANSACTIONS (RRPTS)

The BAC has reviewed the RRPTs mentioned on page 101 of the Annual Report and is of the view that the methods and procedures for determining the price and terms of the RRPTs of the MHB Group have not changed since the issuance of the Independent Adviser's opinion by PricewaterhouseCoopers Capital Sdn Bhd ("PwCC") dated 4 April 2012. The said letter of opinion from PwCC was published in the Company's Annual Report for the financial period ended 31 December 2011.

The BAC also confirmed that the methods and procedures as mentioned above are sufficient to ensure that the RRPTs will be carried out on commercial terms consistent with prevailing market conditions and are not to the detriment of the Company's minority shareholders.

This report is made in accordance with the resolution of the Board of Directors duly passed on 23 March 2015.

Directors' Responsibility Statement

DIRECTORS' RESPONSIBILITY STATEMENT ON PREPARATION OF FINANCIAL STATEMENTS

The Directors are responsible to prepare annual audited financial statements of the Group and of the Company in accordance with the provisions of the Companies Act, 1965 and the requirements of the Malaysian Financial Reporting Standards ("MFRS") issued by the Malaysian Accounting Standards Board. The financial statements also comply with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

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

In preparing the annual audited financial statements of the Group and of the Company for the financial year ended 31 December 2014, the Directors have ensured that, the appropriate and relevant accounting policies were adopted and consistently applied, reasonable and prudent estimates were exercised and a going concern basis was adopted.

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

This statement is made in accordance with the resolution of the Board of Directors dated 23 March 2015.

Investor Relations Report

The financial period under review is a twelve-month period and is now concurrent with the calendar year, which ended on 31st December 2014. Throughout the year, MHB was committed to provide complete, transparent and timely information to the market about its business operations, its financial condition, strategies and future prospects. The objective is to convey a fair and accurate representation of MHB, so that shareholders and potential investors can make properly informed investment decisions, while other stakeholders can formulate a balanced understanding of MHB and its future prospects.

Some of the investor relations (IR) programme highlights and initiatives during the year are as follows:

- Provide timely disclosure of information on quarterly results, corporate developments and all material announcements as required under Bursa Malaysia's Listing Requirements.

- Quarterly IR Reports and slide presentations shown during the Company's Analyst briefings were being uploaded on the corporate portal, http://www.mhb.com.my, to enable simultaneous and instantaneous dissemination of information to all of the Company's stakeholders.

- Analyst briefings were conducted during the final quarter and six-month period by MD & CEO and CFO to provide a comprehensive review of MHB's financial performance, operations, initiatives as well as strategies going forward for the Group.

- The analyst briefings conducted included updates on projects that have been completed or delivered such as the FPSO Cendor, Tapis-R topside and Kebabangan topsides. MHB also provided updates to the investment community and our shareholders on ongoing transformation initiatives that have been implemented in 2014 and also the Company's ongoing yard optimisation programme.

- MHB organised six visits to our Pasir Gudang yards in Johor Bahru during the period under review to provide members of the financial community a better understanding and appreciation of MHB's operations and outlook.

- MHB jointly participated with Technip in the 2nd Malaysia Oil & Gas services Exhibition and Conference (MOGSEC) 2014 which was held at Kuala Lumpur Convention Centre. Organised by Malaysian Oil & Gas Service Council (MOGSC) and in support of PETRONAS, the event was established with the aim of bringing together the Malaysia's oil & gas service providers towards becoming the regional hub for oil & gas services.

- MHB participated in the Affin Investment Conference 2014 on the theme 'Look East Policy (2.0): Implications on Financial Markets'. The programme was held at The Westin Kuala Lumpur. MHB was given the honour to present in the 'Corporate Break Out Session' and representing the Company was Mr Chang Kong Meng of Investor Relations. Mr Chang delivered a presentation on MHB's operations, strategy as well as business prospects.

- MHB conducted its 25th Annual General Meeting (AGM) at Sime Darby Convention Centre, Bukit Kiara, Kuala Lumpur, where the shareholders attended the meeting to review the Group's annual performance. The AGM was presided by MHB Chairman, Datuk Nasarudin Md Idris accompanied by MHB Managing Director and Chief Executive Officer (MD & CEO), Mr Dominique de Soras and the Board of Directors of MHB. The shareholders were briefed on the business activities, yard optimisation programme, procurement and engineering capabilities which are in line with company's transformative initiatives throughout the last financial year.

- Research reports written by analyst were compiled regularly. Feedback was compiled and summaries provided to senior management of MHB on the investment community's views of the Company, which was used to manage market expectations; and

- The IR team conducted regular one-on-one meetings with analysts, fund managers and shareholders to maintain an effective two-way communications with the investment community.

As at 2014, MHB remained in Bursa Malaysia KLCI Index that is widely used as a benchmark by domestic and international institutional to measure the Malaysia equity market's performance.

Additional Compliance Information

The following information is provided in accordance with Paragraph 9.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as set out in Appendix 9C thereto.

1. Status of Utilisation of Proceeds

As at 23 March 2015, the status of utilisation of proceeds raised from corporate exercise is as follows:

Purpose	Original Proposed Utilisation RM'000	First Revision on 4 April 2012 RM'000	Second Revision on 21 February 2014 RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation	Deviation		Explanation
						Amount RM'000	%	
Yard Optimisation Programme	833,780	445,830	555,830	555,830	Within 48 months upon listing	–	–	
Capital Expenditure in Turkmenistan	110,000	110,000	–	–	Within 48 months upon listing	–	–	Note 1
Listing Expenses	37,000	31,517	31,517	31,517	Fully utilised	–	–	Note 2
Acquisition of Pasir Gudang yard from Sime Darby Engineering Sdn Bhd ("Acquisition")	–	393,433	393,433	393,433	Fully utilised	–	–	Note 3
Total	**980,780**	**980,780**	**980,780**	**980,780**		**–**	**–**	

Note:

1) The full amount of RM110 million has been reallocated to Yard Optimisation Programme from capital expenditure in Turkmenistan.

2) As the actual listing expenses were lower than the estimated amount, the unutilised balance of RM5,483,000 was allocated for the Yard Optimisation Programme as per disclosure in the Company's Prospectus dated 6 October 2010.

3) The purchase consideration for the Acquisition amounting RM393,433,000 was utilised from the allocation for the Yard Optimisation Programme as it forms part and parcel of the Yard Optimisation Programme.

4) The Group has fully utilised the IPO proceed as at reporting date.

2. Materials Contracts

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

3. Sanctions and/or Penalties

During the financial year, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by any regulatory body.

4. Non-Audit Fees

The amount of non-audit fees paid to the Company's external auditors or their affiliates for services rendered to the Group for the financial year ended 31 December 2014 was RM140,000 (RM43,000 for the financial year ended 31 December 2013).

5. Share Buy-backs

The Company did not purchase any of its own shares during the financial year.

6. Options, Warrants or Convertible Securities

The Company did not issue any options, warrants or convertible securities during the financial year.

7. Depository Receipt Programme

The Company did not sponsor any depository receipt programme during the financial year.

8. Profit Estimate, Forecast or Projection

The Company did not make any release on the profit estimate, forecast or projection for the financial year.

9. Profit Guarantee

The Company did not give any profit guarantee during the financial year.

Financial Statements

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and joint ventures are described in Note 15 and Note 16 to the financial statements respectively. There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

The results of the Group and of the Company for the financial year ended 31 December 2014 are as follows:

	Group	Company
	RM'000	RM'000
Profit net of tax	130,620	14,746
Profit attributable to:		
Equity holders of the Company	129,929	14,746
Non-controlling interests	691	–
	130,620	14,746

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 Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2013 was as follows:

	RM'000
In respect of the financial year ended 31 December 2013 as reported in the directors' report of that year:	
Final single tier dividend of 5 sen per share on 1,600,000,000 ordinary shares, paid on 16 June 2014	80,000

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend the payment of any dividends for the financial year ended 31 December 2014.

DIRECTORS

The names of the directors of the Company in office since the date of the last report are:

Datuk Nasarudin bin Md Idris	
Dato' Halipah binti Esa	
Heng Heyok Chiang @ Heng Hock Cheng	
Yong Nyan Choi @ Yong Guan Choi	
Choy Khai Choon	
Bernard Rene Francois di Tullio	
Yee Yang Chien	
Captain Rajalingam Subramaniam	
Dominique Marie Bruno Francois Veyre de Soras	
Abu Fitri bin Abdul Jalil	(Appointed on 1 February 2015)

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 Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive any benefits by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, other than:

(a) benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 7 and Note 8 to the financial statements respectively; or

(b) benefits included in the aggregate amount of emoluments received or due and receivable as directors of related companies; or

(c) the fixed salary of a full-time employee of related companies.

DIRECTORS' INTERESTS

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

	1 January 2014	Acquired	Sold	31 December 2014
Direct interest:				
Ordinary shares of RM0.50 each				
The Company				
Datuk Nasarudin bin Md Idris	10,000	–	–	10,000
Dato' Halipah binti Esa	10,000	–	–	10,000
Heng Heyok Chiang @ Heng Hock Cheng	10,000	–	–	10,000
Yong Nyan Choi @ Yong Guan Choi	10,000	–	–	10,000
Captain Rajalingam Subramaniam	10,000	–	–	10,000
Dominique Marie Bruno Francois Veyre de Soras	90,000	–	–	90,000
Ordinary shares of RM1.00 each				
MISC Berhad, a related company				
Heng Heyok Chiang @ Heng Hock Cheng	20,000	–	–	20,000
Yong Nyan Choi @ Yong Guan Choi	10,000	–	–	10,000
PETRONAS Gas Berhad, a related company				
Datuk Nasarudin bin Md Idris	3,000	–	–	3,000
Ordinary shares of RM1.00 each stapled with KLCC Real Estate Investment Trust units (Stapled Securities)				
KLCC Property Holdings Berhad, a related company				
Datuk Nasarudin bin Md Idris	5,000	–	–	5,000
Heng Heyok Chiang @ Heng Hock Cheng	60,000	–	–	60,000
Ordinary shares of RM0.10 each				
PETRONAS Chemicals Group Berhad, a related company				
Datuk Nasarudin bin Md Idris	10,000	–	–	10,000
Dato' Halipah binti Esa	10,000	–	–	10,000
Heng Heyok Chiang @ Heng Hock Cheng	–	20,000	–	20,000
Deemed interest:				
Ordinary shares of RM0.50 each				
The Company				
Dato' Halipah binti Esa	10,000	–	–	10,000

DIRECTORS' INTERESTS (CONT'D.)

	1 January 2014	Acquired	Sold	31 December 2014
Deemed interest: (cont'd.)				
Ordinary shares of RM1.00 each				
MISC Berhad, a related company				
Dato' Halipah binti Esa	10,000	–	–	10,000
Heng Heyok Chiang @ Heng Hock Cheng	3,000	–	3,000	–
Ordinary shares of RM1.00 each stapled with KLCC Real Estate Investment Trust units (Stapled Securities)				
KLCC Property Holdings Berhad, a related company				
Heng Heyok Chiang @ Heng Hock Cheng	6,000	–	–	6,000
Ordinary shares of RM0.10 each				
PETRONAS Chemicals Group Berhad, a related company				
Dato' Halipah binti Esa	13,100	–	–	13,100
Heng Heyok Chiang @ Heng Hock Cheng	–	4,000	–	4,000

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

  (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

  (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

OTHER STATUTORY INFORMATION (CONT'D.)

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

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

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

  (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

  (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

  (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 17 February 2015.

Datuk Nasarudin bin Md Idris **Dominique Marie Bruno Francois Veyre de Soras**

Statement by Directors

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

We, Datuk Nasarudin bin Md Idris and Dominique Marie Bruno Francois Veyre de Soras, being two of the directors of Malaysia Marine and Heavy Engineering Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 126 to 189 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of their financial performance and the cash flows for the year then ended.

The information set out in Note 36 on page 190 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 17 February 2015.

Datuk Nasarudin bin Md Idris

Dominique Marie Bruno Francois Veyre de Soras

Statutory Declaration

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Wan Mashitah binti Wan Abdullah Sani, being the officer primarily responsible for the financial management of Malaysia Marine and Heavy Engineering Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 126 to 189 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 Wan Mashitah binti Wan Abdullah Sani at Kuala Lumpur in the Federal Territory on 17 February 2015.

Wan Mashitah binti Wan Abdullah Sani

Before me,

Independent Auditors' Report

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Malaysia Marine and Heavy Engineering Holdings Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 126 to 189.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

(c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 36 on page 190 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

Ernst & Young
AF: 0039
Chartered Accountants

Ahmad Zahirudin bin Abdul Rahim
No. 2607/12/16(J)
Chartered Accountant

Kuala Lumpur, Malaysia
17 February 2015

Statements of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Revenue	4	**2,700,505**	2,884,518	**–**	80,000
Cost of sales		**(2,359,588)**	(2,532,436)	**–**	–
Gross profit		**340,917**	352,082	**–**	80,000
Other operating income	5	**66,372**	45,192	**32,116**	35,345
Selling and distribution expenses		**(2,766)**	(2,460)	**(12)**	(3)
Administrative expenses		**(225,545)**	(139,849)	**(11,422)**	(9,909)
Other operating expenses		**(43,610)**	(52,968)	**(87)**	(63)
Finance costs		**(12,745)**	(5,731)	**–**	–
Profit from operations		**122,623**	196,266	**20,595**	105,370
Share of (loss)/profit after tax of joint ventures	16	**(3,511)**	1,305	**–**	–
Profit before taxation	6	**119,112**	197,571	**20,595**	105,370
Taxation	9	**11,508**	39,615	**(5,849)**	(9,268)
Profit for the year		**130,620**	237,186	**14,746**	96,102
Other comprehensive (expense)/income:					
Fair value (loss)/gain on cash flow hedges	23	**(877)**	1,295	**–**	–
Total comprehensive income for the year		**129,743**	238,481	**14,746**	96,102
Profit attributable to:					
Equity holders of the Company		**129,929**	236,474	**14,746**	96,102
Non-controlling interests		**691**	712	**–**	–
		130,620	237,186	**14,746**	96,102
Total comprehensive income attributable to:					
Equity holders of the Company		**129,052**	237,769	**14,746**	96,102
Non-controlling interests		**691**	712	**–**	–
		129,743	238,481	**14,746**	96,102
Earnings per share attributable to equity holders of the Company (sen per share)					
Basic	10	**8.12**	14.78		
Diluted	10	**8.12**	14.78		

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

Statements of Financial Position

AS AT 31 DECEMBER 2014

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**1,607,347**	1,512,284	**–**	–
Land use rights	13	**237,635**	244,730	**–**	–
Goodwill on acquisition	14	**62,783**	62,783	**–**	–
Investment in subsidiaries	15	**–**	–	**664,132**	664,132
Investment in joint ventures	16	**17,085**	20,596	**3,000**	3,000
Deferred tax assets	18	**80,602**	61,208	**–**	–
Other receivables	19	**–**	–	**411,035**	437,285
		2,005,452	1,901,601	**1,078,167**	1,104,417
Current assets					
Inventories, at cost		**11,721**	12,582	**–**	–
Trade and other receivables	19	**1,850,780**	2,480,835	**477,674**	345,542
Tax recoverable		**1,055**	–	**1,634**	–
Derivatives	27	**364**	1,918	**–**	–
Cash and bank balances	21	**589,228**	623,184	**131,360**	304,496
		2,453,148	3,118,519	**610,668**	650,038
Non-current asset held for sale	28	**6,282**	–	**–**	–
Total assets		**4,464,882**	5,020,120	**1,688,835**	1,754,455
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	22	**800,000**	800,000	**800,000**	800,000
Share premium	22	**818,263**	818,263	**818,263**	818,263
Cash flow hedge reserve	23	**501**	1,378	**–**	–
Retained earnings		**1,014,139**	964,210	**69,377**	134,631
		2,632,903	2,583,851	**1,687,640**	1,752,894
Non-controlling interests		**3,219**	2,528	**–**	–
Total equity		**2,636,122**	2,586,379	**1,687,640**	1,752,894
Current liabilities					
Trade and other payables	24	**1,525,625**	2,128,096	**1,195**	728
Provisions	25	**18,828**	1,653	**–**	–
Income tax payable		**19,189**	13,418	**–**	833
Borrowings	26	**265,000**	290,000	**–**	–
Derivatives	27	**118**	574	**–**	–
		1,828,760	2,433,741	**1,195**	1,561
Total liabilities		**1,828,760**	2,433,741	**1,195**	1,561
Total equity and liabilities		**4,464,882**	5,020,120	**1,688,835**	1,754,455

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

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Share capital (Note 22) RM'000	Share premium (Note 22) RM'000	Cash flow hedge reserve (Note 23) RM'000	Distributable retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
	<------------- Attributable to equity holders of the Company ------------->						
At 1 January 2014	**800,000**	**818,263**	**1,378**	**964,210**	**2,583,851**	**2,528**	**2,586,379**
Total comprehensive income	**–**	**–**	**(877)**	**129,929**	**129,052**	**691**	**129,743**
Transaction with equity holders of the Company							
Dividends on ordinary shares (Note 11)	**–**	**–**	**–**	**(80,000)**	**(80,000)**	**–**	**(80,000)**
Total transaction with equity holder of the Company	**–**	**–**	**–**	**(80,000)**	**(80,000)**	**–**	**(80,000)**
At 31 December 2014	**800,000**	**818,263**	**501**	**1,014,139**	**2,632,903**	**3,219**	**2,636,122**
At 1 January 2013	800,000	818,263	83	887,736	2,506,082	4,816	2,510,898
Total comprehensive income	–	–	1,295	236,474	237,769	712	238,481
Transaction with equity holders of the Company							
Dividends on ordinary shares (Note 11)	–	–	–	(160,000)	(160,000)	(3,000)	(163,000)
Total transaction with equity holder of the Company	–	–	–	(160,000)	(160,000)	(3,000)	(163,000)
At 31 December 2013	800,000	818,263	1,378	964,210	2,583,851	2,528	2,586,379

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

Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Share capital (Note 22) RM'000	Share premium (Note 22) RM'000	Distributable retained earnings RM'000	Total equity RM'000
At 1 January 2014	**800,000**	**818,263**	**134,631**	**1,752,894**
Total comprehensive income	**–**	**–**	**14,746**	**14,746**
Transaction with equity holders of the Company				
Dividends on ordinary shares (Note 11)	**–**	**–**	**(80,000)**	**(80,000)**
Total transaction with equity holders of the Company	**–**	**–**	**(80,000)**	**(80,000)**
At 31 December 2014	**800,000**	**818,263**	**69,377**	**1,687,640**
At 1 January 2013	800,000	818,263	198,529	1,816,792
Total comprehensive income	–	–	96,102	96,102
Transaction with equity holders of the Company	–	–	–	–
Dividends on ordinary shares (Note 11)	–	–	(160,000)	(160,000)
Total transaction with equity holders of the Company	–	–	(160,000)	(160,000)
At 31 December 2013	800,000	818,263	134,631	1,752,894

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

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Group	
	2014 RM'000	**2013 RM'000**
Cash flows from operating activities		
Profit before taxation	**119,112**	197,571
Adjustments for:		
Property, plant and equipment		
– depreciation	**69,719**	59,110
– write-offs	**2,045**	1,089
Amortisation of land use rights	**7,095**	8,783
Net provision/(reversal) of warranty	**17,175**	(5,448)
Net provision/(reversal) of impairment loss of trade receivables	**3,871**	(872)
Impairment loss of property, plant and equipment	**4,967**	–
Interest income	**(16,605)**	(17,230)
Finance costs	**12,745**	5,731
Realisation of gains on hedges	**(1,378)**	(83)
Net fair value loss/(gain) on derivatives	**255**	(134)
Net unrealised (gains)/losses on foreign exchange	**(22,990)**	825
Inventories written off	**1,435**	465
Share of loss/(profit) after tax of joint ventures	**3,511**	(1,305)
Operating profit before working capital changes	**200,957**	248,502
Inventories	**(574)**	(1,425)
Trade and other receivables	**650,479**	(366,423)
Trade and other payables	**(602,324)**	(157,959)
Cash generated from/(used in) operations	**248,538**	(277,305)
Tax refund	**5,999**	–
Tax paid	**(9,170)**	(16,260)
Net cash generated from/(used in) operating activities	**245,367**	(293,565)

	Group	
	2014 **RM'000**	**2013** **RM'000**
Cash flows from investing activities		
Purchase of property, plant and equipment	**(178,076)**	(131,446)
Interest received	**16,605**	19,835
Dividend income from joint ventures	**–**	15,000
Net cash used in investing activities	**(161,471)**	(96,611)
Cash flows from financing activities		
Interest paid	**(12,852)**	(3,928)
Placement of long-term deposit	**–**	(25,000)
Drawdown on revolving credit facilities	**100,000**	290,000
Repayment on revolving credit facilities	**(125,000)**	–
Dividends paid to non-controlling interests of subsidiaries	**–**	(3,000)
Dividends paid on ordinary shares	**(80,000)**	(160,000)
Net cash (used in)/generated from financing activities	**(117,852)**	98,072
Net change in cash and cash equivalents	**(33,956)**	(292,104)
Cash and cash equivalents at beginning of year	**598,184**	890,288
Cash and cash equivalents at end of year	**564,228**	598,184
Cash and cash equivalents at the end of the year comprise the following:-		
Cash at banks and on hand (Note 21)	**457,119**	242,786
Deposits with licensed banks (Note 21)	**132,109**	380,398
	589,228	623,184
Less: Deposits with maturity more than 90 days	**(25,000)**	(25,000)
	564,228	598,184

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

Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Company	
	2014 RM'000	**2013 RM'000**
Cash flows from operating activities		
Profit before taxation	**20,595**	105,370
Adjustments for:		
Interest income	**(32,116)**	(35,345)
Dividend income from subsidiaries	**–**	(80,000)
Operating loss before working capital changes	**(11,521)**	(9,975)
Trade and other receivables	**8,272**	(10,954)
Trade and other payables	**466**	(3,095)
Cash used in operations	**(2,783)**	(24,024)
Tax paid	**(8,315)**	(7,308)
Net cash used in operating activities	**(11,098)**	(31,332)
Cash flows from investing activities		
Dividend income received	**80,000**	160,000
Interest received	**7,642**	14,766
Net cash generated from investing activities	**87,642**	174,766
Cash flows from financing activities		
Dividends paid on ordinary shares (Note 11)	**(80,000)**	(160,000)
Proceeds from subsidiary for intercompany loan	**–**	41,476
Disbursement of intercompany loan to subsidiary	**(169,680)**	(386,150)
Net cash used in financing activities	**(249,680)**	(504,674)
Net change in cash and cash equivalents	**(173,136)**	(361,240)
Cash and cash equivalents at beginning of year	**304,496**	665,736
Cash and cash equivalents at end of year (Note 21)	**131,360**	304,496

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

1. CORPORATE INFORMATION

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

The immediate and ultimate holding companies of the Company are MISC Berhad and Petroliam Nasional Berhad, both of which are incorporated in Malaysia. The immediate holding company is listed on the Main Market of Bursa Malaysia.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and joint ventures are described in Note 15 and Note 16 to the financial statements respectively. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 17 February 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

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

As of 1 January 2014, the Group and the Company had adopted new and amended MFRSs and IC Interpretation (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standard Board ("MASB") as described fully in Note 2.3.

2.2 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(i) Subsidiaries (cont'd.)

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control commences until the date that control ceases.

In the Company's separate financial statements, investment in subsidiaries are accounted for at cost less impairment losses.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in income statement.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in income statement on the acquisition date.

Subsidiaries are consolidated from the date of business combination, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(b) Joint arrangements

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

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

(i) Joint ventures

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(b) Joint arrangements (cont'd.)

(i) Joint ventures (cont'd.)

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

On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is included in income statement.

(ii) Joint operations

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

The Group as a joint operator recognises in relation to its interest in a joint operation:
(i) its assets, including its share of any assets held jointly;
(ii) its liabilities, including its share of any liabilities incurred jointly;
(iii) its revenue from the sale of its share of the output arising from the joint operation;
(iv) its share of the revenue from the sale of the output by the joint operation;
(v) its expenses, including its share of any expenses incurred jointly.

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

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

(c) Property, plant and equipment, and depreciation

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(c) Property, plant and equipment, and depreciation (cont'd.)

Construction-in-progress are not depreciated as these assets are not available for use. Depreciation of property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Boats	25%
Buildings, drydocks and waste plant	2% – 10%
Plant, machinery and electrical installations	4% – 20%
Vehicles and transport equipment	10% – 20%
Furniture and office equipment	5% – 20%
Loose tools	5%

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

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

(d) Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of physical completion or based on technical milestones defined under the contracts, and taking into account the nature and its associated risk.

Where the outcome of a construction 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.

Contract revenue comprises the initial amount of revenue agreed in the contract and 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.

When the total of costs incurred in construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When the progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(e) 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 classifications 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.

(f) Impairment of non-financial assets

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

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

An asset's recoverable amount is the higher of the asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a 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.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(g) Inventories

Inventories which comprise spares, raw materials and consumables stores 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. The cost of raw materials and consumables comprises costs of purchase. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(h) Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of the financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) and financial assets that are specifically designated into this category upon initial recognition.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in income statement. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in income statement as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(h) Financial assets (cont'd.)

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

The Group and the Company have not designated any financial assets at fair value through profit or loss.

(ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. The Group's and the Company's loans and receivables include trade and other receivables and cash and bank balances.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(iii) Held-to-maturity financial assets

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group and the Company have the positive intention and ability to hold the financial assets to maturity.

Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in income statement when the held-to-maturity financial assets are derecognised or impaired, and through the amortisation process.

Held-to-maturity financial assets are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

The Group and the Company have not designated any financial assets as held-to-maturity investment.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in income statement. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to income statement as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in income statement. Dividends on an available-for-sale equity instrument are recognised in income statement when the Group's and the Company's right to receive payment is established.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(h) Financial assets (cont'd.)

(iv) Available-for-sale financial assets (cont'd.)

Investments in equity instruments whose fair value cannot be measured reliably are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

The Group and the Company have not designated any financial assets as available-for-sale financial assets.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in income statement.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Group and the Company commit to purchase or sell the asset.

(i) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading includes derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in income statement. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities at fair value through profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(i) Financial liabilities (cont'd.)

(ii) Other financial liabilities

The Group's and the Company's other financial liabilities include trade and other payables.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in income statement when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in 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 because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in income statement 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) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements 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.

(l) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in income statement in the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(m) Impairment of financial assets

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

Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in income statement.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in income statement.

(n) Income tax

(i) Current tax

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(n) Income tax (cont'd.)

(ii) Deferred tax

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

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 income statement; and

– in respect of taxable temporary differences associated with investment 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.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(o) Provisions

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

Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group, 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.

(p) 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 pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in income statement as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises 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 failing due more than twelve months after reporting date are discounted to present value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(q) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in income statement for the period.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in income statement for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(r) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Revenue from Offshore Segment

Revenue from Offshore Segment construction contracts is accounted for in accordance with the policy described in Note 2.2(d).

(ii) Revenue from Marine Repair Segment

Revenue from Marine Repair Segment is accounted for when ship repairs are completed or the amount of revenue can be measured reliably.

(iii) Interest income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(r) Revenue recognition (cont'd.)

(iv) Rental income

Rental income is recognised on a straight-line basis over the term of the lease.

(v) Dividend income

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

(s) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(ii) Operating leases – the Group as lessee

Operating lease payments are recognised as an expense in income statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(iii) Operating leases – the Group as lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.2(r)(iv).

(t) Equity investments

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

(u) Cash and bank balances

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(v) Hedge accounting

The Group uses derivatives to manage its exposure to foreign currency risk. The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

For the purpose of hedge accounting, hedging relationships are classified as:

– Fair value hedges, when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk);

– Cash flow hedges, when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or

– Hedges of a net investment in a foreign operation.

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

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

(i) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income into cash flow hedge reserve, while any ineffective portion is recognised immediately in income statement.

Amounts recognised in other comprehensive income previously are reclassified from equity to income statement when the hedged transaction affects income statement, such as when the hedged interest income or interest expense is recognised or when a forecast sale occurs. Where the hedged item is a non-financial asset or a non-financial liability, the amounts recognised previously in other comprehensive income are removed and included in the initial carrying amount of the non-financial asset or liability.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(v) Hedge accounting (cont'd.)

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

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remain in equity until the forecast transaction or firm commitment affects income statement.

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

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

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

(w) Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

(x) Intangible asset

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's CGUs that are expected to benefit from the synergies of the combination.

The CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired, by comparing the carrying amount of the CGU, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in income statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the CGU retained.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes in accounting policies

On 1 January 2014, the Group and the Company adopted the following pronouncements mandatory for annual financial periods beginning on or after 1 January 2014.

Effective for annual period beginning on or after 1 January 2014:

Amendments to MFRS 10	Consolidated Financial Statements – Investment Entities
Amendments to MFRS 12	Disclosure of Interest in Other Entities – Investment Entities
Amendments to MFRS 127	Consolidated and Separate Financial Statements – Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

The adoption of the abovementioned pronouncements did not have any significant impact to the Group and the Company.

2.4 Standards issued but not yet effective

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

Effective for annual period beginning on or after 1 July 2014:

Amendments to MFRS 2	Share-based payment (Annual Improvements to MFRSs 2010 – 2012 Cycle)
Amendments to MFRS 3	Business Combinations (Annual Improvements to MFRSs 2010 – 2012 Cycle)
Amendments to MFRS 3	Business Combinations (Annual Improvements to MFRSs 2011 – 2013 Cycle)
Amendments to MFRS 8	Operating Segments (Annual Improvements to MFRSs 2010 – 2012 Cycle)
Amendments to MFRS 13	Fair Value Measurement (Annual Improvements to MFRSs 2011 – 2013 Cycle)
Amendments to MFRS 116	Property, Plant and Equipment (Annual Improvements to MFRSs 2010 – 2012 Cycle)
Amendments to MFRS 119	Employee Benefits (Defined Benefit Plans: Employee Contributions)
Amendments to MFRS 124	Related Party Disclosures (Annual Improvements to MFRSs 2010 – 2012 Cycle)
Amendments to MFRS 138	Intangible Assets (Annual Improvements to MFRSs 2010 – 2012 Cycle)
Amendments to MFRS 140	Investment Property (Annual Improvements to MFRSs 2011 – 2013 Cycle)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

Effective for annual period beginning on or after 1 January 2016:

Amendments to MFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements to MFRSs 2012 – 2014 Cycle)
Amendments to MFRS 7	Financial Instruments: Disclosures (Annual Improvements to MFRSs 2012 – 2014 Cycle)
Amendments to MFRS 10	Consolidated Financial Statements – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 10	Consolidated Financial Statements – Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11	Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 12	Disclosures of Interest in Other Entities – Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 101	Presentation of Financial Statements – Disclosure Initiative
Amendments to MFRS 116	Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116	Property, Plant and Equipment – Bearer Plants
Amendments to MFRS 119	Employee Benefits (Annual Improvements to MFRSs 2012 – 2014 Cycle)
Amendments to MFRS 127	Consolidated and Separate Financial Statements – Equity Method in Separate Financial Statements
Amendments to MFRS 128	Investments in Associates – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 128	Investments in Associates – Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements to MFRSs 2012 – 2014 Cycle)
Amendments to MFRS 138	Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 141	Agriculture – Bearer Plants
MFRS 14	Regulatory Deferral Accounts

Effective for annual period beginning on or after 1 January 2017:

MFRS 15	Revenue from Contracts with Customers

Effective for annual period beginning on or after 1 January 2018:

MFRS 9	Financial Instruments

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

The Group and the Company are expected to apply the abovementioned pronouncements beginning from the respective dates the pronouncements become effective. The initial application of the abovementioned pronouncements are not expected to have any material impacts to the financial statements of the Group and the Company except as mentioned below:

(i) MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces MFRS 139 *Financial Instruments: Recognition and Measurement* and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

(ii) MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step models that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFR 118 *Revenue*, MFRS 111 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the stipulated effective date.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical judgements made in applying accounting policies

The following are the judgements made by management in applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

Construction contracts

The Group recognises revenue and expenses from construction contracts in the statement of comprehensive income by using the stage of completion method. The stage of completion is measured by reference to the proportion of physical completion of the contract work.

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 contract. In making the judgement, the Group's evaluation is based on past experience and by relying on the work of internal specialists.

The information on construction contracts is disclosed in Note 20.

(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 a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment to be within 4 to 50 years. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The information on depreciation of property, plant and equipment is disclosed in Note 12.

(ii) Allowance for impairment loss of trade receivables

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

The information on allowance for impairment loss of trade receivables is disclosed in Note 32(b)(ii).

(iii) Provision for warranty

The Group grants warranties on certain construction contracts and undertakes to repair or replace items that fail to perform satisfactorily. Provision for warranty is made based on service histories to cover the estimated liability that may arise during the warranty period. Any surplus provision is written back at the end of the warranty period while additional provision is made as and when necessary.

The information on provision for warranty is disclosed in Note 25.

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

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

(iv) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and unabsorbed investment tax allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The information on deferred tax assets is disclosed in Note 18.

(v) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the CGUs to which goodwill is allocated.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are provided in Note 14.

4. REVENUE

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Offshore segment	**2,447,656**	2,599,870	**–**	–
Marine repair segment	**252,849**	284,648	**–**	–
Dividend income	**–**	–	**–**	80,000
	2,700,505	2,884,518	**–**	80,000

5. OTHER OPERATING INCOME

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Rental income	**1,902**	3,081	**–**	–
Interest income				
– deposits with licensed banks	**16,605**	17,230	**7,563**	12,162
– loan to subsidiary	**–**	–	**24,553**	23,183
Net gain on foreign exchange				
– realised	**3,365**	4,974	**–**	–
– unrealised	**22,990**	–	**–**	–
Income from scrap disposal	**14,411**	12,934	**–**	–
Reversal of impairment loss				
– trade receivables (Note 32(b)(ii)(b))	**–**	2,677	**–**	–
Others	**7,099**	4,296	**–**	–
	66,372	45,192	**32,116**	35,345

6. PROFIT BEFORE TAXATION

Profit before taxation are derived after charging/(crediting):

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Auditors' remuneration:				
– statutory audit	**279**	260	**16**	15
– others	**140**	43	**5**	5
Staff costs (Note 7)	**358,782**	342,642	**8,185**	8,095
Property, plant and equipment (Note 12):				
– depreciation	**69,719**	59,110	**–**	–
– write-offs	**2,045**	1,089	**–**	–
Amortisation of land use rights (Note 13)	**7,095**	8,783	**–**	–
Hire of tugboat, pushers and barges	**6,871**	6,938	**–**	–
Rental of:				
– buildings	**2,000**	893	**1,381**	1,295
– vehicles	**226**	1,505	**8**	1
– office equipment	**2,866**	3,247	**22**	11
– equipment	**32,701**	71,197	**–**	–
Inventories written off	**1,435**	465	**–**	–
Net loss on foreign exchange:				
– unrealised	**–**	825	**–**	–
Impairment loss:				
– trade receivables (Note 32(b)(ii)(b))	**3,871**	1,805	**–**	–
– property, plant and equipment (Note 12)	**4,967**	–	**–**	–
Net provision/(reversal) of warranty (Note 25)	**17,175**	(5,448)	**–**	–
Interest expense on revolving credit facilities	**12,745**	5,731	**–**	–
Realisation of gains on hedges	**(1,378)**	(83)	**–**	–
Net fair value loss/(gain) on derivatives	**255**	(134)	**–**	–

7. STAFF COSTS

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Wages and salaries	**259,243**	263,952	**5,490**	4,746
Social security costs	**1,528**	1,750	**11**	10
Contributions to a defined contribution plan	**27,826**	32,146	**452**	504
Termination benefits	**25,649**	–	**–**	–
Other staff related expenses	**44,536**	44,794	**2,232**	2,835
	358,782	342,642	**8,185**	8,095

Included in staff costs of the Group and the Company is an executive director's remuneration amounting to RM2,357,000 (2013: RM2,497,000) and RM2,357,000 (2013: RM2,497,000) respectively.

8. DIRECTORS' REMUNERATION

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

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Executive director's remuneration:				
Salaries and other emoluments	**2,357**	2,497	**2,357**	2,497
Estimated money value of benefits-in-kind	**14**	14	**14**	14
Total executive director's remuneration (including benefits-in-kind) (Note 31(b))	**2,371**	2,511	**2,371**	2,511
Non-executive directors' remuneration:				
Fees	**612**	605	**612**	605
Other emoluments	**514**	359	**514**	359
Total directors' remuneration	**3,497**	3,475	**3,497**	3,475

8. DIRECTORS' REMUNERATION (CONT'D.)

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

	Number of directors	
	2014	**2013**
Executive directors:		
RM2,350,001 – RM2,400,000	**1**	–
RM2,500,001 – RM2,550,000	**–**	1
	1	1
Non-executive directors:		
RM100,001 – RM150,000	**8**	8
	9	9

9. TAXATION

<u>Major components of income tax expense</u>

The major components of income tax expense are as follows:

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Current income tax:				
Malaysian income tax	**7,644**	8,332	**4,478**	6,400
Underprovision in prior years:				
Malaysian income tax	**242**	3,946	**1,371**	2,868
	7,886	12,278	**5,849**	9,268
Deferred tax (Note 18):				
Relating to origination and reversal of temporary differences	**(19,454)**	(12,824)	**–**	–
Under/(over) provision in prior years	**60**	(39,069)	**–**	–
	(19,394)	(51,893)	**–**	–
Taxation for the year	**(11,508)**	(39,615)	**5,849**	9,268

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2013: 25%) of the estimated assessable profit for the financial year.

The domestic statutory tax rate will be reduced to 24% from the current year's rate of 25%, effective year of assessment 2016. The computation of deferred tax as at 31 December 2014 did not reflect these changes as the effect is not significant.

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 Company is as follows:

	2014 RM'000	2013 RM'000
Group		
Profit before taxation	**119,112**	197,571
Taxation at Malaysian statutory tax rate of 25% (2013: 25%)	**29,778**	49,393
Income not subject to tax	**(424)**	–
Expenses not deductible for tax purposes	**5,443**	8,646
Deferred tax assets not recognised	**279**	422
Utilisation of current year's investment tax allowances	**(22,199)**	(38,050)
Deferred tax assets recognised on unutilised investment tax allowances	**(25,565)**	(24,577)
Under/(over) provision of deferred tax in prior years	**60**	(39,069)
Underprovision of Malaysian tax expense in prior years	**242**	3,946
Share of results of joint ventures	**878**	(326)
Income tax expense for the year	**(11,508)**	(39,615)
Company		
Profit before taxation	**20,595**	105,370
Taxation at Malaysian statutory tax rate of 25% (2013: 25%)	**5,149**	26,343
Income not subject to tax	**(706)**	(20,000)
Expenses not deductible for tax purposes	**35**	57
Underprovision of Malaysian tax expense in prior years	**1,371**	2,868
Income tax expense for the year	**5,849**	9,268

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the number of ordinary shares outstanding during the financial year, as follows:

	Group	
	2014	2013
Profit attributable to equity holders of the Company (RM'000)	**129,929**	236,474
Number of ordinary shares in issue ('000)	**1,600,000**	1,600,000
Basic/diluted earnings per share (sen)	**8.12**	14.78

The Company does not have any financial instruments which may dilute its basic earnings per share.

11. DIVIDENDS

	Company 2014 RM'000	Company 2013 RM'000
Dividend recognised in respect of financial year ended 31 December 2014/2013:		
– Final (single-tier) dividend for 31.12.2013: 5 sen per share (31.12.2012: 10 sen per share)	**80,000**	160,000

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend the payment of any dividends for the financial year ended 31 December 2014.

12. PROPERTY, PLANT AND EQUIPMENT

	<---------- Cost					---------->
	At 1.1.2014 RM'000	**Additions RM'000**	**Transfers RM'000**	**Reclassified as held for sale RM'000**	**Write-offs RM'000**	**At 31.12.2014 RM'000**
Group – 31 December 2014						
Boats	**511**	**74**	**–**	**–**	**–**	**585**
Buildings, drydocks and waste plant	**1,246,156**	**1,012**	**129,622**	**–**	**(478)**	**1,376,312**
Plant, machinery and electrical installations	**525,716**	**8,476**	**61,085**	**–**	**(4,175)**	**591,102**
Vehicles and transport equipment	**15,581**	**726**	**4**	**–**	**(1,007)**	**15,304**
Furniture and office equipment	**76,241**	**1,574**	**256**	**–**	**(128)**	**77,943**
Loose tools	**7,715**	**–**	**–**	**–**	**–**	**7,715**
Construction-in-progress	**226,329**	**166,214**	**(190,967)**	**(6,282)**	**–**	**195,294**
	2,098,249	**178,076**	**–**	**(6,282)**	**(5,788)**	**2,264,255**

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

	<------------ Accumulated depreciation/Impairment losses ------------>					Net book value
	At 1.1.2014 RM'000	Charge for the financial year RM'000	Impairment losses RM'000	Write-offs RM'000	At 31.12.2014 RM'000	At 31.12.2014 RM'000
Group – 31 December 2014 (cont'd.)						
Boats	**510**	**11**	**–**	**–**	**521**	**64**
Buildings, drydocks and waste plant	**250,426**	**30,473**	**–**	**(201)**	**280,698**	**1,095,614**
Plant, machinery and electrical installations	**265,359**	**28,827**	**–**	**(2,409)**	**291,777**	**299,325**
Vehicles and transport equipment	**10,022**	**1,581**	**–**	**(1,007)**	**10,596**	**4,708**
Furniture and office equipment	**52,344**	**8,420**	**–**	**(126)**	**60,638**	**17,305**
Loose tools	**7,304**	**407**	**–**	**–**	**7,711**	**4**
Construction-in-progress	**–**	**–**	**4,967**	**–**	**4,967**	**190,327**
	585,965	**69,719**	**4,967**	**(3,743)**	**656,908**	**1,607,347**

	<------------------------------------ Cost ------------------------------------>				
	At 1.1.2013 RM'000	Additions RM'000	Transfers RM'000	Write-offs RM'000	At 31.12.2013 RM'000
Group – 31 December 2013					
Boats	511	–	–	–	511
Buildings, drydocks and waste plant	1,085,473	–	162,097	(1,414)	1,246,156
Plant, machinery and electrical installations	443,784	3,491	79,235	(794)	525,716
Vehicles and transport equipment	15,692	207	–	(318)	15,581
Furniture and office equipment	70,991	1,926	3,762	(438)	76,241
Loose tools	7,715	–	–	–	7,715
Construction-in-progress	345,601	125,822	(245,094)	–	226,329
	1,969,767	131,446	–	(2,964)	2,098,249

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

	<--------------- Accumulated depreciation			--------------->	Net book value
	At 1.1.2013 RM'000	Charge for the financial year RM'000	Write-offs RM'000	At 31.12.2013 RM'000	At 31.12.2013 RM'000
Group – 31 December 2013 (cont'd.)					
Boats	495	15	–	510	1
Buildings, drydocks and waste plant	225,061	25,937	(572)	250,426	995,730
Plant, machinery and electrical installations	242,468	23,628	(737)	265,359	260,357
Vehicles and transport equipment	8,087	2,153	(218)	10,022	5,559
Furniture and office equipment	45,315	7,377	(348)	52,344	23,897
Loose tools	7,304	–	–	7,304	411
Construction-in-progress	–	–	–	–	226,329
	528,730	59,110	(1,875)	585,965	1,512,284

13. LAND USE RIGHTS

	Group	
	2014 RM'000	2013 RM'000
Cost		
At 1 January/31 December	**292,552**	292,552
Accumulated amortisation		
At 1 January	**47,822**	39,039
Amortisation for the year (Note 6)	**7,095**	8,783
At 31 December	**54,917**	47,822
Net carrying amount at 31 December	**237,635**	244,730
Amount to be amortised:		
– Not later than one year	**7,135**	7,135
– Later than one year but not later than five years	**28,540**	28,540
– Later than five years	**201,960**	209,055

The leasehold and foreshore land cannot be disposed, charged or subleased without the prior consent of the Johor State Government.

14. GOODWILL ON ACQUISITION

	Group	
	2014 RM'000	**2013 RM'000**
Net carrying amount:		
At 1 January/31 December	**62,783**	62,783

(a) Impairment testing of goodwill

Goodwill arising from business combinations has been allocated to a single cash-generating unit ("CGU"), which is the Group's Offshore Segment for impairment testing.

Key assumptions used in value-in-use calculations

The recoverable amount of the CGU is determined based on value in use calculations using forecasts on Earnings Before Interests, Taxation, Depreciation and Amortisation ("EBITDA") based on financial budgets approved by management covering a five-year period. EBITDA forecast beyond the five-year period are extrapolated based on the five-year average figures into perpetuity, assuming a growth rate of 3% and using a pre-tax discount rate of 10.8%.

The calculations of value in use for the CGU are most sensitive to the following assumptions:

(i) Revenue

Offshore Segment's revenue are estimated based on existing order book and anticipated future projects.

(ii) Budgeted gross margins

Gross margins are estimated based on completed projects and budgeted margins of identified future projects.

(ii) Growth rates

The forecasted growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGUs.

Management believes that there will not be reasonable possible changes in key assumptions that would cause the carrying value of the CGU to exceed its recoverable amount.

15. INVESTMENT IN SUBSIDIARIES

	Company	
	2014 RM'000	**2013 RM'000**
Unquoted shares in Malaysia, at cost	**664,132**	664,132

The subsidiaries, all of which are incorporated in Malaysia, are as follows:

Name	**Principal activities**	**% of ownership interest held by the Group**		**% of ownership interest held by non-controlling interest**	
		2014	**2013**	**2014**	**2013**
Malaysia Marine and Heavy Engineering Sdn. Bhd. ("MMHE")	Oil and gas engineering and construction works and marine conversion and repair	**100%**	100%	**–**	–
MMHE International Sdn. Bhd. (formerly known as Malaysia Marine and Heavy Engineering (Turkmenistan) Sdn. Bhd.)	Dormant	**100%**	100%	**–**	–
Subsidiaries of MMHE:					
MMHE-SHI LNG Sdn. Bhd.	Provision of repair services and dry docking of liquefied natural gas carriers	**70%**	70%	**30%**	30%
Techno Indah Sdn. Bhd.	Sludge disposal management	**100%**	100%	**–**	–
MSE Corporation Sdn. Bhd.	Dormant	**–**	100%	**–**	–

16. INVESTMENT IN JOINT VENTURES

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Unquoted shares at cost	**14,372**	14,372	**3,000**	3,000
Share of post-acquisition reserves	**2,713**	6,224	**–**	–
	17,085	20,596	**3,000**	3,000

(a) Details of the Group's joint ventures, all of which are incorporated in Malaysia, are as follows:

Name	**% of ownership interest held by the Group**		**Nature of relationship**
	2014	**2013**	
Technip MHB Hull Engineering Sdn. Bhd.	**50%**	50%	Note (i)
MMHE-TPGM Sdn. Bhd.	**60%**	60%	Note (ii)
MMHE-ATB Sdn. Bhd.	**40%**	40%	Note (iii)

(i) Technip MHB Hull Engineering Sdn. Bhd. builds and develops hull engineering and engineering project management capacities. It provides its services as subcontractors to the Group's projects as well as third parties.

(ii) MMHE-TPGM Sdn. Bhd. provides engineering, procurement, construction, installation and commissioning services for the Group's activities in Turkmenistan.

(iii) MMHE-ATB Sdn. Bhd. is engaged in the manufacturing of pressure vessels and tube heat exchangers. It provides its services as subcontractors to the Group's projects as well as third parties.

The above joint arrangements are structured via separate entities and provide the Group with the rights to the net assets of the entities under the arrangements. Therefore these entities are classified as joint ventures of the Group.

These joint ventures have the same reporting period as the Group. No quoted market prices are available for the shares of the Group's joint ventures as these companies are private companies.

16. INVESTMENT IN JOINT VENTURES (CONT'D.)

(b) As none of the Group's joint ventures are individually material to the Group, the summarised financial information for the aggregated assets, liabilities and results of the joint ventures are as follows:

(i) Summarised statements of financial position

	2014 RM'000	2013 RM'000
Non-current assets	**23,500**	24,284
Cash and bank balances	**27,337**	52,035
Other current assets	**30,645**	20,077
Total current assets	**57,982**	72,112
Total assets	**81,482**	96,396
Current liabilities	**(49,687)**	(57,408)
Non-current liabilities	**(2,426)**	(5,626)
Total liabilities	**(52,113)**	(63,034)
Net assets	**29,369**	33,362

(ii) Summarised statements of comprehensive income

	2014 RM'000	2013 RM'000
Revenue	**57,686**	70,087
Depreciation and amortisation	**(971)**	(936)
Interest income	**150**	156
Interest expense	**(792)**	(860)
(Loss)/profit before tax	**(6,192)**	6,923
Income tax expense	**(136)**	(4,208)
(Loss)/profit after tax	**(6,328)**	2,715
Dividend received from joint ventures during the year	**–**	15,000

The Group's share of net assets is equivalent to the carrying value of the Group's interest in joint ventures.

17. JOINT OPERATIONS

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

Name	% of ownership interest held by the Group	
	2014	**2013**
Technip MMHE (Malikai) Joint Venture	**50%**	50%
Technip MMHE (SK316) Joint Venture	**50%**	–

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

18. DEFERRED TAX

	Group	
	2014 RM'000	**2013 RM'000**
At 1 January	**(61,208)**	(9,315)
Recognised in income statement (Note 9)	**(19,394)**	(51,893)
At 31 December	**(80,602)**	(61,208)

Presented after appropriate offsetting as follows:

	Group	
	2014 RM'000	**2013 RM'000**
Deferred tax assets	**(80,602)**	(61,208)
Deferred tax liabilities	**–**	–
	(80,602)	(61,208)

18. DEFERRED TAX (CONT'D.)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Property, plant and equipment RM'000
At 1 January 2014	**47,758**
Recognised in income statement	**21,102**
At 31 December 2014	**68,860**
At 1 January 2013	46,565
Recognised in income statement	1,193
At 31 December 2013	47,758

Deferred tax assets of the Group:

	Unutilised reinvestment allowance RM'000	**Provisions RM'000**	**Unutilised investment tax allowance RM'000**	**Others RM'000**	**Total RM'000**
At 1 January 2014	**–**	**(413)**	**(99,378)**	**(9,175)**	**(108,966)**
Recognised in income statement	**(1,612)**	**(4,294)**	**(25,560)**	**(9,030)**	**(40,496)**
At 31 December 2014	**(1,612)**	**(4,707)**	**(124,938)**	**(18,205)**	**(149,462)**
At 1 January 2013	–	(1,775)	(45,314)	(8,791)	(55,880)
Recognised in income statement	–	1,362	(54,064)	(384)	(53,086)
At 31 December 2013	–	(413)	(99,378)	(9,175)	(108,966)

18. DEFERRED TAX (CONT'D.)

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

	Group	
	2014 RM'000	**2013 RM'000**
Unutilised tax losses	**16,555**	15,440
Unabsorbed capital allowances	**28,547**	28,547

The unutilised tax losses and unabsorbed capital allowances of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

Deferred tax assets have not been recognised as they arise in a subsidiary with a recent history of losses.

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Non-current				
Loan to subsidiary	**–**	–	**411,035**	437,285
Current				
Trade receivables				
Third parties	**624,950**	513,750	**–**	–
Purchases of inventory and project materials paid in advance and recoverable from vendors	**4,102**	3,238	**–**	–
Due from customers on contracts (Note 20)	**1,151,037**	1,883,506	**–**	–
	1,780,089	2,400,494	**–**	–
Less: Allowance for impairment losses	**(20,481)**	(16,610)	**–**	–
Trade receivables, net	**1,759,608**	2,383,884	**–**	–

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

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Other receivables				
Due from:				
– joint venture	**6,230**	2,800	**–**	–
– subsidiary	**–**	–	**27,921**	10,929
Loan to subsidiary	**–**	–	**449,688**	253,757
Deposits	**2,242**	2,364	**–**	–
Prepayments	**632**	1,492	**–**	–
Staff loans	**483**	531	**–**	–
Dividend receivable	**–**	2,000	**–**	80,000
Accrued sales	**12,152**	15,031	**–**	–
Non-trade receivables	**47,471**	30,930	**–**	–
Insurance claims receivables	**17,389**	32,180	**–**	–
Other receivables	**6,025**	9,623	**65**	856
	92,624	96,951	**477,674**	345,542
Less: Allowance for impairment losses	**(1,452)**	–	**–**	–
Other receivables, net	**91,172**	96,951	**477,674**	345,542
Total trade and other receivables (current and non-current)	**1,850,780**	2,480,835	**888,709**	782,827
Less: Prepayments	**(632)**	(1,492)	**–**	–
Due from customers on contracts (Note 20)	**(1,151,037)**	(1,883,506)	**–**	–
Add: Cash and bank balances (Note 21)	**589,228**	623,184	**131,360**	304,496
Total loans and receivables	**1,288,339**	1,219,021	**1,020,069**	1,087,323

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

	Group	
	2014 RM'000	**2013 RM'000**
(i) Immediate holding company	**303,157**	179,209
(ii) Other related companies		
PETRONAS Carigali (Turkmenistan) Sdn. Bhd.	**1,946**	1,058
Kebabangan Petroleum Operating Company Sdn. Bhd.	**6,636**	30,023
(iii) Joint venture		
MMHE-TPGM Sdn. Bhd.	**5,116**	8,117

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

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

	Group	
	2014 RM'000	**2013 RM'000**
(i) Immediate holding company	**255,000**	841,140
(ii) Other related companies		
PETRONAS Carigali Sdn. Bhd.	**336,354**	111,175
Kebabangan Petroleum Operating Company Sdn. Bhd.	**129,167**	221,141

Credit terms of trade receivables for the Group range from 30 days to 45 days (2013: 30 days to 45 days).

The amount due from immediate holding company, other related companies and joint ventures are unsecured, interest free and repayable on demand.

The loan to subsidiary is unsecured, bears interest ranges from 4.05% to 5.05% (2013: 4.05%) per annum and repayable based on fixed quarterly repayments.

Further information on credit risk is disclosed in Note 32(b).

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

	Group	
	2014 RM'000	**2013 RM'000**
Aggregate costs incurred and recognised profits (less recognised losses) to date	**15,321,636**	13,368,764
Less: Progress billings	**(14,187,984)**	(11,494,723)
	1,133,652	1,874,041
Amounts due from customers on contracts (Note 19)	**1,151,037**	1,883,506
Amounts due to customers on contracts (Note 24)	**(17,385)**	(9,465)
	1,133,652	1,874,041
Advances received on contracts (Note 24)	**-**	(4,822)

21. CASH AND BANK BALANCES

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Cash at banks and on hand	**457,119**	242,786	**131,360**	510
Deposits with licensed banks	**132,109**	380,398	**–**	303,986
Cash and bank balances	**589,228**	623,184	**131,360**	304,496

Included in cash at banks and on hand are cash held with PETRONAS Integrated Financial Shared Services Centre ("IFSSC"). Beginning 1 July 2014, the Group and the Company's cash and bank balances are held in the In-House Account ("IHA") managed by PETRONAS IFSSC to allow more efficient cash management for the Group and the Company.

The interest rates of deposits that are effective during the financial year range from 0.10% to 3.87% (2013: 0.15% to 3.30%) per annum. Deposits of the Group and the Company have an average maturity of 90 days (2013: 84 days) and Nil days (2013: 22 days) respectively at the reporting date.

The deposits with licensed banks of the Group and the Company of RM132,109,000 (2013: RM380,398,000) and RM Nil (2013: RM303,986,000) respectively are placed with government related financial institutions.

22. SHARE CAPITAL AND SHARE PREMIUM

(a) Share capital

	Group and Company			
	Number of ordinary shares of RM0.50 each		Amount	
	2014 '000	**2013 '000**	**2014 RM'000**	**2013 RM'000**
Authorised				
At 1 January/31 December	**5,000,000**	5,000,000	**2,500,000**	2,500,000
Issued and fully paid				
At 1 January/31 December	**1,600,000**	1,600,000	**800,000**	800,000

(b) Share premium

	Group and Company	
	2014 RM'000	**2013 RM'000**
At 1 January/31 December	**818,263**	818,263

23. CASH FLOW HEDGE RESERVE

	Group	
	2014 RM'000	**2013 RM'000**
At 1 January	**1,378**	83
Recognised in other comprehensive income:		
Fair value gain on effective portion of cash flow hedge	**501**	1,378
Realisation of gains on hedges	**(1,378)**	(83)
At 31 December	**501**	1,378

The cash flow hedge reserve represents the effective portion of the net change in the fair value of the cash flow hedge instruments as at the reporting date of RM501,000 (2013: RM1,378,000).

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Trade payables				
Third parties	**517,808**	505,851	**–**	175
Accruals	**811,544**	1,455,181	**–**	–
Retention monies	**79,087**	95,249	**–**	–
Advances received on contracts (Note 20)	**–**	4,822	**–**	–
Due to customers on contracts (Note 20)	**17,385**	9,465	**–**	–
	1,425,824	2,070,568	**–**	175
Other payables				
Accruals	**91,068**	52,136	**–**	–
Others	**8,733**	5,392	**1,195**	553
	99,801	57,528	**1,195**	553
Total trade and other payables	**1,525,625**	2,128,096	**1,195**	728
Less: Due to customers on contracts (Note 20)	**(17,385)**	(9,465)	**–**	–
Total financial liabilities carried at amortised cost	**1,508,240**	2,118,631	**1,195**	728

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

Credit terms of trade payables granted to the Group range from 30 days to 60 days (2013: 30 days to 60 days).

Included in trade payables are amounts due to:

	Group	
	2014 RM'000	**2013 RM'000**
(i) Immediate holding company		
– MISC Bhd.	**34,985**	2,517
(ii) Fellow subsidiary		
– MISC Integrated Logistics Sdn. Bhd.	**–**	52
(iii) Other related companies		
– PETRONAS Dagangan Berhad	**–**	919

25. PROVISIONS

	Group	
	2014 RM'000	**2013 RM'000**
Warranty		
At 1 January	**1,653**	7,101
Net provision/(reversal) of warranty (Note 6)	**17,175**	(5,448)
At 31 December	**18,828**	1,653

The Group gives approximately one year warranty on certain construction contracts and undertake to repair or replace items that fail to perform satisfactorily. A provision has been recognised at the end of the financial year for expected warranty claims based on past experience of the level of repairs and returns.

26. BORROWINGS

	Group	
	2014 RM'000	**2013 RM'000**
Unsecured		
Revolving credit facilities	**265,000**	290,000

The weighted average effective interest rates at the reporting date for the revolving credit facilities ranges from 4.10% to 4.30% (2013: 3.60% to 3.75%) per annum.

27. DERIVATIVES

	2014		2013	
	Contract/ Notional Amount RM'000	Fair value of assets/ (liabilities) RM'000	Contract/ Notional Amount RM'000	Fair value of assets/ (liabilities) RM'000
Group				
Current				
Cash flow hedges:				
– forward currency contracts				
– derivative assets	**21,783**	**364**	63,630	1,918
– derivative liabilities	**28,541**	**(118)**	16,306	(574)
	50,324	**246**	79,936	1,344

Foreign currency risk

At 31 December 2014, the Group held forward currency contracts designated as hedges of expected future receipts and payments denominated in United States Dollars, Singapore Dollars, Euro and Sterling Pounds. The forward currency contracts are being used to hedge the foreign currency risk of the highly probable forecasted transactions.

There were no highly probable transactions for which hedge accounting had previously been used, which is no longer expected to occur. The ineffective portion recognised as an expense in income statement for the current year was RM255,000 (2013: income of RM134,000) (Note 6).

The cash flow hedges of the expected future receipts and payments which are expected to occur within the next twelve months, were assessed to be highly effective and a net unrealised gain of RM501,000 (2013: RM1,378,000), which includes the effective portion of the hedging relationship, is included in other comprehensive income.

28. NON-CURRENT ASSET HELD FOR SALE

The Group has made an impairment of RM4,967,000 on certain identified equipment for sale to their estimated fair value of RM6,282,000 and reclassified these assets from property, plant and equipment to non-current asset held for sale. The sale has not been completed as at reporting date.

29. CAPITAL COMMITMENTS

	Group	
	2014 **RM'000**	**2013** **RM'000**
Capital expenditure:		
Property, plant and equipment:		
Approved and contracted for	**310,230**	158,687
Approved but not contracted for	**28,098**	571,451
	338,328	730,138

30. CONTINGENT LIABILITIES

	Group	
	2014 **RM'000**	**2013** **RM'000**
Unsecured		
Performance bond on contract extended to third parties	**294,459**	259,954

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 ultimate holding company is wholly owned by the Ministry of Finance ("MoF"), the Group is deemed to be related to entities that are controlled, jointly controlled or significantly influenced by the Government of Malaysia.

	Group	
	2014 **RM'000**	**2013** **RM'000**
(a) Income:		
Provision of services for repairs, engineering and construction works, conversion of vessels and dry docking to:		
– immediate holding company	**564,404**	897,646
– other related companies of ultimate holding company	**1,048,206**	474,857
– a joint venture	**60**	188

31. RELATED PARTY DISCLOSURES (CONT'D.)

	Group 2014 RM'000	Group 2013 RM'000
(b) Expenses:		
Purchase of materials from and services rendered by:		
– fellow subsidiaries of immediate holding company	**4,475**	1,266
– other related companies of ultimate holding company	**16,689**	35,362
– a joint venture	**7,880**	4,434
– a government-related entity	**20,194**	19,935

	Company 2014 RM'000	Company 2013 RM'000
Income:		
Dividend income from a subsidiary	**–**	80,000

The directors are of the opinion that the transactions have been entered into in the normal course of business at terms agreed between the parties during the financial year.

(b) Compensation of key management personnel

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

	Group 2014 RM'000	Group 2013 RM'000
Short-term employee benefits	**5,313**	7,417
Post-employment benefits:		
Defined contribution plan	**432**	450
	5,745	7,867

Included in the total remuneration of key management personnel are:

	Group 2014 RM'000	Group 2013 RM'000
Executive directors' remuneration (Note 8)	**2,371**	2,511

32. FINANCIAL INSTRUMENTS

(a) Financial risk management

The Group is exposed to various risks that are related to its core business of oil and gas engineering and construction works and marine conversion and repair. These risks arise in the normal course of the Group's businesses.

The Group's compliance to both MISC Berhad's Finance Risk Management Framework and Guidelines and PETRONAS Corporate Financial Policy sets the foundation for the establishment of effective risk management 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 and management of financial risks exposures arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks as summarised below. It is, and has been throughout the financial year under review, the Group's policy that no speculative trading in derivative financial instruments shall be undertaken.

(b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from its operating activities (primarily from trade receivables) and from its investing activities including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

(i) Maximum credit risk exposure

The Group's and the Company's maximum exposure to credit risk is represented by the carrying amounts as disclosed in Notes 19 and 21.

(ii) Trade receivables

(a) Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry sector profile of its receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date is as follows:

	Group	
	2014 RM'000	**2013 RM'000**
Offshore Segment	**571,776**	449,849
Marine Repair Segment	**49,856**	61,572
Others	**3,318**	2,329
	624,950	513,750

32. FINANCIAL INSTRUMENTS (CONT'D.)

(b) Credit risk (cont'd.)

(ii) Trade receivables (cont'd.)

(b) Credit quality

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

	Group	
	2014 RM'000	**2013 RM'000**
Neither past due nor impaired	**164,379**	133,098
1 to 30 days past due not impaired	**90,202**	181,967
31 to 60 days past due not impaired	**19,354**	30,753
61 to 90 days past due not impaired	**21,699**	9,294
More than 90 days past due not impaired	**308,835**	142,028
	440,090	364,042
Impaired	**20,481**	16,610
	624,950	513,750

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group.

Receivables that are past due but not impaired

The Group has trade receivables that are past due at the reporting date but not impaired amounting to RM440,090,000 (2013: RM364,042,000). These balances relate mainly to customers who have never defaulted on payments but are slow paymasters and hence, are periodically monitored.

Receivables that are impaired

Significant financial difficulties of the debtors, probability that the debtors will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days aging of trade receivable balances) are considered indicators that the trade receivable is impaired. An individual debtor is written off when management deemed the amount to be not collectible.

32. FINANCIAL INSTRUMENTS (CONT'D.)

(b) Credit risk (cont'd.)

(ii) Trade receivables (cont'd.)

(b) Credit quality (cont'd.)

The movements in the allowance for impairment losses of trade receivables during the year are as follows:

	Group	
	2014 RM'000	**2013 RM'000**
At 1 January	**16,610**	17,572
Impairment loss (Note 6)	**3,871**	1,805
Reversal of impairment loss (Note 5)	**–**	(2,677)
Written off	**–**	(90)
At 31 December	**20,481**	16,610

The allowance made is for individually assessed and impaired receivables.

(c) Collateral

The Group's trade receivables are not secured by any collateral or bank guarantees.

(iii) Other financial assets

With respect to credit risk arising from other financial assets of the Group, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure represented by the carrying amount of these instruments.

Effective from 1 July 2014, cash and bank balances were held in the In-House Account managed by PETRONAS Integrated Financial Shared Services Centre ("IFSSC"). The centralisation of fund management allows more effective cash visibility, fund management for the Group and minimise exposure to counterparty credit risk. The beneficiary of these financial assets remain with the Group. PETRONAS IFSSC, which functions as treasury management platform, in turn, places all funds under management in licensed financial institutions with strong credit ratings globally and in Malaysia. In addition, the Group's deposits are placed with licensed banks with strong credit ratings in Malaysia.

32. FINANCIAL INSTRUMENTS (CONT'D.)

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and revolving credit facilities.

As at 31 December 2014, the Group had at its disposal cash and bank balances amounting to RM589,228,000 (2013: RM623,184,000).

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

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

Group:

	Carrying amount RM'000	Contractual cash flows RM'000	Maturity profile of the contractual cash flows Within 1 year RM'000
At 31 December 2014			
Trade and other payables	**1,508,240**	**1,508,240**	**1,508,240**
Borrowings	**265,000**	**265,000**	**265,000**
Derivatives	**118**	**118**	**118**
	1,773,358	**1,773,358**	**1,773,358**
At 31 December 2013			
Trade and other payables	2,118,631	2,118,631	2,118,631
Borrowings	290,000	290,000	290,000
Derivatives	574	574	574
	2,409,205	2,409,205	2,409,205

(d) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Euro ("EUR"), Singapore Dollar ("SGD") and Sterling Pound ("GBP").

32. FINANCIAL INSTRUMENTS (CONT'D.)

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

Besides the cash flow hedge and derivatives described in Notes 23 and 27, the Group maintains a natural hedge, wherever possible, by matching the cash inflows (revenue stream) and cash outflows used for purposes such as capital expenditures and operational expenditures in the respective currencies.

(i) Foreign currency sensitivity

The following table demonstrates the sensitivity of the Group's profit before tax and equity to a reasonably possible change in the USD, EUR, SGD and GBP exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant:

	Change in currency rate	Effect on profit before taxation RM'000	Effect on other comprehensive income RM'000
31 December 2014			
USD	**+5%**	**17,794**	**10**
	-5%	**(17,794)**	**(10)**
EUR	**+10%**	**3,750**	**60**
	-10%	**(3,750)**	**(60)**
SGD	**+5%**	**4,589**	**–**
	-5%	**(4,589)**	**–**
GBP	**+10%**	**42**	**(165)**
	-10%	**(42)**	**165**
31 December 2013			
USD	+5%	9,615	19
	-5%	(9,615)	(19)
EUR	+10%	2,021	170
	-10%	(2,021)	(170)
SGD	+5%	(275)	13
	-5%	275	(13)
GBP	+10%	(1,743)	(105)
	-10%	1,743	105

32. FINANCIAL INSTRUMENTS (CONT'D.)

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

(i) Foreign currency sensitivity (cont'd.)

The net unhedged financial assets/(liabilities) of the Group and the companies that are not denominated in their functional currency, Ringgit Malaysia are as follows:

	Net financial assets/(liabilities) held <------------------------- in non-functional currencies ------------------------->					
	USD RM'000	**EUR RM'000**	**SGD RM'000**	**GBP RM'000**	**Others RM'000**	**Total RM'000**
At 31 December 2014	**355,878**	**37,500**	**91,776**	**422**	**638**	**486,214**
At 31 December 2013	192,293	20,206	(5,507)	(17,427)	(2,191)	187,374

33. CAPITAL MANAGEMENT

The Group's capital management is defined as the process of managing the ratio of its equity and debt structure so as to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders value. The Group's approach in managing capital is set out in MISC Berhad's Corporate Financial Policy.

The debt to equity ratio of the Group as at 31 December 2014 and 31 December 2013 are as follows:

	Note	2014 RM'000	2013 RM'000
Borrowings	26	**265,000**	290,000
Total equity		**2,636,122**	2,586,379
Gross debt equity ratio		**0.10**	0.11

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Determination of fair value

(i) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value due to their short-term nature:

	Note
Cash and bank balances (current)	21
Trade and other receivables (current)	19
Trade and other payables (current)	24
Borrowings (current)	26

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

(a) Determination of fair value (cont'd.)

(ii) Derivatives

Forward currency 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 credit quality of couterparties, foreign exchange spot and forward rates.

(iii) Non-current asset held for sale

Non-current asset held for sale is valued using a valuation technique with market approach, which is based on a recent selling price offered by a potential buyer.

(b) Fair value hierarchy

The table below analyses the Group's classified financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

i) Level 1 – Unadjusted quoted prices in active market for identical financial instrument
ii) Level 2 – Inputs other than quoted prices that are observable either directly or indirectly
iii) Level 3 – Inputs that are not based on observable market data

		Fair value of assets and liabilities carried at fair value			
	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 December 2014					
Financial assets:					
Forward currency contract	**27**	**–**	**246**	**–**	**246**
Non-financial assets:					
Non-current asset held for sale	**28**	**–**	**–**	**6,282**	**6,282**
At 31 December 2013					
Financial assets:					
Forward currency contract	27	–	1,344	–	1,344

35. SEGMENT INFORMATION

For management purposes, the Group is organised into business segments based on the services provided as follows:

(i) Offshore Segment – provision of service for oil and gas engineering, construction and conversion works.
(ii) Marine Repair Segment – provision of repair services and drydocking of liquefied natural gas carriers.
(iii) Others – comprise supporting divisions to the Group operations and sludge disposal management.

Except as indicated above, none of the operating segments has been aggregated to form the above reportable operating segments.

31 December 2014	Offshore Segment RM'000	Marine Repair Segment RM'000	Others RM'000	Total RM'000	Adjustments and Eliminations RM'000	Note	Consolidated RM'000
Revenue							
External customers	2,447,656	252,849	–	2,700,505	–		2,700,505
Inter-segments	–	–	120	120	(120)	A	–
	2,447,656	252,849	120	2,700,625	(120)		2,700,505
Result							
Operating profit	77,113	26,052	19,676	122,841	(218)	A	122,623
Share of results of joint ventures				(3,511)	–		(3,511)
Profit before tax				119,330	(218)		119,112
Taxation				11,508	–		11,508
Profit for the year				130,838	(218)		130,620
Segment assets							
Goodwill on acquisition	62,783	–	–	62,783			
Due from customers on contracts	1,090,527	60,510	–	1,151,037			
Trade receivables	571,776	29,375	3,318	604,469			
Total segment assets	1,725,086	89,885	3,318	1,818,289	2,646,593	B	4,464,882

35. SEGMENT INFORMATION (CONT'D.)

31 December 2014 (cont'd.)	Offshore Segment RM'000	Marine Repair Segment RM'000	Others RM'000	Total RM'000	Adjustments and Eliminations RM'000	Note	Consolidated RM'000
Segment liabilities							
Due to customers on contracts	17,385	–	–	17,385			
Total segment liabilities	17,385	–	–	17,385	1,811,375	C	1,828,760
Included in operating profits are:							
Depreciation and amortisation	(59,673)	(15,407)	(412)	(75,492)	(1,322)		(76,814)
Inventories written off	–	–	(1,435)	(1,435)	–		(1,435)
Impairment loss – trade and other receivables	1,452	2,419	–	3,871	–		3,871
Impairment loss – property, plant and equipment	(4,967)	–	–	(4,967)	–		(4,967)
Net provision for warranty	(17,175)	–	–	(17,175)	–		(17,175)

31 December 2013	Offshore Segment RM'000	Marine Repair Segment RM'000	Others RM'000	Total RM'000	Adjustments and Eliminations RM'000	Note	Consolidated RM'000
Revenue							
External customers	2,599,870	284,648	–	2,884,518	–		2,884,518
Inter-segments	–	–	40	40	(40)	A	–
	2,599,870	284,648	40	2,884,558	(40)		2,884,518
Result							
Operating profit	128,114	70,352	19,427	217,893	(21,627)	A	196,266
Share of results of joint ventures				1,305	–		1,305
Profit before tax				219,198	(21,627)		197,571
Taxation				39,615	–		39,615
Profit for the year				258,813	(21,627)		237,186
Segment assets							
Goodwill on acquisition	62,783	–	–	62,783			
Due from customers on contracts	1,810,907	72,599	–	1,883,506			
Trade receivables	449,849	45,138	2,153	497,140			
Total segment assets	2,323,539	117,737	2,153	2,443,429	2,576,691	B	5,020,120

35. SEGMENT INFORMATION (CONT'D.)

31 December 2013 (cont'd.)	Offshore Segment RM'000	Marine Repair Segment RM'000	Others RM'000	Total RM'000	Adjustments and Eliminations RM'000	Note	Consolidated RM'000
Segment liabilities							
Advances received on contracts	2,951	1,871	–	4,822			
Due to customers on contracts	7,903	1,562	–	9,465			
Total segment liabilities	10,854	3,433	–	14,287	2,419,454	C	2,433,741
Included in operating profits are:							
Depreciation and amortisation	(54,078)	(13,775)	(40)	(67,893)	–		(67,893)
Inventories written off	–	–	(465)	(465)	–		(465)
Impairment loss – trade receivables	–	(1,805)	–	(1,805)	–		(1,805)
Reversal of – impairment loss – trade receivables	–	2,677	–	2,677	–		2,677
Net reversal of provision for warranty	5,448	–	–	5,448	–		5,448

Management monitors the assets and liabilities on a group basis and not by operating segments.

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.

Note

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

35. SEGMENT INFORMATION (CONT'D.)

Note (cont'd.)

B The following items are deducted from total assets as reported in the statement of financial position to arrive at segment assets:

	2014 RM'000	2013 RM'000
Total assets	**4,464,882**	5,020,120
Property, plant and equipment	**1,607,347**	1,512,284
Land use rights	**237,635**	244,730
Investment in joint ventures	**17,085**	20,596
Deferred tax assets	**80,602**	61,208
Derivatives	**364**	1,918
Inventories	**11,721**	12,582
Trade receivables	**4,102**	3,238
Other receivables	**91,172**	96,951
Cash and bank balances	**589,228**	623,184
Non-current asset held for sale	**6,282**	–
Tax recoverable	**1,055**	–
Adjustments and eliminations to total assets	**2,646,593**	2,576,691
Total segment assets	**1,818,289**	2,443,429
The segment assets comprised:		
Goodwill on acquisition	**62,783**	62,783
Due from customers on contracts	**1,151,037**	1,883,506
Trade receivables	**604,469**	497,140
	1,818,289	2,443,429

35. SEGMENT INFORMATION (CONT'D.)

Note (cont'd.)

C The following items are deducted from total liabilities as reported in the statement of financial position to arrive at segment liabilities:

	2014 RM'000	2013 RM'000
Total liabilities	**1,828,760**	2,433,741
Trade and other payables	**1,508,240**	2,113,809
Provisions	**18,828**	1,653
Derivatives	**118**	574
Income tax payable	**19,189**	13,418
Borrowings	**265,000**	290,000
Adjustments and eliminations to total liabilities	**1,811,375**	2,419,454
Total segment liabilities	**17,385**	14,287
The segment liabilities comprised:		
Advances received on contracts	**–**	4,822
Due to customers on contracts	**17,385**	9,465
	17,385	14,287

Geographical information

Substantially all the Group's revenue is derived from and non-current assets are located in Malaysia.

35. SEGMENT INFORMATION (CONT'D.)

Information about major customers

Breakdown of revenue from major customers are as follows:

	2014 RM'000	2013 RM'000
Immediate holding company		
– Offshore Segment	**528,419**	843,958
– Marine Repair Segment	**33,739**	53,688
	562,158	897,646
Kebabangan Petroleum Operating Company Sdn. Bhd., a related company		
– Offshore Segment	**274,822**	393,915
Sabah Shell Petroleum Company Ltd.		
– Offshore Segment	**520,440**	358,488
ExxonMobil Exploration and Production Malaysia Inc.		
– Offshore Segment	**323,713**	745,015
PETRONAS Carigali Sdn. Bhd., a related company		
– Offshore Segment	**770,818**	80,713

36. SUPPLEMENTARY INFORMATION – BREAKDOWN OF RETAINED PROFITS INTO REALISED AND UNREALISED

The breakdown of the retained profits of the Group and of the Company as at 31 December 2014 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Total retained profits of the Company and its subsidiaries:				
– Realised	**860,195**	788,231	**68,688**	134,631
– Unrealised	**17,018**	27,758	**–**	–
Total share of retained profits from joint ventures:				
– Realised	**2,534**	6,157	**–**	–
– Unrealised	**179**	67	**–**	–
	879,926	822,213	**68,688**	134,631
Add: Consolidation adjustments	**134,213**	141,997	**–**	–
Retained profits as per financial statements	**1,014,139**	964,210	**68,688**	134,631

Properties Owned by MHB and its Subsidiaries

AS AT 31 DECEMBER 2014

NO	LOCATION	DESCRIPTION	TENURE & YEAR LEASE EXPIRES	AREA IN SQ FT	EXISTING USE	AGE OF BUILDING/ LAND (YEARS)	APPROX NBV (RM'000)
1	PTD 22805 Mukim Plentong Johor Bahru	Land, Shipyard	Leasehold/2072	13,115,306	Marine repair, marine conversion, engineering & construction fabrication yard, ancillary facilities and office buildings	35	51,356
2	PTD 11549 Mukim Plentong Johor Bahru	Land, Shipyard	Leasehold/2075	522,720	Marine repair, marine conversion, engineering & construction fabrication yard, ancillary facilities and office buildings	39	1,007
3	PTD 101363 Mukim Plentong Johor Bahru	Land	Leasehold/2039	2,567,862	Storage Area	5	17,972
4	PTD 65615 Mukim Plentong Johor Bahru	Land	Leasehold/2044	698,266	Staff Quarters	31	2,535
5	PTD 65618 Mukim Plentong Johor Bahru	Land	Leasehold/2044	587,624	Staff Quarters	31	2,133
6	PTD 65619 Mukim Plentong Johor Bahru	Land	Leasehold/2044	128,502	Staff Quarters	31	466
7	PTD 65616 Mukim Plentong Johor Bahru	Land	Leasehold/2044	169,884	Vacant	31	617
8	PTD 65617 Mukim Plentong Johor Bahru	Land	Leasehold/2044	374,180	Vacant	31	1,358
9	Pasir Gudang Industrial Estate 81707 Pasir Gudang Johor (erected on land 1 & 2 above)	Warehouse, workshops and office building	Leasehold/2072/2075	1,956,881	Marine repair, marine conversion, engineering & construction fabrication yard, ancillary facilities and office buildings	37	1,091,269
10	Rumah Pangsa MMHE 81700 Pasir Gudang (erected on land 4 to 6 above)	4-storey residential flats	Leasehold/2044	383,559	Staff Quarters	36	4,337

Properties Owned by MHB and its Subsidiaries

AS AT 31 DECEMBER 2014

NO	LOCATION	DESCRIPTION	TENURE & YEAR LEASE EXPIRES	AREA IN SQ FT	EXISTING USE	AGE OF BUILDING/ LAND (YEARS)	APPROX NBV (RM'000)
11	PTD 71056 Mukim Plentong Johor Bahru	Land, Yard	Leasehold/2045	1,524,600	Engineering & construction fabrication yard, ancillary facilities and office buildings	29	46,529
12	PTD 109040 Mukim Plentong Johor Bahru	Land	Leasehold/2053	217,800	Workshop, ancillary facilities and site office	21	7,011
13	PTD 200290 Mukim Plentong Johor Bahru	Land, Yard	Leasehold/2052	2,424,158	Workshop, ancillary facilities and office buildings	6	81,160
14	PTD 22768 Mukim Plentong Johor Bahru	Land	Leasehold/2040	435,600	Storage Area	34	13,078
15	LOT 51611 Mukim Plentong Johor Bahru	Land	Leasehold/2045	173,514	Ancillary facilities and storage area	18	5,295
16	PTD 110760 Mukim Plentong Johor Bahru	Land	Leasehold/2052	205,603	Workshop, ancillary facilities and office buildings	21	6,476
17	PTD 110758 Mukim Plentong Johor Bahru	Land	Leasehold/2052	59,242	Cabin office and warehouse	21	1,964

Corporate Directory

MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD

Level 31, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur, Malaysia
Tel : +603 2273 0266 Fax : +603 2273 8916 www.mhb.com.my

SUBSIDIARIES

MALAYSIA MARINE AND HEAVY ENGINEERING SDN BHD

MMHE West Yard

PLO 3, Jalan Pekeliling, P.O. Box 77
81700 Pasir Gudang
Johor, Malaysia

MMHE East Yard

PLO 336, Jalan Suasa, P.O. Box 55
81700 Pasir Gudang
Johor, Malaysia

Tel : +607 251 2111/268 2111
Fax : +607 252 3701
Email : enquiries@mmhe.com.my

Branch Office in Singapore:

8 Ubi Road 2, #03-26, Zervex,
Singapore 408538
Tel : +65 6220 7944
Fax : +65 6224 3967

TECHNO INDAH SDN BHD

PLO 3, Jalan Pekeliling, P.O. Box 77
81700 Pasir Gudang
Johor, Malaysia
Tel : +607 268 2891/2
Fax : +607 278 3037

MMHE-SHI LNG SDN BHD

PLO 3, Jalan Pekeliling, P.O. Box 77
81700 Pasir Gudang
Johor, Malaysia
Tel : +607 268 1903
Fax : +607 276 9151

JOINTLY CONTROLLED ENTITIES

MMHE-TPGM SDN BHD

Registered Office:

Level 31, Menara Dayabumi
Jalan Sultan Hishamuddin
50050 Kuala Lumpur
Malaysia
Tel : +603 2273 0266
Fax : +603 2273 8916

Branch Office in Turkmenistan:

Room #407, 4th Floor
1958 Street (Andalib Street, 70)
Ashgabat, 744000 Turkmenistan
Tel : +99312 474 386
Fax : +99312 474 388

MMHE-ATB SDN BHD

PLO 3, Jalan Pekeliling, P.O. Box 77
81700 Pasir Gudang
Johor, Malaysia
Tel : +607 268 3111
Fax : +607 252 5126

TECHNIP MHB HULL ENGINEERING SDN BHD

Level 18, Plaza Dijaya
237 Jalan Tun Razak
50400 Kuala Lumpur
Malaysia
Tel : +603 2781 6661
Fax : +603 2781 6662

Worldwide Agents for Marine Repair

CYPRUS

MIE SERVICES LTD
Fameline Building Spatharikou Street 1-3 4004 Mesa Yeitonia Limassol P.O. Box 56952, 3311 Limassol
Cyprus

Tel	: 357-25-889-999
Fax	: 357-25-9346-067
Web	: www.miegroup.com.cy/
Contact Person	: **Ms Reina Mansour**
M	: 357-25-889722
E	: reina.mansour@mieserv.cy.net

GERMANY

TURBO-TECHNIK REPARATUR-WERFT GMBH & CO. KG
Hannoversche Str. 11, D-26384 Wilhelmshaven
Federal Republic of Germany

Tel	: 49-4421-30780
Fax	: 49-4421-305086
Web	: www.turbotechnik.com
Contact person	: **Mr. Heinz Buchholz** – Sales Manager
E	: hamburg@turbotechnik.com
M	: 49-1724-3938-28
Contact person	: **Mr. Holger Fiermann** – Project & Sales Manager
M	: 49-160-9056-3496

GREECE

GEORGE MOUNDREAS & CO SA
167 Alkiviadou Street, 18535 Piraeus
Greece

Tel	: 30-210-414 7000
Fax	: 30-210-414 7090
Web	: www.gmoundreas.gr
Contact person	: **Mr. Christos Karaindros** – Manager Repairs & Conversion
E	: repairs@gmoundreas.gr
M	: 30-694-447-3675

HONG KONG

ASIAN MARINE SERVICES LIMITED
Room 1809-10, 18 Floor, Tai Yu Building
No. 181, Johnston Road, Wanchai
Hong Kong

Tel	: 852-2539-5011
Fax	: 852-2539-5800
Web	: www.asian-marine.com
Contact person	: **Mr. Clayton Yu** – Director
M	: 852-9093-3258; 65-9126-9911
E	: info@asian-marine.com
E	: repair@asian-marine.com

INDONESIA

PT PNEUCON SAMUDRA INDONESIA
Blok E No 16., Cengkareng – Jakarta Barat
Postcode 11730
Indonesia

Tel	: 62-21-2902 0527
Fax	: 852-2539-5800
Web	: www.ptpneuconenki.com.my
Contact person	: **Mr. R. Nanthakumaran**
M	: 852-9093-3258; 65-9126-9911
E	: nantha62@yahoo.com

ITALY

BANCHERO COSTA & CO SPA
Via Pammatone 2, 16121 Genoa
Italy

Tel	: 39-010-563 1629/6/7
Fax	: 39-010-563 1602
Web	: www.bancosta.it
Contact person	: **Mr. Fabio Bertolini** – Commercial Manager
M	: 39-335-807-8217
E	: shipyard@bcagy.it
Contact person	: **Ms. Loretta Busdon**
M	: 39-335-736-6802
E	: shipyard@bcagy.it
Contact person	: **Mr. Andrea Sabbion**
M	: 39-335-736-6801
E	: shipyard@bcagy.it

JAPAN

SHIN - TAIYO CO PTE LTD
150 Cecil Street, #08-01
Singapore 069543

Tel	: 65-6220-7511
Fax	: 65-6225-2430
Contact person	: **Mr. Toshifumi Iwai** – Director
M	: 65-9838-2068
E	: tkkhiwai@yahoo.co.jp
Contact person	: **Mr. Mohd Ismail** – Sales Manager
M	: 60-1-9777-9023
E	: ismailhamzah@yahoo.com.sg
Contact person	: **Mr. M. Fujioka**
M	: 81-90 90019376,
O	: 81-3 3307 7711
E	: m-fujiok@zj9.so-net.ne.jp

KOREA

K-MARINE CO. LTD.
Rm 604, Intellium Centum BLDG 6F, 1458
U-Dong, Haeundae-Gu, Busan
612-020
Korea

Tel	: 82-51-464 8204/5/6/7
Fax	: 82-51-464 8208
Web	: www.k-marine.com
Contact person	: **Mr. Tae Seong Kweon** – President
E	: tskweon@k-marine.com; kmarine@k-marine.com

NETHERLANDS

RUYSCH TECHNICAL - AGENCIES HOLLAND BV
Mijlweg 2a NL – 3295 KH's Gravendeel
Netherlands

Tel	: 31-78 673 25 44
Fax	: 31-78 673 20 10
Web	: www.ruysch.nl
Contact person	: **Ms. Ghislaine Ruysch** – Back Office Manager
M	: 31-78 673 25 44
E	: gr@ruysch.nl
Contact person	: **Mr. Ben de Boer** – Account Manager
M	: 31-62 181 58 17
E	: bb@ruysch.nl

NORWAY

ARNULF L'ORSA A/S Shipbrokers/Agents
Postboks 80 Nordstrand 1112 Oslo
Norway

Tel	: 47-2-104-3693
Fax	: 47-2-104-3691
Web	: www.lorsa.no
Contact person	: **Mr. Arnulf L 'Orsa** – Managing Director
M	: 47-90-593-151
E	: arnulf.lorsa@lorsa.no
Contact person	: **Michal Walenkiewicz** – Repair Manager
M	: 47-91-365-591
E	: michal@lorsa.no

SINGAPORE

CUBE NET ASIA PTE LTD
8 Ubi Road 2, #03-26, Zervex
Singapore 408538

Tel	: 65-6286-6745
Fax	: 65-6282-0317
Contact person	: **Mr. Clement See Thiam Hock** – Director
M	: 65-9119-2098
E	: cubenet@singnet.com.sg

TAIWAN

GENIUS MACHINERY ELECTRICITY CO., LTD
No. 86, Shiliang ST, Sanmin DIST, Kaohsiung City 807
Taiwan
Republic Of China

Tel	: 886-7-813-9257
Fax	: 886-7-815-3856
Contact person	: **Robert Su**
E	: gun.ihunt@msa.hinet.net

UNITED KINGDOM

MARINE MARKETING INTERNATIONAL LTD
G15 Challenge House, Sherwood Drive
Bletchley, Milton Keynes, MK3 6DP
United Kingdom

Tel	: 44-1908-378-822
Fax	: 44-1908-378-828
Web	: www.marinemi.com
Contact person	: **Mr. Mike McMahon** – Managing Director
M	: 44-7720-074-113
E	: uk@marinemi.com

UNITED STATES OF AMERICA

DARR MARITIME SERVICES, LLC
1340 N. Great Neck Road #1272-319
Virginia Beach, Virginia 23454
United States of America

Tel	: 1-757-472-5801
Fax	: 1-757-631-0024
Contact Person	: **Thomas Darr** – President
E	: darrmaritime@cox.net

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 26th Annual General Meeting of Malaysia Marine and Heavy Engineering Holdings Berhad will be held at Topaz Ballroom, One World Hotel, Ground Floor, First Avenue, Bandar Utama City Centre, 47800 Petaling Jaya, Selangor Darul Ehsan, on Monday, 25 May 2015 at 11.00 a.m. for the following purposes:-

1. To receive the audited financial statements for the financial year ended 31 December 2014 together with the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To elect Abu Fitri bin Abdul Jalil who retires pursuant to Article 112 of the Company's Articles of Association and who being eligible, has offered himself for election. **Resolution 2**
3. To re-elect the following Directors who retire by rotation pursuant to Article 115 of the Company's Articles of Association and who being eligible, have offered themselves for re-election:-
   i. Heng Heyok Chiang @ Heng Hock Cheng **Resolution 3**
   ii. Captain Rajalingam a/l Subramaniam **Resolution 4**
   iii. Choy Khai Choon **Resolution 5**
4. To approve the payment of Directors' fees of RM1,126,000 for the financial year ended 31 December 2014. **Resolution 6**
5. To re-appoint Messrs Ernst & Young as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Resolution 7**
6. To transact any other ordinary business for which due notice has been given in accordance with the Companies Act, 1965.

By Order of the Board
Fadzillah binti Kamaruddin (LS 0008989)
Ausmal bin Kardin (LS 0009383)
Company Secretaries
Kuala Lumpur
27 April 2015

NOTES ON PROXY FORM

1. Only depositors whose names appear in the Record of Depositors as at 18 May 2015 shall be entitled to attend, speak and vote at the meeting.

2. A member may appoint not more than two proxies to attend the same meeting. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provision of Section 149(1)(b) of the Companies Act, 1965, Malaysia shall not apply to the Company. There shall be no restriction as to the qualification of the proxy.

3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account and the number of shares to be represented by each proxy must be clearly indicated.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. Where an exempt authorised nominee appoints more than one (1) proxy in respect of each Omnibus Account, the appointment shall not be valid unless the exempt authorised nominee specifies the proportion of the shareholding to be represented by each proxy.

   An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

5. Where a member or the authorised nominee appoints two proxies, or where an exempt authorised nominee appoints two or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the Form of Proxy.

6. The Form of Proxy must be signed by the appointor of the proxy, or its attorney duly authorised in writing. In the case of a corporation, the Form of Proxy shall be executed under its common seal, or signed by its attorney duly authorised in writing or by a duly authorised officer on behalf of the corporation.

7. The Form of Proxy duly completed and executed, must be deposited at the Company's Share Registrar, Symphony Share Registrars Sdn Bhd (378993-D) at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty eight (48) hours before the time fixed for the holding of the meeting or any adjournment thereof.

Statement Accompanying the Notice of Annual General Meeting

Made pursuant to Paragraph 8.27(2) of the MMLR of Bursa Securities.

1. The Director retiring and seeking election pursuant to Article 112 of the Company's Articles of Association at the 26th Annual General Meeting is:-

    i. Abu Fitri bin Abdul Jalil

2. The Directors retiring and seeking re-election pursuant to Article 115 of the Company's Articles of Association at the 26th Annual General Meeting are:-

    i. Heng Heyok Chiang @ Heng Hock Cheng
    ii. Captain Rajalingam a/l Subramaniam
    iii. Choy Khai Choon

3. The profiles of the above Directors are set out in the section entitled "Profile of Directors" on pages 020 to 031 of this Annual Report. The details of the Directors' shareholdings in the Company are set out in the section entitled "Analysis Of Shareholdings" on pages 036 to 037 of this Annual Report.

M H B

MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD (178821-X)

Proxy Form

CDS Account No.	
No. of Shares Held	

I/We ______________________________ NRIC/Passport No. ______________________
(Full name in block letters)

of ____
(Address in full)

being a member/members of **MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD (Company No. 178821-X)**, do hereby appoint

______________________________ NRIC/Passport No. ______________________
(Full name in block letters)

of ____
(Address in full)

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

of ____
(Address in full)

and failing the abovenamed proxies, the Chairman of the Meeting, as my/our proxy to attend and to vote for me/us on my/our behalf at the 26th Annual General Meeting of the Company to be held at Topaz Ballroom, One World Hotel, Ground Floor, First Avenue, Bandar Utama City Centre, 47800 Petaling Jaya, Selangor Darul Ehsan on Monday, 25 May 2015 at 11.00 a.m. and at any adjournment thereof. My/our proxy(ies) is/are to vote as indicated below:

NO	ORDINARY RESOLUTION	FOR	AGAINST
1.	To receive the audited financial statements for the financial year ended 31 December 2014 together with the Reports of the Directors and Auditors thereon.		
2.	To elect Abu Fitri bin Abdul Jalil who retires pursuant to Article 112 of the Company's Articles of Association.		
3.	To re-elect Heng Heyok Chiang @ Heng Hock Cheng who retires by rotation pursuant to Article 115 of the Company's Articles of Association.		
4.	To re-elect Captain Rajalingam a/l Subramaniam who retires by rotation pursuant to Article 115 of the Company's Articles of Association.		
5.	To re-elect Choy Khai Choon who retires by rotation pursuant to Article 115 of the Company's Articles of Association.		
6.	To approve the payment of Directors' fees amounting to RM1,126,000 for the financial year ended 31 December 2014.		
7.	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.		

(Please indicate with a cross (X) in the space whether you wish your votes to be cast for or against the resolutions. In the absence of such specific directions, your proxy will vote or abstain as he thinks fit).

Dated this __________ of ______________________ 2015

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

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

____
Signature/Common Seal of member(s)

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 18 May 2015 shall be entitled to attend, speak and vote at the meeting.
2. A member may appoint not more than two proxies to attend the same meeting. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provision of Section 149(1)(b) of the Companies Act, 1965, Malaysia shall not apply to the Company. There shall be no restriction as to the qualification of the proxy.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account and the number of shares to be represented by each proxy must be clearly indicated.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. Where an exempt authorised nominee appoints more than one (1) proxy in respect of each Omnibus Account, the appointment shall not be valid unless the exempt authorised nominee specifies the proportion of the shareholding to be represented by each proxy.

   An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
5. Where a member or the authorised nominee appoints two proxies, or where an exempt authorised nominee appoints two or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the Form of Proxy.
6. The Form of Proxy must be signed by the appointor of the proxy, or its attorney duly authorised in writing. In the case of a corporation, the Form of Proxy shall be executed under its common seal, or signed by its attorney duly authorised in writing or by a duly authorised officer on behalf of the corporation.
7. The Form of Proxy duly completed and executed, must be deposited at the Company's Share Registrar, Symphony Share Registrars Sdn Bhd (378993-D) at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty eight (48) hours before the time fixed for the holding of the meeting or any adjournment thereof.

Please fold here to seal

MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD
Annual General Meeting

STAMP

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House, Block D13,
Pusat Dagangan Dana 1, Jalan PJU 1A/46,
47301 Petaling Jaya, Selangor Darul Ehsan,
Malaysia

Please fold here to seal

M H B

MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD (178821-X)

Level 31, Menara Dayabumi, Jalan Sultan Hishamuddin
50050 Kuala Lumpur, Malaysia
T: +603 2273 0266
F: +603 2273 8916

www.mhb.com.my