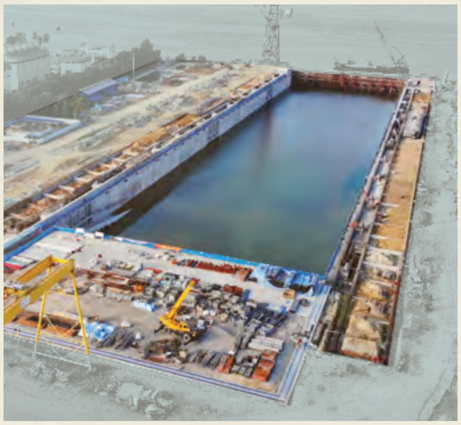
MHB

engineering solutions

SUSTAINING **GROWTH**

ANNUAL REPORT 2019



PEOPLE

PASSION

POSSIBILITIES

PEOPLE

MHB's story began almost half a century ago with the very first marine repair and we have now grown to become a leading marine and heavy engineering solutions provider for a wide range of offshore & onshore facilities and vessels.

Our accomplishments throughout the years are achieved through the dedication of our people, who are committed to uphold the highest standards of excellence in everything that we do.

PASSION

We push the boundaries with passion and leverage on the Company's synergy to provide a comprehensive range of complex solutions and services to our clients.

POSSIBILITIES

Through the commitment and dedication of our people, fueled by their unwavering passion, we believe there are greater possibilities ahead as we embrace opportunities that emerge from the evolving industry and collaborating actively towards creating a sustainable future today and tomorrow.

MHB
engineering solutions

VISION

To consistently provide better marine and heavy engineering related solutions and services

MISSION

To consistently be better, we strive:

- to exceed the expectations of our customers
- to promote individual and team excellence of our employees
- to create a positive difference to the lives of communities
- to care for the environment and operate responsibly
- to drive sustainable value for our shareholders

SHARED VALUES

Loyalty
Loyal to corporation

Integrity
Honest and upright

Professionalism
Strive for excellence

Cohesiveness
United, trust and respect for each other

MHB CULTURAL BELIEFS

√ **RESULTS MATTER**
I stretch my limits to deliver superior results

√ **OWN IT!**
I own the results and don't blame others

√ **FOCUSED EXECUTION**
I plan, commit and deliver with discipline

√ **NURTURE TRUST**
I always keep my promise and build mutual trust

√ **TELL ME**
I seek, give and act positively on feedback

√ **SHARED SUCCESS**
I collaborate for the greater good of MHB and the MISC Group

Arising from the storms of the low oil price scenario and economic downturn in 2015, MHB has carved the path and embarked on a five-year journey of our Annual Reports encompassing our strategies in sustaining our business. The finale of these series, **Sustaining Growth**, will mark the end of these bittersweet milestones and the beginning of a sustainable chapter in delivering long-term values for our stakeholders.

2015

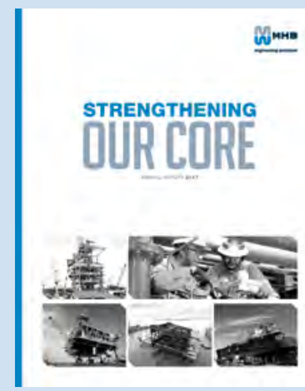
Adapting to a New Normal

In the low oil price scenario and economic downturn and in a reality where business as usual was no longer sustainable; MHB **adapted to a new normal**.

2016

Reshaping Our Landscape

Amidst challenging economic headwinds, we **reshaped our landscape** to adapt to a new norm. Our diversification strategy looked beyond offshore and marine related industries.



2017

Strengthening Our Core

Consistent strategies were implemented which focus on solidification of our fundamentals in areas of cost management, resource optimisation and capability development. We **strengthened our core** to face any future challenges and drive operational excellence.

2018

Expanding into New Frontiers

We **expanded into new frontiers** as we went beyond our capabilities and ventured into new businesses. We also embarked on the expedition of moving outside of our region.

2019

Sustaining Growth

Through the storms in turbulent times, MHB has dived into the sea of opportunities and risen to **sustain its growth**. MHB stands strong in continuing the life of its operations through business diversification and innovation. Our strategies are materialised through the projects entrusted to us.

Our aim is to deliver the projects exceeding our clients' expectations; on time, at cost and with highest quality, health, safety and environment standards.

Inside This Report

We value your views and aim for continuous improvements. To provide feedback and for further inquiries on our report, please contact us at:

MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD
Registration No. 198901001515 (178821-X)

Level 31, Menara Dayabumi
Jalan Sultan Hishamuddin
50050 Kuala Lumpur, Malaysia

T: +603 2273 0266
F: +603 2273 8916
E: enquiries@mmhe.com.my

Scan here to access MHB's website

Live contact details of our Marine Repair agents worldwide

About This Report

Here in MHB, we advocate transparency to stakeholders and aim to produce a comprehensive yet concise reporting publication to cater to the diverse needs of our broad stakeholder base.

Our Annual Report 2019, which comes together with our Sustainability Statement embedded inside, is the primary source of information on our Group's financial and non-financial performance for 2019 and on the outlook for 2020.

We are on the third year of our integrated reporting journey and subsequently to produce a full fledge Integrated Report over time. With more insights into the quality of the strategic thinking and management leadership, we strengthened our business strategy through prioritisation of material issues and introduced a sustainable value creation to our stakeholders.

SCOPE AND BOUNDARY OF REPORTING

The report addresses the overall activities of the Group, our business segments, subsidiaries and joint venture operations. We present information relevant to the way we create value for our key stakeholders which include our employees, customers, regulators, suppliers and communities. This report covers period from 1 January 2019 to 31 December 2019, unless otherwise stated.

	Objective	Frameworks applied	Cross-referencing
Annual Report 2019	• Provides a comprehensive discussion of the Group's performance	• Bursa Malaysia Securities Main Market Listing Requirements	**MHB's website www.mhb.com.my**
Sustainability Statement 2019	• Presents a balanced and comprehensive analysis of the Group's sustainability practices and performance in relation to issues material to our stakeholders	• Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines • Amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements relating to Sustainability Statement in Annual Reports	

Who We Are and What We Do

Who We Are and What We Do

ABOUT MHB

Malaysia Marine and Heavy Engineering Holdings Berhad (MHB) is a globally trusted energy industry and marine solutions provider for a wide range of heavy engineering facilities and vessels.

We have more than 40-year track record of delivering integrated and complex solutions, including deepwater services to international oil & gas clients. We are equally recognised for our global expertise in offshore conversion services and LNG Carrier repair and dry docking. We also own and operate a regional Centre of Excellence – a learning centre that produces technically expert workers for the industry.

Backed by an exceptional track record, a highly skilled workforce and world-class facilities, MHB is able to provide innovative solutions to meet the complex demands of the energy industry – safely, on time and within cost.

Moving towards Sustainable Solutions

We realised how fast the world is evolving and the importance of delivering sustainable solutions to our stakeholders. Therefore, we have explored opportunity related to renewable energy which include construction of offshore wind farm structures.

Coupled with our experience and strength in offshore construction capabilities, we are poised to building a sustainable future for the Company, the industry and the world.

Incorporated in **1973**

Listed on the Main Market Bursa Malaysia Securities Berhad in **2010**

2,134
Diverse & skilled workforce nationwide
(as at 31 December 2019)

Established our **Centre of Excellence**, a learning centre dedicated for oil & gas and marine industries in **2015**

50,000 trainees have accomplished their courses

Over 40 years
of delivering integrated & complex solutions

Malaysia's Largest Fabrication Yard by area of **542,380m²** and tonnage capacity of **129,700 MT** with world-class facilities

Proven expertise in full range EPCIC services with the delivery of over **200** offshore facilities

Comprehensive marine services with more than **3,800** marine repair and life extension solutions on various types of vessels, rigs and marine facilities

Dry Dock No. 1 – Capacity: 450,000 dwt
Dry Dock No. 2 – Capacity: 140,000 dwt
Dry Dock No. 3 – *Capacity: 400,000 dwt*
(will be ready to serve in 2020)

Complete Conversion Facilities in one location with track record of **19** conversion projects

Highest level in **Quality, Health, Safety & Environment Culture**

- **OHSAS 18001: 2007 Certified** Occupational Health & Safety Management System
- **ISO 14001: 2015 Certified** Environmental Management System
- **ISO 9001: 2015 Certified** Quality Management System

We adhere to the highest standard of **Integrity**

ISO 37001: 2016 Certified
Anti-Bribery Management System

Who We Are and What We Do

OUR SOLUTIONS

Offshore

Fabrication and full EPCIC services for offshore facilities.

- Deepwater facilities
- Fixed platforms
- Renewable energy facilities

Onshore

Fabrication services for onshore modules and facilities.

- Pre-assembled units (PAU) modules
- Pre-assembled rack (PAR) modules
- Pipe spool fabrication
- Site installation

Conversion

Conversion of offshore facilities in one location.

- Floating production storage and offloading (FPSO)
- Floating storage and offloading (FSO)
- Floating storage units (FSU)
- Mobile offshore production units (MOPU)

Marine Repair & Refurbishment

Comprehensive marine repair and life extension solutions for various types of vessels, rigs and marine facilities.

- Gas carriers (LNGC/LPGC)
- Product tankers (chemical, crude oil, petroleum)
- Container carriers
- Offshore supply vessels
- Dredgers
- Oil rigs

Plant Maintenance & Turnaround

- Plant shutdown and maintenance
- Routine maintenance
- Upgrading works

Other Services

- Fabrication of turrets
- Hook-up and commissioning for brownfield works
- Offshore services

OUR PEOPLE

Number of Employees

2,134

(as at 31 December 2019)

Female	Male	Technical	Non-Technical
19.12%	80.88%	1,719	415

Age Diversity

Baby Boomers	Gen X	Millennials	Post Millennials
155	582	1,216	181

Manpower generation data is based on the new definition i.e Baby Boomers (1965 and before), Gen X (1966-1979), Millennials (1980-1994) and Post Millennials (1995 and after)

2019 At A Glance

PROJECT HIGHLIGHTS

HEAVY ENGINEERING BUSINESS SEGMENT

2 Onshore Projects **Delivered**

2 Offshore Projects **Delivered**

4 Projects **Secured**

MARINE BUSINESS SEGMENT

Completed repair and maintenance of **77 vessels**

20 repair works on **LNG carriers**

12 local and **12** international **new clients**

8 January
MHB secures Frame Agreement from PETRONAS for provision of engineering, procurement and construction (EPC) of fixed offshore structure works

1 July
Contract award ceremony for PETRONAS' Groupwide Master Service Agreement (MSA) for Integrated Turnaround Main Mechanical and Mechanical Static (TA4MS)

8 July
Delivery of Tembikai Non-Associated Gas (TNAG) Offshore Wellhead Facilities (OWF) for both topside and substructure

10 October
Contract signing ceremony of provision of engineering, procurement, construction, installation & commissioning (EPCIC) for Kasawari Gas Development Project

25 October
MMHE & PETRONAS LNG Limited (PLL) signed Memorandum of Agreement for the opportunity to explore collaboration in promoting both MMHE's dry docking and PLL's gassing up and cooling down (GUCD) services

FINANCIAL HIGHLIGHTS

Revenue	Loss After Tax	EBITDA	Total Assets
RM**1,009.5**million	RM**34.2**million	RM**25.4**million	RM**3,218.0**million

AWARDS AND ACCOLADES

19 June
MHB received Silver Award in the 2019 Australasian Reporting Awards (ARA) for its Annual Report

15 July
MMHE Marine Operations' Electrical and Instrumental (E&I) Workshop received IECEx certification from SIRIM

27 August
MHB is ISO 37001: 2016 certified on Anti-Bribery Management System

27 August
MHB was selected as a finalist in the category Excellence in Offshore Support of Lloyd's List Asia Pacific Awards 2019

MIRA MALAYSIAN INVESTOR RELATIONS ASSOCIATION

30 October
MHB was nominated in the 9th Investor Relations (IR) Awards 2019 by Malaysian Investor Relations Association Berhad (MIRA) for
- Best Company for IR
- Best CEO for IR – Wan Mashitah Wan Abdullah Sani
- Best IR Website

FTSE4Good

Malaysia Marine and Heavy Engineering Holdings Berhad remains a constituent of FTSE4Good

2019 At A Glance

QUALITY, HEALTH, SAFETY & ENVIRONMENT HIGHLIGHTS

13.72 (2018: 12.58)
Man-hours without LTI (millions)

0 (2018: 1)
Fatalities

• MMHE GREEN INITIATIVES

3R (Reduce, Reuse and Recycle)

Allocation of 3R bins in all MHB offices and yards

48 office bins **26** main bins

Recyclable waste collected from July until December 2019

225.36 MT

Energy Saving

Utilise Led Lighting

Transition usage from T8 fluorescent bulb and ballast to full LED at offices

LED Installation FY2019
1,033 units

✓ Save more than **40%** of estimated monthly electricity cost

✓ Reduce **44.4%** of energy consumed for estimated 12 hours operation daily

Water Conservation

Utilisation of efficient piping and fittings appliances

Water consumption per month at offices

7,324m³ — **Before Green Initiatives** (as at January 2019)

6,423m³ — **After Green Initiatives** (as at December 2019)

12% Improvement

17 April
Launching of MMHE Green Initiatives and QHSE Campaign for year 2019

10 October
MHB and PETRONAS signed Memorandum of Understanding for Solar Rooftop Solutions, in a commemoration with the launching of PETRONAS' first solar rooftop solution in Malaysia, known as M+ by PETRONAS

COMMUNITY HIGHLIGHTS

RM136,562.00
spent on
community programmes

165
volunteers from
MHB employees
with **2,863** man-hours recorded

1,554
individuals
benefited from
community programmes

19 April
MHB Free Market for 111 underprivileged families across Pasir Gudang, Johor where they were able to choose necessity items such as clothes, kitchenware, bags, books and many more without having to pay for the items

29 May
Launching of MHB Go Green, a refined environmental education sustainable development programme

Corporate Information

As at 10 February 2020

BOARD OF DIRECTORS

- **Chairman, Independent Non-Executive Director**
  - Datuk Nasarudin Md Idris
- **Senior Independent Non-Executive Director**
  - Choy Khai Choon
- **Independent Non-Executive Directors**
  - Dato' Halipah Esa
  - Yong Nyan Choi @ Yong Guan Choi
  - Keith Taylor
- **Non-Independent Non-Executive Directors**
  - Bernard Rene Francois di Tullio
  - Yee Yang Chien
  - Syed Hashim Syed Abdullah
  - Emran Othman
- **Managing Director & Chief Executive Officer, Non-Independent Executive Director**
  - Wan Mashitah Wan Abdullah Sani

BOARD AUDIT AND RISK COMMITTEE
Choy Khai Choon (Chairman)
Dato' Halipah Esa
Yong Nyan Choi @ Yong Guan Choi
Keith Taylor
Bernard Rene Francois di Tullio
Emran Othman

NOMINATION & REMUNERATION COMMITTEE
Dato' Halipah Esa (Chairperson)
Choy Khai Choon
Syed Hashim Syed Abdullah

BOARD BID COMMITTEE
Syed Hashim Syed Abdullah (Chairman)
Yong Nyan Choi @ Yong Guan Choi
Keith Taylor
Bernard Rene Francois di Tullio

COMPANY SECRETARIES
Ausmal Kardin (*LS 0009383*),
SSM Practicing Certificate No. 201908001749

Haniza Sabaran (*MAICSA 7032233*),
SSM Practicing Certificate No. 201908001761

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
Website : 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
Boardroom Share Registrars Sdn Bhd
Registration No: 199601006647 (378993-D)
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13,
46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Telephone : +603 7890 4700
Facsimile : +603 7890 4670

FORM OF LEGAL ENTITY
Incorporated on 18 February 1989 as a private company limited by shares 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 10 February 2020

MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD
Investment Holding

- 100% **MALAYSIA MARINE AND HEAVY ENGINEERING SDN BHD**
  Provision of oil and gas engineering and construction works, marine conversion and repair services
  - 100% **MALAYSIA MARINE AND HEAVY ENGINEERING SAUDI LIMITED**
    Provision of engineering, procurement, construction, installation and commissioning services for offshore and onshore facilities
  - 60% **MMHE-TPGM SDN BHD**
    Provision of engineering, procurement, construction, installation and commissioning services (dormant)
  - 100% **TECHNO INDAH SDN BHD**
    Sludge disposal management
  - 100% **MMHE LNG SDN BHD**
    Provision of repair services and dry docking of liquefied natural gas vessels (dormant)
  - 40% **MMHE-ATB SDN BHD**
    Manufacturing of pressure vessels and tube heat exchangers (dormant)
  - 70% **MMHE EPIC MARINE & SERVICES SDN BHD**
    Provision of repair services and dry docking of marine vessels at the ship repair facilities located in Kemaman, Terengganu
- 100% **MMHE INTERNATIONAL SDN BHD**
  Chemical cleaning of ship tanks, boilers, cylinder covers and various ship equipment and machinery (dormant)
- 50% **TECHNIP MHB HULL ENGINEERING SDN BHD**
  Build and develop hull engineering and engineering project management capacities (dormant)

● Subsidiary ● Jointly Controlled Entity

Letter from the Chairman

ECONOMIC OUTLOOK

Global economic growth continues to be sluggish in 2019 underpinned by rising trade barriers and geopolitical uncertainties. Restrictive trade policies led to a slump in business investments in the United States (US), whilst a slowdown in the Eurozone saw Germany and Italy coming close to a recession. Despite the US and China agreeing to a limited trade deal and the conclusion of "Brexit", the market remained jittery on the likelihood of respective agreements failing to reach a breakthrough.

In the oil market, booming shale production helped the US to overtake Saudi Arabia and Russia as the world's top oil exporter in the second half of 2019. Oil prices showed some signs of recovery towards the end of 2019, riding on the momentum of positive announcements of deeper output cuts by OPEC. Several sanctioned projects were also executed as planned during the course of the year but market sentiment remained subdued as oil producers remained cautious in their capital spending.

This economic environment will continue to shape the landscape of the industry that we operate in and will pose significant challenges to MHB in the years ahead.

CORPORATE DEVELOPMENTS

Long term sustainability of the business has been a key priority in MHB. In the past, the Heavy Engineering Business segment has been the mainstay of our business but the volatility of this business segment will also mean that we are highly susceptible to the vagaries of the market. In the last few years, jobs were scarce and far in between due to cutbacks by oil producers. To mitigate this, we had embarked upon a diversification strategy expanding into new areas of business especially the downstream sector of the petroleum industry. This strategy has met with some of level success, and I am pleased to report that last year we were awarded a five year Master Service Agreement for integrated turnaround and mechanical maintenance services for the Petroleum Nasional Berhad (PETRONAS) refinery in Melaka. This is a significant landmark in our corporate history as it added a new dimension to our business portfolio, and will provide a long term recurring source of income for the Company.

Whilst we pursue this strategy of diversification, we have also intensified our business development effort in the Heavy Engineering Business segment in our quest to secure new jobs and to replenish our orderbook. I am indeed pleased to share with you that last year we were awarded the Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) Contract for Kasawari Gas Development Project by PETRONAS Carigali Sdn Bhd (PCSB). This is a significant milestone for us as it is a large value project and once completed, the Kasawari Central Processing Platform (CPP) alone will weigh 47,000 MT, the largest in the region. The award is indeed a testament of our competitiveness in this area, and we are encouraged by the trust and confidence placed upon us by PCSB. The award has certainly helped to replenish a thinning orderbook in the Heavy Engineering Business segment.

In the Marine Business segment, we gained traction in 2019 after a lacklustre market in 2018. With the International Maritime Organisation (IMO) Global Sulphur Cap regulations coming into place this year, shipowners finally made the decision on their way forward to comply with this regulation, and we saw more vessels coming in for dry docking repairs and modifications. In addition, there was also more LNG vessels during the year coming in for mandatory dry docking and repairs. In total, we serviced 20 LNG vessels and secured 4 enbloc agreements throughout the year. We also served 24 new clients in this segment of the business.

The construction of a new dry dock for the Company known as Dry Dock 3 is well underway with a target completion by third quarter of 2020. With this capacity expansion, it will enable us to compete effectively in this region and target for a higher market share. The Marine Business segment provides a fairly steady source of revenue and income for the Company and it is imperative that we remain competitive in this area.

FUTURE OUTLOOK

The market is expected to remain turbulent in the years ahead as industry players fight for survival. We need to build greater resilience and that would be key to our sustainability in the long term. Our efforts to diversify our business portfolio will continue albeit in areas which are not totally unfamiliar to us. Capability building is important and we will continue to invest more time and effort in this area. I have often emphasized that we need to be at the lower end of the cost curve in order to secure new jobs. To this end we need to continually focus on operational efficiency and high productivity. Our brand is also dependent upon a flawless and timely delivery of projects to the required specifications of our clients, and we must remain committed to this ideal. We must be strong not only in project management but equally important in project cost control to protect our margins and create value for the Company.

I am confident that if we remain true to our cause and embed a culture of excellence, we will emerge stronger and more resilient to face the challenges ahead.

APPRECIATION

As we moved ahead into the future with greater rigour to improve our performance, I am indeed grateful to our many stakeholders who over the years have been highly supportive of the Company.

To our esteemed shareholders, I cannot thank them enough for their unwavering loyalty and support. Please be assured that the Board and Management of the Company remain steadfast in our efforts in improving the overall performance of the Company.

To our valued clients, thank you for your invaluable support. We are mindful of the trust you placed upon us to deliver your projects and to provide you with services par excellence. And we are inspired to continuously better ourselves.

To our business partners, vendors and associates, thank you for your support and cooperation. Success in delivering a job is dependent upon us working together and we look forward to greater collaboration ahead.

To our staff and Management at MHB, thank you for your dedication and commitment. Success will not be handed to us on a silver platter and we must continuously work hard and stay the course to achieve our goals. More importantly, we must work as a team.

Lastly, I would like to thank my fellow Board members at MHB. Their wise counsel and guidance has been invaluable.

Datuk Nasarudin Md Idris
Chairman

How We Create Value

How We Create Value

OUR CAPITAL	KEY INPUTS	BUSINESS ACTIVITIES TO SUSTAIN VALUE	OUTPUTS	OUTCOMES
FINANCIAL CAPITAL Financial capital defines the pool funds available, which include equity, debt and re-invested capital	• RM1.4 billion market capitalisation • Utilisation of RM180.8 million from funding facilities of RM400.0 million • Cash and bank balances: RM673.9 million • Positive cash generated from operations: RM123.6 million	• Sustained revenue stream by securing four heavy engineering contracts in 2019: (i) EPCIC of the Centralised Processing Platform (CPP) for Kasawari Gas Development Project (ii) EPC of Bergading CPP-MRU Integration (iii) EPCIC for Bekok Oil Project (iv) EPC of Golden Star External Turret • Invested in capacity expansion for marine conversion, repair and refurbishment business to build Dry Dock No. 3 (DD3) in Pasir Gudang, Johor • Exercised continuous cost optimisation and monitoring • Driving austerity measures • Established partnership with vendors and subcontractors and strategic sourcing of materials	• Increased in order book size • Strengthened financial position and stable income • Free cash flow increased to RM51.9 million • Saved RM10.9 million through reduction in expenditure	• Improved revenue opportunities, earnings visibility and liquidity • Financial stability and growth • Maintained cost-effectiveness *Refer to Financial Statements & Business Highlights for more information*
HUMAN CAPITAL The technical and managerial skills, productivity and well-being of our people – coupled with a company culture and governance systems that foster innovation and compliance – are critical to our long-term success	• 2,134 employees • Investment of RM2.0 million in employee and leadership training • Formal rollout and implementation of MHB 'Cultural Beliefs'	• Capability development programmes for technical staff: - 8 employees attended the Project Control Management Development Programme (PCMDP) - 6 employees attended the CSWIP Welding Inspector Certification Programme - 9 employees were assessed under the Project Management Development Programme - 2 employees were assessed under the Cost Control Development Programme • Leadership Programmes for managerial positions: - 644 employees attended Leadership Programmes • Compliance of Health, Safety and Environment (HSE) procedures with all regulations and safety standards: - Organised a total of 19 health and safety enforcement activities - Conducted a total of 104 emergency practice drills	• Total wages and salaries: RM178.1 million • Average hours of training per year: 17.5 hours • Voluntary staff turnover rate: 10.0% • Qualified and certified project managers and cost controllers and welding inspectors • Improved productivity processes and project cost savings • Sustainable succession planning for leadership role • Inculcate cohesiveness, empowerment and unity amongst employees through common set of shared values • Loss time injury frequency (LTIF): 0.22 • Total recordable cumulative frequency (TRCF): 0.44 • Number of fatal incidents: 0	• A more engaged workforce • A more skilled workforce • A more self-aware workforce *Refer to Sustainability Statement for more information*
INTELLECTUAL CAPITAL Intellectual covers our innovation, whether product or services based or through process innovation	• Construction Planning and Progress Tracking (CPPT) • Marine Operation Daily Work Checklist (DWC)	• Initiatives taken to reinforce internal process control and strengthen project planning	**CPPT** • Developed and continuously upgrading integrated digital database and dashboard for effective project monitoring and control • Address project matters and issues without affecting the project deliveries as per clients' expectation • Ensure traceability, tracking and integrity of project updates **DWC** • Introduced Daily Work Checklist system/tool to improve overall execution of marine repair works • Ensure consistency and traceability of work completion between client and subcontractor • Enhance billing process by eliminating dependency of subcontractor work done report	• Embraced innovative culture for operational efficiency and sustainability *Refer to Sustainability Statement for more information*

How We Create Value

OUR CAPITAL | KEY INPUTS | BUSINESS ACTIVITIES TO SUSTAIN VALUE | OUTPUTS | OUTCOMES

SOCIAL AND RELATIONSHIP CAPITAL

Social and relationship capital covers the positive and productive relationships with our stakeholder groups

Key Inputs

- Engagement and Assessment with:
  - Employees
  - Client on clients' satisfaction
  - Subcontractors' and vendors' overall performance
  - Investment Community
  - Community

Business Activities to Sustain Value

Employees
- Monthly newsletters
- Circulars and Announcements
- Townhall
- MMHE Academic Excellence Award
- MHB Long Service Award
- 3 Leadership Talk Series
- 5 Focused Execution Workshop for Learning & Development
- Engagement with Talent Pool

Clients
- 38 client visits to MHB yards
- Continuous meetings and discussions
- 85 client feedback exercises

Subcontractors and Vendors
- 20 engagement sessions
- 280 assessment exercises

Investment Community
- Annual Report
- Updates on website
- 8 face-to-face meetings with analysts and fund managers
- 2 Analyst Briefings
- 1 Annual General Meeting
- 4 (Quarterly) Financial Results issued

Community
- Internship programme; 45 were hired
- 5 outreach programmes; 2,863 of man-hours spent

Outputs

Employees
- 100% of employees were engaged to foster rapport between employees and management and strengthen the adoption and internalisation of MHB corporate culture

Clients
- Client Satisfaction Index (out of 10; the highest satisfaction index)
  - Marine Satisfaction Index: 8.3
  - Heavy Engineering Satisfaction Index: 7.3

Subcontractors and Vendors
- Subcontractor and Vendor Assessment Result by Packages
  - Good: 25%
  - Fair: 58%
  - Poor: 17%

Investment Community
- Shareholders, analysts and fund managers:
  - More than 40 were engaged face-to-face
  - 46 attended Analyst Briefings
- 263 shareholders and proxies attended Annual General Meeting
- Interactive communication and transparent disclosure to shareholders and investment community on the Company's business and financial highlights

Community
- Contribute positive impact and improve local community and society at large quality of life through education, charity drive and environmental awareness

Outcomes

- Better employee cohesion
- More productivity
- More business opportunity
- Greater productivity
- More investor opportunity
- Sustainable communities

Refer to Sustainability Statement for more information

MANUFACTURED CAPITAL

Manufactured capital includes our infrastructure that we create and that we utilise to create value

Key Inputs

- Property, plant and equipment (PPE): RM1.9 billion
- Included in PPE is CAPEX of RM192.7 million

Business Activities to Sustain Value

- Execution of heavy engineering and marine business activities:

  Heavy Engineering Business Segment
  - 4 projects completed
  - 3 ongoing projects

  Marine Business Segment
  - 1 marine ongoing conversion
  - 77 vessels repaired

  MMHE EPIC Marine & Services Sdn Bhd (MEMS)
  - 11 vessels repaired
- Construction of DD3 in Pasir Gudang, Johor at 86.1% progress rate

Outputs

- Resulted in higher revenue from Marine Business segment compared to last year
- Increased marine repairs revenue opportunities with construction of DD3
- Continued to focus on construction and fabrication business expansion

Outcomes

- More sustainable business
- Smoother operations

Refer to Business Highlights for more information

NATURAL CAPITAL

We require natural capital such as land and energy to deploy and operate our manufactured capital

Key Inputs

- Allocation of RM10,000 for environmental awareness campaigns and RM255,100 for environmental monitoring campaigns
- Electricity consumption: 57,470 MWh
- Volume of water consumption: 549,420 cubic meters
- Waste management

Business Activities to Sustain Value

- Green Initiatives:
  - Focus on energy saving, water conservation and 3R

Outputs

- Due to the construction of DD3:
  - Petrol, diesel and gas combustion emissions increased to 8,201 CO_2e by 38.7%
  - Both electricity consumption and electricity emissions increased by 45.2% to 57,470 MWh and 39,309 CO_2e respectively
  - Ozone-depleting substances increased to 2,581 CO_2e by more than 100%
- Through water conservation programme, water consumption volume reduced to 549,420 cubic meters by 32.6%
- Increased number of scheduled waste to landfill to 25 MT by 78.6% mainly due to the higher scheduled waste generated from yard operations
- Reduction of scheduled wastes recycled to 23,904 MT by 13.5% mainly due to the lesser vessels coming in during 2019
- Reduction in total non-scheduled waste being recycled to 225 MT by 54.9% as a result from 3R programme
- Increase in total non-scheduled waste to landfill to 5,631 MT by 7.6% due to the increasing number of man-hours in 2019
- There was no record of Nitrogen Oxides (NOx), Sulphur Oxides (SOx) and Particulate Matter (PM10) in 2019 as the plant already underwent decommissioning

Outcomes

- Sustainability of our business and community
- Better environmental management

Refer to Sustainability Statement for more information

Strategic Blueprint

We are committed to realise our vision to consistently provide better marine and heavy engineering related solutions and services on the five of key result areas (KRAs).

KEY RESULT AREAS (KRAs)

BUSINESS

- KRA# 1 SUSTAIN EXISTING BUSINESS
- KRA# 2 DEVELOP NEW BUSINESS

OPERATION

- KRA# 3 IMPROVE PRICE COMPETITIVENESS
- KRA# 4 IMPROVE PRODUCTIVITY
- KRA# 5 DEVELOP CAPABILITY

FOCUS AREAS/INITIATIVES	STRATEGIC OBJECTIVES	KRAs
Continue pursuing existing business of ***Heavy Engineering and Marine Repair/ Conversion***	• We are committed to explore opportunities for regional and international market Heavy Engineering Business segment • We are determined to increase our effort in Marine Business segment by continue focusing on LNG carriers and tankers as well as promoting our new Dry Dock No. 3 (DD3) • We are focused on marketing our strength and track records in repair, life extension and conversion (RLEC) scope and integration for floaters conversion segment	KRA# 1
Ensure smooth operation and execution of ***Dry Dock No. 3 and Plant Maintenance & Turnaround***	• We are determined in ensuring smooth facilities and operation readiness as well as seamless execution of DD3 and Plant Maintenance & Turnaround contracts	KRA# 1
Secure ***Modular Structure and Renewable Energy*** projects	• We are committed to explore into targeted high prospect areas i.e North America and Middle East for modular structures • We are focused on expanding construction & fabrication capabilities to offshore wind farm business	KRA# 2
Increase productivity via higher utilisation of ***Automation***	• We are striving to maximise company assets' usage and utilisation during project execution to ensure potential cost saving, improvement of production capacity and utilisation of in-house manpower	KRA# 3, KRA# 4
Introduce effective tools for ***Operational Efficiency***	• We are striving to ensure operational efficiency through the introduction of effective project control tools	KRA# 3, KRA# 4
Develop ***T&I Capability*** to strengthen EPCIC offering	• We are determined to strengthen the strategy for Transportation & Installation (T&I) to support EPCIC services	KRA# 3, KRA# 5

MD & CEO's Management Discussion & Analysis

MD & CEO's Management Discussion & Analysis

We will remain resilient in strengthening our core business and shall continue expanding strategically into new opportunities to restore stability back to MHB. With the right strategy in place and highly capable team to execute it, I am certain we would be able to maximise value for everyone.

MARKET REVIEW

Oil price notched the biggest annual gain in three (3) years despite trading within relatively narrow price ranges with no sharp spikes throughout 2019. Echoing the recovery, we saw several sanctioned offshore projects being implemented as planned. Nevertheless, we did not discount the volatile nature of the market and thus remained cautious and vigilant in our spending throughout the year.

The imminent implementation of International Maritime Organisation (IMO) 2020 Global Sulphur Cap rule caused a stir in the marine industry. Most shipowners resorted to cost optimisation by cutting dry docking budget as they prepared to meet the requirements by end of 2019. LNG trade expansion continued with transition from local, bilateral trading flows to regional and global markets. While overall LNG consumption is expected to be further concentrated in the Asia-Pacific region, the trend towards diversification of consuming countries will continue.

REVIEW OF OPERATIONS

Our Heavy Engineering Business segment arm has succeeded in completing and delivering several offshore and onshore projects in 2019. We have successfully completed Gumusut-Kakap Phase II Extension Subsea Manifold project for TechnipFMC. The scope of work involved fabrication of structures, manifold and interconnecting structures. The manifold and structures with a combined weight of 154 MT, were installed at Gumusut-Kakap field, offshore Sabah operated by Sabah Shell Petroleum Company Limited. The works were completed as scheduled with zero loss time injury (LTI). We have also successfully delivered the Tembikai Non-Associated Gas (TNAG) Offshore Wellhead Facilities (OWF) for both topside and substructure on schedule with zero LTI. The 1,500 MT substructure and 400 MT topside sailed away and installed at Tembikai Field, located offshore Terengganu. The hook-up and commissioning works are in progress and targeted to complete in second quarter of 2020.

We have successfully completed the construction and commissioning of steel structure, piping, mechanical equipment, electrical and instrumentation erection, insulation and painting works for the Refinery and Petrochemical Integrated Development (RAPID) project Package 14 for PETRONAS Refinery and Petrochemical Corporation (PRPC) and Electro-Mechanical works for RAPID Package 3 Area 2 for Tecnicas Reunidas Malaysia Sdn Bhd. Completion of both onshore projects were as scheduled with zero LTI.

We have a string of ongoing offshore projects which made up our backlog as at December 2019. Nearing completion at 73% progress is Bokor Phase 3 Re-Development Project Central Processing Platform (CPP) for PETRONAS Carigali Sdn Bhd (PCSB). The engineering, procurement, construction, installation and commissioning (EPCIC) works for the project is expected to be completed in second half of 2020. We are also close to completing the EPCIC works for Pluto Water Handling Module for TechnipFMC which is at 87% progress and scheduled to sail away in second quarter of 2020.

We were awarded with several new contracts throughout 2019 as a result of our continuous efforts to replenish our order book. We have reached a remarkable milestone by securing another major EPCIC contract for the Kasawari Gas Development project from PCSB. It is going to be the heaviest and largest offshore platform in the region. For this project, we are undertaking the construction of 47,000 MT of CPP, 8,600 MT of Wellhead Platform (WHP) and a Flare Structure, together with two bridges linking the CPP to the WHP and the Flare Structure. The contract also involves the transportation and installation of an 85 km pipeline linking the Kasawari CPP to the existing E11R-A platform.

Under the six-year PETRONAS Frame Agreement for the provision of engineering, procurement and construction (EPC) works that was awarded to us in late 2018, we were also awarded with the Bergading Central Processing Platform-Mercury Removal Unit (CPP-MRU) Integration Project from Hess Exploration and Production Malaysia B.V. in 2019. It covers engineering, procurement, construction and commissioning (EPCC) works for Bergading MRU module. Upon completion, the module will be installed and integrated to the existing Bergading CPP, North Malay Basin.

Additionally, we are undertaking the provision of EPCIC for Bekok Oil Project from PCSB as well. The works include the supply and installation of new BEDP-A and BEDP-B WHPs which consist of topsides, substructures and bridges linking each of the topside to the existing Bekok-A and Bekok-B platforms respectively. Upon completion of fabrication works, the platforms will be installed at PM9 Field, located in south-eastern of Malay Basin, Peninsular Malaysia, approximately 260 km from Terengganu Crude Oil Terminal.

We also managed to further strengthen our presence by successfully securing a conversion contract for a floating, storage and offloading (FSO) facility and the construction of its external turret for Sao Vang and Nguyet Development Project, offshore Vietnam in 2019. The FSO conversion contract was awarded by Malaysia Vietnam Offshore Terminal (L) Limited (MVOT). It involves fabrication engineering, fabrication procurement, construction and commissioning (epCC) for the repair, life extension and conversion of the FSO facility. The contract to undertake the construction and commissioning of its external turret was awarded by Promor Pte Ltd which will later be installed and integrated on the completed FSO. The construction of the external turret is progressing at 63% as at December 2019.

For our Marine Business segment, we have secured four (4) en bloc agreements throughout 2019 as part of the 86 projects secured. In the course of 2019, we have served 24 new clients; comprising of 12 new domestic clients and 12 new international clients namely from Russia, Cyprus, France, Korea and Indonesia. In totality, we have repaired a total of 20 LNG carriers during the year. We have also successfully delivered dry docking repairs of two (2) units of drilling rig, UMW Naga 5 and Naga 2, from Velesto Energy Berhad, Malaysia (VEB).

Through our joint venture with Hiap Seng Engineering Limited (HSEL), we have been awarded with the Master Service Agreement for Integrated Turnaround Main Mechanical & Maintenance Mechanical Static from PETRONAS in the first quarter of 2019. The validity of the agreement is for a period of five (5) years with option for extension and covers integrated plant turnaround works and daily maintenance work on mechanical static for Melaka Refinery Sdn Bhd. The given opportunity would provide an additional recurring revenue stream for MHB's growth. Daily maintenance works have commenced during the year whilst the turnaround works will only commence in coming years.

The year under review was also momentous for MMHE EPIC Marine & Services Sdn Bhd (MEMS) having had secured four (4) new marine repair and refurbishment contracts. In its third year of operation, MEMS has been awarded with 40 repair and refurbishment contracts and has successfully delivered 38 vessels in total. The contract awards have significantly contributed to MEMS' business stability and growth since its inception in 2016, which further establish MEMS as Peninsular Malaysia's East Coast one-stop-centre for marine repair and refurbishment services.

The construction of our third dry dock, Dry Dock 3, is progressing at 86% with expected completion in second half of 2020. This will increase our marine repairs revenue opportunities especially for LNG carriers and tankers thus elevate our competitive advantage in terms of capacity offering among others.

MD & CEO's Management Discussion & Analysis

Tembikai Non-Associated Gas (TNAG) Offshore Wellhead Facilities (OWF)

STRATEGY

We continued with our pursuit to strengthen our business portfolio into the year and have been relentlessly exploring opportunities at the domestic and international front in our effort to diversify our business. While project-centric Asia Pacific remained highly prospective, we also saw a rise in potential projects in North America, Middle East and locally in 2019. On that note, we shall continue to focus on our construction and fabrication business expansion in those areas.

Offshore wind farm has been gaining momentum in line with growing global demand for renewable energy in recent years. In 2019, we continued to engage with targeted offshore wind farm EPC contractors and technology providers to position ourselves as a reliable subcontractor to the awarded main contractors.

In view of the increasing number of EPCIC projects which include pipelay, modification and other brownfield activities under the work scope, we are developing internal capability for transportation & installation (T&I). We plan to synergise potential partner's capabilities and experience with our own to manage the operational risk exposure.

We continue to find ways to increase our operational efficiency and project management effectiveness. Initiatives to reinforce internal process control and strengthening project planning have already begun in 2019. We believe these implementations would facilitate tracking on project progress and expedite identification of potential risks to avoid operation setbacks.

We recognise that our people are one of our most valuable assets and their development is key to operational excellence. In order to nurture skilful and competent project management team for quality project execution, various training programmes were conducted to empower them throughout the year.

Health, safety and environment (HSE) remained one of our utmost priorities in our business. We stayed committed to ensuring all HSE procedures are in place and in line with regulations and safety standards. We went forth to conduct various initiatives and awareness campaigns ranging from occupational safety to promoting employees' healthy lifestyle in general throughout the year.

RISK AND MITIGATIONS

In our business, we are generally exposed to risks that may have adverse effect on our operations, performance and financial status. As part of our continuous effort to build resilience and to ensure sustainability moving forward, we regularly strategise how best to mitigate respective risks.

KEY RISK & IMPACT	MITIGATION
Inability to secure new order intake which will impact our overall financial performance	• Improve price competitiveness through price submission consistency and strategic sourcing of materials • Developing and exploring new markets that complement our base capabilities that will bring in recurring income e.g. modular onshore and offshore wind farm fabrication
Inefficiency in project execution which will consequently lower operational profitability	• Perform post-mortem for completed projects • Strengthen project risk assessment process from bidding to execution phase • Focus on improving project execution processes and procedures whilst ensuring efficient project planning and control to safeguard the timeliness of project delivery and project profitability

MARKET OUTLOOK

We will enter 2020 with a slew of highly prospective projects in the pipeline, hoping to ride the wave of the improved market to sustain us going forward. Sizable opportunities will be coming from Middle East, North America, South America and Asia Pacific where respective National Oil Companies (NOCs) are committed to their capital spending on sanctioned projects. Locally, a pipeline of fabrication projects is lined up for 2020 and 2021, mainly within the light to medium structure space. Nevertheless, oil prices instability would still affect any final investment decisions (FIDs) on the planned projects.

Majority of the downstream capacity expansion projects will be coming from Middle East, North America and Asia Pacific. With surging energy demand from Asia Pacific, NOCs in the Middle East are amplifying investments in refinery projects to meet the surging fuel products demand from Asia Pacific. Petrochemicals are expected to account for more than a third of the growth in global oil demand to 2030 and nearly half the growth to 2050. Growth in demand for petrochemical refineries should edge the supply/demand dynamic further back toward contractors.

LNG exports have surged in recent years out of Qatar, Australia, Russia and the United States and with new wave of LNG liquefaction FIDs under way. Global LNG trade is expected to increase rapidly led by East Asia with more vessels from Russia using the shorter Northern Sea Route. Demand for tankers is also expected to grow mainly supported by growth in global oil consumption and changes in route dynamics caused by OPEC production cuts which are positive for tankers' tonne-mile demand.

Renewable energy is playing an increasing role in decarbonising the global power sector with global offshore wind market set to expand significantly over the next two decades. In the next five (5) years, offshore wind projects will concentrate mainly in Asia, Europe and North America.

APPRECIATION

I would like to express my heartfelt appreciation to the Board of Directors for their unwavering support, continuous guidance and stewardship throughout the year. My appreciation also goes to our Management and employees for their endless hard work and commitment in improving MHB's performance despite the challenges encountered along the way in the course of 2019. Finally, my sincere gratitude to our stakeholders which include shareholders, clients, suppliers and partners for standing by MHB as we forge ahead in continuing our journey. We will remain resilient in strengthening our core business and shall continue expanding strategically into new opportunities. With the right strategy in place and capable team to execute it, I am certain we would be able to maximise value for everyone.

Wan Mashitah Wan Abdullah Sani
Managing Director & Chief Executive Officer

Letter from the Chief Financial Officer

REVIEW OF FINANCIAL YEAR 2019 FINANCIAL RESULTS

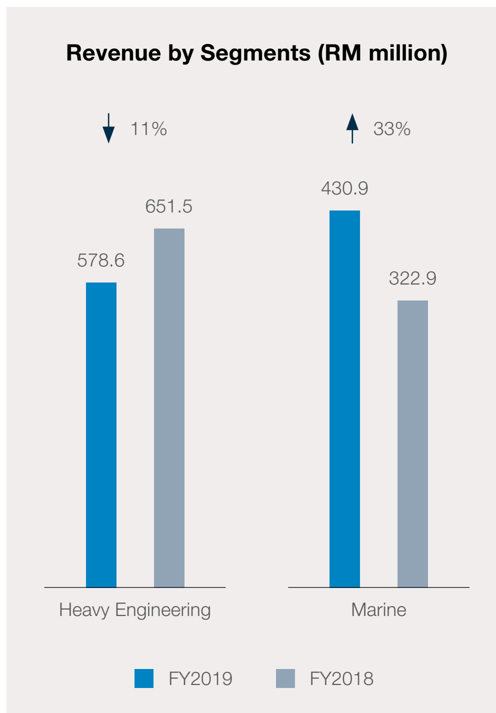
Financial Year 2019 (FY2019) was a challenging year for MHB Group ("the Group") amidst tough industry conditions exacerbated by heightened geopolitical risks, escalating trade tensions and sluggish global economic sentiments. Like so many of our peers in the industry, we were not spared the impact from the lacklustre state of the oil and gas engineering and construction sector which continued to impact our bottom line contributing to a net loss of RM34.2 million for FY2019.

Despite the challenging conditions, the Group's financial results for FY2019 improved as revenue grew to RM1,009.5 million compared to RM974.4 million in the prior year and net loss for the year reduced from RM124.2 million to RM34.2 million in FY2019.

FY2019	RM million	FY2018
1,009.5	Revenue	974.4
(34.2)	Loss for the year	(124.2)
5.5	Taxation	(0.1)
-	Finance cost	(0.9)
1.3	Share of profit from JVs	3.0
(41.1)	Operating loss	(126.2)

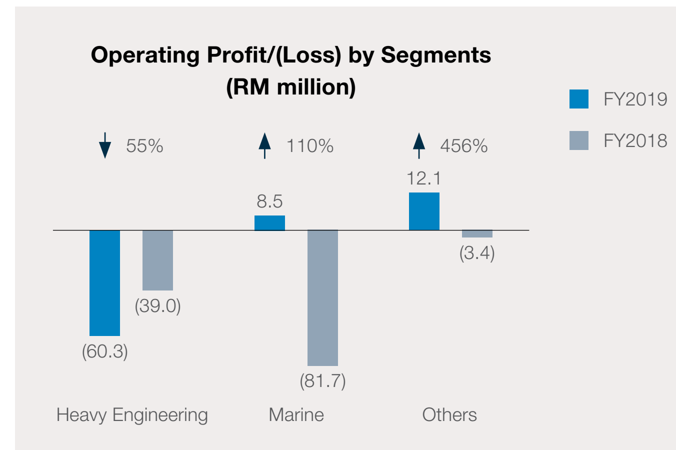
The Marine Business segment posted higher revenues at RM430.9 million, a 33% increase from RM322.9 million in the prior year. The increase was mainly contributed by higher dry docking services on LNG carriers and conversion works as LNG Carrier owners who had previously deferred dry docking in FY2018 due to uncertainties surrounding the implementation of the International Maritime Organisation (IMO) 2020 sulphur cap regulation return to our yard in FY2019 for the required dry docking.

The Heavy Engineering Business segment on the other hand reported lower revenue of RM578.6 million; a drop of 11% from prior year as most ongoing projects were close to completion whilst new projects were still at their early stages.



At the operating level, our losses shrank to RM41.1 million from a loss of RM126.2 million recorded in the prior year. The Marine Business segment returned to black in the current year from a loss of RM81.7 million in the prior year, contributed by an improvement in revenue coupled with lower unabsorbed overheads. The higher contribution from the Marine Business segment had offset the wider losses in the Heavy Engineering Business segment which was mainly due to lower revenue and higher unabsorbed overheads.

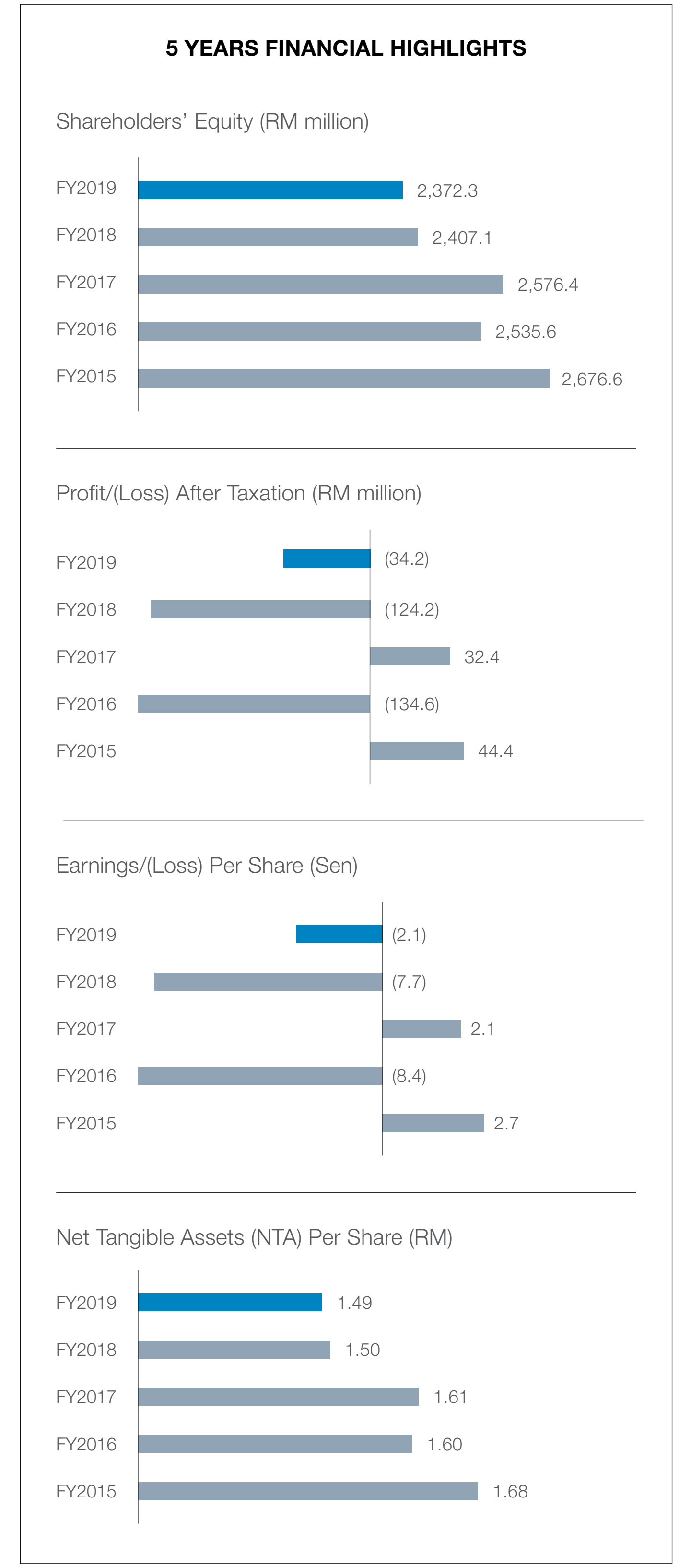
In tandem with the improved financial performance, we recorded an Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of RM25.4 million for FY2019; a turnaround from a Loss Before Interest, Taxes, Depreciation and Amortisation (LBITDA) of RM53.6 million in the prior year. This marked a significant improvement in our ability to generate cash profit compared to the prior year.



FINANCIAL POSITION AND LIQUIDITY

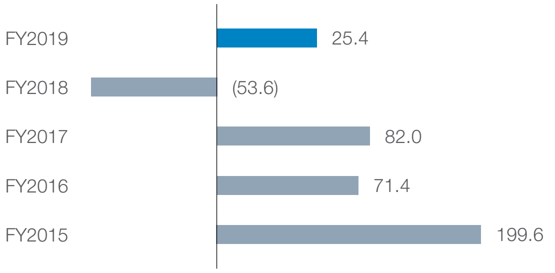
Our balance sheet and financial position remained robust and continued to strengthen in tandem with our improved financial results. With a healthy cash balance, stronger cash flows and improved current ratio coupled with low gearing, the Group is well-positioned to continue to grow and capture future business opportunities.

Total assets increased by 1% to RM3.2 billion mainly contributed by an increase in property, plant and equipment to RM1.7 billion from RM1.6 billion previously. This was in line with our continued investment in Dry Dock No. 3 (DD3) with completion expected in Quarter 3, FY2020. Despite the challenging business environment, the recoverable amount of our property, plant and equipment as at 31 December 2019 exceeded their carrying amounts, a testament to our robust portfolio of projects in the pipeline supporting the future sustainability of the business. Cash and bank balances rose by RM72 million to close at RM673.9 million, mainly driven by improved cash flows from operating activities, reflecting our continued financial strength and liquidity to sustain our business growth. Our deferred tax

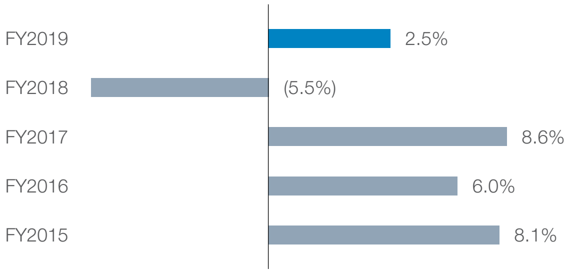


5 YEARS FINANCIAL HIGHLIGHTS

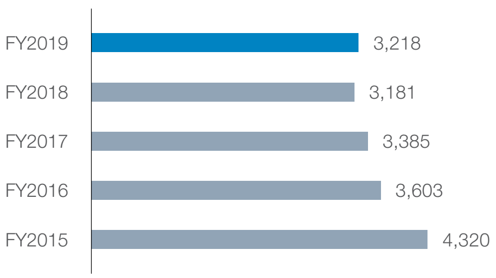
EBITDA/(LBITDA) (RM million)



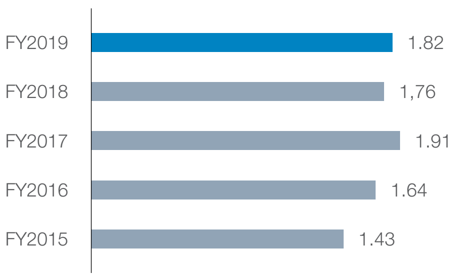
EBITDA/(LBITDA) Margin



Total Assets (RM million)



Current Ratio (times)



assets primarily derived from the Investment Tax Allowance granted by the Malaysian Government continue to represent a valuable source of future tax credits to offset future taxable income.

Total liabilities increased to RM836.5 million from RM774.4 million previously, mainly due to an increase in long-term loan by RM130.5 million as a result of drawdown on our 12-year term loan for the construction of DD3. Despite the increase in total liabilities, our gearing remains relatively low compared to our industry peers with our debt-to-equity ratio at a healthy 0.08.

In FY2019, we generated a net cash from operating activities of RM123.2 million, almost double compared to the prior year due to our improved financial results and prudent working capital management. Net cash used in investing activities was higher by RM38.2 million compared to the prior year, reflective of the higher progress of construction works carried out for DD3 in FY2019. We recorded a net cash generated from financing activities of RM124.0 million, mainly due to the RM130.5 million term loan drawdown for the construction of DD3.

↑ 96%

Net Cash Generated from Operating Activities in FY2019

RM123.2 million

increased from RM62.8 million in FY2018

↑ 12%

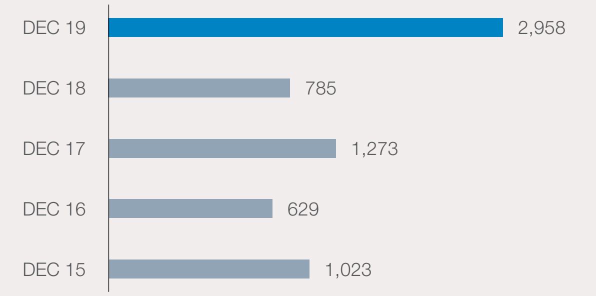
Cash and Bank Balances as at 31 December 2019

RM673.9 million

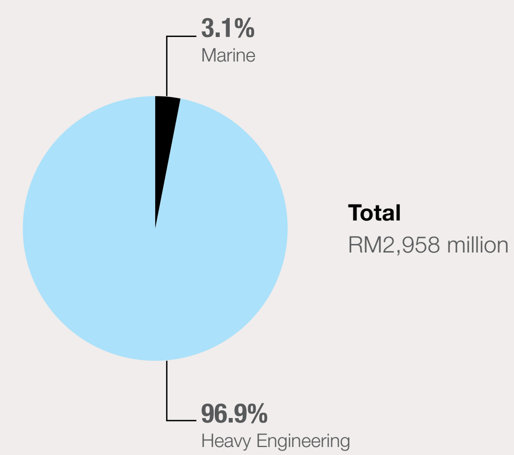
increased from RM601.5 million as at 31 December 2018

Letter from the Chief Financial Officer

Order Book (RM million)



Order Book as at 31 December 2019



OUTLOOK AND FUTURE BUSINESS SUSTAINABILITY

Despite the challenging year, we have successfully grown our order book which as at 31 December 2019 stood at RM3 billion, a significant increase from RM785 million as at 31 December 2018. The growth in our order book was mainly contributed by the successful award of the EPCIC contract for the Kasawari Gas Development project from PETRONAS Carigali Sdn Bhd (PCSB) which will be the heaviest and largest offshore platform in the region. Amongst other notable new projects awarded during FY2019 include the EPCC contract for the Bergading Central Processing Platform-Mercury Removal Unit (CPP-MRU) Integration Project from Hess Exploration and Production Malaysia B.V., the EPCIC contract for Bekok Oil Project from PCSB and the epCC contract for the repair, life extension and conversion of the FSO Golden Star facility and construction of external turret for Sao Vang and Nguyet Development Project, offshore Vietnam.

Whilst we continue to grow our order book and deliver ongoing projects through improved execution and project delivery, we remain committed to further enhance cost optimisation efforts through increased efficiency and productivity. Efficient and prudent working capital and cash management remains a key priority to keep us flexible and agile in this continuously challenging and volatile business environment. With all these efforts in place, I am confident that the Group is well-positioned to continue to grow the business and improve our overall financial and business performance for FY2020.

AHMAD ZAKRI BIN MD SALLEH
Chief Financial Officer

Business Highlights

HEAVY ENGINEERING BUSINESS SEGMENT

Heavy Engineering is one of our primary business segments. We provide a wide range of engineering, procurement, construction, installation and commissioning (EPCIC) services for oil & gas industry (offshore & onshore). Our heavy engineering solutions include offshore and onshore fabrication, conversion, plant maintenance and turnaround and other services. We have two fully equipped yards in Pasir Gudang, Johor, Malaysia with world-class facilities. This year, we have secured a total of 4 projects and delivered 2 offshore and 2 onshore projects.

- **FINANCIAL PERFORMANCE**
  (Heavy Engineering Business segment)

Revenue

RM578.6 million

Operating Loss

RM60.3 million

4 Projects SECURED | **2** Offshore Projects DELIVERED | **2** Onshore Projects DELIVERED

HEAVY ENGINEERING BUSINESS SEGMENT – Completed Projects

DELIVERY OF GUMUSUT-KAKAP PHASE II EXTENSION SUBSEA MANIFOLD PROJECT
29 March

Client : TechnipFMC
Location : Offshore Sabah, Malaysia
Weight : 144 MT

COMPLETION OF RAPID PACKAGE 3 AREA 2 ELECTRO-MECHANICAL WORKS
31 April

Client : Tecnicas Reunidas Malaysia Sdn Bhd
Location : Pengerang Integrated Complex, Johor
Weight : Structure – 16,438 MT
Piping – 96,960 MT

COMPLETION OF RAPID PACKAGE 14
10 May

Client : PETRONAS Refinery and Petrochemical Corporation (PRPC)
Location : Pengerang Integrated Complex, Johor
Weight : Structure – 9,877 MT
Piping – 114,433 MT

DELIVERY OF OFFSHORE WELLHEAD FACILITIES (OWF) TEMBIKAI NON-ASSOCIATED GAS (TNAG)
Offshore Fit-for-Purpose Facility
8 July

Client : Vestigo Petroleum Sdn Bhd
Location : Offshore Terengganu, Malaysia
Weight : 1,900 MT

PROJECTS AWARDED
(Heavy Engineering Business segment)

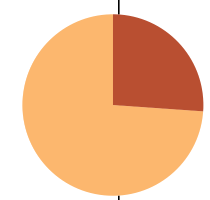
i. **Centralised Processing Platform (CPP) for Kasawari Gas Development Project**
Future Heaviest and Biggest Offshore Platform in Malaysia
Client : PETRONAS Carigali Sdn Bhd

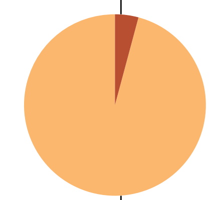
ii. **Bergading Central Processing Platform-Mercury Removal Unit (CPP-MRU) Integration**
Client : HESS Exploration & Production Malaysia B.V.

iii. **Bekok Oil Project**
Client : PETRONAS Carigali Sdn Bhd

Iv. **Conversion of Floating, Storage and Offloading (FSO) Golden Star Facility and Construction of External Turret**
(A part of Sao Vang & Nguyet Development Project)
Client (FSO Conversion) : Malaysia Vietnam Offshore Terminal (L) Limited
Client (EPC of Turret) : Promor Pte Ltd

- **HUMAN CAPITAL**
  (Heavy Engineering Business segment)





Total Manpower: 641

Total Man-hours of Training and Development

835 days | 5,845 hours

- **SAFETY PERFORMANCE**
  (Heavy Engineering Business segment)

LTIF	0
Fatality	0
Man-hours without LTI achieved	6,082,372

Business Highlights

MARINE BUSINESS SEGMENT

MHB has vast experiences in marine repair projects since 1976. On record, MHB had successfully delivered more than **3,800** vessels. MHB had serviced up to **194 LNG Carriers** since 1982 including 10 projects for major upgrading and life extension works and 1 project for LNG FSU conversion. Our marine services include dry docking repair, refurbishment and upgrading, jumboisation, modification & lengthening, conversion and jack-up repair & conversion. MHB's two existing dry docks are ones of the largest dry docks in South East Asia. Catering to clients' needs, our third dry dock with capacity for all sizes of vessels up to 400,000 dwt will be ready to serve in 2020.

DRY DOCK NO. 3

with capacity for all sizes of vessels up to **400,000 dwt** will be ready to serve in **2020**.

FINANCIAL PERFORMANCE
(Marine Business segment)

Revenue
RM430.9 million

Operating Profit
RM8.5 million

12 Local Clients SECURED | **12** International Clients SECURED

Completed repair and maintenance of **77** vessels | **20** repair works on LNG carriers

MARINE BUSINESS SEGMENT – Notable Projects

LNG CARRIER MADRID SPIRIT

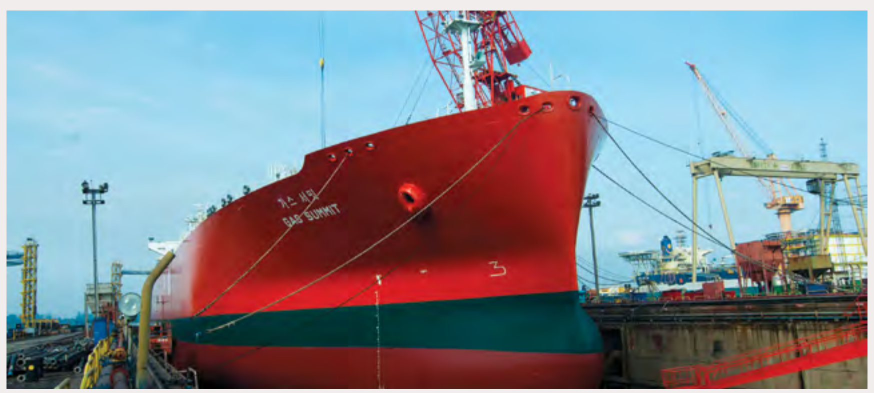
Delivery Date : 14 September
Vessel Owner : Teekay Corporation
Vessel Type : Liquefied Natural Gas Carrier (LNGC)
Vessel Dimensions : 284.37m x 42.50m x 25.40m
Gross Tonnage : 90,835 tonnage
Deadweight : 77,213 tonnage
Flag : Spain

Major scope of works:
- 3rd special survey
- Ballast water treatment system installation
- Helium test and cargo tank repair

LNG CARRIER VELIKIY NOVGOROD

Delivery Date : 1 March
Vessel Owner : SCF Management Service Cyprus Ltd
Vessel Type : Liquefied Natural Gas Carrier (LNGC)
Vessel Dimensions : 299.90m x 45.80m x 26.00m
Gross Tonnage : 113,876 tonnage
Deadweight : 93,486 tonnage
Flag : Liberia

Major scope of works:
- 1st special survey
- Dual fuel diesel electric (DFDE) engine overhaul
- Cargo tank helium test



LPG CARRIER GAS SUMMIT

Delivery Date : 16 November
Vessel Owner : KSS Line Ltd
Vessel Type : Liquefied Petroleum Gas Carrier (LPGC)
Vessel Dimensions : 225m x 37m x 22m
Gross Tonnage : 47,454 tonnage
Deadweight : 54,684 tonnage
Flag : Panama

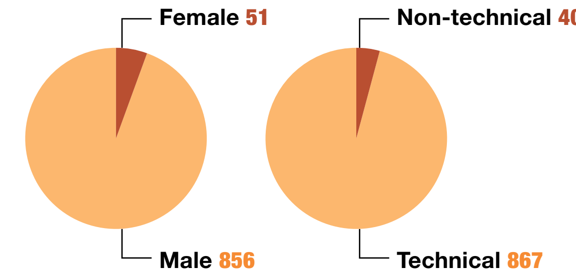
Major scope of works:
- 1st special survey
- Scrubber system installation

NOMADIC HJELLESTAD

Delivery Date : 20 December
Vessel Owner : Intership Navigation Co Ltd
Vessel Type : General Cargo Ship
Vessel Dimensions : 138.09m x 21.00m x11.00m
Gross Tonnage : 9,530 tonnage
Deadweight : 12,940 tonnage
Flag : Marshal Island

Major scope of works:
- 2nd special survey – main engine overhaul
- CPP propeller works
- Cargo hold repair

HUMAN CAPITAL
(Marine Business segment)



Total Manpower: 907

Total Man-hours of Training and Development

1,359 days | **9,513 hours**

SAFETY PERFORMANCE
(Marine Business segment)

LTIF	0
Fatality	0
Man-hours without LTI achieved	3,169,724

Business Highlights

MARINE BUSINESS SEGMENT – Notable Projects

LNG CARRIER BW BRUSSELS

Delivery Date : 1 August
Vessel Owner : BW Group Ltd
Vessel Type : Liquefied Natural Gas Carrier (LNGC)
Vessel Dimensions : 295.00m x 43.40m x 26.00m
Gross Tonnage : 103,670 tonnage
Deadweight : 89,452 tonnage
Flag : Singapore

Major scope of works:
- 2nd special survey
- Ballast water treatment system installation
- Dual fuel diesel electric (DFDE) engine overhaul
- Modification of heavy fuel oil (HFO) tank to low sulphur marine gas oil (LSMGO)

NAGA 5

Delivery Date : 23 May
Vessel Owner : Velesto Energy Berhad
Vessel Type : Jack Up Rig
Vessel Dimensions : 71.32m x 63.40m x 7.62m
Gross Tonnage : 5,834 tonnage
Deadweight : 9,627 tonnage
Flag : Malaysia

Major scope of works:
- 5th yearly maintenance work
- Leg anodes and top spudcan anode replacement
- Full air handling unit & air cooled condensing unit servicing, duct cleaning for all 5 levels
- Crown block removal & installation

4 En Bloc Agreements signed in 2019

Zodiac Maritime Ltd
2
Vessels Arrived

PT Gemilang Bina Lintas Tirta
2
Vessels Arrived

Icon Ship Management Sdn Bhd
9
Vessels Arrived

Eaglestar Shipmanagement (l) Pte Ltd
7
Vessels Arrived

PLANT MAINTENANCE & TURNAROUND

We have diversified into a new business segment. Under the plant maintenance & turnaround, we provide solutions for plant shutdown and maintenance, routine maintenance and upgrading works.

PROJECTS AWARDED
(Plant Maintenance & Turnaround)

Master Service Agreement for Integrated Turnaround Main Mechanical & Maintenance Mechanical Static
Client : PETRONAS

Construction Work on Dry Dock No. 3

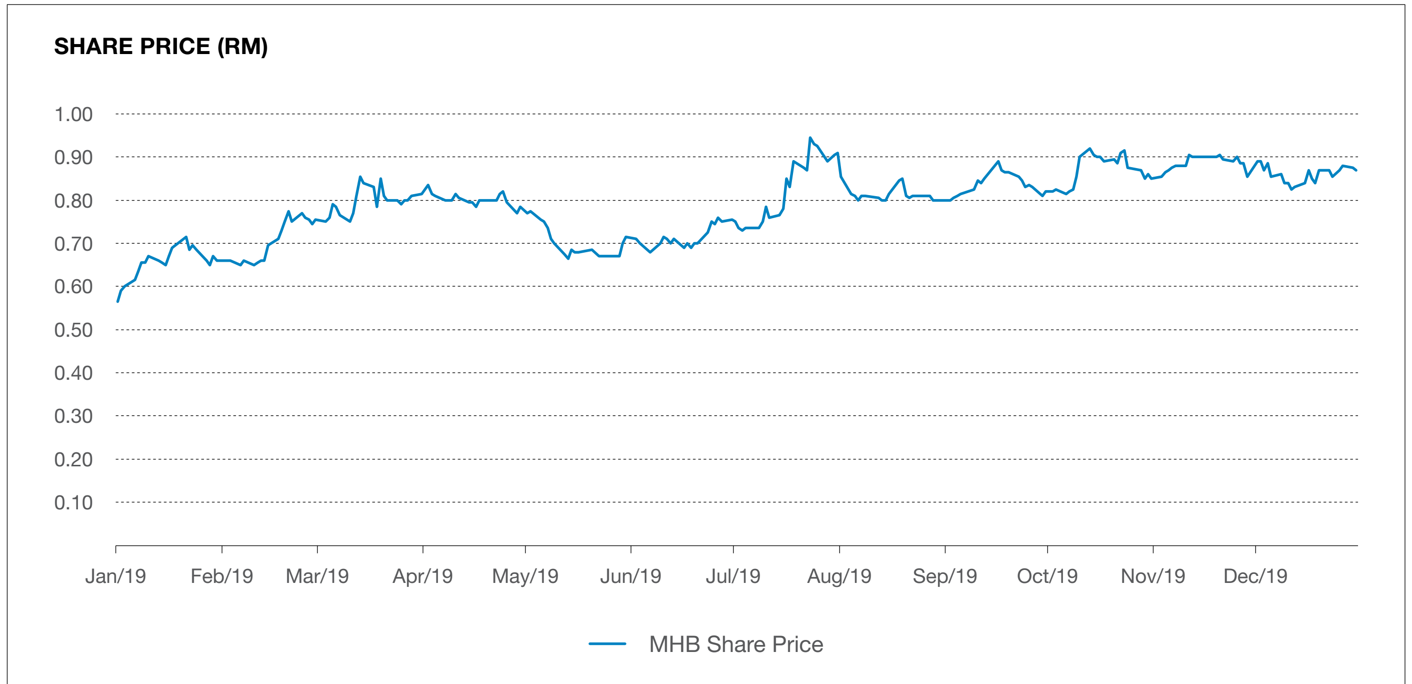
– Ready to serve in 2020

Key Info & Specification of Dry Dock No. 3

- 350m (L) x 80m (W) x 14m (D)
- Dock Base Level: -9.0m CD
- 1 x 80 MT (max capacity) x 60m (max) Radius Luffing Crane
- 1 x 50 MT (max capacity) x 60m (max) Radius Luffing Crane
- Design Life: 50 years
- Able to cater for all sizes of vessels up to approximately 400,000 dwt

Share Performance

Month (2019)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Closing Price (RM)												
Highest	0.72	0.78	0.86	0.84	0.78	0.76	0.95	0.91	0.89	0.92	0.91	0.89
Lowest	0.57	0.65	0.75	0.77	0.67	0.68	0.73	0.80	0.80	0.82	0.85	0.83
Average	0.65	0.71	0.80	0.80	0.71	0.71	0.81	0.82	0.84	0.87	0.89	0.86
Volume Traded ('000)	7,457	20,939	15,587	11,912	3,176	4,498	43,880	8,517	4,934	12,402	9,622	4,858



Financial Calendar

FINANCIAL YEAR 2019		
Q1 FY2019 Result Announced	26-Apr-19	Friday
Q2 FY2019 Result Announced	02-Aug-19	Friday
Q3 FY2019 Result Announced	24-Oct-19	Thursday

FINANCIAL YEAR 2020		
FY2019 Q4 Full Year Results Announced	12-Feb-20	Wednesday
Final Dividend Announced	N/A	
Annual General Meeting	09-Apr-20	Thursday

Sustainability Statement

Over the year of 2019, MHB strengthened the efforts in providing sustainable values to all our stakeholders. Every initiative in all aspect of environment, social and governance is fortified and further revitalised. A number of remarkable milestones were achieved throughout the year.

Materialising our commitment in highest integrity, we are proud to announce that we are now ISO 37001: 2016 Anti-Bribery Management System (ABMS) certified. MHB is also committed in ensuring there is transparency in our Human Rights Commitment consistent with our disclosure obligations under the international and local applicable laws. We have also launched **MMHE Green Initiatives** in streamlining our efforts towards sustaining the environment which are centered on three main areas which are energy saving, water conservation and 3R (reduce, reuse and recycle).

INTRODUCTION

In sustaining our business operations, we strongly believe in committing towards sustainability. As a leading and trusted marine and heavy engineering solutions provider in Malaysia, we take pride in ensuring our business is conducted responsibly. We acknowledge and adhere to our responsibility to all our stakeholders; exceeding the expectations of our customers, ensuring the well-being of our employees, creating a positive difference to the lives of communities, caring for the environment and driving sustainable value for our shareholders. We recognise the growing significance of sustainability needs in our business value. Our statement on sustainability aims to demonstrate our strategic approach to address sustainability challenges and opportunities, particularly of our material issues, in contributing towards the betterment of the business, environment and society.

Scope

This report covers MHB's sustainability efforts and its group of companies from 1 January to 31 December 2019. In helping us to provide better understanding, to prioritise and address our material issues as well as to integrate them with our business strategies, we continuously compile information and feedback from our stakeholders. We uphold the idea of quality and we are committed to improve the monitoring and reporting of our sustainability activities each successive year.

Approach

In 2015, when we started scrutinising the sustainability of our operations, we published our first Sustainability Statement. From that moment onwards, we follow the direction of Petroliam Nasional Berhad (PETRONAS) in adhering to Environmental, Social and Governance (ESG) practices that are of particular significance to the oil and gas industry. We remain as a constituent of the FTSE4Good Bursa Malaysia Index in 2019 and were included in the List of Top 100 Companies with Good Disclosures. We are guided by the local and international statutory and reporting frameworks, particularly Bursa Malaysia Securities Berhad (Bursa Malaysia)'s guidelines relating to Sustainability Statements, FTSE Environmental, Social and Governance (ESG) assessment indicators and Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines.

Sustainability Contact

MHB welcomes feedback on our sustainability issues and reporting at **ccd@mmhe.com.my**

SUSTAINABILITY AT MHB

Highlights of 2019

Environmental

MHB launched its MMHE Green Initiatives centered on three main areas which are energy saving, water conservation and 3R (reduce, reuse and recycle).

3R (Reduce, Reuse and Recycle)

Removal of personal rubbish basket at office table

Continuous promotion & enforcement **segregation of waste**

Allocation of 3R bins in all MHB offices and yards

48 office bins **26** main bins

Energy Saving

Utilise LED lighting (Transition usage from T8 fluorescent bulb and ballast to full LED at offices)

LED Installation 2019: **1,033** units

Standardise and set timer & control for automatic shut off at the end of working hours

Change to inverter type of air-conditioners

Water Conservation

Regulate Minimum level of water inside flush tank

Change twist-type tap to **push-type tap**

Usage of dual flush tank which allows option for half flush & full flush

Usage of **spray-water piping fittings** at toilets and canteen

Social

Health and Safety

Man-hours without LTI (millions) **13.72** (2018: 12.58)

Fatalities **0** (2018: 1)

Subsidised Vaccines for Influenza Immunisation Programme

300 employees' children

Employees

Leadership Programmes **644** employees (2018: 69)

Local Employees **83.7%** To promote local employment

Women Composition in Board **2 out 10** (2018: 2 out of 10)

Communities

Art of Science

Free Market

RM136,562.00 spent on community programmes

1,554 beneficiaries

165 volunteers from **MHB employees**

First Free Market **111** underprivileged families

Second Free Market **200** underprivileged school going children

Governance

Certification of ISO 37001: 2016
Anti-Bribery Management System

Stakeholder Engagement for ISO Standard Updates
Internal and external training or engagement sessions for the Governing Body, Management, employees and third parties

OUR COMMITMENT

The Board of Directors has entrusted the Board Audit and Risk Committee (BARC) with the responsibility of risk management oversight. We have a systematic risk management framework, adopted from the PETRONAS Enterprise Risk Management (ERM) Framework that we use to identify, evaluate and manage principal risks for the Company.

The BARC is supported by the Risk Council (RC), responsible for governance and risk oversight and coordinating the risk management framework. The RC is chaired by the MD & CEO and consists of selected members of Management. Please refer to page 100 of Statement on Risk Management and Internal Control for information on accountability of risk management matters at MHB.

The Board of Directors develops strategies to promote and strengthen sound health, safety and environment (HSE) culture across the Group and support long-term sustainability. The Board bears the ultimate responsibility over the effectiveness of the health, safety and environment risk management practices. The Health, Safety and Environment Management Committee (HSE MC) oversees the operational aspect. Chairman of the HSE MC is the MD & CEO of the Company and members are nominated from top management.

Key responsibilities of the HSE MC are setting the overall direction on HSE vision, mission, values, practices, objectives, strategies, action plans, goals and resources; ensuring legal compliance and managing clients' expectations, standards, alignments and industry best practices. Please refer to page 100 of the Statement on Risk Management and Internal Control for more details on how health and safety issues are managed at MHB.

MHB Corporate Communications Department provides advisory role and responsible for the production of sustainability reporting. All matters on sustainability are reported directly to the MD & CEO.

Policies and Systems

With MHB remains a constituent of FTSE4Good Bursa Malaysia Index in 2019, this demonstrates our unwavering commitment in reporting Environment, Social and Governance (ESG) transparently. We have comprehensive policies and systems in place to manage our ESG matters in a balanced and sustainable manner.

Environmental

- ISO 14001: 2015 Certified Environmental Management System
- Purchasing Manual
- MMHE Green Initiatives

Social

- Collective Agreement
- Performance Management System
- ISO 9001: 2015 – Quality Management System
- MMHE 10 Safety Rules
- Employee Handbook
- Enhancement of HR System namely e-attendance and e-timesheet
- Health, Safety and Environment (HSE) Policy
- Drug, Alcohol and Smoking Policy
- Stop Work Policy
- OHSAS 18001: 2007 Certified for Occupational Health and Safety Management System
- General conditions of subcontract for Labour only
- Open Competition Policy for Subcontractors and Vendors

Governance

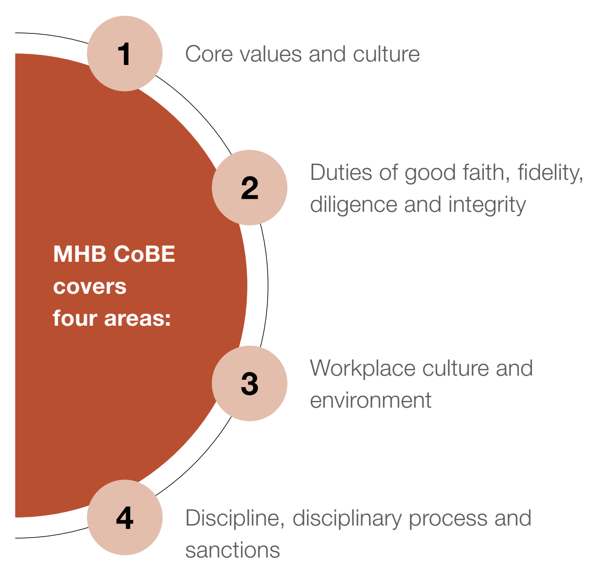
- ISO 37001: 2016 Anti-Bribery Management System (ABMS)
- MHB Code of Conduct and Business Ethics (CoBE)
- MHB Anti-Bribery & Corruption Manual (ABC Manual)
- MHB Whistleblowing Policy
- MHB No Gift Policy
- MHB No Conflict of Interest Policy
- A signatory to the Corporate Integrity Pledge (CIP) with the Malaysian Anti-Corruption Commission (MACC)
- MHB Human Rights Commitment
- MHB Corporate Privacy Policy
- MHB Public Position Policy

GOVERNANCE AND BUSINESS ETHICS

MHB Code of Conduct and Business Ethics (MHB CoBE)

Ethics, integrity and transparency have increasingly become mainstream business issues in today's business environment. We are guided by our strong Code of Conduct and Business Ethics. We have comprehensive policies and systems in place in order to manage material issues: MHB's CoBE follows the example set by PETRONAS as a guide in conducting business ethically and sustainably. It is applicable to all employees, directors and third parties including contractors, agents, intermediaries or joint venture partners that perform works or provide services for or on behalf of the Company. Benchmarked against international standards and laws, it was modified to fit the Malaysian legislation on matters such as anti-trust, money laundering and whistleblowing. Complementing the CoBE, the implementation of MHB ABC Manual was endorsed by the Board of Directors and introduced to observe the principles in CoBE and to enhance the MHB's commitment in ensuring 'Zero Tolerance Policy towards Corruption' is well-adhered to.

Further to that, the Board of Directors has mandated the establishment of the Compliance Unit which holds the responsibility and authorities in matters relating to integrity and compliance. The Board of Directors has further mandated a periodical review being conducted to selected Business and Service Units annually in order to ensure the adherence to MHB's internal policies and procedures as well as the international and local applicable laws.



To solidify the principles set in the MHB CoBE, we organised the following events and activities in 2019:

a. Vendor Engagement Sessions – ISO 37001: 2016 ABMS Awareness Sessions
   - This engagement served as a platform to provide understanding on the ISO 37001: 2016 ABMS and its requirement. It was also a platform to realign and strategise our collaboration and partnership in delivering superior results.
   - The matter highlighted was to foster high integrity culture among employees together with vendors and subcontractors.

b. Anti-Bribery Key Performance Indicator (ABKPI)
   - The Compliance Department implemented the Anti-Bribery Key Performance Indicator on 22 January 2019, which served to all employees as KPIs for the year as follows:
     - The Management or staff of the respective department are to share on anti-bribery awareness during the internal meeting/toolbox talk/safety briefing.
     - Every department is to ensure submission of Human Resource declaration through an internal e-application on MMHE staff portal.

c. Internal ethics and compliance programmes for our Business and Service Units:
   - Launching of 2019 Integrity Campaign 'Arrest Corruption, Enhanced Productivity' and Departments Tour
   - ISO 37001: 2016 – Awareness Training on Anti-Bribery Management System (ABMS)
   - Anti-Bribery talk by the officer from Auditor General's Office
   - Integrity Archery at MMHE Family Day
   - CoBE Communication & Awareness Campaign in Collaboration with PETRONAS and MISC Berhad
   - MMHE Annual Integrity and Awareness Survey
   - Training on Effective Internal Investigation
   - Training on the implementation of Section 17A of Malaysian Anti-Corruption Commission (MACC) Act 2009 (Revised 2018) on Corporate Liability

We also participated in several trainings, forums and seminar:

a. PETRONAS Compliance Conference 2019
b. ISO 37001: 2016 ABMS – Internal Auditors Training
c. Malaysian Employers Federation Training on 'Managing Corruption at Workplace'

d. Compliance Session: 'Let's Get Real – on Anti-Bribery'
e. Session on 'Corporate Liability – A change in Corporate Integrity Landscape'
f. Anti-Money Laundering Act Sharing Session by PETRONAS
g. PETRONAS Data Protection – European Union General Data Protection Regulation
h. Sharing session by PETRONAS on Third Party Risk Management
i. Training on 'Managing Procurement Fraud Risk with Effective Control' – In-House Counsel Congress (Compliance and Ethics)
j. Training by the Malaysian Institute of Corporate Governance on Compliance
k. MISC's internal training on Third Party Due Diligence initiatives
l. MISC's internal training on Sustainability Development

Solicitation, Bribery and Corruption

MHB has a zero-tolerance policy against all forms of bribery and corruption as a reflection of our strong commitment to high ethical standards and anti-corruption laws. As a signatory to the Corporate Integrity Pledge (CIP) with the Malaysian Anti-Corruption Commission (MACC), MHB also observes the principles set out in the CoBE which is further illustrated in the MHB Anti-Bribery and Corruption Manual. It provides additional guidelines on dealing with improper solicitation, bribery and other corrupt practices.

In supporting the general policy statement in the CoBE and also ABC Manual (ABC Manual), series of trainings and awareness sessions have been conducted to instill and ensure compliance in all elements related to the propagation of these corrupt practices.

As we believe that the tone from the top is also important to best reflect our strong commitment in fighting corruption, the Board oversees our ABC Manual and policy and the MHB Management also regularly updates the Board in any fraudulent activities.

No Gift Policy

MHB aspires to achieve the highest standards of integrity and honesty in the conduct of its business and operation. MHB staff are required to act in the best interests of the Company and to refrain from engaging in conduct which may affect the best interests of the Company. Therefore, MHB staff shall not:

- accept personal gift from external parties; and/or
- give personal gift to external parties

This policy is meant to avoid conflicts of interest or the acceptance of conflicts of interest in any ongoing or potential business dealings with the Company. This is to inculcate the values of integrity and trustworthiness in our business dealings. However, the Company would allow gifts in the form of corporate gift from the business partner.

Our staff are required to familiarise themselves with the provisions of CoBE to ensure that their conduct is in compliance with the CoBE.

Public Policy Position

We do not allow any political contributions or the use of MHB's facilities, resources or equipment for any political activities, campaigns or functions. Employees are prohibited from using their position in MHB to seek or influence political contributions and support.

Whistleblowing

A Whistleblowing Policy and the relevant mechanisms have been established, providing an avenue for employees and the public to lodge complaints of corrupt practices or wrongdoings in confidence.

As part of the continuing effort to educate the employees on corruption and code of conduct and business ethics, talks and trainings have been organised for new recruits as well as for existing employees.

The Whistleblowing Policy provides clarity of oversight and responsibilities of the whistleblowing process, the reporting process, protection to whistleblower and confidentiality afforded to the whistleblower as no retaliation, reprisal or punishment will be taken against the whistleblower.

All whistleblowers can raise their concerns through email, online submission via MHB's website, or in person to the General Manager/Head of Human Resource.

The policy outlines the systems and processes, including the support of a secretariat and a dedicated platform to whistleblow for the employees to make use and utilise for the purpose of making reports of non-compliance with international and local applicable laws as well as our internal policies and procedures.

Corporate Privacy Policy

MHB is committed in complying with the applicable privacy and personal data protection laws and in ensuring that our collection, use, processing and storage of personal data relating to our employees, directors and the third parties with whom we work with, are consistent with international and local applicable laws as well as our internal policies and procedures.

Our core principles require MHB, in our collection, use, processing and storage of personal data, to take the following steps where required to do so by the applicable law:

- to obtain adequate consent from individuals;
- to provide individuals with the required notices and information and verify that their personal data has been obtained lawfully and that it is relevant for the stated purposes;
- to keep an accurate, complete and up-to-date personal data that has been collected;
- to retain the personal data that has been collected only for the period that is necessary to fulfill the relevant purposes, unless otherwise permitted or required by applicable law;
- to inform individuals concerned about the disclosure of their personal data to third party recipients;
- to keep personal data secure by protecting it with adequate and appropriate security safeguards; and
- to provide individuals with the ability to exercise their rights under applicable law, such as rights to access, rectify and/or request the erasure of their personal data, where applicable.

MHB shall review and update the policy from time to time to be in compliance with the requirements of applicable laws.

ISO 37001: 2016 on Anti-Bribery Management System (ABMS)

MHB pinned a significant milestone in the journey of developing its corporate integrity management system with the certification of ISO 3700: 2016 Anti-Bribery Management System (ABMS). The certification ceremony took place on 7 November 2019 at Menara Dayabumi, Kuala Lumpur.

Pursuant to the certification, MHB was awarded a Certificate of Participation by SIRIM Berhad during Majlis SIRIM Industri 2019. Employees across MHB are expected to observe the CoBE and ABC Manual and this Policy applies to all individuals working at all levels including Directors, employees, contractors, subcontractors, consultants, agents, representatives and others performing work or services for or on behalf of MHB and all of them are strictly prohibited from directly or indirectly soliciting, accepting or offering bribes in relation to MHB's businesses and operations. Any breaches or failure to comply with this Policy will be regarded as a serious matter and will be subject to dismissal, fines and imprisonment and MHB may face damage to reputation, financial loss and disbarment from business and other negative consequences.

MHB provides appropriate methods to lodge complaints of corrupt practices or any improper conducts within MHB for the employees and members of the public which is governed by the whistleblowing policy and will be accorded protection of confidentiality and against detrimental action. The MHB Board and Management through the setting up of a Compliance unit are committed in implementing and enforcing an effective and robust policies and procedures to prevent, monitor and reduce the risk of bribery and corruption and to the continual improvement of ABMS.

Human Rights Commitment

This policy applies to all jurisdictions in which MHB operates and covers all individuals working at all levels and grades on behalf of any company within MHB in any capacity, including without limitation, the senior management team, employees, consultants, contractors, trainees, homeworkers, part-time and fixed-term employees, casual and agency staff and volunteers.

MHB is committed to act ethically and with integrity in all of our business dealings and relationships and in implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere within MHB's own business or in any of MHB's supply chains.

MHB is also committed in ensuring there is transparency in our own business and in our approach in tackling modern slavery throughout our supply chains, consistent with our disclosure obligations under the international and local applicable laws. MHB expects the same high standards from all of our contractors, suppliers and other business partners and as a part of our contracting processes, we include specific prohibitions against the use of forced, compulsory or trafficked labour, or anyone held in slavery or servitude, whether adults or children and MHB expects that our suppliers will hold their own suppliers to the same high standards.

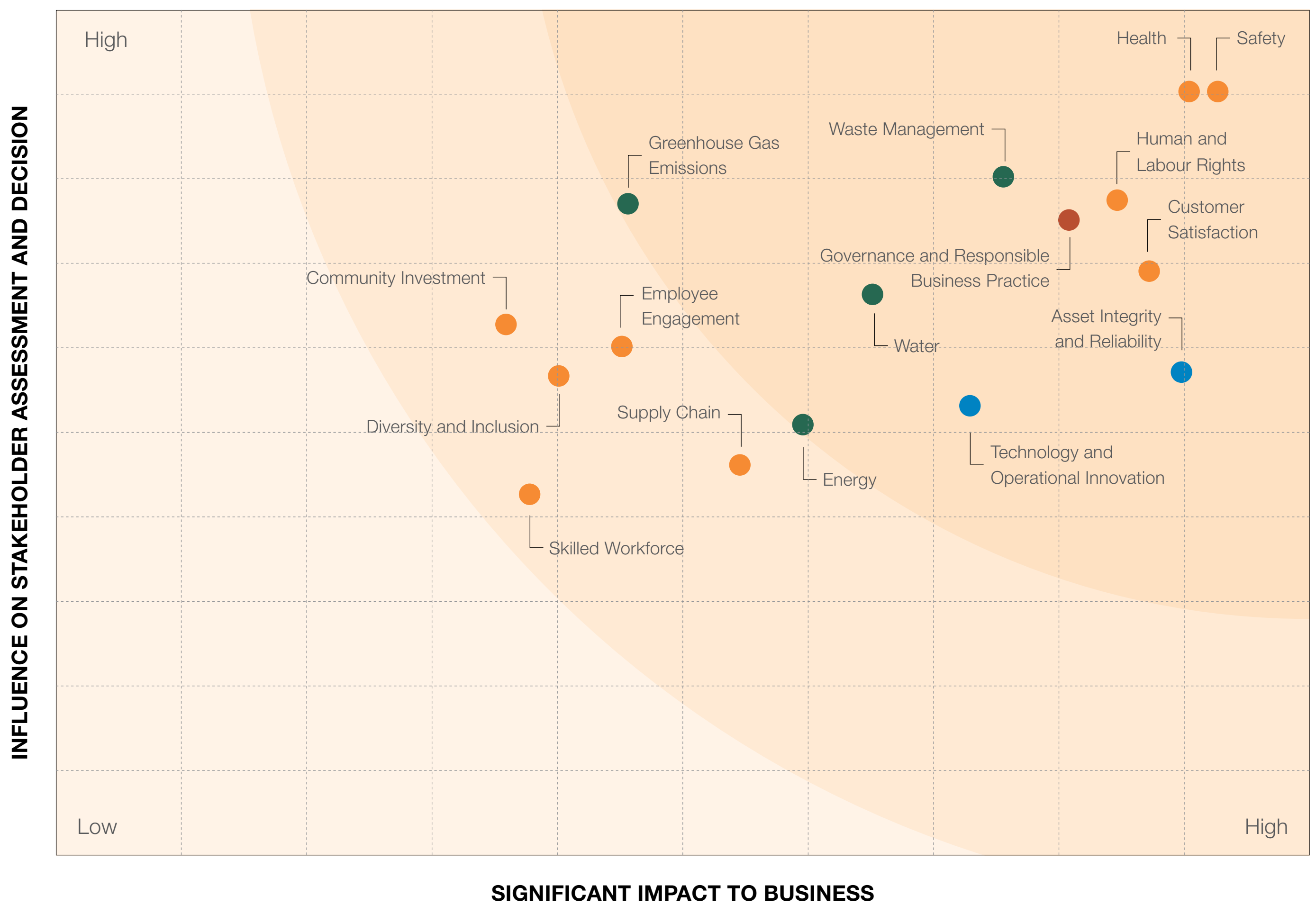
In compliance with MHB's Human Rights Commitment, we seek to work with contractors who share our values of integrity, committed to fighting bribery and corruption and contribute to sustainable development. MHB requires our contractors to respect internationally recognised human rights, to comply with MHB Code of Conduct and Business Ethics (CoBE) and all relevant legal requirements.

HSE Policy

We set and maintain necessary standards of health and safety management to ensure the well-being of our employees and others who may be affected by our business activities and to minimise losses (financial and reputational) to our business from ill health and injury. Every employee is responsible for upholding our HSE policies and ensuring a safe workplace.

MATERIALITY ASSESSMENT

To gauge which sustainability matters are material to our business from both company and stakeholder perspectives, it is our best intention to perform materiality assessment. This process allows us to align the internal and external perspectives, to identify areas of potential optimisation and to further develop the sustainability-related management approach and reporting. The assessment was carried out in accordance to the methodology described in the Sustainability Reporting Guidelines published by Bursa Malaysia. Based on the assessment, the materiality matrix generated in 2018 was revised to encompass a total of **16 material issues**. Further, to align ourselves with best industry practices, we also benchmarked our materiality matrix to industry peers.



ECONOMIC
Technology and Operational Innovation
Asset Integrity and Reliability

ENVIRONMENTAL
Greenhouse Gas Emissions
Energy
Water
Waste Management

SOCIAL
Health
Safety
Employee Engagement
Skilled Workforce
Customer Satisfaction
Supply Chain
Community Investment
Human and Labour Rights
Diversity and Inclusion

GOVERNANCE
Governance and Responsible Business Practice

Some of our materiality issues have been renamed to ensure wider and more extensive coverage of the issues surrounding the material issues.

STAKEHOLDER ENGAGEMENT

Our internal and external stakeholders are a crucial key in running our day-to-day operations and we encourage two-way communication with all stakeholders through various tools and platforms to ensure our stakeholders' voices are heard.

We value their feedback through various engagements with them as they help us in understanding the vital environmental and social impact, identifying risks and developing innovative ways for improvement and strategising of MHB business.

To succeed in our objective of contributing to the creation of value in our business, engagement and collaboration with our stakeholders are fundamental. Therefore, we maintain constant and transparent dialogues with them to understand their priorities and expectations and to contribute to the delivery of sustainable values in the areas and the countries where we operate.

Employees and Unions

Engagement Platform	Material Issues
• Trainings & Workshops • Campaigns & Events • Leadership Engagement: Townhalls & Walkabouts • Electronic Newsletters and Internal Portal • Drills • Enforcement Activities • Union Engagement	• Skilled Workforce • Health • Safety • Environmental • Governance and Responsible Business Ethics • Employee Engagement • Human and Labour Rights

2019 Highlights/Issues Raised

- **Trainings & workshops** were conducted throughout the whole yard to update and discuss on the basic requirement and awareness of lessons learnt, international standards updates as well as value of ethics and integrity. Focused capability development programmes were also conducted for technical staff.
- Regular **campaigns** highlighting quality, health, safety, environment (QHSE) and integrity aspects **and events** to celebrate and appreciate MHB employees were held throughout the year.
- Regular interaction between employees and MHB's top and senior management during **Leadership Engagement: Townhalls & Walkabouts** to foster and encourage two-way communications.
- Daily and monthly articles and posts on **electronic newsletters and internal portal** to serve as a medium of continuous learning and to create awareness among MHB employees.
- 104 **drills** were conducted to increase level of alertness and response of employees during emergency such as evacuation drill, oil spill drill and firefighting drill.
- 19 series of **enforcement** were conducted throughout the whole yard involving QHSE matters and employees' performance.
- Periodic **union engagement** through activities involving meetings and social events such as *Majlis Berbuka Puasa*.

Clients

Engagement Platform	Material Issues
• Feedback • Trade Exhibition/Conference • Visits • Events	• Health • Safety • Environmental • Customer Satisfaction • Governance and Responsible Business Ethics • Technology and Operational Innovation • Asset Integrity and Reliability

2019 Highlights/Issues Raised

- Clients were asked for **feedback** at the end of the project through the 'Customer Satisfaction' tool. 85 feedback forms received. Feedback and recognitions were received on yard strategic location, good facilities, experienced managers/supervisors and excellent communications with project team/workers.
- Engagement with clients during **trade exhibition/conference** such as Offshore Projects Execution Forum (OPEF) 2019 to exchange ideas and knowledge and expand network.
- MHB hosted 38 clients' **visits** at MMHE West Yard in Pasir Gudang, Johor to showcase MHB's strength and capabilities while providing interactive platform for technology and operational innovation sharing. MHB has also visited client, EEW Group in Tanjung Langsat in June 2019 to introduce MMHE Centre of Excellence as Marine and Oil & Gas Learning Centre and the offerings available that suit EEW Group operations.
- Clients involvement in numerous **events** such as HSE Appreciation Day, Safety programmes and MHB Aidilfitri Open House.

Business and Industry Partners

Engagement Platform	Material Issues
• Panel Representation • Partnerships	• Skilled Workforce • Community Investment

2019 Highlights/Issues Raised

- MHB **represented as the panel** in the development of National Occupation Skills Standard (NOSS) for the Inspection and Maintenance of Static Equipment. The NOSS will be registered with the Department of Skills Development (DSD) and to be use as the guide for Malaysia Skills Certificate (SKM) study.
- Established **partnerships** with vendors and subcontractors in various aspects such as business development and financial management through Vendor Development Programme (VDPx).

Investment Community

Engagement Platform	Material Issues
• Corporate Website • Annual General Meeting • Reports • Meetings and briefings	• Governance and Responsible Business Ethics

2019 Highlights/Issues Raised

- Provided a real-time report on MHB's share price, presentations, annual reports, announcements and press releases to the shareholders and the rest of the investment community on MHB's **corporate website**.
- 263 shareholders and proxies attended MHB's **Annual General Meeting** to review the Group's annual performance and to vote and approve on any resolutions tabled.
- Company's quarterly financial results were announced in the Quarterly Financial **Reports** and presentations.
- Two-way communication with investment community namely analysts, fund managers and shareholders throughout the year through regular one-on-one **meetings**, small group sessions and analyst **briefings**.

Communities

Engagement Platform	Material Issues
• Community Development Programmes • External Assistance	• Community Investment • Health • Safety • Skilled Workforce • Environmental

2019 Highlights/Issues Raised

- Community was engaged through the **Community Development Programmes** which aim to develop community's social and education, thus improving living conditions such as MHB Art of Science and MHB Go Green. RM136,562.00 were invested, reaching more than 1,554 beneficiaries.
- Contribution in providing **external assistance** such as personal protective equipment to the community throughout the year, for example during the major Air Pollution crisis in Pasir Gudang, affecting 6,000 residents.

Civil Societies

Engagement Platform	Material Issues
• Face-to-Face Meetings • Events	• Asset Integrity and Reliability • Technology and Operational Innovation • Skilled Workforce

2019 Highlights/Issues Raised

- Various **face-to-face meetings** with community members of civil societies such as Malaysian Offshore Contractors Association as platforms to exchange knowledge and past experiences.
- MHB participated in **events** such as the Saudi Aramco's Offshore Projects Execution Forum (OPEF) 2019 which aims to provide an opportunity to showcase offshore projects execution with focus on oil and gas facilities as well as sharing session on success stories, innovative solution and deployment of new technology.

Government Agencies/Authorities

Engagement Platform	Material Issues
• Collaboration • Exhibition • Events • Verification and Compliance • Representation in Competency Committees	• Health • Safety • Governance and Responsible Business Ethics • Environmental • Community Investment

2019 Highlights/Issues Raised

- Various **collaborations** with government agencies and authorities to implement development programmes such as Collaboration with Department of Polytechnic and Community College Education (DPCCE), Ministry of Education to provide opportunities for students to undergo training for real-work experience through Structured Internship Programme.
- Participated in HRDF Conference and **Exhibition** 2019 to introduce MMHE CoE as a learning centre for safety and technical programmes to our potential clients.
- Customised and focused **events** highlighting health, safety and environment to raise employees' awareness such as Drug Awareness Talk, Blood Donation Programme and National Institute of Occupational Safety and Health (NIOSH)'s Technical Workshop – Prevention of falling from height.
- Ensure **verification and compliance** on various audits, application of SST exemptions and revised tax computation with financial institutions. Other verification includes the approval of MMHE CoE as Construction Industry Development Board (CIDB)'s Certified Welder accreditation facility to accredit welder under the CIDB Act (Act 520) from February 2019. The approval provides MMHE CoE the right to conduct MMHE's Welder's Qualification Test (WQT) to qualify welders under MMHE procedure and to accredit welders under the same act at the same time.
- Seat **representation in competency committee** related to working in confined spaces to amend guidelines and requirements pertaining to the subject matter, which involve enhancement of training modules, training execution, assessment and other related decisions.

Sustainability Statement

Media

Engagement Platform	Material Issues
• Press Releases • Interviews • Press Conference	• Governance and Responsible Business Ethics

2019 Highlights/Issues Raised

- MHB engaged with media through the quarterly **press releases** on MHB's financial results and press releases on MHB's development and updates to public i.e. project secured, formed joint venture.
- Conducted **press conference** during MHB's Annual General Meetings as well as participated in media **interviews** and answered ad-hoc enquiries by the media.

Academic

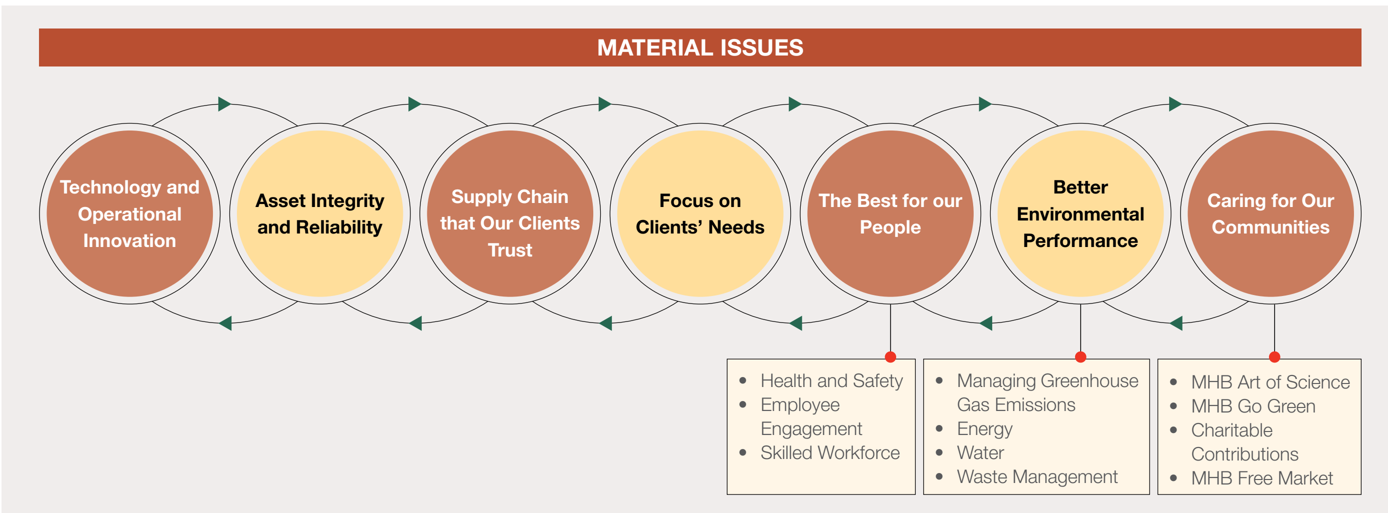
Engagement Platform	Material Issues
• Engagement Sessions • Representation on Advisory • On-Job Training	• Skilled Workforce • Community Investment

2019 Highlights/Issues Raised

- **Engagement sessions** with local universities such as Universiti Teknikal Malaysia Melaka and Universiti Tun Hussein Onn Malaysia to introduce MMHE and MMHE CoE and its offerings: to promote MMHE CoE as marine and oil and gas learning centre to the universities and to share industry expectations from the universities. We have also promoted our graduate's development programme specifically for fresh graduates to be trained and eventually work with MMHE.
- Seat **representations on various advisory capacity** in curricular/syllabus development with local institutions such as Kolej Yayasan Pelajaran Johor (KYPJ) & Johor Skills Development Centre (PUSPATRI).
- 45 students were accepted for their **on-job training** which consist of 25 Bachelor's Degree students, 17 Diploma students and 3 Certificate students. These students are from local and overseas higher education institutions and placed in various departments according to their studies where they were given exposures to real work experience.

Our material issues are scrutinised based on internal discussions and analysis of our non-financial impacts as well as broader industry issues. We have collated the list of material issues based on the GRI G4 Sustainability Reporting Guidelines, Sustainability Reporting Guidelines and Toolkits issues by Bursa Malaysia and FTSE4Good.

Throughout our Sustainability journey, we have been improving on how we report and what we report on our sustainability performance and we aim to further enhance our disclosures.



SUSTAINABILITY PERFORMANCE ON MATERIAL ISSUES

TECHNOLOGY AND OPERATIONAL INNOVATION

Technology and innovation are at the core of what we do, our catalyst in pushing beyond the frontiers. Where business is no longer as usual, we need to innovate and provide sustainable and commercially attractive solutions. Digitalisation is the implementation and integration of digital technologies, connectivity and intelligence in a wide range of devices and work processes enabling collection and analysis of data in near-real time to improve performance.

Fit-For-Purpose Offshore Design

With close to 400,000 recorded man-hours without LTI, MMHE successfully delivered the first Malaysia's fit-for-purpose project, topside and substructure of Tembikai Non-Associated Gas (TNAG) Offshore Wellhead Facilities (OWF) for Vestigo Petroleum Sdn Bhd on schedule. The 1,500 MT (including piles and 6 conductors) substructure and 400 MT topside safely sailed away to Tembikai Field on 8 July 2019. The field is located offshore Terengganu which is approximately 150 km from Kemaman Supply Base (KSB) and 56 km South West of Berantai Field with water depth of about 70 m.

The fit-for-purpose ZEEPod, an offshore platform, built to extract oil and gas, makes the development of marginal oil and gas fields in Malaysia possible by offering a technically sound and an economically viable solution. For such developments to be commercially attractive, the solution must be low in Capital Expenditure (CAPEX) and with zero or negligible Operating Expenses (OPEX). The fit-for-purpose ZEEPod design offers an ideal solution for such developments, which improves both business and operating efficiency.

With the contracting strategy and the state-of-the art facilities at the MMHE West yard, MMHE achieved the project completion which was scheduled for a duration of nine months. This short project duration will be very attractive to the oil producers.

Project Management Digitalisation

MHB digital transformation is aimed to be a data-driven organisation by swiftly gearing our businesses governance towards clear visibility and insights to deliver better values for marine and heavy engineering related solutions and services.

Heavy Engineering Operations' Construction Planning and Progress Tracking (CPPT) and Marine Operations' Daily Work Checklist (DWC) were established and further enhanced in 2019.

The CPPT is continuously upgraded as an integrated real-time digital database and dashboard for effective project monitoring and control replaces the conventional Project Management documentation. This was to standardise the monitoring of project planning, tracking and reporting of heavy engineering project and enhance frequency of project report updates through digital dashboard i.e. Microsoft Power BI. With this technology in place, MHB aims to address project matters and issues without affecting the project deliveries as per clients' expectation and ensure integrity of project updates.

While for the DWC, it introduced daily work checklist system to improve the overall execution of marine repair works. Work activities master list for all disciplines in marine repair operations was developed to provide a standard and convenience system to improve the walk line process including monitoring and reporting project progress. Similar to CPPT, this aims to ensure consistency and traceability of work completion between clients and subcontractors.

ASSET INTEGRITY AND RELIABILITY

In providing world-class facilities to our stakeholders particularly our clients, we remain vigilant in ensuring that our facilities are safe, reliable and in the best operating condition. Maintaining and designing equipment that is fit for its purpose and functions are of prime importance to heavy engineering and marine industries. We ensure that our assets conform to national and international standards as well as voluntary QHSE policies. This is also a testament of our efforts towards a safer and more sustainable workplace.

Recognitions to our facilities

MMHE West yard located in Pasir Gudang, Johor was rated 'A' which was the highest grade by Department of Occupational Safety and Health (DOSH), Johor during an audit for Workplace Inspection. The documentation and physical audits were carried out by DOSH on 3 September 2019.

Apart from that, MHB through Marine Operations' Electrical and Instrumentation (E&I) Workshop received IECEx certificate certified by SIRIM QAS International Sdn Bhd. IECEx stands for International Electrotechnical Commission System for certification to standards relating to equipment for use in explosive atmosphere.

Capacity Expansion

The construction of our third dry dock, Dry Dock No. 3, is progressing at 86% with expected completion in second half of 2020. This capacity expansion is aimed for marine repair conversion, repair and refurbishment business. This will increase our marine repairs revenue opportunities especially for LNG Carriers and tankers thus elevate our competitive advantage in terms of capacity offering among others.

SUPPLY CHAIN THAT OUR CLIENTS TRUST

Vendors and subcontractors are MHB key partners and sustainable supply chain is precursor to MHB's partners. Through strengthened supply chain management, it will enable MHB to deliver projects timely and exceed client's expectations.

MHB provides equal business opportunity and appoints suppliers and subcontractors based on open competition policy. Our Vendor Management System outlines a series of qualification exercises based on priority topics for the supply chain which include the ethical behaviour of the vendors, their effort on Human and Labour Rights and the Health and Safety as well as the well-being of their employees. All these aspects are integrated in the Vendor Management System in three different interrelated phases, which is summarised as follows:

1. Vendor qualification;
2. Purchase Document preparation and award;
3. Vendor performance monitoring and feedback.

Expanding Pool of Vendorss and Subcontractors

In tandem with MMHE's business expansion, MHB has continued to expand its pool of vendors and subcontractors. There were several programmes implemented in 2019 to meet this objective and among the programme was inter-networking with Korean delegations. On 31 October 2019, MHB's Supply Chain Management (SCM) has hosted a visit of a total of 26 Korean delegations consisting of directors and general managers of multiple Korean companies.

> "MHB believes in keeping and developing long-lasting understanding and trust with the Company's vendors and business partners. **We build sustainable strong relationship with vendors by having constant engagement sessions** overcome challenges and invite ideas for further continuous improvement."

Vendor Engagement for ISO Standard Updates

To ensure MHB regular subcontractors are well-informed with latest requirements, SCM organised engagement session with regular subcontractors. The topic briefed were on ISO 45001: 2018 – Occupational Health & Safety and ISO 37001: 2016 – Anti-Bribery Management System which MHB recently been certified. The objective of the session was to update and provide subcontractors with information, requirements on both standards for complying understanding.

Apart from the ISO standard update engagement sessions, more than 20 engagement sessions were conducted throughout the year with our vendors and subcontractors in group or one-to-one session to forge enhanced understanding to move with the same direction and goals.

Internal Sharing Session

In an effort to improve delivery, sharing sessions were arranged locally within SCM staff as well as together with other divisions. The sessions were executed based on project-to-project basis for information sharing and mutual improvement. Among the sessions organised was Lesson Learn Session for FSO Benchamas Project dated 7 March 2019. The Project Procurement Management team had presented the lesson learn to Subcontracting, Expediting and Material Procurement team.

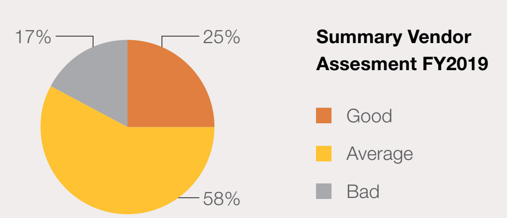
On 11 December 2019, a briefing session on ISO 27001: 2016 Anti-Bribery Management System (ABMS) was conducted for SCM staff in collaboration with Legal. The objective of the session was to inform SCM staff on the standards, do's and don'ts and general guidelines of ABMS for awareness towards full implementation of Section 17A MACC Amendment Act 2018.

Constant Evaluation for Continuous Success

MHB's SCM constantly monitor the performance of its vendors and subcontractors. Vendors and subcontractors with good performance will be recognised and considered as potential company for future award while the poor performance vendors and subcontractors will be engaged for further improvements. Poor performing vendor and sub contractors will be subjected to further actions as recommended by Consequence Management Committee (CMC).

Throughout 2019, more than 280 numbers of assessments were conducted. In overall, it is found that about 87% of the awarded vendors and subcontractors have demonstrated an acceptable performance during execution of the works.

Alternatively, the objective of the assessment is to determine the level of risk for vendors and plan for alternatives in the event of recovery. The ultimate aim is to ensure all vendors and subcontractors will perform more with quality deliverables.



Vendor Development Programme X (VDPx)

As part of initiative to boost the capabilities of local companies in Malaysia's oil and gas industry, PETRONAS launched VDPx – a new vendor development scheme under the Company's existing Vendor Development Programme (VDP) to be implemented in collaboration with major industry players in the country last year.

Further from the appointment of MHB as an anchor for the VDPx programme last year, the related actions have been continued this year to meet the initiative planning. As a result, MHB received a Focused Recognition from PETRONAS on 20 June 2019 for its efforts and supports. In addition, MHB as VDPx anchor was invited for a Business Coaching with Centre for Entrepreneur Development and Research (CEDAR) at Tower 1, PETRONAS Twin Towers as a part of VDPx initiative on 12 December 2019. The session was conducted in order to identify business gaps and its solutions.

MHB continues to be committed to create and develop more pool of successful vendors and subcontractors to not only develop competitive, capable and resilient supplier based in local and international market but also to ensure the sustainability of supplies through its value chain. MHB will be supporting in the areas of business development, financial management, technical and information communication technology (ICT) with various agencies or industry enabler. MHB will work closely with its selected vendors to encourage long term creation of businesses and amplify the potential of local entrepreneurs in improving their competitiveness at the national and international level.

Capability Advancement along the Supply Chain

In line with MHB's commitment to promote excellent teamwork among MHB project management team and subcontractors, series of training have been implemented for our subcontractors.

Total subcontractors attended training in MMHE Centre of Excellence were 9,318 participants, in which;

Safety Induction Course
7,654

Operations and Technical training
1,226

Welder Qualification Test
438

Sustainability Statement

FOCUS ON CLIENTS' NEEDS

MHB works with a variety of businesses and organisations, both upstream and downstream of the global oil & gas and marine sectors. We conducted frequent client feedback exercises in both Marine and Heavy Engineering Business segments to ensure that our services are tailored to their needs and evolve with them to meet industry standards. The results were used to improve on the overall clients' experiences and business performance. A database was developed in Customer Service Department to manage and retain clients' information in a more accessible and organised manner which in turn will improve customer satisfaction. Customer Service Department supports Business Group, Corporate Communications and various departments for MHB's projects and events. In record, Customer Service Department managed client visits mostly on the communications, management and coordination. We have also conducted 85 clients' feedback exercises.

Clients Audit for Heavy Engineering Business Segment

Numerous Heavy Engineering Business segment's clients visited MMHE yard for project bid discussions and yard audits to pre-qualify MMHE as one of the client's preferred contractor and to be included within their approved vendor list. One of the main clients are Saudi Aramco who visited MMHE in July 2019 for a yard audit and MMHE successfully met all their requirements and recognised as approved General Commodity Material (9COM) vendor to execute their potential projects. In total, MHB received more than 38 visits from local and international clients in Heavy Engineering Business segment for MMHE yard introduction and audit purposes.

Client Satisfaction Index

Year	2014	2015	2016	2017	2018	2019
Marine Satisfaction Index	8.0	7.9	7.9	9.0	8.7	8.3
Heavy Engineering Satisfaction Index	6.82	6.06	7.84	8.5	7.3	7.3

Note: The highest total point for this satisfaction index is 10.

- **Successful project sail away**
  - Gumusut-Kakap Phase II Extension Subsea Manifold
  - Tembikai Non-Associated Gas
  - Bokor Phase 3 Development
- **Showcasing MHB's strength and capabilities while providing interactive platform for technology and operational innovation sharing**
  - Bladt Industries
  - SOFEC, Inc
  - Saudi Aramco
  - Qatar Petroleum
  - Saipem
  - Jan De Neul
  - Murphy Oil Corporation
  - Naval Energies
  - Rosetti Marino
  - Korea Plant Service Engineering Company
- **Sponsor Meeting**
  - Bokor Phase 3 Development
  - Tembikai Non-Associated Gas
  - Bergading CPP-MRU Integration
  - Golden Star External Turret
  - Pluto Water Handling Unit
  - Kasawari Gas Development

THE BEST FOR OUR PEOPLE

Our people is our top priority. We believe that our people are the most vital aspect in delivering and meeting our strategic goals. We strive to make sure our people are healthy and always safe at our workplace. We aim to maintain a productive organisation, accelerate development of our people, strengthen our leadership capabilities and enhance employees' performance through strong engagement.

HEALTH AND SAFETY

We make sure our employees are aware of health and safety issues through various initiatives and engagements. We share best practices, challenges and interventions to further enhance our Health and Safety management and performance. We also share information on incidents, accidents and lessons learnt to all employees and provide suggestions to prevent similar incidents from reoccurring.

In our previous Sustainability Statements, we started addressing our Health and Safety separately as we believe that we need to address them independently as it is essential to give more focused and aligned goals.

HEALTH AND WELL-BEING OF OUR PEOPLE

We are committed to instill a positive health culture and increase awareness in our yards. With specific attention focused on health protection, prevention and promotion, we make an effort to inform our people of all the health risks with aim to improve their general health culture. We firmly believe in creating a healthy work environment to nurture a productive and healthy workforce. We protect them from work-related illnesses and encourage the adoption of a healthy lifestyle to ensure our employees' well-being, employees' productivity by being healthy and concurrently to reduce the rate of medical leaves and cost due to health problems.

Promoting Positive Health Culture

MHB has implemented various initiatives and programmes to prevent disease and promote a healthy lifestyle among our people.

Blood Donation Programme

Corporate QHSE Department conducted a blood donation programme under the Quality, Health, Safety and Environment Campaign 2019. The programme was in collaboration with Medical Transfusion Unit from Hospital Sultan Ismail, Johor Bahru. It was not just aimed to increase awareness of MHB employees on the importance of blood donation, but it was also to instill that such act can help in saving the lives of those in need.

Employees participated as donor
103

Health Passport Programme

This annual health screening programme was a collaboration with Pantai Hospital and Berkat Occupational Safety & Health Services (BOSH) to monitor health status of the employees. The activities involved were examination of blood pressure and heart rate, physical measurement such as height, weight, waist, Body Mass Index (BMI), body fat analysis and blood screening. Participants were informed their health status and the risk of health problem related to obesity.

Employees screened
789

Drinking Water Vending Machines Enforcement

Enforcement programme for drinking water vending machines were conducted in our yard, MMHE West to check the service date validity and vending machines' conditions. This activity was to monitor the service and maintenance of the vending machines. Food and water safety have been an increasingly important in MHB in view of the trend of food and water poisoning incidents which contribute towards reportable occupational illness.

Random Drug and Alcohol Testing

Random drug and alcohol test were conducted to all staff including subcontractors and other third parties. The test was done by competent Assistance Medical Review Officer (AMRO) every month in each business unit to ensure that employees remain drug and alcohol free throughout their employment. The tests used a random selection process where every employee has the same chance of being selected for screening. Random testing gave priority to personnel involved with high risk activities such as forklift, crane and civil construction heavy machineries operators.

Random drug tested on employees: 1,012
0 tested non-negative

Random alcohol tested on employees: 908
0 tested non-negative

Influenza Immunisation Programme

For the first time in MHB, Influenza Immunisation Programme was conducted to promote good health among MHB employees and family members. The programme was a collaboration with Valor Health Management, who is our partner in health management of our employees. The vaccination was for four type strains influenza – Flu, Coxsackie, H1N1 and H9N7 which are the current common types of influenza-related infection. Special rates and subsidised vaccines were given to MHB employees.

Subsidised vaccines were given to employees' children
330

Employees and family members participated
576

Company spent for this initiative
RM38,478

Towards Achieving Zero Food Poisoning

In 2019, PETRONAS collaborated with the Food Safety and Quality Division, Ministry of Health (MOH) Malaysia to obtain Bersih, Selamat dan Sihat (BeSS) recognition for all food premises of PETRONAS nationwide. It was aimed to obtain 100% of BeSS recognition for food premises in achieving high hygiene compliance based on the MOH assessment towards achieving zero food poisoning for the following years.

A total of 24 canteen units in MMHE received the BeSS recognition from Johor State Health Department during the BeSS Certification and Appreciation Day for MMHE canteen operators on 30 December 2019 MMHE West, Pasir Gudang.

The four key criteria for the food premises operators to gain BeSS recognition were:

1. Maintain clean premises
2. Provide safe food
3. Provide foods that are clean, safe and healthy
4. Provide food in the proper serving size according to individual needs

MMHE Wellness Centre

In the quest to serve our employees better, a conducive MMHE Wellness Centre was established in July 2017 with the objective to promote staff well-being with health equipment and proper physiotherapy treatment for free. A dedicated team with qualified physiotherapy manages the wellness centre and runs the activities via programmes which are designed to suit our people's medical conditions. A dietitian has also been assigned at the Wellness Centre to assist staff with ailment related to diabetes and hypertension. Employees can meet up regularly for small group coaching sessions on their respective issues or illnesses by appointment. Some of the programmes conducted are related to weight issues, disease and nutrition management, stomach and immune system disorder, bone and joints inflammation, sleeping issues, stress, migraine, hormone imbalance and heart disease (at the initial stage only).

Among the health equipment available are:

- Back Pain Traction Equipment
- Treatment Bed
- Interferential Modality Machine
- Transcutaneous Electrical Nerve Stimulation (TENS) Machine
- Physio Treadmill
- Mountain Climber Equipment
- Blood Profile Check

Staff attended physiotherapy treatment
to relieve backache, muscle and posture ailments
166

MMHE Wellness Centre also serves as a preventive care and rehabilitation centre together with professional advisors to attend to the patients' medical condition. This will then improve the recovery period and manage the utilisation of medical benefit should such medical issues/diseases reoccur. The facilities received positive feedback from clients and government agencies during their audits.

Health campaign

Additionally, health campaigns such as Ergonomic and Fatigue Awareness Campaigns are conducted to enhance awareness on fatigue management, ergonomic in workplace to inspire workers to live a healthy lifestyle. This campaign is highlighted to reduce the number of non-compliance to MHB's requirement and enhancement which one of them includes Good Hygiene Practice for canteen operators.

Health booth, health talks, Learn & Lunch, roadshows, enforcement, yard wide communications and dos and don'ts were conducted to increase health awareness.

SAFETY OF OUR PEOPLE

The safety of all people involved in MHB's operations is a priority objective which is constantly monitored and guaranteed in the Management of the Company's activities by means of an integrated management system. It is a key part of MHB's business culture and a real value.

As our business operations involve heavy machineries and large structures, safety is paramount in all our operations. We always want to make sure that all employees, clients and subcontractors come to work and return home safely. Just as integrity is embedded in our work culture, occupational safety is regarded as our culture as well. **Our long-standing health and safety target is Nobody Gets Hurt**. All employees and third party partners are expected to comply with this target as well as MHB's health and safety standards. We dedicate significant resources to ensure our employees are protected at all times. We protect them from work-related illnesses as we firmly believe in creating a healthy work environment to nurture a productive and healthy workforce. We comply with all applicable health and safety laws and regulations.

The requirements, measures, work rules and standard operating procedures set out in manuals, handbooks, documents issued by the Company are reviewed and updated regularly. Our commitment in ensuring the occupational safety of our people are signified with the OHSAS 18001: 2015 Occupational Health & Safety Management System in place and our mission to achieve the upcoming certification of ISO 45001: 2018 Occupational Health & Safety Management System in 2020.

Drill/Emergency Response

Emergency preparedness is crucial due to the nature of our business as we need to be ready to manage incidents and emergency situations at any time across our operations. Our Emergency Response Team (ERT) acts as the first line of defence during emergencies. 104 Emergency Drills were conducted in 2019 to increase level of alertness & response of employees during emergencies. It comprises rescue and evacuation, rescue in confined space, firefighting, oil spill, man overboard rescue, basic life support and rescue at high.

Emergency Drills
104

Training for MHB ERT

We continuously enhance capabilities of our ERT in skills and readiness to manage the scenario incidents and communications with other related parties through training. In 2019, MHB ERT attended a series of training to meet mandatory requirements such as Rescue in Confined Space in October at Fire Rescue Academy Malaysia, Kuala Kubu Bharu and Oil Spill Response which was conducted by Petroleum Industry of Malaysia Mutual Aid Group (PINMAG) Malaysia in November. The Oil Spill Response training was aimed to expose our ERT on the best mechanism of managing oil spill incident.

Rescue in Confined Space Training
19 Participants

Oil Spill Response Training
15 Participants

External Assistance

As a responsible organisation towards the community that we operate in, we also provide emergency assistance outside of MHB. In March 2019, MHB ERT was among the emergency response teams to assist in the emergency operations of the Kim Kim River toxic pollution in Pasir Gudang due to illegal dumping. The illegal dumping released toxic fumes, affecting 6,000 people and hospitalising more than 2,000 people. As part of Pasir Gudang Mutual Aid (PAGEMA) members, MHB assisted and provided equipment such as protective personnel equipment respirator, gas detector and ambulance. 15 MHB ERT staff and 2 in-house clinic staff were stationed at Stadium Pasir Gudang which was designated for medical treatment basic and Incident Command Post (ICP) for operation site.

Time and weeks spent in assisting
24 Hours every day for **3** weeks

In December 2019, MHB ERT was involved in PAGEMA exercise at Kampung Tanjung Langsat, Pasir Gudang which the exercise was conducted to manage possible incidents to be occurred in Pasir Gudang together with supports from neighbouring industries.

Enforcement

We conducted 19 enforcement that focus on each element of HSE throughout the year 2019. This enforcement is to ensure the full compliances with MHB's requirement based on the Company's Integrated Management System.

No	Enforcement
1	First Aid Box Compliance
2	Personal Protective Equipment (PPE) Usage Compliance
3	Random Drug and Alcohol Testing
4	Management of Scheduled Waste Compliance
5	Equipment Calibration Compliance
6	Mosquito Breeding Prevention Enforcement
7	Competency Compliance
8	Lifting Equipment Compliance
9	Good Hygiene Practice for Canteen Operators
10	Tool & Equipment Inspection
11	Confined Space Enforcement
12	Grinding Machine and Dead Man Switch Enforcement
13	Drop Object Enforcement
14	Jubilee Clip Enforcement
15	Cable and Hose Enforcement
16	Body Harness Compliance
17	Drinking Water Machine Enforcement
18	Material Control Compliance
19	Driving Safety – Bicycle Awareness on Tagging and Reflector

Safety Campaign

Safety campaign is conducted to inculcate awareness amongst the workers that safety cannot be compromised at any time of that person's lifetime for the sake of their family and the Company's reputation.

This campaign awareness is highlighted to reduce number of non-compliance to HSE Minimum Requirement (Volume II) Operational Control & MMHE 10 Safety Rules, the number of incidents related to Manual Handling: Hand & Finger Injury and the number of non-compliance to lifting and hand tools usage process. Programmes that were launched in conjunction with safety campaign are:

- Road Safety and Defensive Driving Campaign
- Drops Object Prevention Awareness
- Hand and Finger Injury Prevention
- Lifting Safety Awareness Campaign
- Hand Tools Safety
- Hazard Runner Programme
- Stop Falls, Save Lives Campaign
- Heart to Heart Board Campaign
- Working at Height and Hot Work Campaign
- Prevention of Falling from Height

Health and Safety Talks

We conducted 11 Learn & Lunch sessions throughout the year 2019 covering health and safety elements:

- Fatigue Management Awareness by Occupational Health Doctor (OHD)
- Carpal Tunnel Syndrome by OHD
- Working at Height Awareness by NIOSH
- Fire Safety Escape by Fire Prevention Centre
- Ergonomic Awareness by OHD
- Chemical Exposure in Blasting & Painting by OHD
- Kaizen and Thinking Talk by Malaysian Productivity Corporation (MPC)
- Road Safety Awareness by Royal Malaysia Police (RMP)
- Fatigue & Mental Health Awareness Talk by Psychologist Clinical Officer, Hospital Permai
- Drug Awareness Talk by Agensi Anti Dadah Kebangsaan (AADK)
- Eco Movie Hour 'A Plastic Ocean'

Employees, Vendors and Subcontractors involved
500 (2018: 300)

Health and Safety Performance Highlights

Total man-hours without Loss Time Injury (LTI) 2019:

13,715,652

Year	2014	2015	2016	2017	2018	2019
Man-hours (millions)	20.15	27.82	20.72	15.15	12.58	13.72
Lost Time Injury Frequency (LTIF)	0.10	0.11	0.14	0.26	0.16	0.22
Total Recordable Case (TRCF)	0.69	0.43	0.48	0.40	0.23	0.44
Total Recorded Fatalities	1	0	0	0	1	0

MHB's 2020 Health & Safety targets:

Fatality	0/0
Total Recoverable Case (TRCF)	0.44/0.33
Lost Time Injury Frequency (LTIF)	0.22/0.17
Non-personnel major incident	0/0

PROJECT HIGHLIGHTS

Project : Gumusut-Kakap Phase II Extension Subsea Manifold
Client : TechnipFMC
Delivery Date : 29 March

Total Man-hours without LTI

157,482

Project : Tembikai Non-Associated Gas
Client : Vestigo Petroleum Sdn Bhd
Delivery Date : 8 July

Total Man-hours without LTI

599,365

Striving for Accident-Free Workplace

More than 400 MHB employees gathered at MMHE West on 8 July 2019 to celebrate the launching of 'Workplace Accident-Free Week' (WAFEW) for year 2019. Organised by Department of Occupational Safety and Health (DOSH), it was hosted by MMHE in conjunction with 'Minggu Keselamatan dan Kesihatan Pekerjaan 2019, Peringkat Negeri Johor'.

The objectives of this event were to:

- Communicate the importance of message in practicing preventive culture to reduce accident rate at work.
- Promote Hazard Identification, Risk Assessment and Risk Control (HIRARC) concept to employers and employees.
- Adopt HIRARC concept at work so that safe and health work culture can be realised.

A COMMITTED WORKFORCE

EMPLOYEE ENGAGEMENT

As of 31 December 2019, we had 2,134 employees. MHB believes that employees are our vital assets. We respect and promote diversity and offer equal opportunities to all employees. We recognise the contributions of each individual employees through various performance-based pay.

Our manpower headcount began to gradually increase in 2019 due to new projects secured in quarter two and four 2019. It is also forecasted that there will be an increase in the headcount for Marine Operations upon completion of Dry Dock 3 in 2020 as more vessels are expected to come to the yard.

In 2019, we had 406 female employees which was equivalent to 19% of our total workforce. Currently, two (2) out of ten (10) Directors on the Board and one (1) of our seven (7) Management Committee members is female. The senior female members' appointment is based on merit and capability though our industry has been traditionally male-dominated.

Valuing the importance and need to act and to be recognised as a partner in the sustainable social and economic development of the communities and regions where we operate in, we are committed in providing local employment opportunities. In 2019, we only had 16.3% (346) from total of 2,134 are foreigners and the remaining 83.7% of our employees are local employees.

In line with the Group, MHB complies with the new regulations and frameworks on labour standards as well as contributes input requested by relevant authorities for their decision making.

Year	2014	2015	2016	2017	2018	2019
Description						
Total Number	3,220	3,112	2,835	2,107	2,071	2,134
Turnover rate		33.18%	17.14%	33%	15%	10%
Percentage of employees by Gender						
Female	19.66%	18.06%	15.84%	17.60%	17.62%	19%
Male	80.34%	81.94%	84.16%	82.30%	82.38%	81%
Percentage of employees by job type						
Permanent			59.58%	66.50%	64.65%	61%
Contract			42.42%	33.5%	35.35%	39%
Numbers of women employees category						
Boards of Directors			2	3	2	2
Management			30	34	29	27
Executive			218	189	196	206
Percentage of employees by age group						
< 20		1.35%	1.41%	0.70%	0.43%	0.75%
21-30		33.93%	30.23%	25.00%	23.61%	23.24%
31-40		34.61%	38.24%	43.20%	43.60%	43.72%
41-50		18.99%	18.55%	18.50%	18.69%	18.23%
51-60		10.70%	10.72%	12.00%	13.28%	13.64%
> 60		0.42%	0.85%	0.70%	0.39%	0.42%

Sustainability Statement

HIGHLIGHTS OF EMPLOYEE ENGAGEMENT FOR ENHANCED WORKFORCE

Management-Union Meeting/Discussion

Relationship with Union is good. Close cooperation between both parties are seen with open door concept for anyone to meet top management. The support from each other to meet company's business direction while at the same time addresses people issues. No trade issue raised to Industrial Relations Department reported.

Staff Accommodation Maintenance

MHB believes in producing greater productivity, welfare of the employees need to be well-maintained. MHB provides subsidised accommodation to staff who are based in Pasir Gudang, Johor.

The Company took an effort to improve the Company's accommodation for comfort of staff by cleaning vacant units in preparing for new staff applying for accommodation in view of increase in number of staffs particularly those from outside of Johor Bahru. As at December 2019, 312 staff are living at MMHE accommodation with their family members.

Employee Welfare

MHB spent RM15,900 for welfare assistance on death of staff and immediate family members in this period involving 50 recipients. Additionally, a total of five handover insurance claims with total value of RM1.018 millions for staff having critical illness (two cases) and death (three cases) were paid accordingly as per insurance coverage policies. The efforts are a great financial assistance to help staff and families during their difficult times.

HIGHEST COMMITMENT FOR LABOUR STANDARDS

There has been an increased attention on organisations' practices for labour standards concerning the Management of human rights risks, including slavery and human trafficking. **As a trusted leading organisation, MHB realised that it is vital to bring greater transparency of our commitment to high standards for labour practice.**

We constantly assess risks and opportunities of our labour issues to mitigate potential risks at corporate and operations levels and to ensure no disruptions to operation works. We also assessed the guidelines of the International Labour Organisation (ILO), UK Modern Slavery Act 2015 and other recognised labour standards organisations to ensure that the appropriate standards are in place.

Prevention of Child Labour

MHB practises stringent hiring of new staff with age 18-year-old and above. In 2019, the Labour Department, Ministry of Human Resource, conducted compliance audit on MHB to ensure adherence to Employment Acts (EA). There was no finding on child labour by the Company.

Prevention of Forced Labour

Code of Conduct and Business Ethics (CoBE) is the code practised by the Company specifies on the fair labour practices to comply to law of Malaysia. Additionally, MHB is embarking on Human Rights Policy to further show its commitment towards better governance as a world-class company.

Elimination of Excessive Working Hours

The Company has rolled out Fatigue Management Guidelines. Overtime is limited as per Employment Act and controlled by a timesheet system. However, considerations are given on any urgency work exceeding the maximum overtime hours but need approval by top Management.

Against Discriminatory Practices

MHB is against discrimination practices at workplace. MHB's workforce comprises of multi-races, religion and nationalities. Additionally, the Company recognises public holidays for major races and religions in Malaysia. Staff also forms associations related to race for welfare and cultural activities. No discrimination on sex nor disabled candidates. MMHE has a disabled staff currently hired as a Technical Executive for Engineering.

Right to a Minimum of Living Wage

MHB complies to regulations on the minimum wage set by the government. An employee union is well-maintained to play their part to protect the employees.

Commitment to Frameworks on Labour Standards

MHB is a member to Malaysia Employer Federation (MEF) and is involved in giving feedback to the employer association on labour frameworks and standard. The Company has representatives at Johor Skills Development Centre (PUSPATRI), Industrial Training Institute (ILP) and University Teknologi Malaysia (UTM) on academic and technical curriculum development. MHB is also a member to The Welding Institute (TWI) International.

Supporting the Community

45 in-plant trainees attended industrial work experience. In 2019, MHB registered with Ministry of Entrepreneur Development (MED) to participate in Protégé Ready-to-Work Programme by providing unemployed graduates industrial training. Where suitable, the in-plant trainees may also be hired for employment.

Company Policy on Labour Standards

Employee Handbook and Union's Collective Agreement are made available for employees to refer to on employee internal portal. Besides that, the internal portal shares information on terms and conditions of services and procedures and e-applications related to labour practices in the Company.

SKILLED WORKFORCE

Development of our human capital has been identified as one of the strategic priorities and key elements for MHB in order to meet market demand and ensure lasting competitive success. We believe that our employees' skills and know-hows are the key assets in sustaining the business. We aim to provide reliable work environment that guarantees equal opportunities for all on the basis of merit and without discrimination.

MHB is committed in building the leadership and capability of our employees where strategic development programmes have been included in the Corporate Scorecard, focusing on specific critical talent pool in driving the business. Whilst MHB continues its focus on its leadership bench, it also emphasises on the capability development of the technical employees particularly the Project Managers, Cost Controllers and Project Control Managers. These initiatives were monitored by MHB Management on a continuous basis through the Management Development Committee Meeting (MDC) chaired by MHB MD & CEO.

NURTURING CAPABILITIES

- **Project Control Management Development Programme (PCMDP)**

  Project Control Management Development Programme (PCMDP) is an initiative to produce certified Project Control Managers (PCM) in boosting project management capability and clients' confidence with the leadership and direction performed to manage projects. PCM programme provides support and expertise to Project Managers in managing MHB critical projects. This structured programme for MHB Project Control Managers is a prerequisite to certify them as Project Control Managers via the Earned Value Professionals (EVP) certification. The EVP credential will be awarded by the Association for the Advancement of Cost Engineering International (AACEI), a globally recognised and a reputable body in cost engineering certification. The EVP certification will enhance the capability in managing project progress, scope and cost.

  A total of 8 MHB staff were identified by a selection committee* to undergo the programme to prepare them for the EVP examination. The training programme started in September and ended in October 2019, involving 2 core modules and a bootcamp. Upon completion, participants will be ready to sit for examination from December 2019 onwards.

  * Selection committee consist of representatives from Heavy Engineering Operations (cost control & contract), Marine Operations (cost control & contract) and Finance.

Sustainability Statement

- **MHB Toastmasters Clubs**

  Communication is recognised as an important skill in business globally and MHB had set up its own Toastmasters Club in 2018. This self-driven programme is a platform for selected staff, appointed by their leaders, to improve their communication skills. In 2019, MHB has continued the 2 Toastmasters Clubs namely MMHE PG Toastmasters Club and MHB KL Toastmasters Club with Toastmaster International. The enrolment to the Toastmasters Clubs was approved and the clubs are having fortnightly meeting every second and forth Thursdays of each month from 12.30 p.m. to 2.30 p.m. A total of 44 employees take part in MHB Toastmasters club.

- **CSWIP Welding Inspector Certification Programme**

  Fabrication of heavy engineering structures involves extensive welding works that require qualified and certified Welding Inspectors to ensure the welding quality meet the required standards. The programme is designed to certify our welding inspector, coordinator and supervisor on the role-specific competence in welding, joining, materials integrity, inspection and repair of high integrity structures or machinery. By having the internationally certified welding inspector, it will help the Company to meet project requirement and comply with the relevant welding codes, guaranteeing its quality and reduce re-work.

  To fulfil the requirement, MHB conducted two (2) sessions of Certification Scheme for Personnel (CSWIP) 3.1 Welding Inspector Training. Six (6) participants passed the assessment and were certified as Welding Inspectors to support MHB's business.

- **Project Management Development Programme**

  Project Management Development Programme (PMDP) is a structured programme for MHB project managers which aims to certify them as Project Management Professional (PMP). The PMP credential will be awarded by Project Management Institute (PMI) – world's largest non-profit membership association for the project management profession. The PMP credential is accredited by the American National Standards which is globally recognised and high in demand amongst the industries. With the PMP received by MHB's project managers, it will boost clients' confidence with the leadership and direction performed to manage the projects assigned.

  In 2019, 9 staff were certified as project managers.

- **Cost Control Development Programme**

  Cost Controller Development Programme (CCDP) is a structured programme for MHB project cost controller which aim to certify them as Certified Cost Professional (CCP) granted by American Association of Costing Engineer (AACE). The CCP certification is the most widely recognised certificate offered by AACE that grants the professional credentials to MHB cost controllers who have the required knowledge and skills of cost and project. CCP certification is independently accredited by the Council of Engineering & Scientific Specialty Boards (CESB) and recognised across industries.

  In 2019, 7 staff were certified as cost controllers.

DEVELOPING HUMAN CAPITAL MANAGEMENT

- **Succession Planning**

  Succession planning is an integral part in Human Capital management where it fosters and promotes the continual development of employees and ensures that key positions maintain some measure of stability, with ready-now candidates in the pipeline, thus enabling an organisation to achieve business objectives. Realising the importance of having a strategic succession planning framework, MHB identified and approved suitable candidates as successors for 31 approved critical positions. The identified successors have undergone and will continue to go through appropriate development and training opportunities to fulfil their potential towards current and anticipated business goals and objectives.

- **Hi-Potentials (Hi-Po) Development**

  Continuous identification, development, monitoring and tracking of our internal talent pool was one of MHB's strategic business priorities in 2019. Our internal high potential employee programme, called 'Hi-Po' is designed to develop and retain talent within the Company. Development activities which include competency building, mentoring, coaching and job rotation were being implemented to equip talents with potential to grow into leadership roles within organisation. A Hi-Po Committee (HPC) was also established to facilitate the monitoring of talents' progress and provide regular feedback to drive the development of top talents in the organisation. Periodic engagement sessions with the Hi-Po was also introduced in 2019 through Leadership Talk sessions where distinguished guest speakers from the field of Leadership Development were invited to share their experiences and expertise with MHB's talent pool.

- **First Time Manager Development Programme (FTMDP)**

  The First Time Manager Development Programme (FTMDP), is a structured programme aimed to upskill newly appointed managers and potential senior executives who will be on managerial roles. A total of fifteen (15) MHB staff who met the selection criteria were required to undergo this structured training programme which includes aspiration chat and assessment, simulation-based development and group coaching session. The training programme started in August and ended in December 2019, involving five training modules.

- **MHB Learning and Development Guide**

  This guide serves as the go-to document for employees to gain better insight and understanding on learning at MHB. It provides guidance on a balanced approach of learning which comprises of On-The-Job Learning (70%), Learning from Others (20%) and Formal Learning (10%). Apart from the guideline, the employees are also reminded on Individual Learning and Development Plan (ILDP) where it helps the employees in identifying their short and long-term career goals.

  By introducing this guideline, it will assists the employees to take charge of their own learning and development and explore the opportunities that will develop them to become better employees.

- **MHB Learning Modules**

  These are structured programmes to assist employees in achieving their required level of leadership proficiency and in performing their day-to-day job effectively.

  Table below shows the overview of the various competency areas that the Company focuses on as learning enablers for each member of MHB employees. For now, MHB learning modules comprise of Leadership and Common Functional.

Capabilities Development Areas	
Leadership	Programmes addressing MHB nine (9) Leadership Competencies
Common Functional	Programmes that are fundamental for all MHB employees across job grade *MHB Common Functional Modules are specific programmes on fundamental knowledge which is essential and critical for every employee to understand and practise in order to perform their roles and jobs effectively in MHB.*
Discipline Functional	Programmes that are specific to a particular department or job function *MHB Discipline Functional Modules are programmes set to improve the required skills for employees to carry out day-to-day job function as per their job descriptions and as determined by Head of Departments (HODs).*

- **Leadership Development Module**

  This module is about learning to manage oneself (thoughts, emotions, attitudes and actions) and to work with others (interpersonal skills, the ability to build and maintain relationships, the ability to build effective work groups and communications skills) — all while operating within the larger system. For our employees' leadership development, MHB has come out with Leadership Learning Modules which are designed to assist employees in achieving their respective targeted proficiency level.

  The areas were delivered via:

  i. Face to Face (F2F) Learning

     F2F Learning is a classroom style learning that provides face-to-face interaction between the instructor and participants.

  ii. Digital Learning

     Digital learning or known as e-learning utilises electronic technologies and devices to access training modules which is outside of one traditional classroom. Digital learning is referred to as a programme or course that is delivered entirely online via internet.

     In line with the transformation towards learning on-the-go, MHB in collaboration with PETRONAS Leadership Centre (PLC) has introduced HarvardManageMentor® (HMM®) to our employees. This platform provides employees the ability to build, broaden and refresh their leadership and management skills. The availability of HMM is deemed as a hands-on, interactive online learning resource that can be used to address critical challenges. HMM includes 41 continuously updated topics, each with practical advices and immediate applicable tools for dealing with specific management issues.

MMHE Centre of Excellence ("CoE")

MMHE CoE provides a variety of industry-related training programmes. This integrated training facility was opened in 2015 and is located in Pasir Gudang, Johor. The first-of-its-kind facility is a learning centre that provides training, competency development and hands-on technical programmes. The training complex is equipped with facilities such as simulators for confined space, scaffolding tower, firefighting area, forklift practical area, overhead crane and rigging training area. We offer short courses in four key areas: business skills, project management, various safety and craft training.

MMHE CoE is certified as Human Resource Development Fund (HRDF) training provider since 2015 and certified as a training provider by Department of Occupational Safety and Health (DOSH) for Authorised Entrant Standby Person of Confined Space (AESP), Authorised Gas Tester and Entry Supervisor (AGTES) and Basic Scaffolding. We offer courses particularly for safety and technical training to public community as well as our internal staff. We have collaborated with industries and other training providers to strengthen our services to customer.

- Collaboration with National Institute of Occupational Safety and Health (NIOSH) in providing assessment to the participants
- Collaboration with UniKL in providing on-job-training for students and development of programmes for both MHB and UniKL students

Man-hours training for MHB staff as at 31 December 2019 was 31,822 hours (4,546 man-days) represented by average 2,788 employees. 29,932 training man-hours (4,276 man-days) which represented by 94% of training hours were programmes conducted by/at CoE.

Description	2015	2016	2017	2018	2019
Total hours of employee training	78,869	53,277	35,777	49,024	36,274
Average hours of training per year per employee	30	21	15	23.5	17.54

The recorded training hours is lower compared to 2018 resulted from the completion of MHB Cultural Beliefs programme and was replaced with other common functional trainings in 2019.

Total number of MHB employees trained in the following programmes at the CoE:

Description	2015	2016	2017	2018	2019
Leadership programmes	1,739	1,387	92	69	644
Functional/Technical/Discipline Functional programmes	4,091	2,461	2,821	3,907	1,895
Common Functional programmes	N/A	N/A	N/A	N/A	668
Total	5,830	3,848	2,913	3,976	3,207

Note:
- Functional/Technical/Discipline Functional programmes are referred to the training programmes specifically for the operations targeted groups in their respective areas.
- Common Functional programmes are referred to the training programmes that are common to various target groups to fulfil the knowledge requirement in their area such as the Quality Management System, Safety Awareness, Anti-Bribery System.
- Some employees attended multiple programmes.
- New training category in 2019 i.e. discipline and common functional.

Sustainability Statement

MMHE takes part in strategic collaboration of Ministry of Education (MoE) and Oil and Gas (O&G) Cluster

In contributing to the society where we operate in, MHB puts high priority in providing supports to the nation especially in the education front. MHB signed a Certificate of Collaboration with Department of Polytechnic and Community College Education (JPPKK), Ministry of Education on 2 December 2019 at Putrajaya International Convention Centre.

Through this collaboration, the O&G Cluster members will participate towards successful implementation of several Technical and Vocational Education and Training (TVET)'s activities at polytechnics and community colleges. TVET students will be given opportunities to do internship at those companies, including MHB for up to five months. The collaboration is also expected to expand job accessibility and job markets for polytechnic and community college graduates.

Representation on Advisory and Competency Committees

- Seat representation on Kolej Yayasan Pelajaran Johor (KYPJ)'s Board of Study, for the purpose of reviewing and enhancement of syllabus for 3 fields of studies:
  1. Diploma in Business Studies (Twinning with UiTM)
  2. Pre-Commerce Studies (Twinning with UiTM)
  3. Diploma in Technology Management (Twinning with UTM)
- Seat representation on PUSPATRI Curriculum Development Committee, for the purpose of aligning PUSPATRI's teaching syllabus and industries' needs and to develop new courses should there be any new requirement by the industries.
- Seat representation on NIOSH's Competency Committee for Safe Working in Confined Space. This committee is focusing on the statutory and regulatory issues related to Safe Working in Confined Space including the development and assessment of competent personnel.
- Panel for the assessment development for Authorised Gas Tester and Entry Supervisor (AGTES) for safe working in confined space under DOSH and NIOSH. The panel is responsible to align AGTES training module and the assessment in all related assessment paper and practical.
- Seat representation in the committee for the development of Basic Scaffolding Training Module (nation's single module) with NIOSH and approved Scaffolding training providers. The committee is responsible to develop and produce the Basic Scaffolding training module to be used as a standard Scaffolding training module in Malaysia by all approved training providers.
- Environmental 3R programme, collaboration with Universiti Technologi Malaysia, Skudai in supplying waste abrasive material from blasting process for test and analysis with objective to recycle the abrasive waste as construction material.

BETTER ENVIRONMENTAL PERFORMANCE

We monitor all our business and daily activities to ensure compliance with regulations on environmental management and the requirements of the PETRONAS Technical Standard. This year, we disclose more quantitative environmental data related to our water and energy usage, waste management and greenhouse gas emissions.

Corporate Quality, Health, Safety and Environment (CQHSE)

We have an environmental monitoring programme in place to track the conditions in the surroundings of our yard. Samples of marine water, industrial effluent, sewage effluent, final water discharge, air emissions and boundary noise are studied by an accredited laboratory on a monthly basis.

In 2019, we spent
RM10,000.00 for environmental awareness campaigns
RM255,100.00 for environmental monitoring campaigns

Environment Campaign

- Environment campaign is aimed to inculcate awareness amongst our people on the importance of individual actions on the care of the global environment, focusing on the limited natural resources and the importance of recycling the waste generated in our community.
- This campaign awareness is highlighted to reduce the carbon footprint as well as the climate change, the number of non-compliances to authorities' requirements and to enhance the cradle-to-cradle concept for waste management.
- Campaign activities include premiere watch in Eco Movie Hour, Eco Pledge of recyclables materials, food waste management demonstration by Majlis Perbandaran Pasir Gudang, exhibition of recyclable products by Southern Waste Management Sdn Bhd, HSE Wheel of Fortune game and sharing of environmental awareness through internal portal.

Several active communications with the external parties have been conducted as below:

- Environment Performance Reporting to MISC for PETRONAS on quarterly basis i.e. Environment Performance Indicator (EPI). EPI is a set of data contributed for annual MHB Sustainability Report & key element assessed under BURSA FTSE4Good ESG Ratings.
- Active communications with DoE with regard to the scheduled wastes management, transportations, reports and participated in DoE's events, seminars and other programmes.
- DOE visits and enforcement for Environment management compliance.
- PETRONAS Environment Community of Practice (e-CoP) participation related to Environmental Sustainability way forward for PETRONAS group of company and subsidiaries.

MMHE Green Initiatives

We recognise and understand our responsibilities as an organisation to be a part of the global sustainability efforts. In streamlining our sustainability strategies, we have launched MMHE Green Initiatives in April 2019 in our yard, MMHE West, Pasir Gudang. Our MMHE Green Initiatives programmes are centered on three main areas which are energy saving, water conservation and 3R (reduce, reuse and recycle).

Why Green Initiatives:

- Create a sustainable earth for future generations
- Go beyond customers' standards & requirements for better competitive edge
- Savings through reduction of utilities bill & waste management cost

Sustainability Statement

MMHE GREEN INITIATIVES
2019 Highlights

3R-Reduce, Reuse & Recycle

Objectives

Segregation at source

Prohibition of single-use plastic

Reduce waste to landfill

What we have done so far?

Removal of **Personal Rubbish Basket** at office table

Continuous promotion & Enforcement **segregation** of waste

Allocation of 3R Bins
48 office bins **26** main bins

Collection of Recyclable Wastes

✓ **225.36 MT**
Recyclable waste collected from July until December 2019

Energy Saving

Objectives

Utilisation & Management of Energy Efficiency Appliances

Energy Generation form Solar Panel

What we have done so far?

Utilise Led Lighting
Transition usage from T8 fluorescent bulb and ballast to full LED at offices

LED Installation FY2019
1,033 units

Venture into solar power generation

Standardise and set timer & control for automatic shut off at the end of working hours

Change to Inverter Type Air-conditioners

Pilot Project: Utilisation of LED lighting at Facilities & Asset Services office, MMHE

Previous		LED Fittings
36 watt T8 fluorescent	**Type**	20 watt LED fluorescent
5,112 watt (5.11kw)	**Total Power**	2,840 watt (2.84kw)
5.11 x 12 = 61.32kwh	**12hr Operation**	2.84 x 12 = 34.08kwh
61.32 x 26 = 1,595kwh	**Monthly Energy @12hr Dailiy**	34.08 x 26 = 886kwh
1,594 x 0.55 = RM876.70	**Est. Cost (Monthly)**	886 x 0.55 = RM487.00

✓ Save more than 40% of estimated monthly electricity cost

✓ Reduce 44.4% of energy consumed for estimated 12 hours operation daily

Water Conservation

Objectives

Utilisation of Efficient Piping and Fittings Appliances

Reduce Water Consumption at Offices & Non-Operation Buildings

What we have done so far?

Usage of **spray-water piping** fitting at toilets & canteen

Change twist-type tap to **push-type tap** to improve water saving

Regulate minimum level of water inside flush tank

Usage of dual flush tank which allows option for half flush & full flush

Water Consumption Per Month (m^3)
(as at January 2019)

86.2% Operations **45,902**

13.8% Offices **7,324**

Focus on **improving water consumption** in offices for:
- easy monitoring
- quick wins to save water

Water Consumption Improvement

7,324m^3
Before Green Initiatives
(as at January 2019)

12% Improvement

6,423m^3
After Green Initiatives
(as at December 2019)

Sustainability Statement

Our environmental data and reports are constantly being shared with Department of Environment (DoE), Malaysia by their registered auditor. Our ISO 14001: 2015 Environmental Management System certification is audited and verified by Bureau Veritas.

CLIMATE CHANGE

Managing Greenhouse Gas Emissions

Since 2014, we have reported on our greenhouse gas (GHG) data to MISC Berhad. We track emissions based on The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard (revised edition) in scope 1 and 2. We monitor our compliance status towards the Environmental Quality (Clean Air) Regulations 2014 including the monitoring of our air pollution control system (bag filter operators) emissions.

Greenhouse gas emissions (CO_2e) from scope 1 are produced by activities carried out in the yard which consist of petrol, diesel and gas combustion, loss from refrigerant. About 17% of total CO_2e comprises of scope 1. The remaining 83% of MHB's CO_2e comprises of scope 2 which is produced from the electricity consumption.

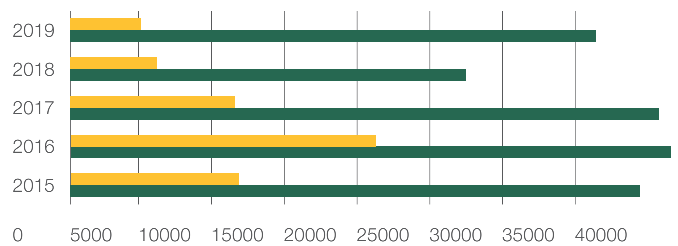
Total CO_2e increased by 31% from 2018 to 2019 contributed by both scope 1 and 2. The 28% and 31% increment of scope 1 and scope 2 respectively, due to massive operations in 2019 compared to 2018. The construction of MHB's new Dry Dock has come to the stage where mechanical and electrical works were at peak and thus contribute to higher scope 2 generation. The Green Initiatives programme was then introduced in April 2019 with the utmost target to reduce carbon intensity specifically from electricity consumption.

In 2019, four of our employees have completed their Certified Professional in Bag Filter Operations (CePBFO) assessment and undergone interview sessions with Environment Institute of Malaysia (EiMAS). All four staff have achieved full competency to represents the Company as a competent person for bag filter operations.

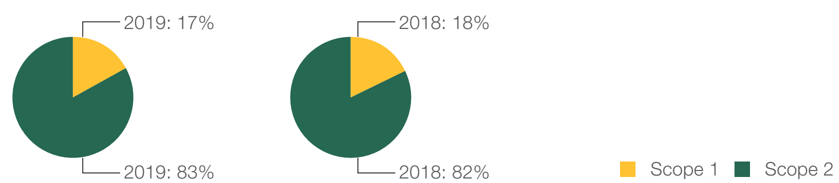
The main purpose of having the GHG emission data is to understand the emission that the organisation is responsible for and take action to manage and reduce emissions. Our GHG data aligns with many widely used national and international voluntary measuring and reporting schemes.

Definition	Scope 1 and Scope 2 GHG emissions from operations that fall within MHB's GHG reporting organisational & operational boundaries. Carbon Intensity – total mass of GHG emission (tonnes CO_2e) per revenue generated or per man-hours
Unit	Scope 1 and Scope 2 – tonnes CO_2e Carbon Intensity – t CO_2e/revenue (RM) or t CO_2e/ thousand man-hours
Method	GHG Emission = Use Input X Emission Factor Use Input = Raw data collected i.e diesel or petrol consumption Emission Factor = refers to American Petroleum Institute (API) Compendium 2009

GHG Scope 1 & 2 Emissions



Difference 2018 vs 2019 Co_2e Emission

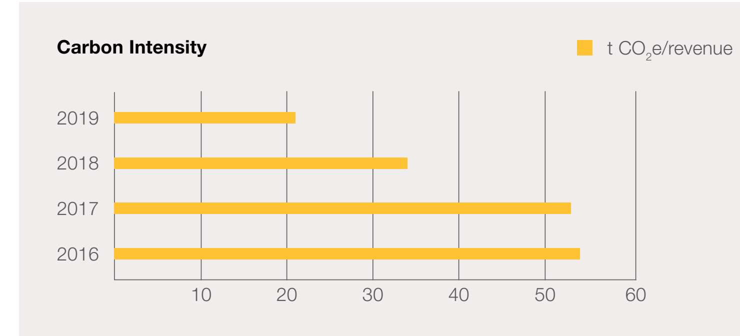


Year	2015	2016	2017	2018	2019
GHG Emission (CO_2e)					
Scope 1 (Petrol, Diesel, Gas Combustion, Refrigerant Losses & Oil Sludge Incineration)	11,476	15,926	11,306	5,912	8,201
Scope 2 (Electricity Consumption)	38,965	41,132	39,544	27,077	39,309
Refrigerant Consumption (kgs)					
Ozone Depleting Substances (ODS) – R22	N/A	763	1,523	1,269	2,581
SOx, NOx and PM10 (tonnes)*					
SOx	4	6.2	2.51	0.84	0
NOx	14	12.12	7.97	3.55	0
PM10	2	2.04	0.89	0.37	0

The components of SOx, NOx and PM10 will be removed since the plant already underwent decommissioning.

Carbon Intensity

Carbon intensity is the ratio of total GHG emissions produced over man-hours or revenue. Our carbon intensity calculates the emission rate of pollutants relative to the intensity of MHB business activities; the ratio of total GHG emissions (tonnes CO_2e) produced to our revenue.



Period	Revenue (Ringgit Malaysia)	Man-hours	Carbon Intensity: t CO_2e/ revenue (million RM)	Carbon Intensity: t CO_2e/ thousand man-hours
H1	1,545,218,472.500	6,646,310.000	15	3.52
H2	4,478,060,714.090	7,069,341.500	6	3.41
Financial Year	6,023,279,186.590	13,715,652	21	6.93

Energy

Our yard operations involve activities that require high energy consumption from the compressor house activity, dry-dock pump activity, street lighting which requires 24-hour operation and machineries operation. Hence, we are mindful of our energy use as lower energy consumption can contribute to both cost savings and reduce environmental carbon footprint. The main contributing factor for the electricity consumption increment is mainly due to the massive activities took place and the ongoing dry dock construction which has reached its mechanical and electrical phase where a lot of energy was used.

Our significant effort to reduce energy consumption which include the replacement of the conventional ballasts with **low loss electronic ballasts** are of paramount importance. Dimming electronic ballast does not only can save energy but it is silent and cause no perceptible flicker. We send reminder to shut down and unplugged all unused electrical appliances throughout the yard whenever there is a long weekend due to public holidays.

Year	2015	2016	2017	2018	2019
Electricity consumption (MWh)	58,039	60,134	57,813	39,586	57,470
Gas Consumption (tonnes CO_2e)	N/A	1,754	1,638	981	976
Petrol consumption (litre)	47,601	47,333	41,900	35,255	30,796
Diesel consumption (litre)	4,278,160	5,152,794	2,245,39	934,774	1,553,678

MMHE Green Initiatives is a programme that measures the reduction of atmospheric emissions through energy saving.

Yard-wide initiatives for the installation of full LED lighting, motion sensor are on track and the cost associated with these were;

as per December 2019
(1,033 units of LED were installed)
RM13.50 x 1,033 units = **RM13,945.55**

as per December 2019
(9 motion sensors were installed)
RM2,800 x 9 units = **RM 25,200.00**

In 2019, MHB exchanged a Memorandum of Understanding with PETRONAS Power Sdn Bhd for the installation of Solar Rooftop solutions at MHB yards. It is targeted to reduce 6,977 tonnes of CO_2e per annum from the solar panel installation.

Water

Water is an important issue for the offshore construction industry. We operate in water-stressed environment. Every drop of water will cost the Company. We hold the bag to ensure that the water that goes to the drain confer a benefit. Monitoring of drinking water supply as well as our discharged to the marine water from the industrial wastewater and sewage water are crucial. We are not only concern with our fresh water, but we are also in charge to ensure that our wastewater from our industrial cleaning and sewage treatment plant discharged to the drains were within the standard limit by doing the performance monitoring and final discharged monitoring on daily and monthly basis respectively.

As we try our best to adopt environment best management practices throughout the whole yard, all the parameters stipulated in the Environment Quality Act 1974 (EQA 1974) and environment monitoring guidelines provided by the DoE are followed accordingly. Performance monitoring is one of requirements in the newly introduced Guided Self-Regulatory (GSR) and Environmental Mainstream Tools agenda by the DoE. It is a daily inspection of the pollution control system for preventive maintenance designed to keep the system running productively.

The data is validated by a competent person and reported through DoE's Online Environment Reporting (OER) System which is done by our staff who have acquired Certified Professional in Industrial Effluent Treatment System Operation (CePIETSO) and Certified Professional in Sewage Treatment Plant Operator (CePSTPO). Further environment monitoring was carried out by a selected third party accredited laboratory. We set high standard criteria for the laboratory as we expect a result of complete integrity.

Through MMHE Green Initiatives, water saving kit was installed throughout the offices and yard inside compatible water faucet to reduce water flow and saves water. Water saving kit is a button-like rubber with holes and has the ability to reduce water pressure inside water faucet. Water saving kit was introduced by Syarikat Air Johor (SAJ), a local government fresh water supplier as an initiative to promote water saving awareness among citizen. Our fresh water used data was verified by SAJ through SAJ water bill monthly.

2018
814,666m³
water consumed

→

2019
549,420m³
water consumed

The decrease in water consumption was contributed by the reduced number of vessels repaired under the Marine Business segment and water saving kit installed through MMHE Green Initiatives.

Year	2015	2016	2017	2018	2019
Volume of water consumption (m^3)	1,059,000 (approximate)	862,583	774, 219	814,666	549,420

Year	2017	2018	2019
Volume of water consumption (m^3) under Marine Business segment	774,219 (75 vessels of various sizes repaired)	814,666 (93 vessels of various sizes repaired	595,408 (77 vessels of various sizes repaired)

Effluent discharged by Industrial Effluent Treatment System (IETS)

Year	2015	2016	2017	2018	2019
Effluent discharged by Industrial Effluent Treatment System (m^3)	521.7	279.5	227.0	591.2	202.7

Quality : Effluent quality standard follows the Standard B, Fifth Schedule of Environment Quality (Industrial Effluent) Regulations 2009
Destination : Malaysian waters (Johor straits)

Resources and Waste Management

As a responsible organisation, we recognise our duties to care and preserve the environment reduce consumption of resources.

Waste Management

Waste management is one of the most pressing environmental issues at MHB. The large quantities of waste from our operations, financial and technical constraints make a significant environmental challenge for us. Our scheduled waste is partly hazardous and poses substantial threats to public health and the environment if not managed carefully. As gazetted in Environmental Quality Act 1974 under the Environmental Quality (Scheduled Wastes) Regulations 2005, any hazardous waste included in the First Schedule is considered as scheduled waste.

Our target is to fully implement as many industrial best practices as we can so that we can give positive impacts towards the environment. In 2018, we have successfully banned the use of polystyrene in the yard and as we can observe today, the utilisation of polystyrene is limited and close to zero.

This is in line with the 'Climate Change Challenge' theme for the Malaysia Environment Day 2019. Our focus, which is to eliminate the total use of plastics in our yard, may require time, money and a lot of effort but it will become a continuous agenda in our sustainability plan. The communications have been disseminated throughout the yard and awareness campaigns have started since 2017.

We do not only manage our scheduled waste in a safe manner, but we are also concern of the Management of our domestic wastes either non-recyclable or recyclable wastes. That was the initial stage of promoting our Green Initiatives – to encourage 3R amongst our yard community. It started by reducing waste and segregate wastes at source.

Year	2016	2017	2018	2019
Scheduled Waste – Landfill	1,366	672.67	13.87*	24.74
Scheduled Waste – Managed by other means	27,974	23,981	27,635	23,903.83
Non-scheduled Waste – Landfill	7,269	7,650.1	5,232	5,631
Non-scheduled Waste – Recycled	N/A	N/A	498.87	225.36
Total non-scheduled and scheduled waste to landfill (MT)	9,871.4	Scheduled waste – 672.67 Non-scheduled waste – 7,650.1	Scheduled waste – 13.87 Non-scheduled waste – 5,232	Scheduled waste – 24.74 Non-scheduled waste – 5,631

Non-hazardous waste

In 2019, as we have started promoting the 3R initiatives in our yard, we reported only 225.36 MT of recyclable wastes. Compared to the previous year, our recycled waste recorded was 498.87 MT. We promoted the reducing of waste element by removing all personal dust bin and started the segregation at source programme. Notably, 55% of recycled waste successfully being reduced.

The 7.08% increment of total non-hazardous waste to landfill from 2018 to 2019 was due to the increasing number of population which in 2019, total man-hours was 6.3% higher than in 2018.

Hazardous Waste

For hazardous wastes, estimated about 155.22 tonnes were disposed and 22,126.52 tonnes of hazardous wastes being recycled. Most of the hazardous wastes were generated from blasting on a painted surfaces activity. It contributed about 24,255.8 tonnes (almost 94.08% from total generated hazardous wastes) and were recycled to a cement manufacturing industry as an additive in their cement mixtures.

Spent Garnet

Spent Copper Slag and Spent Garnet, the highest hazardous wastes which 18,092.57 tonnes and 103.35 tonnes were generated respectively. They have been generated through blasting on painted surfaces activity. Both were generated and managed under Special Management of Scheduled Wastes in compliance to Environment Quality (Scheduled Wastes) Regulations 2005.

We have significantly improved in the Management of 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. Blasting and spray-painting activities are now carried out in enclosed workshops in a chamber equipped with dust extraction and a filtration system to reduce the release of dust into the environment.

We participate and collaborate actively with various government agencies and non-gorvernment organisation in reflecting our commitment for the environment. In reducing our wastes and resources used, we participate in DoE's initiative for cradle-to-cradle concept in managing hazardous waste. This is proved by the decreasing amount of hazardous waste to landfill for the past 5 years.

Other collaborations that were materialised in supporting the efforts were:

- Collaboration with Pahang Cement Sdn Bhd to use spent copper slag (hazardous waste) as additive in cement mixture.
- Collaboration with Yellow Bin, Malaysia based NGO, to collect recyclable items and send to recycle centre to reduce waste to landfill.
- Supply of spent blasting materials for local universities students' research (spent garnet).

Our significant investment in research and initiatives in reducing impacts of resources used is we supply spent blasting materials for local universities students' research on spent garnet.

Risk Management

A monthly monitoring programme to monitor environment performance was carried out throughout the year 2019. The programme was not only to ensure the risk or environmental impact generated from yard activities were in a control manner, but it was to safeguard the Company's interest by early detection of pollution not only from the internal but also from the external.

The aspects cover in the monitoring programme include marine water quality, surface water quality, sewage treatment plant discharged, independent toilets discharged, industrial effluent treatment plant discharged, air emission from stacks, ambient air and boundary noise monitoring. Environment monitoring was carried out by a selected third party accredited laboratory. We set a high standard criterion for the laboratory as we expected a result of complete integrity.

In compliance to the local government requirements and guidelines, performance monitoring for specific operational processes has been a routine for MHB since it was enforced. We are committed in ensuring that risks and opportunities were assessed thoroughly.

Resource Management

As part of our initiatives to continuously enhance our disclosures and provide reliable information to our stakeholders, we monitor the raw materials used in our operations. We aim to further improve our reporting in resource management in the next reports.

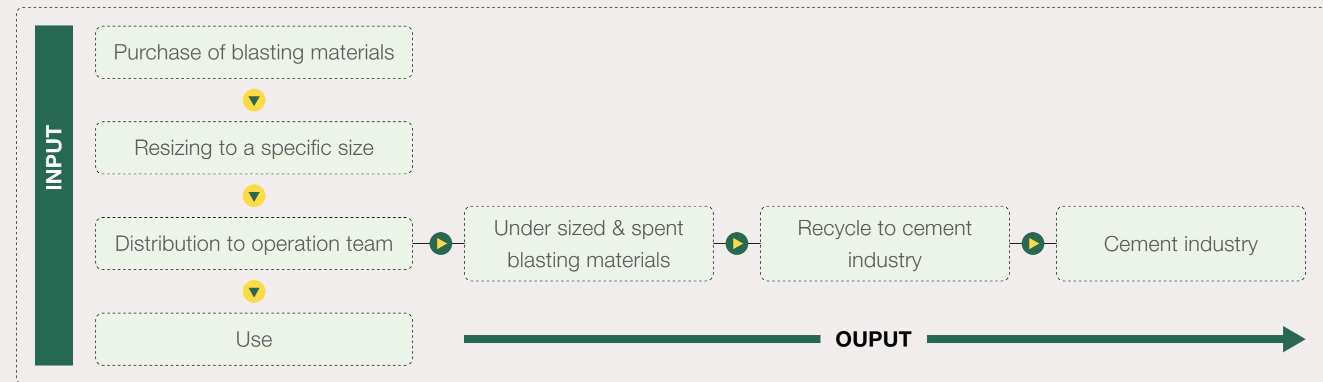
Sustainability Statement

Blasting Materials

Year	2017	2018	2019
Raw Copper Slag (tonnes)	20,454	28,000	20,000

Life Cycle Analysis

Life Cycle Analysis is used in planning the product design to reduce the impact to the environment by identifying raw material use and is the best option to be taken after it has been used.



CARING FOR OUR COMMUNITIES

Our community programmes focus on empowering communities, education, environment and charitable giving. Our activities are funded by profit from business operations, funds raised by employees and partnership with other parties. In 2019, we spent a total of RM136,562.00 on community programmes. Recognising the importance to contribute to the community we operate in, we started strategising our initiatives to be more sustainable and not only a one-time programme. We aim to conduct initiatives that can bring benefits to our community over the years and involve our employees as much as possible to instill volunteerism and the spirit of helping others. A total of 164 MHB employees volunteered for our Community Programmes, recording a total of 2,863 man-hours.

MHB Art of Science

Our Corporate Social Investment's (CSI) initiative programme called 'MHB Art of Science' was held on 18 and 19 November 2019 at MMHE West Pasir Gudang, Johor.

With the involvement and participation of 200 high school students from 3 local schools in Pasir Gudang, the programme, which started in 2013, aspires to stimulate youth interest in the science and technology disciplines by using marine and oil & gas projects as examples.

For this edition of 'MHB Art of Science', MHB engineers came forward to prepare and conduct the module of programme. They were also responsible to facilitate and guide the participants in managing their projects. The participants had the opportunity to gain new insights on the engineering, procurement, commissioning and construction of a project which are related to MHB's business activities.

Improvising on how we conduct this, the programme was organised in collaboration with the district education office, Pejabat Pendidikan Daerah Pasir Gudang (PPDPG). PPDPG recognised this programme as part of students' curriculum activities which enable students to collect merit (at the district level) for their extracurricular activities; Penilaian Akademik, Jasmani, Seni & Kesihatan (PAJSK).

In sustaining the success of this programme, 20 participants from each school who participated in 2019's programme will be selected to be trainers for the upcoming programme – MHB Art of Science 2020. They will assist MHB to train their juniors and share their knowledge and experience that they gained from MHB Art of Science 2019. Those trainers will attend series of refresher session to equip them with theory and practical skills related to teambuilding and workshop sessions.

Year	2015	2016	2017	2018	2019
Number of participants	122	104	79	190	200

MHB Go Green

With the recent air pollution issues that affected the community especially students around Pasir Gudang in 2019, the Department of Environment (DOE) under the direction of Ministry of Energy, Science, Technology, Environment and Climate Change (MESTECC) encouraged companies operating in Pasir Gudang to participate in adopting a school programme. MHB was assigned to adopt Sekolah Menengah Dato' Penggawa Timur and was required to provide gas detector to monitor air quality within the school compound.

23 October 2019 marked the introduction of MHB Go Green which was successfully launched together with the handover of gas detector at Sekolah Menengah Dato' Penggawa Timur. MHB Go Green is a refined environmental education sustainable development programme.

MHB took part in DoE's and MESTECC's initiative by **adopting Sekolah Menengah Dato' Penggawa Timur**

Handover of **gas detector** and **launching of MHB Go Green**

To ensure this programme benefits the school in a more sustainable manner, MHB together with its strategic partners namely PPDPG, Jabatan Alam Sekitar Johor, Ranhill-SAJ, S.W Corp and Asian Knights of Nature (AKON) are working on expanding the plan into a full-fledged environmental programme for the period of one year.

With the theme 'Towards a Sustainable Environment', the objectives of this one-year programme are to create awareness among the community on how to overcome current issues related to environment and be positive change makers as well as good community role models in practising green initiatives. The programme is also a part of the continuation from MMHE Green Initiatives which was implemented in our yard.

Several continuous activities have been lined up which focus on the issues related to air, water and waste management. PPD has given their approval towards this programme which will be recognised under the students' curriculum activities held every Wednesday of the week.

Participants of MHB Go Green will be exposed to hands-on learning on go green initiatives and tools to protect the environment. They will also participate in workshops on skills development in leadership, communications and project management.

Charitable Contributions

Donation Drive for the Needy Residents

Over the last 40 years, MHB has established a good rapport with the local community in Pasir Gudang through our longstanding outreach programme. We will continue to run Corporate Social Investment (CSI) activities to strengthen those ties and give back to the community we operate in.

MHB, through its subsidiary, MMHE donated foods, grocery items and cash to underprivileged families from 31 households in Kampung Pasir Putih and Kampung Kong Kong in Pasir Gudang, Johor.

From the donation drive which was held from 8 May until 21 May 2019, Corporate Communications Department managed to collect a total of RM15,000 from staff across the Company. The Company then topped up the staff's contribution on a ringgit for ringgit basis, making a grand total amount of RM30,000.

This annual CSI programme is yet another initiatives of the Company's giving back to the wider Pasir Gudang community in which it has an integral presence. This year's charity drive received very good response and support from MMHE employees as well as clients and subcontractors' workers within the yard. The Group has always encouraged its staff to make a difference by contributing their time and giving back to society, especially during special occasions like the holy month of Ramadan. Efforts such as this bring all within MMHE closer with members of the community where we operate.

MHB Free Market

For the first time ever, MHB organised a series of Free Market in Pasir Gudang, Johor in 2019. The first Free Market was conducted on 19 April 2019 in collaboration with Kementerian Pembangunan Wanita & Kebajikan Masyarakat (KPWKM). The term 'free market' describes a marketplace where you can shop for goods and services without having to pay a single cent. This gives a chance to the MHB staff to do charity by helping others in giving away new or pre-loved items that are still in good condition.

111 underprivileged families across Pasir Gudang were invited to this programme where they were able to choose necessity items such as clothes, kitchenware, bags, books and many more without having to pay for the items. The Free Market was aimed to help the families in easing their burden especially with the upcoming months of Ramadan and Syawal.

After the success of the first MHB Free Market on 19 April 2019, MHB Free Market was conducted again on 20 December 2019. With the theme 'All Things School', it was aimed to help underprivileged families who struggle to afford school items for their children. About 200 underprivileged students across Pasir Gudang were invited to this programme. The goods ranged from school uniform, study material, stationeries, lunch boxes and backpacks.

MHB staff did not only donated their new or pre-loved items, but they also contributed their time and energy, when 51 MHB staff volunteered towards the preparation of the progamme and on the event day itself.

Participants of the First Free Market
111 Underprivileged Families

Participants of the Second Free Market
200 Underprivileged Students

Board of Directors

Board of Directors

GENDER DIVERSITY

80%

20%

BOARD BALANCE AND COMPOSITION

4 Independent Non-Executive Director

1 Senior Independent Non-Executive Director

4 Non-Independent Non-Executive Director

1 Non-Independent Executive Director

TENURE

20% < 1 Year

30% 2-4 Years

50% > 5 Years

BOARD COMMITTEES MEMBERSHIP

BARC Board Audit and Risk Committee

NRC Nomination & Remuneration Committee

BBC Board Bid Committee

Datuk Nasarudin Md Idris

Chairman/ Independent Non-Executive Director

Age 64

Appointment Date

- 15 June 2010 – Chairman/ Non-Independent Non-Executive Director
- 23 February 2017 re-designated as Chairman/Independent Non-Executive Director

Other Commitments

Datuk Nasarudin currently serves on the boards of MISC Berhad and Bintulu Port Holdings Berhad.

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 Management College (Brunel University), United Kingdom. He also attended the Stanford Executive Programme at Stanford University, United States of America.

He joined PETRONAS in 1978 and has held various positions within the PETRONAS Group including; 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.

Dato' Halipah Esa

Independent Non-Executive Director

Age 70

Appointment Date

- 1 April 2007 – Non-Executive Director
- 29 October 2010 re-designated as Independent Non-Executive Director

Board Committees Membership

NRC Chairperson

BARC Member

Other Commitments

Currently, Dato' Halipah serves on the boards of Cagamas Berhad, S P Setia Berhad and Securities Industry Dispute Resolution Centre.

Qualification, Skills and Experience

Dato' Halipah received her Bachelor of Arts (Honours) Degree in Economics and Master of Economics from the University of Malaya. She also holds Certificate in Economic Management from the IMF Institute, Washington and the Kiel Institute for the World Economy, 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, education, 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.

Choy Khai Choon

Senior Independent Non-Executive Director

Age 62

Appointment Date

- 5 February 2013

Board Committees Membership

BARC Chairman

NRC Member

Other Commitments

Mr Choy is currently an Independent Non-Executive Chairman of Zurich Life Insurance (M) Berhad and serves on the boards of Zurich General Insurance Malaysia Berhad, Deutsche Bank (Malaysia) Berhad, RAM Rating Services Berhad, Zurich Takaful Malaysia Berhad, Hap Seng Plantations Holdings Berhad and Bond and Sukuk Information Platform Sdn Bhd.

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 had attended the General Management Programme at INSEAD, France over a period of two (2) years from 2001 to 2002. He is a fellow of the Certified Practicing Accountants Australia and a member of the Malaysian Institute of Accountants.

He has extensive experience in the financial sector and served as the President/Chief Executive Officer of Cagamas Berhad for six (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.

Board of Directors

Yong Nyan Choi @ Yong Guan Choi

Independent Non-Executive Director

Age 67

Appointment Date

- 14 January 2011

Board Committees Membership

BARC Member

BBC Member

Qualification, Skills and Experience

Mr Yong was awarded a Masters 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 Engineering Assistant at Public Works Department Sarawak, as Executive Engineer at Konsortium Malaysia, Kuching and joined 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.

Keith Taylor

Independent Non-Executive Director

Age 67

Appointment Date

- 1 June 2019

Board Committees Membership

BARC Member

BBC Member

Other Commitments

Mr Taylor is currently a Non-Executive Director of Offshore Decommissioning Services Ltd, United Kingdom and Semco Maritime A/S.

Qualification, Skills and Experience

Mr Keith Taylor graduated with a Higher National Certificate Business Studies in United Kingdom.

He has over 40 years of experience in the oil and gas industry, including 26 years of project and operational management. He has seen all management roles on projects including construction manager for two major projects in United Kingdom and Norway. He also have extensive procurement and contracting experience for all types of materials and equipment and forms of contract.

He was the Managing Director of Genesis Oil & Gas Consultants Ltd from 2004 to 2010. He was appointed as the Vice President Offshore Product Line & Technology Technip Group in July 2010 and served until September 2012. From September 2012 to December 2016, he held the position of Chief Operating Officer of Onshore and Offshore Technip Asia Pacific.

Board of Directors

Bernard Rene Francois Di Tullio

Non-Independent Non-Executive Director

Age 70

Appointment Date

- 22 November 2010

Board Committees Membership

BARC Member

BBC Member

Qualification, Skills and Experience

Mr Bernard 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 had been with the Technip Group for 39 years. He served 25 years in Technip Geoproduction (M) Sdn Bhd (TPGM) until his retirement in 2011. 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).

Yee Yang Chien

Non-Independent Non-Executive Director

Age 52

Appointment Date

- 1 April 2008

Other Commitments

Mr Yee is the President/Chief Executive Officer of MISC Berhad since 1 January 2015. He is a member of the Board of Directors of MISC Berhad. Mr Yee is also the Chairman and Board Member of various companies in the MISC Group.

Additionally, Mr Yee is a Director of the Members' Committee of The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited (UK P&I Club), a member of the Advisory Council of the Global Maritime Forum and a member of the Advisory Board of Lloyd's Register.

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 of Research and Evaluation of the Corporate Planning and Development Unit. He subsequently joined AET as the 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, enterprise risk management, budget development and special projects 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.

Syed Hashim Syed Abdullah

Non-Independent Non-Executive Director

Age 64

Appointment Date

- 1 January 2016

Board Committees Membership

BBC Chairman

NRC Member

Other Commitments

Tuan Syed Hashim sits as a board member in several subsidiaries and joint venture companies within the MISC Group.

Qualification, Skills and Experience

Tuan Syed Hashim graduated with a Diploma in Industrial Chemistry from the Institute Technology Mara. He had attended the Senior Management Development Program at INSEAD in 2004.

Tuan Syed Hashim is presently the Vice President, Offshore Business in MISC Berhad. Prior to his current position, he was the General Manager, Asset Management of Offshore Business since 1 December 2014. He has more than 30 years of experience in the upstream oil & gas industry business chain serving under various roles covering exploration, development and production. He has acquired not only in-depth technical knowledge, capability in operations, safety and project management but also management competencies in strategic planning, PSC Management, problem solving and decision making in addition to human resource development and management. He commenced his career in 1978 as Production Superior/Planner with Hewlett Packard Malaysia and left in 1982 to join PETRONAS Carigali Sdn Bhd (PCSB) as Production Specialist and was with PCSB until 2011 where his last position held was General Manager, JV Operations.

Emran Othman

Non-Independent Non-Executive Director

Age 52

Appointment Date

- 1 June 2019

Board Committee Membership

BARC Member

Other Commitments

Encik Emran sits as a board member in several subsidiaries within the PETRONAS Group.

Qualification, Skills and Experience

Encik Emran graduated with a Degree in Electrical Engineering from the University of Texas El Paso.

Encik Emran is presently the Vice President, Corporate Planning in MISC Berhad. Prior to his current position, he has held various positions in PETRONAS including as Head of Merger & Acquisition, General Manager, Business Development Unit and was also a Manager, Planning & Performance, Group Strategic Planning. He commenced his career as an Electrical Engineer in PETRONAS Carigali Sdn Bhd and his last position in PCSB was as a Business Planner, Strategic Planning Department.

Board of Directors

Wan Mashitah Wan Abdullah Sani

Managing Director & Chief Executive Officer/ Non-Independent Executive Director

Age 53

Appointment Date

- 1 January 2017

Other Commitments

Cik Wan Mashitah serves on the boards of several subsidiaries and jointly controlled entities within the MHB Group.

Qualification, Skills and Experience

Cik Wan Mashitah is an accountant by profession. She is a fellow of the Chartered Association of Certified Accountants (ACCA), United Kingdom and a member of the Malaysian Institute of Accountants (MIA).

Prior to joining the MISC Group, Cik Wan Mashitah was a professional accountant at Grant Thornton, Malaysia. She joined MISC Berhad in 2002 and has served in various capacities including; General Manager, Finance before being seconded to Malaysia Marine and Heavy Engineering Sdn Bhd and was subsequently appointed as the Chief Financial Officer of MHB on 30 June 2010. Cik Wan Mashitah was appointed as Acting Chief Executive Officer of MHB in May 2016 and assumed the position of Managing Director & Chief Executive Officer with effect from 1 January 2017.

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. Other than traffic offences, none of the Directors have convictions for offences within the past five years and any public sanctions or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.
3. The details of Directors' attendance at Board Meetings held in the financial year ended 31 December 2019 are set out in the Corporate Governance Overview Statement on page 91 of the Annual Report.

Management Committee Members

Wan Mashitah Wan Abdullah Sani

Managing Director & Chief Executive Officer/
Non-Independent Executive Director

Appointment Date	Age
1 January 2017	53 Years Old

Qualification, Skills and Experience

Cik Wan Mashitah is an accountant by profession. She is a fellow of the Chartered Association of Certified Accountants (ACCA), United Kingdom and a member of the Malaysian Institute of Accountants (MIA).

Prior to joining the MISC Group, Cik Wan Mashitah was a professional accountant at Grant Thornton, Malaysia. She joined MISC Berhad in 2002 and has served in various capacities including; General Manager, Finance before being seconded to Malaysia Marine and Heavy Engineering Sdn Bhd and was subsequently appointed as the Chief Financial Officer of MHB on 30 June 2010. Cik Wan Mashitah was appointed as Acting Chief Executive Officer of MHB in May 2016 and assumed the position of Managing Director & Chief Executive Officer with effect from 1 January 2017.

Other Commitments

Cik Wan Mashitah serves on the boards of several subsidiaries and jointly controlled entities within the MHB Group.

Ahmad Zaki Abd Malik

Chief Operating Officer

Appointment Date	Age
16 July 2016	58 Years Old

Qualification, Skills and Experience

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

Encik Ahmad Zaki joined MISC Berhad in December 2000 and has held various positions within MISC Berhad and his last position was General Manager, Maintenance of Fleet Management Services.

On 1 April 2010, he was appointed as the Senior General Manager, Operations of Malaysia Marine and Heavy Engineering Sdn Bhd and subsequently redesignated as Senior General Manager, Marine Repair Business Unit in April 2012. He served in this position up to his appointment as the Chief Operating Officer in July 2016.

Other Commitments

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

Ahmad Zakri Md Salleh

Chief Financial Officer

Appointment Date	Age
1 June 2019	40 Years Old

Qualification, Skills and Experience

Encik Ahmad Zakri graduated from the University of Melbourne, Australia with a Bachelor of Commerce degree majoring in Accounting and Finance. He is a member of the Chartered Accountants Australia and New Zealand (CA ANZ) and a Fellow of the Institute of Chartered Accountants in England & Wales (ICAEW). He is also a Chartered Financial Analyst (CFA) Charterholder.

He started his career in PwC's audit and assurance division and joined PETRONAS in 2004 as an Executive in Group Internal Audit. He went on to serve PETRONAS in various roles including in Corporate Strategic Planning, the Office of the President and as CFO of PETRONAS Australia Pty Ltd, a PETRONAS wholly-owned subsidiary involved in the multi-billion dollar GLNG Project in Queensland, Australia; a 7.8 million tonne per annum integrated unconventional coal seam gas to LNG export project in partnership with Santos, Total and Kogas. Prior to his current role, he was the Senior Manager, Business & Financial Planning and Performance for PETRONAS Dagangan Berhad (PDB), PETRONAS' public-listed principal marketing arm where he managed the Company's performance reporting, management accounting, plans and budgets.

Other Commitments

Encik Ahmad Zakri sits as a board member in several private companies within MHB Group, namely Malaysia Marine and Heavy Engineering Sdn Bhd, MMHE-TPGM Sdn Bhd, Technip MHB Hull Engineering Sdn Bhd and MMHE-ATB Sdn Bhd.

Ir. Hisham Haron

Senior General Manager, Marine Business

Appointment Date	Age
16 July 2016	53 Years Old

Qualification, Skills and Experience

Encik Hisham holds a Bachelor of Engineering Degree in Marine Engineering from State University of New York, Maritime College, Ft Schuyler, New York, USA. He is also registered as a Professional Engineer in Marine Engineering with the Board of Engineers Malaysia.

Encik Hisham has a wide span of experiences in the business of marine repair and conversion. He joined Malaysia Marine and Heavy Engineering Sdn Bhd in August 2005 as the Head of Division Planning, Marine Repair Division, and subsequently as the General Manager, Marine Repair and Conversion Division Division before taken up the position as General Manager, Commercial of Marine Repair Business Unit in June 2012.

Other Commitments

Encik Hisham sits as the Chief Executive Officer of MMHE LNG Sdn Bhd. He is also the President of Malaysian Offshore Contractors Association.

Stephane Denoun

Senior General Manager, Heavy Engineering Business

Appointment Date
1 January 2015

Age
52 Years Old

Qualification, Skills and Experience

Mr Denoun holds a Bachelor of Engineering (Honours) Degree in Mechanical Engineering from the Institut National des Sciences Appliquées de Toulouse, France. He has attended the Executive Management Programmes at ESSEC Business School, France and INSEAD, Singapore.

Mr Denoun has 28 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 has worked in South East Asia, West Africa, The Netherlands, The UAE, The USA, Colombia and Switzerland. Prior to joining 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.

Thierry Ravelet

Senior General Manager, Heavy Engineering Operations

Appointment Date
10 June 2019

Age
53 Years Old

Qualification, Skills and Experience

Mr Ravelet obtained a university degree of civil works and graduated as an engineer from the International School of Science and Data-Processing (EISTI) specialising in Operational Research. He also obtained Master of Operations Research from the Florida Institute of Technology.

Mr Ravelet worked with Saipem for over 27 years and has extensive international working experience in the oil and gas industry covering various roles within the organisation such as General Management, Project Management, Construction, Project Control, Estimating, Contract and Proposal. With the jobs assigned, he was posted to various countries, which among others include Malaysia, Australia, France, Indonesia, Nigeria, Angola, Congo.

Prior to joining the MHB Group, Mr Ravelet was the Deputy General Manager of Petromar (a Joint Venture of Saipem and Sonangol (Angolan Oil Company) based in Angola.

Management Committee Members

Ausmal Kardin

- Company Secretary

Appointment Date
30 June 2010

Age
49 Years Old

Qualification, Skills and Experience

Encik Ausmal holds a Bachelor's Degree in Law from the University of Wales, Aberystwyth, United Kingdom and is a licensed Company Secretary.

He started his career with MISC Berhad in 1994 and has 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 joined Malaysia Marine and Heavy Engineering Sdn Bhd as General Manager, Legal & Administration and was subsequently appointed as General Manager, Legal, Corporate Secretarial and Administration of the MHB Group on 30 June 2010 until 28 February 2015. On 1 March 2015, Encik Ausmal was appointed as the Senior General Manager, Legal, Corporate Secretarial Affairs and his position was redesignated as Senior General Manager, Legal, Corporate Secretarial Affairs and Human Resources on 1 May 2016 until 31 December 2019. On 1 January 2020, he was appointed as Vice President, Legal, Corporate Secretarial & Compliance of the parent company, MISC Berhad.

Other Commitments

At the Group level, Encik Ausmal is a board member of MMHE-TPGM Sdn Bhd and also the Company Secretary of the subsidiaries and jointly controlled entities within MHB.

Additional Information

1. None of the Management Committee members 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. Other than traffic offences, none of the Management Committee members have convictions for offences within the past five (5) years and any public sanctions or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

Corporate Governance Overview Statement

The Board of Directors of Malaysia Marine and Heavy Engineering Holdings Berhad ("Board") is committed to continually striving for the highest standard of corporate governance to be applied throughout Malaysia Marine and Heavy Engineering Holdings Berhad ("MHB" or "Company") and its subsidiaries/jointly controlled entities ("Group"). The Board recognises the importance of good corporate governance in building sustainable business and enhancing long term shareholders' value and protecting other stakeholders' interest.

This Corporate Governance Overview Statement ("CG Overview Statement") sets out the Group's corporate governance processes and practices applied during the financial year, in compliance with the requirements of corporate governance set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") and guided by the principles and recommendations set out in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") along with the Companies Act 2016 and Corporate Governance Guide (3rd Edition) issues by Bursa Malaysia.

This CG Overview Statement is to be read in conjunction with the Corporate Governance Report Card ("CG Report"), which is available online at **www.mhb.com.my**.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Charter

The Board's roles and responsibilities are documented in the Board Charter which reflects the corporate governance structure and practices of the MHB Group. The Charter also outlines, amongst others, the role of the Managing Director & Chief Executive Officer ("MD & CEO"), the role of the Company Secretary, Board processes, Board functions and Board development. In 2019, the Board Charter was reviewed to include the Gender Diversity Policy.

The Board Charter is available online in the Corporate Governance section on the Company's website at **www.mhb.com.my**.

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

2. Board Roles and Responsibilities

The main task of the Board is to oversee the overall strategy and business direction of the Group to assure the stakeholders 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, annual budget and performance reviews;
- major investments, expansions, divestments, funding proposals and diversification of business;
- major human resource issues vis-à-vis talent development;
- risk management;
- corporate governance practices.

Some of the key responsibilities of the Board are further elaborated below.

2.1 Strategic and Business Plan

The Board plays an active role in the development of the Company's strategies and business plan. A dedicated Special Board Meeting is held in the third quarter each year to consider the broad plans of the Company for growth and Management's proposed strategic initiatives covering short-term, medium-term and long-term scenarios. Based on the guiding parameters provided by the Board and inputs obtained from the External Environment Analysis, Management develops the Company's business plan and budget as well as scorecard for the next financial year which are presented to the Board at another Special Board Meeting held before the end of the year.

In the deliberations on the proposed business plans, budget and scorecard of the Company, the Board members will challenge Management's perspectives and assumptions applied in formulating the plan to ensure the best outcomes are achieved.

2.2 Sustainability Management

The Board places emphasis on the formulation of strategies to promote sustainable developments in areas covering health, safety and environment as well as social and economic progress. Further information on MHB's approach towards sustainability is provided in the Sustainability Statement on page 36 to 73 of the Annual Report.

2.3 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 100 to 107of the Annual Report.

2.4 Ethics and Compliance

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

In 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.

The Company had, on 27 June 2019 been certified with ISO 37001 : 2016 Anti-Bribery Management System by the Certification Panel of SIRIM QAS International Sdn Bhd. The Company has the necessary system and processes which are in accordance with the International Standard of the Anti-Bribery Management System.

The Board has established Compliance Department whose roles and responsibilities include:-

- compliance and ethics function;
- management of the Policies & Manual; and
- management of the ethical risk assessment.

Additional details on these codes and policies can be found in the Sustainability Statement on pages 36 to 41 of the Annual Report.

3. Board Composition

The Board currently consists of ten (10) Directors, all of whom are non-executive, except for the MD & CEO. Of the nine (9) non-executive Directors, five (5) are independent Directors, which exceeds the requirement for one-third (1/3) of the Board members to be independent as set out under the MMLR.

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 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 sustainability. Each Director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

Chairman and MD & CEO

As per recommendation under the MCCG 2017, 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.

Corporate Governance Overview Statement

Independent Non-Executive Directors

The Independent Non-Executive Directors ("INEDs") are independent of management and free from any business or other relationships that could materially interfere with their independent judgment in deliberating matters of the Board. MHB has adopted a policy with effect from 20 February 2019 that the INEDs will not exceed a cumulative term limit of nine (9) years. For the year under review, the INEDs have reaffirmed their independence based on the criteria on Independent Directors as provided under the MMLR.

Dato' Halipah Esa and Yong Nyan Choi @ Yong Guan Choi whose tenure as INEDs has reached 9 years on 28 October 2019 and 13 January 2020, respectively and therefore would retire at the 31st AGM under Rule 21.8 of the Constitution of the Company and not seeking for re-election.

The Non-Executive Directors ("NEDs") 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 Director shall notify the Chairman of the Board and the notification shall include an indication of time that will be spent on the new appointment. In accordance with the MMLR, none of the members of the Board holds more than five (5) directorships in listed companies.

Appointment

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

Re-election

The Company's Constitution provides that all Directors shall submit themselves for re-election at least every three (3) years in compliance with the MMLR. The Constitution of the Company 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 AGM of the Company and shall then retire and be eligible for re-election by the shareholders. On 21 February 2020, the Board approved the recommendation of the NRC on the NEDs who are standing for re-election at the forthcoming 31st AGM of the Company.

Board Diversity

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 two (2) female Directors on the Board. The Board had on 20 February 2019 approved a diversity policy for MHB that states among others the commitment to ensure the requisite diversity of our Board members, encompassing for example, age, ethnicity and gender and leveraging on differences in thought, perspective, knowledge, skill, regional and industry experience and background. These will provide the necessary perspectives, experience and expertise required to achieve effective stewardship and management of the Company by the Board.

The Board endeavors to meet its target of 30% women directors in line with the country's aspirational target of 30% representation of women directors.

The diversity policy which is embedded in the Board Charter can be accessed at **www.mhb.com.my**.

4. 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 2019, nine (9) 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.

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)	9 out of 9
Dato' Halipah Esa	9 out of 9
Choy Khai Choon	9 out of 9
Yong Nyan Choi @ Yong Guan Choi	9 out of 9
Keith Taylor (appointed on 1 June 2019)	5 out of 5
Bernard Rene Francois di Tullio	5 out of 9
Yee Yang Chien	9 out of 9
Syed Hashim Syed Abdullah	9 out of 9
Emran Othman (appointed on 1 June 2019)	5 out of 5
Rozainah Awang (retired on 11 April 2019)	2 out of 3
Wan Mashitah Wan Abdullah Sani	9 out of 9

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 within a reasonable period 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. The Directors have direct access to the Management and unrestricted access to any information relating to the Company and its Group in discharging their duties.

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' Chairman/Chairperson briefs 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 concern.

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

5. Directors' Training and Development

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 onging basis and the Company allocates a training budget to support the continuous development of the Directors. In addition, an in-house training programme on topics of relevance for the Directors based on the specific training needs of 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:-

Director	Training Attended	Organiser	Date
Datuk Nasarudin Md Idris	• MISC Group Directors' Training FY2019	MISC Berhad	26 June 2019
	• 2nd MISC Group Directors' Training FY2019	MISC Berhad	5 December 2019
Dato' Halipah Esa	• PNB Leadership Forum	Permodalan Nasional Berhad	5 March 2019
	• In-house Directors' Training: a. MACC Amendment Act b. Industrialised Building System	S P Setia Berhad	10 June 2019
	• PNB Leadership Forum – "Positive Autocracy: A Leadership Model for Industry 4.0"	Permodalan Nasional Berhad	25 June 2019
	• Building Intelligent Homes	REHDA Youth	16 July 2019
	• IIA Malaysia National Conference	The Institute of Internal Auditors of Malaysia	7-8 October 2019
	• ICDM International Directors Summit	Institute of Corporate Directors Malaysia	14-15 October 2019
	• The National Anti-Corruption Plan – Initiatives Affecting the SC's Affiliates	Security Commission	23 October 2019
	• PNB Corporate Summit 2019 – Rebooting Corporate Malaysia	Permodalan Nasional Berhad	30 October 2019
	• Leadership Energy Summit Asia 2019 – Blazing The Trail in the Open Source Era	ICLIF	5-6 November 2019
	• YTI Memorial Lecture – The Diverse Facets of Leadership	PNB Research Institute	18 November 2019
	• Setia Risk Forum 2019	S P Setia Berhad	22 November 2019
	• MISC Board of Directors Annual Training 2019	MISC Berhad	5 December 2019
Choy Khai Choon	• FIDE Forum Dinner Talk : Digital Assets Global Trends, Legal Requirements and Opportunities for Financial Institutions	FIDE FORUM	26 March 2019
	• MISC Group Directors' Training FY2019	MISC Berhad	26 June 2019
	• Directors Dialogue on Integrated Reporting	Malaysian Institute of Accountants	11 September 2019
	• 2nd MISC Group Directors' Training FY2019	MISC Berhad	5 December 2019
	• Introduction of Shariah & Takaful and Shariah Governance Framework		2019
Yong Nyan Choi @ Yong Guan Choi	• MISC Group Directors' Training FY2019	MISC Berhad	26 June 2019
	• 2nd MISC Group Directors' Training FY2019	MISC Berhad	5 December 2019
Bernard Rene Francois di Tullio	• MISC Group Directors' Training FY2019	MISC Berhad	26 June 2019
	• 2nd MISC Group Directors' Training FY2019	MISC Berhad	5 December 2019

Director	Training Attended	Organiser	Date
Yee Yang Chien	• MISC Group Directors' Training FY2019	MISC Berhad	26 June 2019
	• 2nd MISC Group Directors' Training FY2019	MISC Berhad	5 December 2019
Syed Hashim Syed Abdullah	• MISC Group Directors' Training FY2019	MISC Berhad	26 June 2019
	• Bursa Malaysia Diversity Xperience: The Board "Agender"	BURSA Malaysia	2 October 2019
	• 2nd MISC Group Directors' Training FY2019	MISC Berhad	5 December 2019
Emran Othman	• MISC Group Directors' Training FY2019	MISC Berhad	26 June 2019
	• Mandatory Accreditation Programme	The ICLIF Leadership and Governance Centre	23-24 July 2019
	• 2nd MISC Group Directors' Training FY2019	MISC Berhad	5 December 2019
Keith Taylor	• MISC Group Directors' Training FY2019	MISC Berhad	26 June 2019
	• Mandatory Accreditation Programme	The ICLIF Leadership and Governance Centre	23-24 September 2019
	• 2nd MISC Group Directors' Training FY2019	MISC Berhad	5 December 2019
Wan Mashitah Wan Abdullah Sani	• MISC Group Directors' Training FY2019	MISC Berhad	26 June 2019

6. Remuneration

The Company aims to set remuneration for Directors at levels which are sufficient to attract and retain persons of calibre to guide the Group, taking into consideration the workload and responsibilities involved.

The level of remuneration for NEDs reflects the level of responsibilities undertaken and contributions made by them. All payments of Directors' fees for executives of MISC with the positions of Vice Presidents and above are treated as management fees and are paid directly to MISC. As such, the Directors' fees and meeting attendance allowances for Mr Yee Yang Chien, Tuan Syed Hashim Syed Abdullah, Puan Rozainah Awang and Encik Emran Othman for the amount of RM473,167 were paid to MISC during the financial year ended 31 December 2019.

MHB's policy for remunerating its Directors is based on the PETRONAS Public Listed NEDs' Remuneration Guidelines and Package as stated below:-

No.	Description	Chairman	NED
1.	Monthly Fixed Fees	RM20,000/month	RM10,000/month
2.	Meeting Allowance: • Board Meeting • BARC Meeting • NRC Meeting • BBC Meeting	 RM3,500/meeting RM3,500/meeting RM3,500/meeting RM3,500/meeting	 RM3,500/meeting RM3,500/meeting RM3,500/meeting RM3,500/meeting
3.	Other Benefits	• Petrol for NEDs • Insurance coverage • Travelling and other claimable benefits	

With the exception of the MD & CEO, the remaining Directors are paid Directors' fees, meeting attendance allowances and other benefits which are subsequently approved by the shareholders at the AGM. For the financial year ended 31 December 2019, the breakdown of fees, meeting attendance allowances and other benefits 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)	Benefits (Petrol Allowance) (RM)	Total (RM)
Datuk Nasarudin Md Idris (Chairman)	240,000	31,500	-	-	271,500
Dato' Halipah Esa	120,000	31,500	42,000	6,000	199,500
Choy Khai Choon	120,000	31,500	42,000	6,000	199,500
Yong Nyan Choi @ Yong Guan Choi	120,000	28,000	24,500	6,000	178,500
Bernard Rene Francois di Tullio	120,000	17,500	3,500	6,000	147,000
Keith Taylor	70,000	17,500	17,500	-	105,000
*Yee Yang Chien	120,000	31,500	-	-	151,500
*Syed Hashim Syed Abdullah	120,000	31,500	21,000	-	172,500
*Emran Othman (appointed on 1 June 2019)	70,000	17,500	14,000	-	101,500
*Rozainah Awang (retired on 11 April 2019)	33,667	7,000	7,000	-	47,667
TOTAL	**1,133,667**	**245,000**	**171,500**	**24,000**	**1,574,167**

Amounts provided are before tax
* RM473,167 paid directly to MISC as management fees.

As an ED, the MD & CEO is not entitled to Directors' fee and meeting allowance as she is remunerated as a member of the Management. The MD & CEO's remuneration package comprised the following:-

i. Basic Salary
The basic salary for the ED was recommended by the NRC and approved by the Board and is fixed for the duration of her 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 allowances and a company car.

During the year under review, the MD & CEO of MHB received a remuneration of RM1,324,702.

7. Company Secretaries

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

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

On 26 April 2019, the Company appointed Puan Haniza Sabaran, a Fellow of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) as a Joint Company Secretary for MHB Group. This is to strengthen the Unit given the many company secretarial and accompanying activities within MHB Group. Both, Encik Ausmal and Puan Haniza are qualified to act as company secretaries under Section 235(2) of the Companies Act 2016. With effect from 1 January 2020, Encik Ausmal has now been appointed as the Vice President, Legal, Corporate Secretarial and Compliance of MISC Berhad, MHB's holding company. However, he remains the joint secretary for MHB Group whilst the Company is searching for a suitable candidate to head the Legal, Corporate Secretarial Affairs of MHB.

8. 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 MCCG 2017 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.

Nomination & Remuneration Committee

The Nomination & Remuneration Committee ("NRC") consists of three (3) members. The members of the NRC and their attendance at meetings held during the financial year ended 31 December 2019 are as follows:

Members	Position	No. of Meetings Attended
Dato' Halipah Esa *(Independent Non-Executive Director)*	Chairperson	5 out of 5
Choy Khai Choon *(Senior Independent Non-Executive Director)*	Member	5 out of 5
Syed Hashim Syed Abdullah *(Non-Independent Non-Executive Director)*	Member	5 out of 5

During the financial year ended 31 December 2019, the key activities carried out by the NRC are summarised as follows:

(i) The NRC had, at its sitting in February 2019, assessed the performance of the Company in respect of the financial year 2018 against the agreed scorecard and recommended the annual salary increment and and ex-gratia payment for the eligible employees of the MHB Group. However, the members of the Management Committee and the MD & CEO had voluntarily declined from taking neither salary increment nor ex-gratia payment;

(ii) The NRC had agreed to adopt the same methodology which had been applied in 2018 for the assessment of individual Directors. The assessment was performed by reflecting on the deliberations made pertaining to a selected topic which was of a strategic nature. The feedback obtained during the evaluation could be applied constructively towards improving the quality of contribution and interaction of each Board member which ultimately improves Board dynamics and effectiveness. An agenda had been dedicated at a Board Meeting for the conduct of the evaluation. The Chairman of the Board had led and moderated the performance evaluation based on a recommended set of questions and the evaluation results were recorded in the minutes accordingly;

(iii) The NRC had, on its meeting held in April 2019, deliberated and proposed to the Board on the MHB's salary positioning against market benchmarks;

(iv) The NRC endorsed the MHB FY2019 Corporate Scorecard, the re-election of Directors retiring by rotation and the remuneration for the Non-Executive Directors for shareholders' approval at the Company's Annual General Meeting held in April 2019;

(v) The NRC endorsed the appointments of INED; Mr Keith Taylor and NINED; Encik Emran Othman in April 2019;

(vi) The NRC had in April 2019 recommended to the Board, the engagement of external consultant; Institute of Corporate Directors Malaysia (ICDM) as facilitator for Board Performance Evaluation and assessment for FY2019;

(vii) Consistent with the PETRONAS Group, the NRC of MHB has also discussed on the renewal of Directors and Officers Liability Insurance for FY2019;

(viii) Throughout the year, the NRC had endorsed the appointments of Chief Financial Officer and Joint Company Secretary and the movement of key staff in MHB as part of the MISC Group Talent Development and Mobility Programme; and

(ix) The NRC also reviewed and recommended to the Board on the contract renewals and appointment of the Management Committee Members namely, Senior General Manager (SGM), Heavy Engineering Business Development; Mr Stephane Denoun and SGM, Heavy Engineering Operations; Mr Thierry Ravelet, in Quarter 1 FY2019 and SGM, Marine Repair Business; Encik Hisham Haron and Managing Director and Chief Executive Officer; Cik Wan Mashitah Wan Abdullah Sani in Quarter 4 FY2019.

The full TOR of the NRC is available online in the Corporate Governance Section on the Company's website at **www.mhb.com.my**.

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, which threshold will be reviewed by the Board periodically. 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.

The members of the BBC and their attendance at meetings held during the financial year ended 31 December 2019 are as follows:

Members	Position	No. of Meetings Attended
Syed Hashim Syed Abdullah *(Non-Independent Non-Executive Director)*	Chairperson	1 out of 1
Bernard Rene Francois di Tullio *(Non-Independent Non-Executive Director)*	Member	0 out of 1
Yong Nyan Choi @ Yong Guan Choi *(Independent Non-Executive Director)*	Member	1 out of 1
Keith Taylor *(Independent Non-Executive Director)* (Appointed on 1 June 2019)	Member	1 out of 1

PRINCIPLE B: EFFECTIVE RISK MANAGEMENT AND INTERNAL CONTROL

Board Audit and Risk Committee ("BARC")

The BARC was established to assists the Board in ensuring integrity of financial reporting and the existence of a sound internal control system within the Group. Its main responsibilities are to ensure that there are effective 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 BARC as well as the summary of its activities are as set out in the BARC Report on pages 108 to 110 of the Annual Report.

The full Terms of Reference ("TOR") of the BARC is available online in the Corporate Governance Section on the Company's website at **www.mhb.com.my**.

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 Letter form the Chairman and MD & CEO's Management Discussion & Analysis on the Group's business operations and performance in the Annual Report. The Board is assisted by the BARC to oversee the Group's financial reporting processes and the quality of its financial reporting.

(b) 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 BARC 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.

(c) 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 BARC 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 onging 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;

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

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

(viii) The BARC 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 BARC or Board has an interest and/or deemed interest in any particular RPT/RRPT, he or she shall declare his or her interest therein and will have to refrain from any deliberation and also abstain from voting and if necessary and as guided by the Chairman, leave the room during the discussion of the matter at the BARC 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; and

(xi) If the BARC 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 BARC has the discretion to request for additional procedures to be imposed on the RPTs/RRPTs.

The RRPTs entered into by the Group during the financial year ended 31 December 2019 are set out below:-

Nature of Transaction	Transacting Party	Related Party
a) Revenue - Provision of oil & gas engineering and construction	• PETRONAS Carigali Sdn Bhd • Carigali-PTTEPI Operating Co. Sdn Bhd • Vestigo Petroleum Sdn Bhd • PRPC Utilities and Facilities Sdn Bhd • PETRONAS Gas Berhad • PETRONAS Lubricants International Sdn Bhd • Malaysia Refining Company Snd Bhd	Petroliam Nasional Berhad ("PETRONAS")[1]
	• MISC Berhad ("MISC")	MISC[2]
b) Provision of dry docking and repairs of vessels	• MISC • Eaglestar Shipmanagement (L) Pte Ltd • Malaysia Vietnam Offshore Terminal (L) Ltd • Malaysia Offshore Floating Terminal	MISC[2]
c) Purchase of oil products from PETRONAS Group	• PETRONAS Dagangan Berhad • PETRONAS Smartpay Centre Sdn Bhd • Smartpay Collect Service • PETRONAS Lubricant Sdn Bhd	PETRONAS[1]
d) Provision of services/sale of equipment & materials	• PETRONAS Carigali Sdn Bhd • PETRONAS Technical Training Sdn Bhd • Industrial Gases Solutions Sdn Bhd • PETRONAS Management Training Sdn Bhd	PETRONAS[1]
	• MISC • Malaysian Maritime Academy	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.*

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

Communication with Stakeholders

Investor Relations

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.

Other than the forum of the AGM, the other medium 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 pages 112 and 113 of the Annual Report.

Annual General Meeting

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 at all general meetings.

In relation to the recommendation by MCCG 2017 on voting in absentia and remote shareholders' participation at general meetings, MHB will consider the recommendations subject to the availability of the technology and also its practically to the Company.

Integrated Reporting

MHB is moving forward towards adopting integrated reporting based on a globally recognized framework so as to improve the quality of information available to investors and to promote greater transparency and accountability on the part of the Company, in line with the MCCG 2017.

The adoption of integrated reporting has been implemented on a staggered basis starting from 2018 and certain sections of MHB Annual Report 2018 and 2019 have already been prepared based on the Integrated reporting framework.

This Corporate Governance overview statement is made in accordance with the resolution of the Board of Directors passed on 21 February 2020.

Statement on Risk Management and Internal Control

The Board is hereby pleased to provide the following statement which outlines the nature and scope of the risk management framework and internal control systems of the Group during the financial year ended 31 December 2019 and is committed to continuously improve them.

This statement is made in accordance with Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") which requires the board of directors of public companies to publish a statement about the state of internal control of the listed issuer as a Group.

Pursuant to the Malaysian Code on Corporate Governance 2017 ("MCCG 2017"), the Board of Directors ("the Board") is required to establish an effective risk management framework and internal control systems, and disclose in the annual report the main features, adequacy and effectiveness of it.

ACCOUNTABILITY OF THE BOARD

The Board recognises its principal responsibility in establishing an effective risk management framework and internal control systems, as manifested in MCCG 2017.

Accordingly, the Board has entrusted the responsibility of risk management oversight to the Board Audit and Risk Committee ("BARC"). The responsibilities of the BARC are outlined in pages 108 to 110 of this annual report. The BARC is supported by the Risk Council ("RC"). The Group has put in place a systematic risk management framework adopted from the PETRONAS Enterprise Risk Management ("ERM") Framework to identify, evaluate and manage the principal risks of the Group and implement appropriate internal control systems 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 risks 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 commensurate with the cost of risk mitigation.

RISK MANAGEMENT FRAMEWORK

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

The Management has leveraged on the PETRONAS ERM 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 risk management policy in identifying, assessing, treating 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, prevent harm to our people and avoid damage to the environment and property. The policy stresses the importance of protecting the interests of stakeholders and to comply with all statutory and legal requirements as well as effectively responding to crises.

  In the event of prolonged disruption, business continuity practices shall be adopted to restore and ensure continuity of key business activities.

- **Risk Governance Structure**

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

  The RC is chaired by the Managing Director & Chief Executive Officer ("MD & CEO") and consists of selected members of management. The RC is primarily responsible for driving the RMF and acts as the central platform for 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's interest,
  - Review and recommend frameworks and policies specifically to address risks inherent in all business operations and environment pertaining to the Group; and
  - To provide a reasonable assurance to the BARC that the Group's risks are being effectively managed.

The implementation of risk management activities is undertaken at the corporate, business and operation units/subsidiaries and also at the project level. Risk registers that capture identified risks to the Group are reviewed and monitored by the Risk Management Unit ("RMU") at regular intervals prior to escalation to the RC. Each appointed risk owner and risk champion owns the responsibility for risk management activities in their respective department/project to ensure consistent implementation of risk management processes across the Group.

The RC meets on a regular basis to assess and discuss risk management issues affecting the Group. Updates and reports are provided to the BARC for reporting to the Board on a quarterly basis.

RISK MANAGEMENT PROCESS

MHB's structured risk management process, which is aligned to the PETRONAS ERM Process Guideline and ISO 31000: 2010, ISO 9001: 2015 and ISO 14001: 2015, is as detailed below. The process is rolled out across the Group, and risk registers are established at the business, operation units/subsidiaries and at the project level. These risk registers are then analysed to identify the top risks (MHB Risk Profile) which could significantly impact the achievement of MHB strategies and objectives that may require Group wide initiatives to mitigate. Risk management processes require the identification of risks arising from internal and external factors, including but not limited to environmental risks. The risks are assessed in terms of likelihood and impact as well as to identify and evaluate the adequacy of mechanisms in place to manage risks.

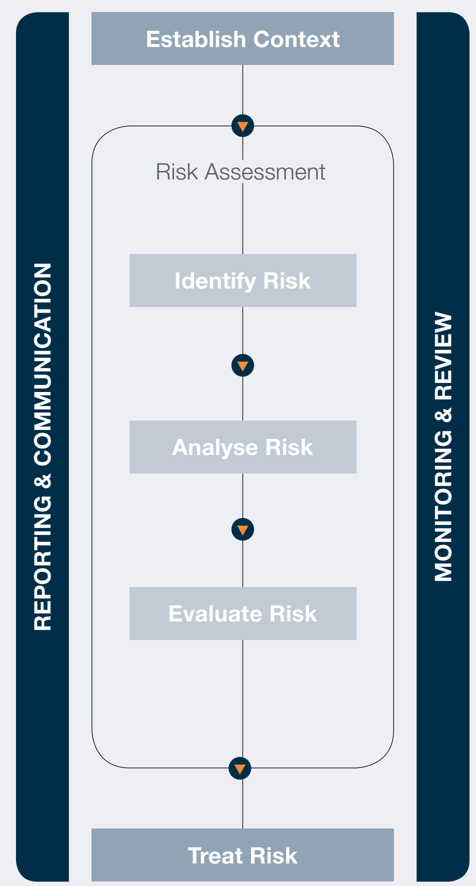


Diagram 1: ERM Processes

Establish Context
- Know your business and environment
- Establish strategic and organisational objectives by considering internal and external environment within which the risks are considered

Analyse Risk
- Consequences and likelihood are expressed and combined to determine level of risk that is consistent with the risk criteria
- Existing controls should be taken into account

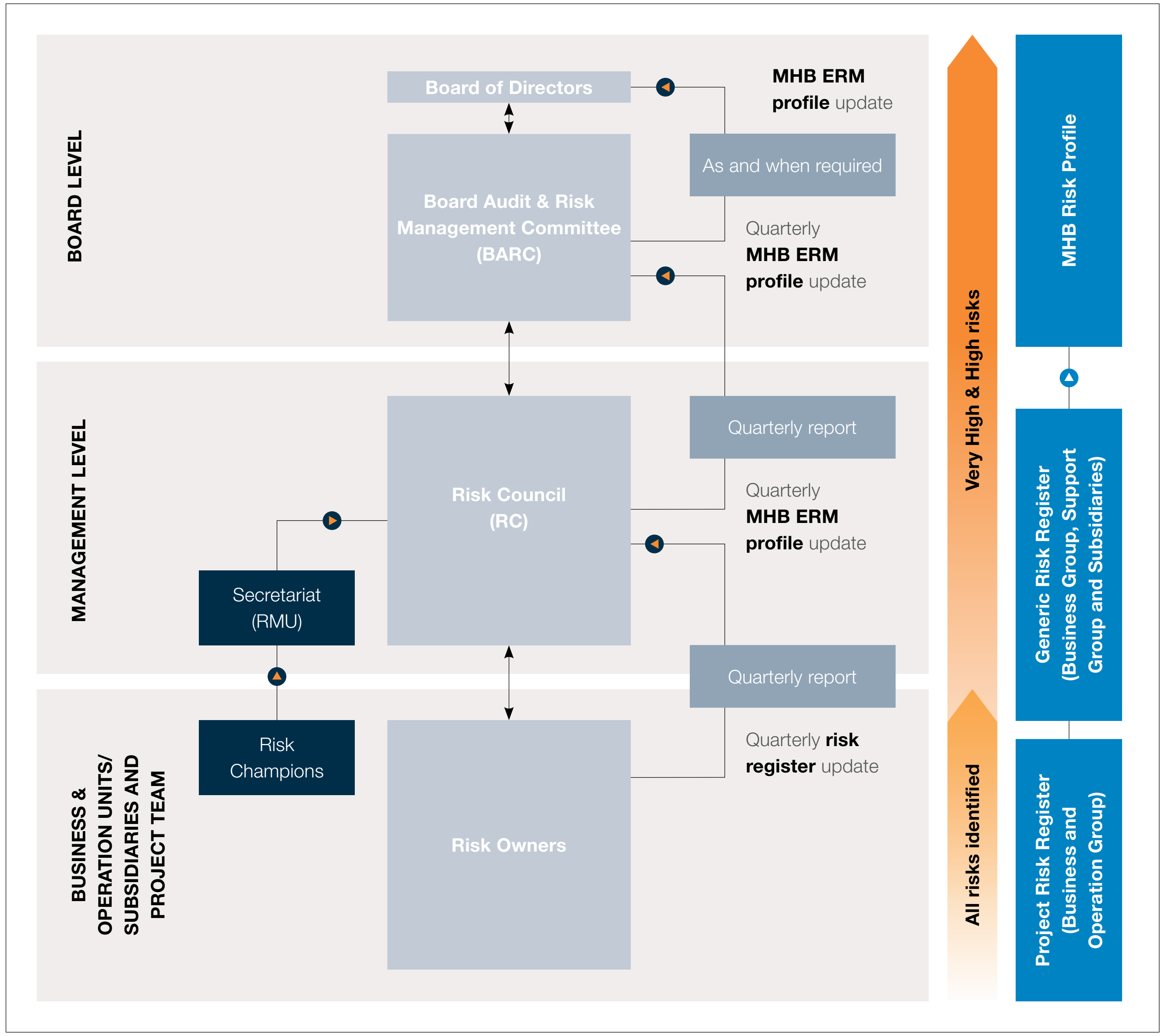
Evaluate Risk
- Analyse risk in terms of impact and probability and plot the risk using the risk matrix
- To assist in making decisions about which risks need treatment and the priority for treatment implementation

Treat Risk
- Identify mitigating controls to manage inherent risk to an acceptable residual risk level which is aligned with risk appetite
- There are 4 primary risk treatment options to be considered:
  Accept the risk by informed decision, **Avoid** the risk, **Reduce** the risk and **Transfer/Share** the risk with other parties
- The key mitigating control is recorded in the risk register and its effectiveness is assessed

Monitoring & Review
- Track the current status and changes in the risk register and perform a separate evaluation of the performance of the risk management system and changes that might affect it

Reporting & Communication
- Communicate and consult with internal and external stakeholders, as appropriate at each stage of the risk management process and concerning the process as a whole

Statement on Risk Management and Internal Control



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

- **ERM**

  The Board acknowledges the significance of managing key risk events to sustain the achievement of business objectives. RMU works closely with the business, operation units/subsidiaries and projects to reassess their respective risk profiles and address MHB's key risks.

  In addition, key risk indicators were reviewed and identified to monitor the movement of risks throughout the year, thus enabling the Management to act and take necessary measures in managing risks to ensure that strategic initiatives are implemented effectively, and business objectives are met.

Statement on Risk Management and Internal Control

- **Project Risk Assessment ("PRA")**

  PRA Guidelines are an extension of the MHB ERM Framework that describes the necessary steps to be taken to support implementation of risk management in projects. PRA on projects are conducted to identify the project risks in advance and implementing controls either to reduce or eliminate the risks.

PRA 1 PRE-QUALIFICATION/ BUDGETARY	PRA 2 BID PROPOSAL (ITB) SUBMISSION	PRA 3 PROJECT EXECUTION	PRA 4 LOAD OUT/OFFSHORE CAMPAIGN
Feasibility Risk Assessment	**Pre-Award Risk Register**	**Project Risk Register**	**Project Risk Register**
Purpose: To support assessment on feasibility of potential projects	**Purpose:** To identify risk & mitigation based on ITB information for BiAC's informed decision	**Purpose:** To identify detailed risk & mitigation post contract award and support readiness for project execution	**Purpose:** To identify detailed risk & mitigation for load out and (if applicable) support readiness for offshore campaign
Owner: Business Development	**Owner:** Commercial	**Owner:** PMT	**Owner:** PMT
When: Prior to Budgetary submission	**When:** Prior to bid submission	**When:** After LOI received	**When:** 70% construction progress or other suitable milestone
• Assessment is done on client credit risk rating, country risk rating, product complexity & internal capabilities/readiness	• Quantify top risks with cost/schedule impact & identify mitigation to be included in bid proposal • Summary of risk register to be presented to BiAC to support the approval decision on Bid Proposal prior to submission to client	• PRA 3 should be a continuity from PRA 2 by Commercial handing over Pre-Award Risk Register to PMT • PMT will trigger PRA 3 and CPRM will co-facilitate the risk assessment with involvement of related department • Summary of risk register to be presented to CAC to support the project execution strategy	• Focus risk area shall be readiness for load out and (if applicable) readiness for offshore campaign • Summary of risk register to be presented to COO or SGM HEO for informed decision making

BiAC – Bid Approval Committee
PMT – Project Management Team
CPRM – Corporate Planning and Risk Management
CAC – Contract Award Committee

- **Crisis Management**

  Crisis Management is an integrated process that aims to prepare the organisation to respond and manage crises in the risk areas, to protect people, environment, assets and reputation.

  A three-tiered response system provides the demarcation of roles and responsibilities between emergency site management, business, operation units/subsidiaries and projects, and internal/external response agencies and/or authorities.

- **Business Continuity Management**

  Business Continuity Management ("BCM") aims to build the capability of the Group to recover and continue the operations of critical business functions in the event of disruption.

  Business Continuity Planning ("BCP") was established through the BCM process to enhance the Group's preparedness to recover and restore businesses' critical functions within a reasonable period of time towards sustaining the Group's activities and minimising disruptions to stakeholders.

  Simulation exercises of test scenarios validate the effectiveness of recovery strategies, as well as maintain a high level of competence and readiness as identified in the BCP.

KEY PROCESSES OF THE GROUP'S INTERNAL CONTROL SYSTEMS

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

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

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

   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 incorporated in the audit reports. GIA monitors the status of implementation of these ACAs through the Quarterly Audit Status Report which are recorded and analysed. The consolidated reports are submitted and presented to the BARC for deliberation and endorsement on a quarterly basis.

   In addition, the BARC 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 execution and conduct of internal audit work are governed by the Internal Audit Charter which is approved by the BARC.

   GIA has also taken over the investigation role from the Security Department for security-related incidents occuring in the yard, of which results of the investigations are reported to the Management for further action.

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 of bid proposal proposed scope, proposed contract terms and conditions as well as proposed bid qualification clarifications. The **BiAC** will propose bid approach method and negotiation strategy for the 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 commensurate with the project risk. All **BiAC** members are Management Committee ("MC") members. In the event the value of the bid is above a certain threshold, the proposal shall be escalated to the **BBC** which comprise Non-Executive and Executive Directors. The BBC was set up to review, deliberate and recommend the bid proposal 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 pillars developed to focus on the importance of these shared values:

   - Loyalty – Loyal to the corporation
   - Integrity – Honest and upright
   - Professionalism – Strive for excellence
   - Cohesiveness – United, trust & respect for each other

   The importance of 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. Staff are required to strictly adhere to CoBE in performing their duties and in their interface and engagements with external parties and stakeholders.

   The Management recognises the importance of Leadership Development in ensuring the organisation has sufficient leaders in the future. The MHB Leadership Competencies and MHB Cultural Beliefs behaviours guide staff to better understand the MHB Leadership Philosophy, emphasising on Leadership Competencies and Cultural Beliefs behaviours to promote better internalisation.

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

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

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

   In pursuance of this policy and in adherence to all legislative and other requirements with the commitment to achieve continuous improvement, MHB will endeavour to:
   - Prevent all accidents, occupational diseases and fire,
   - Prevent damage to plant, equipment and property,
   - Protect and preserve the environment,
   - Implement a 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 the surrounding community; and
   - Put in place appropriate contingency measures to deal with emergencies, e.g. pandemic, severe environmental pollution, terrorist attacks, etc.

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

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 Ship and Port Facility Security Code (ISPS Code)** and the **Merchant Shipping (Amendment and Extension) Act 2007**.

OTHER SIGNIFICANT ELEMENTS OF THE GROUP'S INTERNAL CONTROL SYSTEMS

1. The Board reviews quarterly reports from Management on key operating performance, legal, environmental and regulatory matters. Financial performance is deliberated at the MC and tabled to the BARC 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 levels and other indicators such as the 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. Key performance indicators, including financial targets are reviewed by the Nomination and Remuneration Committee and the Board on half-yearly basis.

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

Statement on Risk Management and Internal Control

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.

To ensure the integrity of financial risk management, the Corporate Finance and Financial Risk Management Unit under Finance Division continues to monitor and ensure effective and robust execution of financial risk management through implementation of the **PETRONAS Corporate Financial Policy ("CFP")**. The CFP supports a consistent approach in financial risk management across the Group. The CFP is supplemented with Guidelines in the areas of Integrated Financial Shared Services Centre, Liquidity Management, Capital Structure and Financing, Cash Repatriation, Investment, Banking, Foreign Exchange Management, Credit, Asset Liability Management, Tax and Integrated Financial Risk Management.

5. The Group continues to monitor debt covenants on its external borrowings on a quarterly basis, to ensure compliance with the PETRONAS Debt Compliance Management reporting requirements.

6. **MHB Credit Committee ("MCC")** assumes an advisory role to MHB's Management on matters pertaining to credit risk management such as to proactively discuss, review and monitor MHB's credit risk exposure, make recommendations to Management on appropriate credit risk mitigation actions to minimise credit risk exposure and to review specific customer accounts and overall credit performance. The MCC convenes every month and is chaired by the Chief Financial Officer ("Chairman") or in his/her absence, any person appointed by the Chairman. The MCC comprises selected members of Management from different backgrounds to ensure robust quality of deliberation and review.

7. There is a clear procedure for **investment appraisal** for equity investment or divestment or major Capital Expenditure ("CAPEX")/investments. For major CAPEX/investments, a specific review will be conducted by a **Technical Review Committee** to deliberate the technical aspects and risks whilst the commercial feasibility of the expenditure/investment will be deliberated by Management during the MC meeting before submission to the Board for approval to implement.

8. **Contract Award Committee ("CAC")** is a review committee whose role is to ensure that overall contracting and purchasing strategy for new projects and CAPEX exceeding certain thresholds are conducted in an effective, transparent, and fair manner in the best interest of the Group. CAC members of multiple discipline provide balanced perspectives and views in defining the required contracting and purchasing strategies.

   The Group's Procurement Manual defines the overall principles, scope, functions, governance and operational procedures related to procurement activities within MHB. Facilitated by a Tender Secretariat, high value purchases undergo tendering activities to ensure an effective, transparent and fair procurement practices are performed by the Group. Tender Bid Evaluations, comprising technical and commercial appraisals, are reviewed by the Tender Committee prior to award by the Approving Authority, as defined in the LOA.

9. 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 promotion and developmental needs are discussed and agreed at **Management Development Committee** for Senior Managerial grade and above, whereas the upgrading and promotion for Managerial grade and below is performed by the **Executive Development Committee**.

   A structured Succession Planning framework was developed and implemented to monitor and manage the leadership pipeline in the Group. The Succession Planning framework takes into account the potential successor's performance track record, leadership capability and display of the MHB Cultural Beliefs. The Succession Planning framework also provides development plans to be mapped appropriately for each potential successor in order for them to be ready to assume critical positions as the opportunity arises. A special talent review session by the Management Development Committee is conducted bi-annually to assess and gauge the identified talent pool's suitability as well as their readiness level for the proposed Critical Position.

   To ensure that the organisation has the right competency and capability, a structured Functional Competency and Leadership Competency framework is applicable to all employees in the Company. The objective of the Functional Competency and Leadership Competency framework is to have a competent and capable workforce through a structured and holistic developmental process, which ultimately feeds into the talent pipeline for the Succession Planning framework. Through the framework, all employees are required to go through the functional and leadership competency assessment annually where they are assessed against the competency required for their role and at their job level respectively. Based on the competency gap identified from the assessment, employees are empowered to identify and propose suitable intervention plans to address their competency gap via one on one discussion with their supervisors.

   The Functional Competency and Leadership Competency framework, together with the Succession Planning framework, demonstrates the Group's commitment towards developing future leaders of MHB.

10. **Whistleblowing Committee ("WBC")** (formerly known as the **Integrity and Compliance Committee ("ICC")**) is an independent body to monitor and oversee the Anti-Bribery and Corruption ("ABC") functions by the Compliance Unit. The WBC is chaired by the Chief Financial Officer ("CFO") and consists of selected members of the Management. WBC is entrusted with risk management oversight and implementation of the CoBE and the ABC Manual adopted by the Group. Any integrity and compliance issues are to be tabled to WBC for deliberation and subsequently reported to BARC when necessary. Whistleblows involving Senior Management level are escalated to the BARC.

11. **Information Technology Steering Committee ("ITSC")** plays an important role to ensure the development of an Information Technology ("IT") strategic plan that is aligned with the organisation's business strategy and promotes the optimisation of resources, enhances IT value delivery and enables effective measurement of performance. The ITSC ensures the alignment of all IT initiatives across the organisation, reviews the status of major IT projects, prioritizes IT activities, and reviews and formulates recommendations on major IT investments and initiatives. The ITSC also evaluates, deliberates, endorses and recommends major initiatives/projects and IT strategic plans for approval in accordance with the MHB LOA. The ITSC which comprises selected members of Management meets quarterly or as and when the need arises and is chaired by the CFO.

12. 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 through 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 in the joint ventures.

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

REVIEW BY EXTERNAL AUDITORS

The external auditors, Messrs Ernst & Young, have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 December 2019, 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 21 February 2020.

Statement on Risk Management and Internal Control

Board Audit and Risk Committee Report

The Board of Directors of Malaysia Marine and Heavy Engineering Holdings Berhad is pleased to present the Board Audit and Risk Committee ("BARC" or "Committee"). Report for the year ended 31 December 2019.

COMPOSITION AND MEETINGS

The BARC consists of six (6) members, all of whom are Non-Executive Directors with four (4) being Independent Directors and two (2) are Non-Independent Directors.

The composition of the BARC complies with Paragraph 15.09(1) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). Mr Choy Khai Choon is a member of the Malaysian Institute of Accountants. Therefore, the requirement of Paragraph 15.09(1)(c) of the MMLR where at least one (1) member of the BARC must be a qualified accountant has been complied with. The Chairman of BARC, Mr Choy Khai Choon is also the Senior Independent Director.

During the financial year, seven (7) BARC meetings were held. The BARC members and the details of their attendance at the BARC meetings are as follows:-

Members	Designation	No. of Meeting Attended
Choy Khai Choon *(Senior Independent Non-Executive Director)*	Chairman	7 out of 7
Dato' Halipah Esa *(Independent Non-Executive Director)*	Member	7 out of 7
Yong Nyan Choi @ Yong Guan Choi (*Independent Non-Executive Director*)	Member	6 out of 7
Bernard Rene Francois di Tullio *(Non-Independent Non-Executive Director)*	Member	1 out of 7
Keith Taylor *(Independent Non-Executive Director)* Appointed on 1 June 2019	Member	4 out of 4
Emran Othman (Non-Independent Non-Executive Director) Appointed on 1 June 2019	Member	4 out of 4

SUMMARY OF WORK

In line with the Terms of Reference ("TOR") of the BARC, the following activities were carried out by the Committee during the financial year ended 31 December 2019:

(a) Financial and Annual Reporting

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

(b) Internal Audit

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

(c) External Audit

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

(d) Risk Management

- Received and reviewed quarterly reports from Management on key strategic and operational risks to ensure these were being managed effectively

(e) Related Party Transactions

- Reviewed the related party transaction and recurrent related party transaction entered into by the Group on a quarterly basis and ensure all transactions are carried out on arm's length basis
- Reviewed the Guideline on Related Party Transactions and Recurrent Related Party Transactions for MHB Group

(f) Other Activities

- Reviewed the Whistleblowing reporting and procedures
- Received Quarterly update on Whistleblowing cases summary from Compliance Unit

INTERNAL AUDIT FUNCTIONS AND ACTIVITIES

The BARC is supported by the MHB Group Internal Audit ("GIA") Division in the discharge of its duties through independent scheduled audits to ensure there are effective risk monitoring, internal controls, governance process and compliance procedures to provide the level of assurance required by the Board. GIA is headed by Encik Fairul Riza Ridzuan, the General Manager of GIA, who has a degree in Mechanical Engineering and supported by a team of fourteen (14) personnel.

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

In conducting their independent audits, GIA places emphasis on 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 the issues that may have arisen during such audits. Subsequently, the reports together with deliberations at the audit close out meetings are tabled at the BARC meetings for decisions.

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

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

1) Audit on MMHE Human Resource (HR): Talent Management and Development
2) Audit on MMHE Supply Chain Management (SCM): Strategic Sourcing and Expediting
3) Audit on MMHE Marine Operations (MO): Production and Operations Activities
4) Audit on MHB: Management of Related Party Transactions
5) Audit on MMHE Heavy Engineering Operations (HEO) & MO: Quality Assurance and Control (QA&C) Activities
6) Audit on MMHE Finance: Management of Cash, Fixed Assets and Inventories
7) Audit on MMHE Dry Dock 3: Project Management Activities
8) Audit on MMHE MO: Project Contract and Cost Control Management
9) Follow-up Audit on MMHE MO: Project Management
10) Follow-up Audit on MMHE HR: Talent Management and Development (Welder Qualification Test) and MMHE HEO & MO: QA&C Activities (Radiographic Testing)
11) Audit on MHB: Risk Management, Crisis Management and Business Continuity Management Activities
12) Audit on MMHE SCM: Procurement and Vendor Management
13) Audit on MMHE HEO: Bokor Project Management Activities

GIA had also performed four (4) special reviews during the financial year as requested by the BARC and Management. Among the key review exercises conducted involved investigation on irregularities in subcontractor claims and provision of Non-Yard Services.

During the year, GIA has taken over the investigation role from Security Department for security-related incidents occurring in the yard, which results of the investigations are reported to the Management for further action. For the three months period (October-December 2019), GIA has investigated 17 security cases out of total 48 cases investigated during the year.

The total cost incurred for the internal audit function for the financial year ended 31 December 2019 was RM 2.047 million.

BARC STATEMENT ON RECURRENT RELATED PARTY TRANSACTIONS (RRPTs)

The BARC has reviewed the RRPTs mentioned on page 98 & 99 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 BARC 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 statement is made in accordance with the resolution of the Board of Directors duly passed on 21 February 2020.

Directors' Responsibility Statement

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

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

In preparing the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019, the Directors have ensured that, the appropriate and relevant accounting policies were adopted and consistently applied, reasonable and prudent estimates were exercised and a going concern basis was adopted.

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

This statement is made in accordance with the resolution of the Board of Directors dated 21 February 2020.

Investor Relations Report

The financial period under review is a twelve-month period which ended on 31st December 2019. Throughout the year, MHB was fully committed to provide complete, transparent and timely information to the market about its business operations, its financial condition, strategies and prospects.

The objective is to convey a fair and accurate representation of MHB to the investment community and the rest of its stakeholders. This enables the investment community to make properly informed investment decisions and to foster better understanding on MHB businesses and its growth potential.

Our corporate website **www.mhb.com.my** is readily accessible and regularly updated with the latest information on MHB. The portal includes latest and historical quarterly results, Bursa Malaysia announcements, corporate presentations, press releases and other relevant corporate news and information. This enables simultaneous and instantaneous dissemination of information to the Company's investment community.

As part of our efforts to ensure continuous engagement with investment community, the Group's Investor Relations (IR) have used several communication channels throughout the year.

IR programmes highlights and initiatives are as follows:

IR programmes highlights and initiatives

Quarterly Result Announcements

- Timely disclosure of MHB quarterly results, corporate developments and all material announcements as required under Bursa Malaysia's Listing Requirements.

Analyst Briefings

- Conducted bi-annual analyst briefings co-chaired by MD & CEO and CFO following the disclosure of financial results to Bursa Malaysia.
- Respective sessions usually include the followings:
  - Comprehensive review of financial performance and operations by MD & CEO and CFO
  - Completed or delivered projects updates
  - Key strategies and initiatives
  - Q&A with analysts, fund managers and shareholders

Face-to-Face Engagements

- Maintained effective two-way communications with analysts, fund managers and shareholders throughout the year by way of:
  - Participation in investor conference
  - Regular one-on-one and small group sessions

Annual General Meeting

- Served as a platform for shareholders to share their feedback and to seek clarity on the Group's annual financial performance, business highlights, projects progress and strategic initiatives going forward, from MD & CEO and the Board of Directors

30th Annual General Meeting

11 April 2019, Sime Darby Convention Centre

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Shareholders and Proxies Attended

INVESTOR CONFERENCE

Date : 19 to 20 March 2019
Event : Invest Malaysia Kuala Lumpur 2019
Location : Shangri-La Hotel, Kuala Lumpur

ANALYST COVERAGE

11 **Coverage in 2019**

(2018: 12 Coverage)

QUARTERLY RESULTS AND BI-ANNUAL ANALYST BRIEFINGS

Results	Announcement Date	Briefing Date
Q4 FY2018	13 February 2019	13 February 2019
Q1 FY2019	26 April 2019	-
Q2 FY2019	2 August 2019	2 August 2019
Q3 FY2019	24 October 2019	-

CREDIT RATING

MARC has given rating of AA^{-}_{IS} with a stable outlook to MHB's Sukuk Murabahah Programme of up to RM1.0 billion.

FTSE4GOOD BURSA MALAYSIA INDEX

With improvement to the Company FTSE Russell ESG Rating, MHB remains a constituent of FTSE4Good Index Series following the June 2019 index review. FTSE Russell confirmed that MHB has been independently assessed according to the FTSE4Good criteria and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Launched in 2001, FTSE4Good Index Series is designed to measure the performance of companies in demonstrating strong Environmental, Social and Governance (ESG) practices.

MHB continued to report on the Company's ESG performance in 2019 to align with the growing investment community interest in MHB's commitment to good governance, contributions to society and efforts implemented to protect the environment. The Company remaining a constituent with improved position on the FTSE4Good Bursa Malaysia Index (the Index) in 2019 proves that better steps were taken by the Company to alleviate ESG performance. MHB values the investment community and other stakeholders' interest and thus strive to further improve positioning on the Index and ESG performance going forward.

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.

MATERIAL CONTRACTS

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

AUDIT AND NON-AUDIT FEES

The audit fees paid or payable to the external auditors, Messrs Ernst & Young (EY), for the services rendered to the Group and the Company for the financial year ended 31 December 2019 amounted to RM307,450.

The audit fees paid or payable to external auditors, EY, and their affiliated Companies for the services rendered to the Group for the financial year ended 31 December 2019 amounted to RM66,000.

Financial Statements

Directors' Report

DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and joint ventures are described in Notes 14 and 15 to the financial statements respectively. There have been no significant changes in the nature of the principal activities during the financial year.

HOLDING COMPANIES

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

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 14 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Loss for the year	(34,219)	(7,004)
Loss attributable to:		
Equity holders of the Company	(34,224)	(7,004)
Non-controlling interests	5	-
	(34,219)	(7,004)

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

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

DIRECTORS

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

Datuk Nasarudin bin Md Idris	
Dato' Halipah binti Esa	
Choy Khai Choon	
Yong Nyan Choi @ Yong Guan Choi	
Bernard Rene Francois di Tullio	
Yee Yang Chien	
Syed Hashim bin Syed Abdullah	
Wan Mashitah binti Wan Abdullah Sani	
Rozainah binti Awang	Retired on 11 April 2019
Emran bin Othman	Appointed on 01 June 2019
Keith Taylor	Appointed on 01 June 2019

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

Ahmad Zaki bin Abd Malik	
Noor Fadzil bin Mohamed Nor	Resigned on 31 January 2019
Mazli Zakuan bin Mohd Noor	Appointed on 31 January 2019
Suhaizak Abd Latif	Appointed on 15 May 2019
Idris bin Jaapar	Resigned on 01 August 2019
Mohamad Yusof bin Ahmad	Appointed on 03 September 2019
Ahmad Zakri bin Md Salleh	Appointed on 01 November 2019

RESERVES AND PROVISIONS

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

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	1 January 2019	Acquired	Sold	31 December 2019
The Company				
- Malaysia Marine and Heavy Engineering Holdings Berhad				
Direct				
Datuk Nasarudin bin Md Idris	10,000	-	-	10,000
Dato' Halipah binti Esa	10,000	-	-	10,000
Yong Nyan Choi @ Yong Guan Choi	20,000	-	-	20,000
Wan Mashitah binti Wan Abdullah Sani	4,000	-	-	4,000
Indirect				
Dato' Halipah binti Esa	10,000	-	-	10,000

	Number of ordinary shares			
	1 January 2019	Acquired	Sold	31 December 2019
Immediate holding company				
- MISC Berhad				
Direct				
Yong Nyan Choi @ Yong Guan Choi	10,000	-	-	10,000
Indirect				
Dato' Halipah binti Esa	10,000	-	-	10,000

	Number of ordinary shares			
	1 January 2019	Acquired	Sold	31 December 2019
Fellow subsidiary				
- PETRONAS Gas Berhad				
Direct				
Datuk Nasarudin bin Md Idris	3,000	-	-	3,000

DIRECTORS' INTERESTS (CONT'D.)

	Number of ordinary shares stapled with KLCC Real Estate Investment Trust Units (Stapled Securities)			
	1 January 2019	Acquired	Sold	31 December 2019
Fellow subsidiary				
- KLCC Property Holdings Berhad				
Direct				
Datuk Nasarudin bin Md Idris	5,000	-	-	5,000

	Number of ordinary shares			
	1 January 2019	Acquired	Sold	31 December 2019
Fellow subsidiary				
- PETRONAS Chemicals Group Berhad				
Direct				
Datuk Nasarudin bin Md Idris	10,000	-	-	10,000
Dato' Halipah binti Esa	10,000	-	-	10,000
Indirect				
Dato' Halipah binti Esa	13,100	-	-	13,100

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.

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 acquiring shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of remunerations received or due and receivable by the directors or fixed salary of full-time employees of the Company and other related companies as disclosed in Note 8 to the financial statements) by reason of a contract made by the Company or a related company with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

INDEMNITY AND INSURANCE COSTS

During the financial year, PETRONAS and its subsidiaries (hereinafter referred to as "PETRONAS Group"), including the Company, maintained a Directors' and Officers' Liability Insurance in accordance with Section 289 of the Companies Act, 2016. The total insured limit for the Directors and Officers Liability Insurance effected for the Directors and Officers of the PETRONAS Group is RM1,290 million per occurrence and in the aggregate. The insurance premium for the Group is RM2,650 (2018: RM4,386).

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

OTHER STATUTORY INFORMATION

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

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision had 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) the amount written off for 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.

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

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

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

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

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

OTHER STATUTORY INFORMATION (CONT'D.)

(f) In the opinion of the directors:

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

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

AUDITORS

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

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 21 February 2020.

Datuk Nasarudin bin Md Idris **Wan Mashitah binti Wan Abdullah Sani**

Statement by Directors

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

We, Datuk Nasarudin bin Md Idris and Wan Mashitah binti Wan Abdullah Sani, 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 128 to 201 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 21 February 2020.

Datuk Nasarudin bin Md Idris

Wan Mashitah binti Wan Abdullah Sani

Statutory Declaration

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

I, Ahmad Zakri bin Md Salleh, being the officer primarily responsible for the financial management of Malaysia Marine and Heavy Engineering Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 128 to 201 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Ahmad Zakri bin Md Salleh
at Kuala Lumpur in the Federal Territory
on 21 February 2020.

Ahmad Zakri bin Md Salleh

Before me,

Independent Auditors' Report

To the members of Malaysia Marine and Heavy Engineering Holdings Berhad
(Incorporated in Malaysia)

Opinion

We have audited the financial statements of Malaysia Marine and Heavy Engineering Holdings Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 128 to 201.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key Audit Matters

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

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

Independent Auditors' Report

To the members of Malaysia Marine and Heavy Engineering Holdings Berhad
(Incorporated in Malaysia)

Key Audit Matters (cont'd.)

Key audit matters	How we addressed the key audit matters
Impairment of non-current assets *(Refer to Note 12 – Property, plant and equipment and Note 13 – Right-of-use assets)* The Group is required to perform an impairment test on cash generating units ("CGUs") whenever there is an indication that the CGU may be impaired. The carrying amount of the Group's net assets exceeded its market capitalisation, thereby indicating potential impairment of the Group's non-current assets. Accordingly, the Group estimated the recoverable amount of the property, plant and equipment and right-of-use assets using the value-in-use method based on cash flow projections derived from budgets approved by the Board covering a five-year period including terminal value. Estimating the value-in-use involves estimating the future cash inflows and outflows and discounting them at an appropriate discount rate. This impairment review was significant to our audit because the assessment process was complex and was based on assumptions that were highly judgmental.	Our audit procedures included, among others, evaluating the assumptions and methodologies used by the Group, in particular those relating to the discount rate and projected cash flows for the CGU. The areas that involved significant audit effort and judgment were the assessment of the probability of securing future revenue contracts, possible variations in the amount and timing of cash flows and the determination of an appropriate discount rate. Our procedures to assess management's impairment testing included the following: (a) enquired with business development teams to obtain an understanding of the status of negotiations and the likelihood of securing revenue contracts above our testing threshold, including timing of commencement and expected value of those contracts; (b) evaluated the reasonableness of the estimated profits to be derived from those revenue contracts above our testing threshold by comparing the estimated profits with the actual margins achieved by the Group in previous years; and (c) assessed the appropriateness of the discount rate used to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset. In addition, we also evaluated the adequacy of the Group's disclosures of each key assumption on which the Group has based its cash flow projections and to which the CGU's recoverable amount is most sensitive, as disclosed in Note 12 to the financial statements.

Independent Auditors' Report

To the members of Malaysia Marine and Heavy Engineering Holdings Berhad
(Incorporated in Malaysia)

Key Audit Matters (cont'd.)

Key audit matters	How we addressed the key audit matters
Recognition of revenue and cost of construction and marine projects – *(Refer to Note 4 – Revenue and Note 19 – Amount due from/(to) customers on contracts)* The Group's revenues and profits are derived from long-term construction and marine projects which span more than one accounting period. The Group uses the percentage-of-completion (**"**POC**"**) method in accounting for the revenue of these long-terms contracts. The stage of completion is measured by reference to the physical completion of the contracts. Cost is recognised based on actual cost incurred to date. We focused on this area because management applies significant judgement and estimates in determining the stage of physical completion in respect of heavy engineering and marine projects and in estimating total estimated project costs.	In addressing this area of audit focus, we obtained an understanding of the relevant internal controls over the accuracy and timing of revenue and cost recognised in the financial statements, including controls performed by the Management in estimating total project costs, profit margin and percentage-of-completion ("POC") of projects. In addition, we also performed the following: (a) read all key contracts to obtain an understanding of the specific terms and conditions; (b) agreed contract revenue to the original signed customer contracts and/or approved variations orders; (c) reviewed management meeting minutes to obtain an understanding of the performance and status for the projects above our testing threshold; (d) reviewed management's budgeted project costs to ensure adequacy of costs to complete; (e) assessed the reasonableness of assumptions applied in the determination of percentage-of-completion based on supporting evidence such as engineers' reports in relation to marine projects and signed progress reports by third party for heavy engineering projects; (f) considered the historical accuracy of management's budgeted project margins in assessing the reasonableness of estimated margins of similar projects; (g) assessed and ensured that actual project costs were appropriately accrued and supported by documentary evidences, such as work completion reports and material acceptance certificates, which represent activities performed to date; (h) reperformed the calculations of the revenue based on the POC method and where applicable, considered the implications of any changes in estimates; and (i) evaluated the presentation and disclosures of construction contracts in the financial statements, including significant accounting policies.

Independent Auditors' Report

To the members of Malaysia Marine and Heavy Engineering Holdings Berhad
(Incorporated in Malaysia)

Information Other than the Financial Statements and Auditor's Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Group's 2019 Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon. The Group's 2019 Annual Report is expected to be made available to us after the date of this auditors' report.

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

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

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

Responsibilities of the directors for the financial statements

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal controls.

Independent Auditors' Report

To the members of Malaysia Marine and Heavy Engineering Holdings Berhad
(Incorporated in Malaysia)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D.)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

OTHER MATTERS

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

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

Kuala Lumpur, Malaysia
21 February 2020

Ismed Darwis Bahatiar
No. 02921/04/2020 J
Chartered Accountant

Statements of Comprehensive Income

For the financial year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue	4	1,009,541	974,354	-	48,000
Cost of sales		(874,843)	(916,760)	-	-
Gross profit		134,698	57,594	-	48,000
Other operating income	5	30,787	46,301	3,073	3,151
Selling and distribution expenses		(2,001)	(2,361)	-	(7)
Administrative expenses		(159,730)	(164,758)	(9,106)	(10,185)
Other operating expenses		(44,865)	(62,969)	(874)	(95)
Finance costs		-	(920)	(97)	(920)
Share of results of joint ventures		1,348	3,005	-	-
(Loss)/Profit before taxation	6	(39,763)	(124,108)	(7,004)	39,944
Taxation	9	5,544	(56)	-	-
(Loss)/Profit for the year		(34,219)	(124,164)	(7,004)	39,944
Other comprehensive loss:					
Items that may be reclassified subsequently to profit or loss					
Fair value loss on cash flow hedges	22	(1,560)	-	-	-
Total comprehensive (loss)/income for the year		(35,779)	(124,164)	(7,004)	39,944
(Loss)/Profit attributable to:					
Equity holders of the Company		(34,224)	(122,692)	(7,004)	39,944
Non-controlling interests		5	(1,472)	-	-
		(34,219)	(124,164)	(7,004)	39,944
Total comprehensive (loss)/income attributable to:					
Equity holders of the Company		(35,784)	(122,692)	(7,004)	39,944
Non-controlling interests		5	(1,472)	-	-
		(35,779)	(124,164)	(7,004)	39,944
Loss per share attributable to equity holders of the Company (sen per share)					
Basic	10	(2.14)	(7.67)		
Diluted	10	(2.14)	(7.67)		

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

Statements of Financial Position

As at 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	1,704,460	1,595,204	-	-
Right-of-use assets	13	228,002	209,258	4,083	-
Investment in subsidiaries	14	-	-	1,608,205	1,608,205
Investment in joint ventures	15	9,099	7,751	-	-
Deferred tax assets	17	93,293	93,293	-	-
		2,034,854	1,905,506	1,612,288	1,608,205
Current assets					
Inventories, at cost		4,356	5,646	-	-
Trade and other receivables	18	504,102	647,980	2,463	1,388
Tax recoverable		751	20,517	817	8,334
Cash and bank balances	20	673,914	601,544	94,057	94,402
		1,183,123	1,275,687	97,337	104,124
Total assets		3,217,977	3,181,193	1,709,625	1,712,329
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	21	1,618,263	1,618,263	1,618,263	1,618,263
Cash flow hedge reserve	22	(1,560)	-	-	-
Retained earnings		755,565	788,808	70,734	77,738
		2,372,268	2,407,071	1,688,997	1,696,001
Non-controlling interests		9,170	(259)	-	-
Total equity		2,381,438	2,406,812	1,688,997	1,696,001
Non-current liabilities					
Borrowing	24	178,871	48,354	-	-
Lease liabilities	13	8,600	-	2,528	-
		187,471	48,354	2,528	-
Current liabilities					
Trade and other payables	23	645,503	726,027	16,502	16,328
Lease liabilities	13	2,005	-	1,598	-
Derivatives	26	1,560	-	-	-
		649,068	726,027	18,100	16,328
Total liabilities		836,539	774,381	20,628	16,328
Total equity and liabilities		3,217,977	3,181,193	1,709,625	1,712,329

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 2019

	Attributable to equity holders of the Company					
	Share capital (Note 21) RM'000	Distributable retained earnings RM'000	Cash flow hedge reserve RM '000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2019	1,618,263	788,808	-	2,407,071	(259)	2,406,812
Effect of the adoption of pronouncements (Note 2.3(a))	-	981	-	981	424	1,405
At 1 January 2019, restated	1,618,263	789,789	-	2,408,052	165	2,408,217
Arising from increase in investment in subsidiary	-	-	-	-	9,000	9,000
Total comprehensive (loss)/income	-	(34,224)	(1,560)	(35,784)	5	(35,779)
At 31 December 2019	1,618,263	755,565	(1,560)	2,372,268	9,170	2,381,438

	Attributable to equity holders of the Company				
	Share capital (Note 21) RM'000	Distributable retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2018	1,618,263	959,500	2,577,763	1,213	2,578,976
Total comprehensive loss	-	(122,692)	(122,692)	(1,472)	(124,164)
Dividends paid to equity holders of the Company	-	(48,000)	(48,000)	-	(48,000)
At 31 December 2018	1,618,263	788,808	2,407,071	(259)	2,406,812

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 2019

	Share capital (Note21) RM'000	Distributable retained earnings RM'000	Total equity RM'000
At 1 January 2019	1,618,263	77,738	1,696,001
Total comprehensive loss	-	(7,004)	(7,004)
At 31 December 2019	1,618,263	70,734	1,688,997
At 1 January 2018	1,618,263	85,794	1,704,057
Total comprehensive income	-	39,944	39,944
Dividends paid to equity holders of the Company	-	(48,000)	(48,000)
At 31 December 2018	1,618,263	77,738	1,696,001

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 2019

	Group	
	2019 RM'000	2018 RM'000
Cash flows from operating activities		
Loss before taxation	(39,763)	(124,108)
Adjustments for:		
Property, plant and equipment		
- Depreciation	74,357	77,685
- Write-offs	108	4,174
Amortisation of right-of-use assets	8,725	7,095
Allowance for impairment loss of trade and other receivables	4,871	5,738
Bad debt written off	-	10,426
Interest income	(17,850)	(15,267)
Interest expense	-	920
Net unrealised loss/(gain) on foreign exchange	6,585	(8,427)
Share of results of joint ventures	(1,348)	(3,005)
Operating profit/(loss) before working capital changes	35,685	(44,769)
Inventories	1,290	(3,247)
Trade and other receivables	133,091	186,226
Trade and other payables	(74,334)	(75,858)
Movement in intercompany balances	2,141	181
Cash generated from operations	97,873	62,533
Tax refund	25,938	291
Tax paid	(628)	-
Net cash generated from operating activities	123,183	62,824
Cash flows from investing activities		
Purchase of property, plant and equipment	(178,380)	(151,869)
Purchase of land use rights	(14,300)	-
Interest received	17,850	15,267
Net cash used in investing activities	(174,830)	(136,602)

	Group	
	2019 RM'000	2018 RM'000
Cash flows from financing activities		
Dividends paid to equity holders of the Company	-	(48,000)
Net drawdown on long term borrowings	130,517	48,354
Interest paid on borrowings	(4,824)	-
Interest paid on lease liabilities	(517)	-
Payment of principal portion of lease liabilities	(1,159)	-
Cash pledged with the bank – restricted	-	(12,182)
Net cash generated from/(used in) financing activities	124,017	(11,828)
Net change in cash and cash equivalents	72,370	(85,606)
Cash and cash equivalents at beginning of the year	589,362	674,968
Cash and cash equivalents at end of the year	661,732	589,362
Cash and cash equivalents at the end of the year comprise the following:		
Cash at banks and in hand (Note 20)	85,359	61,204
IFSSC bank balance (Note 20)	567,526	523,311
Deposits with licensed banks (Note 20)	21,029	17,029
	673,914	601,544
Less: Cash pledged with the bank – restricted	(12,182)	(12,182)
	661,732	589,362

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 2019

	Company	
	2019 RM'000	2018 RM'000
Cash flows from operating activities		
(Loss)/Profit before taxation	(7,004)	39,944
Adjustments for:		
Right-of-use assets		
- Depreciation	816	-
Interest income	(3,059)	(3,119)
Dividend income	-	(48,000)
Interest expense	97	920
Operating loss before working capital changes	(9,150)	(10,255)
Trade and other receivables	(543)	(150)
Trade and other payables	530	(130)
Movement in intercompany balances	(888)	633
Cash used in operations	(10,051)	(9,902)
Tax refund	7,517	-
Net cash used in operating activities	(2,534)	(9,902)
Cash flows from investing activities		
Interest received	3,059	3,119
Dividend income received	-	48,000
Net cash generated from investing activities	3,059	51,119
Cash flows from financing activities		
Dividend paid to equity holders of the Company	-	(48,000)
Interest paid on borrowings	-	(920)
Interest paid on lease liabilities	(97)	-
Payment of principal portion of lease liabilities	(773)	-
Net cash used in financing activities	(870)	(48,920)
Net change in cash and cash equivalents	(345)	(7,703)
Cash and cash equivalents at beginning of the year	94,402	102,105
Cash and cash equivalents at end of the year	94,057	94,402
Cash and cash equivalents at the end of the year comprise the following:		
Cash at banks and in hand (Note 20)	2,188	57
IFSSC bank balance (Note 20)	91,840	94,316
Deposits with licensed banks (Note 20)	29	29
	94,057	94,402

Statement of Cash Flows
For the financial year ended 31 December 2019

Changes in liabilities arising from financing activities:

	Group RM'000	Company RM'000
Total borrowing		
At 1 January 2019	48,354	-
Net drawdown of bank borrowings	130,517	-
At 31 December 2019 (Note 24)	178,871	-
At 31 January 2018	-	-
Net drawdown of bank borrowings	48,354	-
As at 31 December 2018 (Note 24)	48,354	-

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 2019

1. CORPORATE INFORMATION

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

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

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and joint ventures are described in Note 14 and Note 15 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 21 February 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

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

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

The Group and the Company had, as of 1 January 2019, adopted new and amended MFRSs (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described in Note 2.3.

2.2 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(ii) Basis of consolidation

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

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

Business combinations

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

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

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

Non-controlling interests

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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

Non-controlling interests (cont'd.)

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

Loss of control

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

(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. Meanwhile, a joint arrangement is classified as a joint venture when the Group has rights only to the net assets of the arrangement.

(i) Joint ventures

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(b) Joint arrangements (cont'd.)

(i) Joint ventures (cont'd.)

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

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

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

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

(ii) Joint operations

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

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

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

The Group accounts for the assets, liabilities, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(c) Property, plant and equipment, and depreciation

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(d) Impairment of non-financial assets

The carrying amounts of non-financial assets, other than construction contract assets, inventories 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. If the asset does not generate cash flows that are largely independent of those from other assets, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to.

An asset's recoverable amount is the higher of the asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a 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 profit or loss in the period in which it arises. If the asset is carried at a revalued amount, the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the asset.

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

(e) Inventories

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

(f) Financial instruments

Unless specifically disclosed below, the Group and the Company generally apply the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9: Financial Instruments, the Group and the Company have elected not to restate the comparatives.

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

Regular purchases or sales is a purchase or sale under a contract whose terms require delivery of financial assets within a time frame established by regulation or convention in the marketplace concerned and fair value adjustments on shareholder's loans and advances.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(g) Financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Amortised cost

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

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

Fair value through other comprehensive income

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

Fair value through other comprehensive income category also comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Notes to the Financial Statements
For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(g) Financial assets (cont'd.)

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

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

Financial assets at fair value through profit or loss

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

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

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment.

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

Derecognition of financial assets

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either

  (a) The Group has transferred substantially all the risks and rewards of the asset, or
  (b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss (except for equity investments at fair value through other comprehensive income, where the gain or loss are recognised in other comprehensive income).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(h) Financial liabilities

Financial liabilities are classified as measured at: fair value through profit or loss or at amortised cost, as appropriate. Financial liabilities are recognised initially at fair value less, in the case of at amortised cost, any directly attributable transaction costs.

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

Classification and subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

The Group and the Company have not designated any financial liabilities as FVTPL.

Amortised cost

Subsequent to initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

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

Derecognition of financial liabilities

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(i) Financial guarantee contracts

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

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

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

(j) Offsetting of financial instruments

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

(k) Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

(i) Financial instruments

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

(ii) Non-financial assets

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

(l) Amortised cost of financial instruments

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(m) 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. Borrowing costs are capitalised if incurred during preparation or construction of the asset until the asset is substantially completed for its intended use or sale.

Any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete is treated as part of general borrowings.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(n) Impairment of financial assets and contract assets

Unless specifically disclosed below, the Group and the Company generally apply the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9: Financial Instruments, the Group and the Company have elected not to restate the comparatives.

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

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and finance lease receivables.

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

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

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

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

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

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

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

Notes to the Financial Statements
For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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

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

(o) Income tax

(i) Current tax

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

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

(ii) Deferred tax

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or tax loss; and

- in respect of taxable temporary differences associated with investment in subsidiaries, branches and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable 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 profit or loss is recognised outside profit or loss. Deferred tax items related to the underlying transactions are recognised either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if 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.)

(p) 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 if the possibility of an outflow of economic resources is not considered as remote.

(q) Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group 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 profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(iii) Termination benefits

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

Notes to the Financial Statements
For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(r) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

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

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

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

(s) Revenue from contracts with customers

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

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

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

(i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

Performance obligation and satisfaction of performance obligation

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

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

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

Transaction price and variable considerations

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

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

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

Contract assets and contract liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(t) Interest income

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

(u) Rental income

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

(v) Dividend income

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

(w) Derivative financial instruments and hedge accounting

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

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

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

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

- Hedges of a net investment in a foreign operation.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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

(i) Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

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

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

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

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

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

(x) Leases (MFRS 16)

The Group and the Company have applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported under MFRS 117 Leases and related interpretations.

Notes to the Financial Statements
For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(x) Leases (MFRS 16) (cont'd.)

(i) Definition of a lease

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

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

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

(ii) Recognition and initial measurement

(a) As a lessee

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(x) Leases (MFRS 16) (cont'd.)

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

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

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

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

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

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

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

(b) As a lessor

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

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

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

Notes to the Financial Statements
For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(x) Leases (MFRS 16) (cont'd.)

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

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

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

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

(iii) Subsequent measurement

(a) As a lessee

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

Land use rights	1% - 2%
Warehouse and wharf	5%
Office premise	33%
Office equipment	30%

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(x) Leases (MFRS 16) (cont'd.)

(iii) Subsequent measurement (cont'd.)

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

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

(b) As a lessor

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

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

(y) Leases (MFRS 117)

(i) Classification

A lease is recognised as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an asset. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. 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 profit or loss 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 and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income. The accounting policy for rental income is set out in Note 2.2(u).

Notes to the Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(z) Land use rights (MFRS 117)

Land use rights are initially measured at cost. Subsequent to 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.

(aa) Equity investments

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

(ab) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other 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.

2.3 Changes in accounting policies

On 1 January 2019, the Group and the Company adopted the following pronouncements mandatory for annual financial periods beginning on or after 1 January 2019:

- MFRS 16: Leases
- Amendments to MFRS 3: Business Combinations (Annual Improvements 2015-2017 Cycle)
- Amendments to MFRS 11: Joint Arrangements (Annual Improvements 2015-2017 Cycle)
- Amendments to MFRS 112: Income Taxes (Annual Improvements 2015-2017 Cycle)
- Amendments to MFRS 123: Borrowing Costs (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)
- IC Interpretation 23: Uncertainty over Income Tax Treatments

The principal changes in accounting policies and their effects are set out below:

(a) MFRS 16 Leases

On transition to MFRS 16, the Group and the Company reassessed all contracts to determine whether the contracts are, or contain a lease at the date of initial application.

Where the Group and the Company are lessees, the Group and the Company apply the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes in accounting policies (cont'd.)

(a) MFRS 16 Leases (cont'd.)

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 January 2019. The Group's and the Company's weighted-average rate applied is 5.51% and 4.25% respectively. Right-of-use assets were measured at their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the Group entities' incremental borrowing rate at 1 January 2019.

The Group entities used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the lease asset and lease liability under MFRS 117 immediately before that date. The financial impact to the Group on initial application of the standard is shown in Note 2.3(a).

The following table summarises the impact of the above changes on the Group's statement of financial position as at 31 December 2018.

Group	31 December 2018 RM'000	MFRS 16 adjustments RM'000	1 January 2019 RM'000
Right-of-use assets	209,258	8,270	217,528
Retained earnings	(788,808)	(981)	(789,789)
Non-controlling interest	259	(424)	(165)
Lease liabilities	-	(6,865)	(6,865)

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statements of financial position at 1 January 2019.

	Group RM'000	Company RM'000
Operating lease commitments as at 31 December 2018	37,506	2,606
Less: Commitments related to short-term leases	(4,450)	(2,606)
Less: Commitments related to leases of low-value assets	(3,062)	-
Less: Adjustments to lease payments relating to revision of rates not included in operating leases as at 31 December 2018	(16,607)	-
Net operating lease commitments at 31 December 2018	13,387	-
Weighted-average incremental borrowing rate at 1 January 2019	6.26%	-
Lease liabilities recognised at 1 January 2019	6,865	-

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes in accounting policies (cont'd.)

(b) Amendments to MFRS 123 Borrowing Costs (Annual Improvements 2015-2017 Cycle)

In previous years, borrowing costs relating to a specific qualifying assets is capitalised into the cost of the asset. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. The capitalisation of borrowing costs cease when substantially all activities necessary to prepare the qualifying asset for its intended use or sale are completed. Any borrowing costs incurred subsequently were expensed off to profit or loss.

The amendments clarify that an entity treats as part of general borrowings, any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. Capitalisation rate is determined as the weighted average of the borrowing costs applicable to all borrowings of the Group and the Company outstanding during the period.

The change in this accounting policy is applied prospectively. The financial impact to the Group and to the Company arising from the adoption of amendments to MFRS 123 is determined to be immaterial.

2.4 Standards issued but not yet effective

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

Effective for annual periods beginning on or after 1 January 2020:

- Amendments to MFRS 3: Business Combinations (Definition of a Business)
- Amendments to MFRS 7: Financial Instruments: Disclosure (Interest Rate Benchmark Reform)
- Amendments to MFRS 9: Financial Instruments (Interest Rate Benchmark Reform)
- Amendments to MFRS 101: Presentation of Financial Statements (Definition of Material)
- Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)

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

- MFRS 17: Insurance Contracts

Effective for a date yet to be confirmed:

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

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

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:

(i) Construction contracts

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

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

(ii) Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of land and building with non-cancellable period included as part of the lease term as these are reasonably certain to be exercised because there will be a significant negative effect on operation if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

(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) 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 allowances already provided. The customer's credit worthiness is evaluated by reviewing, amongst others, the Group's historical collection experience.

The information on allowance for impairment loss of trade receivables is disclosed in Note 29(b)(ii).

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

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

(ii) Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses, unabsorbed capital allowances and unutilised tax allowances to the extent that it is probable that taxable profits will be available against which the losses and tax allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The information on deferred tax assets is disclosed in Note 17.

(iii) Impairment of property, plant and equipment

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

During the financial year, the Group carried out the impairment test based on estimation of the value in use ("VIU") of the CGU to which the property, plant and equipment are allocated. Estimating the VIU requires the Group to make an estimate of the expected future cash flows from the CGU and apply a suitable discount rate in order to calculate the present value of those cash flows. The key assumptions used in VIU calculations are disclosed in Note 12.

(iv) Discount rate used in leases

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

4. REVENUE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Heavy engineering construction works	578,632	651,451	-	-
Marine conversion and repair	430,909	322,903	-	-
Dividend income	-	-	-	48,000
	1,009,541	974,354	-	48,000

4.1 Disaggregation of revenue

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

All services of the group are transferred over time except for dividend income which is recognised at a point in time.

4. REVENUE (CONT'D.)

4.2 Contract balances

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

	2019 RM'000	2018 RM'000
Trade receivables (Note 18)	346,884	254,924
Amount due from customers on contracts (Note 19)	144,867	375,617
Amount due to customers on contracts (Note 19)	(5,993)	(2,406)
	485,758	628,135

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

4.3 Transaction price allocated to the remaining performance obligations

The following table shows revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The disclosure is only providing information for contracts that have a duration of more than one year.

	Under 1 year RM'000	1-5 years RM'000	Total RM'000
Heavy engineering construction works	1,518,114	1,347,323	2,865,437
Marine conversion and repair	92,103	-	92,103
	1,610,217	1,347,323	2,957,540

5. OTHER OPERATING INCOME

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Rental income	2,046	2,974	-	-
Interest income:				
- Deposits with licensed banks	17,850	15,267	3,059	3,119
Net gain on foreign exchange:				
- Realised	2,281	-	-	-
- Unrealised	-	8,427	-	-
Income from scrap disposal	2,460	1,841	-	-
Gain on litigation settlement	-	16,367	-	-
Training income	1,064	-	-	-
Others	5,086	1,425	14	32
	30,787	46,301	3,073	3,151

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6. (LOSS)/PROFIT BEFORE TAXATION

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Auditors' remuneration:				
- Statutory audit	307	298	18	18
- Others	66	67	17	17
Staff costs (Note 7)	199,312	197,278	7,592	5,559
Management fees in relation to services of key management personnel (Note 28(c))	1,243	1,346	1,243	1,346
Property, plant and equipment (Note 12):				
- Depreciation	74,357	77,685	-	-
- Write-offs	108	4,174	-	-
Amortisation of right-of-use assets (Note 13)	8,725	7,095	816	-
Operating lease rental (i):				
- Office premise	602	3,658	871	1,744
- Vehicles	354	223	-	-
- Office equipment	2,756	2,444	10	56
- Plant and machineries	9,238	28,170	-	-
- Tugboat, pushers and barges	4,664	5,262	-	-
Net allowance for impairment loss/(recovery):				
- Trade receivables (Note 29(b)(ii)(b))	6,245	7,865	-	-
- Other receivables (Note 29(b)(iii))	(1,374)	(2,127)	-	-
Bad debt written off	-	10,426	-	-
Net (gain)/loss on foreign exchange:				
- Realised	(2,281)	1,663	-	-
- Unrealised	6,585	(8,427)	-	-
Interest expense on lease liabilities	-	-	97	-
Interest expense on short term loan	-	920	-	920

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

7. STAFF COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Wages and salaries	153,615	153,568	6,117	4,618
Social security costs	1,517	1,388	18	19
Contributions to a defined contribution plan	18,504	18,123	626	675
Termination benefits	107	(1,629)	-	-
Other staff related expenses	25,569	25,828	831	247
	199,312	197,278	7,592	5,559

Included in staff costs of the Group and the Company are executive director's salaries and other emoluments amounting to RM1,524,000 (2018: RM1,359,000) as further disclosed in Note 8.

8. DIRECTORS' REMUNERATION

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

	Group and Company	
	2019 RM'000	2018 RM'000
Executive director's remuneration:		
Salaries	996	844
Other emoluments	528	515
Estimated money value of benefits-in-kind	3	39
Total executive director's remuneration (including benefits-in-kind)	1,527	1,398

	Group and Company	
	2019 RM'000	2018 RM'000
Non-executive directors' remuneration*:		
Fees	790	720
Other emoluments	287	249
Estimated money value of benefits-in-kind	24	8
Total non-executive directors' remuneration	1,101	977
Total directors' remuneration (including benefits-in-kind) (Note 28(c))	2,628	2,375

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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	
	2019	2018
Executive director:		
RM150,001 - RM200,000	-	-
RM1,250,001 - RM1,400,000	1	1
	1	1
Non-executive directors*:		
RM100,001 - RM150,000	2	-
RM150,001 - RM200,000	4	4
RM250,001 - RM300,000	1	1
	7	5
	8	6

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

9. TAXATION

The major components of income tax expense are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current income tax:				
Malaysian income tax	538	-	-	-
(Over)/Underprovision in prior year:				
Malaysian income tax	(6,082)	56	-	-
	(5,544)	56	-	-
Deferred tax (Note 17):				
Relating to origination and reversal of temporary differences	(8,214)	(14,389)	-	-
Underprovision in prior year	8,214	14,389	-	-
	-	-	-	-
Taxation	(5,544)	56	-	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

9. TAXATION (CONT'D.)

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

	2019 RM'000	2018 RM'000
Group		
Loss before taxation	(39,763)	(124,108)
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	(9,543)	(29,786)
Effect of income not subject to tax	(5,759)	(3,202)
Effect of expenses not deductible for tax purposes	6,009	10,097
Deferred tax assets recognised on unutilised investment tax allowances	(1,624)	(1,252)
Deferred tax assets not recognised	3,563	10,475
Underprovision of deferred tax in prior year	8,214	14,389
(Over)/Underprovision of Malaysian tax expense in prior year	(6,082)	56
Effect of share of results of joint ventures	(322)	(721)
Income tax (credit)/expense for the year	(5,544)	56
Company		
(Loss)/Profit before taxation	(7,004)	39,944
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	(1,681)	9,587
Effect of income not subject to tax	(577)	(12,269)
Effect of expenses not deductible for tax purposes	2,258	2,682
Income tax expense for the year	-	-

10. LOSS PER SHARE

Basic loss per share is calculated by dividing loss for the year attributable to ordinary equity holders of the Company by the number of ordinary shares outstanding during the financial year, as follows:

	Group	
	2019	2018
Loss attributable to equity holders of the Company (RM'000)	(34,224)	(122,692)
Number of ordinary shares in issue ('000)	1,600,000	1,600,000
Basic/diluted loss per share (sen)	(2.14)	(7.67)

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

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11. DIVIDENDS

Recognised in prior year:

	2019 RM'000	2018 RM'000
In respect of financial year ended 31 December 2017:		
Final single tier dividend of 3.0 sen per share	-	48,000

12. PROPERTY, PLANT AND EQUIPMENT

	Cost				
	At 1.1.2019 RM'000	Additions RM'000	Transfers RM'000	Write-offs RM'000	At 31.12.2019 RM'000
Group - 31 December 2019					
Boats	154	-	-	-	154
Buildings, drydocks and waste plant	1,643,138	37	2,134	(3,077)	1,642,232
Plant, machinery and electrical installations	677,371	330	5,522	(3,290)	679,933
Vehicles and transport equipment	13,864	-	-	(231)	13,633
Furniture and office equipment	58,774	104	1,642	(139)	60,381
Loose tools	7,715	-	-	-	7,715
Construction-in-progress	158,190	183,250	(9,298)	-	332,142
	2,559,206	183,721	-	(6,737)	2,736,190

	Accumulated depreciation/Impairment losses				Net carrying amount
	At 1.1.2019 RM'000	Charge for the financial year RM'000	Write-offs RM'000	At 31.12.2019 RM'000	At 31.12.2019 RM'000
Group - 31 December 2019					
Boats	138	9	-	147	7
Buildings, drydocks and waste plant	557,706	33,188	(3,029)	587,865	1,054,367
Plant, machinery and electrical installations	330,431	38,213	(3,281)	365,363	314,570
Vehicles and transport equipment	11,805	1,029	(231)	12,603	1,030
Furniture and office equipment	51,244	1,918	(88)	53,074	7,307
Loose tools	7,711	-	-	7,711	4
Construction-in-progress	4,967	-	-	4,967	327,175
	964,002	74,357	(6,629)	1,031,730	1,704,460

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

	Cost				
	At 1.1.2018 RM'000	Additions RM'000	Transfers RM'000	Write-offs RM'000	At 31.12.2018 RM'000
Group - 31 December 2018					
Boats	128	26	-	-	154
Buildings, drydocks and waste plant	1,610,500	21,539	15,511	(4,412)	1,643,138
Plant, machinery and electrical installations	712,984	1,921	9,630	(47,164)	677,371
Vehicles and transport equipment	13,739	125	-	-	13,864
Furniture and office equipment	55,839	181	2,757	(3)	58,774
Loose tools	7,715	-	-	-	7,715
Construction-in-progress	57,677	128,411	(27,898)	-	158,190
	2,458,582	152,203	-	(51,579)	2,559,206

	Accumulated depreciation/Impairment losses				Net carrying amount
	At 1.1.2018 RM'000	Charge for the financial year RM'000	Write-offs RM'000	At 31.12.2018 RM'000	At 31.12.2018 RM'000
Group - 31 December 2018					
Boats	128	10	-	138	16
Buildings, drydocks and waste plant	523,177	34,905	(376)	557,706	1,085,432
Plant, machinery and electrical installations	338,296	39,161	(47,026)	330,431	346,940
Vehicles and transport equipment	10,314	1,491	-	11,805	2,059
Furniture and office equipment	49,129	2,118	(3)	51,244	7,530
Loose tools	7,711	-	-	7,711	4
Construction-in-progress	4,967	-	-	4,967	153,223
	933,722	77,685	(47,405)	964,002	1,595,204

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

(a) Included in the property, plant and equipment are fully depreciated assets which are still in use, with their carrying costs as follows:

	Group	
	2019 RM'000	2018 RM'000
Buildings, drydocks and waste plant	154,568	152,865
Plant, machinery and electrical installations	154,806	144,498
Other property, plant and equipment	53,486	52,339
	362,860	349,702

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

	Group	
	2019 RM'000	2018 RM'000
Cash	178,380	151,869
Capitalisation of borrowing cost	5,341	334
	183,721	152,203

(c) The Group has performed a review of the recoverable amount of the Group's cash generating unit ("CGU") consisting of property, plant, equipment and right-of-use assets. The result of the review is that the recoverable amount of the CGU exceeds the carrying amount of the property, plant and equipment and right-of-use assets, hence, no impairment is required for the current financial year (2018: nil).

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

Key assumptions used in VIU calculations

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

(i) Revenue
Revenue are estimated based on existing order book and anticipated future projects.

(ii) Budgeted gross margins
Gross margins are estimated based on forecast margins for order book, management's expectation and past experience.

(iii) Discount rate
The discount rate reflects specific risks relating to the CGU. The discount rates used is between the range of 10.29% to 10.50% (2018: 10.50%).

(iv) Growth rate
Cash flow beyond the five-year period is extrapolated using growth rates between the range of 2.00% to 2.50% (2018: 2.50%).

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13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	Cost						
	At 31.12.2018, as previously reported RM'000	Effect of adoption of MFRS 16 RM'000	At 1.1.2019, as restated RM'000	Additions RM'000	Transfers RM'000	Write-offs RM'000	At 31.12.2019 RM'000
Group - 31 December 2019							
Land use rights*	292,552	-	292,552	14,300	-	-	306,852
Warehouse and wharf	-	8,895	8,895	-	-	-	8,895
Office premise	-	-	-	4,899	-	-	4,899
Office equipment	-	643	643	-	-	-	643
	292,552	9,538	302,090	19,199	-	-	321,289

	Accumulated depreciation						Net carrying amount
	At 31.12.2018, as previously reported RM'000	Effect of adoption of MFRS 16 RM'000	At 1.1.2019, as restated RM'000	Charge for the financial year RM'000	Write-offs RM'000	At 31.12.2019 RM'000	At 31.12.2019 RM'000
Group - 31 December 2019							
Land use rights*	83,294	-	83,294	7,280	-	90,574	216,278
Warehouse and wharf	-	1,038	1,038	445	-	1,483	7,412
Office premise	-	-	-	816	-	816	4,083
Office equipment	-	230	230	184	-	414	229
	83,294	1,268	84,562	8,725	-	93,287	228,002

* The prepaid leasehold and foreshore land cannot be disposed, charged or subleased without the prior consent of the Johor State Government.

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

	Cost				
	At 1.1.2018 RM'000	Additions RM'000	Transfers RM'000	Write-offs RM'000	At 31.12.2018 RM'000
Group - 31 December 2018					
Land use rights*	292,552	-	-	-	292,552

	Accumulated depreciation				Net carrying amount
	At 1.1.2018 RM'000	Charge for the financial year RM'000	Write-offs RM'000	At 31.12.2018 RM'000	At 31.12.2018 RM'000
Group - 31 December 2018					
Land use rights *	76,199	7,095	-	83,294	209,258

* The prepaid leasehold and foreshore land cannot be disposed, charged or subleased without the prior consent of the Johor State Government.

	Cost				
	At 1.1.2019 RM'000	Additions RM'000	Transfers RM'000	Write-offs RM'000	At 31.12.2019 RM'000
Company - 31 December 2019					
Office premise	-	4,899	-	-	4,899

	Accumulated depreciation				Net carrying amount
	At 1.1.2019, as restated RM'000	Charge for the financial year RM'000	Write-offs RM'000	At 31.12.2019 RM'000	At 31.12.2019 RM'000
Company - 31 December 2019					
Office premise	-	816	-	816	4,083

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

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	Group
	2019 RM'000
At 31 December, as previously reported	-
Effect of adoption of MFRS 16	6,865
At 1 January, as restated	6,865
Additions	4,899
Accretion of interest	517
Payments	(1,676)
At 31 December	10,605
Current	2,005
Non-current	8,600

	Company
	2019 RM'000
At 1 January	-
Additions	4,899
Accretion of interest	97
Payments	(870)
At 31 December	4,126
Current	1,598
Non-current	2,528

The Group and the Company had total cash outflows for lease liabilities of RM1,676,000 (2018: RM1,747,000) and RM870,000 (2018: Nil) respectively. The Group and the Company also had non-cash additions to right-of-use assets and lease liabilities of RM4,899,000 in 2019 (2018: Nil). This relates to lease of office premise for a tenure of three years.

The Group had total cash outflows for short-term leases and low-value assets amounting to RM4,884,000 (2018: RM6,394,000).

The Group leases various land, buildings and office equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

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14. INVESTMENT IN SUBSIDIARIES

	Company	
	2019 RM'000	2018 RM'000
Unquoted shares in Malaysia, at cost	1,608,205	1,608,205

The subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Ownership interest and voting interest (%) 2019	2018
Malaysia Marine and Heavy Engineering Sdn Bhd ("MMHE")	Malaysia	Oil and gas engineering and construction works and marine conversion and repair	100%	100%
Malaysia Marine and Heavy Engineering (International) Sdn Bhd	Malaysia	Dormant	100%	100%
Subsidiaries of MMHE:				
MMHE LNG Sdn Bhd	Malaysia	Dormant	100%	100%
Techno Indah Sdn Bhd	Malaysia	Sludge disposal management	100%	100%
MMHE-EPIC Marine & Services Sdn Bhd	Malaysia	Repair services and dry docking of marine vessels	70%	70%
MMHE Saudi LLC	Saudi Arabia	Oil and gas engineering and construction works for offshore and onshore facilities	100%	100%

During the current financial year, a wholly-owned subsidiary of the Company, MMHE, increased its investment in MMHE-EPIC Marine & Services Sdn Bhd, a partially-owned subsidiary, as a result of debt capitalisation exercise in relation to consideration receivable on the purchase of a floating dock at Kemaman Supply Base via issuance of 21,000,000 ordinary shares of RM1 each.

15. INVESTMENT IN JOINT VENTURES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares at cost	14,372	14,372	5,000	5,000
Share of post-acquisition reserves	(5,273)	(6,621)	-	-
Less: Allowance for impairment losses	-	-	(5,000)	(5,000)
	9,099	7,751	-	-

(a) Details of the Group's joint ventures, all of which are incorporated in Malaysia, are as follows:

Name	Ownership interest and voting interest (%) 2019	2018	Nature of relationship
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 services. It provides its services as subcontractors to the Group's projects as well as to third parties. The entity is considered dormant.

(ii) MMHE-TPGM Sdn Bhd provides engineering, procurement, construction, installation and commissioning services for the Group's activities in Turkmenistan. The entity is considered dormant.

(iii) MMHE-ATB Sdn Bhd is engaged in the manufacturing of pressure vessels and tube heat exchangers. It provides its services as subcontractors to the Group's projects as well as to third parties. The entity is considered dormant.

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.

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15. 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

	2019 RM'000	2018 RM'000
Non-current assets	-	934
Cash and cash equivalents	20,179	27,064
Other current assets	6,833	13,402
Total current assets	27,012	40,466
Total assets	27,012	41,400
Current liabilities	(13,536)	(28,887)
Non-current liabilities	-	(934)
Total liabilities	(13,536)	(29,821)
Net assets	13,476	11,579

(ii) Summarised statements of comprehensive income

	2019 RM'000	2018 RM'000
Revenue	2	12,377
Depreciation and amortisation	(341)	(3,715)
Interest income	-	5
Interest expense	(94)	(462)
Impairment of fixed assets	(2,069)	-
Profit before tax	1,408	1,746
Income tax credit	865	-
Profit after tax	2,273	1,746

The Group has discontinued recognising its share of losses in a joint venture considering the share of losses in this joint venture exceeds the Group's interest in this joint venture. As such, the Group did not recognise its share of losses of this joint venture in the current year and the Group's cumulative share of unrecognised losses in this joint venture amounted to RM4,244,000 (2018: RM4,295,000) as at 31 December 2019.

16. JOINT OPERATIONS

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

Name	% of ownership interest held by the Group	
	2019	2018
Technip MMHE (Malikai) Joint Venture	50%	50%
Technip MMHE (SK316) Joint Venture	50%	50%
Technip MMHE (Kasawari) Joint Venture	60%	N/A

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

17. DEFERRED TAX

	Group	
	2019 RM'000	2018 RM'000
At 1 January	(93,293)	(93,293)
Recognised in profit or loss (Note 9)	-	-
At 31 December	(93,293)	(93,293)

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17. 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 2019	87,750
Recognised in profit or loss	7,808
At 31 December 2019	95,558
At 1 January 2018	78,078
Recognised in profit or loss	9,672
At 31 December 2018	87,750

Deferred tax assets of the Group:

	Unutilised reinvestment allowance RM'000	Unutilised tax losses RM'000	Unutilised investment tax allowance RM'000	Others RM'000	Total RM'000
At 1 January 2019	(1,548)	(7,464)	(129,030)	(43,001)	(181,043)
Recognised in profit or loss	-	6,502	(1,966)	(12,344)	(7,808)
At 31 December 2019	(1,548)	(962)	(130,996)	(55,345)	(188,851)
At 1 January 2018	(1,548)	-	(152,474)	(17,349)	(171,371)
Recognised in profit or loss	-	(7,464)	23,444	(25, 652)	(9,672)
At 31 December 2018	(1,548)	(7,464)	(129,030)	(43,001)	(181,043)

17. DEFERRED TAX (CONT'D.)

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

	Group	
	2019 RM'000	2018 RM'000
Unutilised tax losses	39,695	33,668
Unabsorbed capital allowances	43,841	35,022

The availability of the unutilised tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the Group of companies are subject to no substantial change in shareholdings of the Group of companies under Section 44(5A) and Paragraph 75A, Schedule 3 of the Income Tax Act, 1967 ("the Act"). However, the Minister of Finance may exercise his powers under Section 44(5D) and Paragraph 75C, Schedule 3 of the Act to exempt all companies except dormant companies from the provision of Section 44(5A) and Paragraph 75A, Schedule 3 of the Act respectively. The unutilised tax losses can be carried forward and available for use for 7 years starting from year of assessment 2018.

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current				
Trade receivables				
Third parties	346,884	254,924	-	-
Amount due from customers on contracts (Note 19)	144,867	375,617	-	-
	491,751	630,541	-	-
Less: Allowance for impairment losses (Note 29(b)(ii)(b))	(31,687)	(27,999)	-	-
Trade receivables, net	460,064	602,542	-	-

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other receivables				
Due from:				
- Joint ventures	8,290	18,057	16	16
- Subsidiaries	-	-	977	444
Loan to joint venture	-	2,021	-	2,021
Deposits	3,076	1,545	111	72
Prepayments	1,095	527	-	-
Staff loans	728	716	-	-
Non-trade receivables	4,793	3,735	520	13
GST receivable	13,020	20,909	835	835
Other receivables	17,420	3,686	4	11
	48,422	51,196	2,463	3,412
Less: Allowance for impairment losses (Note 29(b)(iii))	(4,384)	(5,758)	-	(2,024)
Other receivables, net	44,038	45,438	2,463	1,388
Total current trade and other receivables	504,102	647,980	2,463	1,388
Less: Prepayments	(1,095)	(527)	-	-
Amount due from customers on contracts (Note 19)	(144,867)	(375,617)	-	-
GST receivable	(13,020)	(20,909)	(835)	(835)
Add: Cash and bank balances (Note 20)	673,914	601,544	94,057	94,402
Total financial assets carried at amortised cost	1,019,034	852,471	95,685	94,955

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

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

	Group	
	2019 RM'000	2018 RM'000
(i) Immediate holding company	79	2,373
(ii) Other related companies		
MISC Offshore Floating Terminal (L) Ltd	176	2,175
PETRONAS Carigali Sdn Bhd	19,901	2,434
Eaglestar Shipmanagement (L) Pte Ltd	24,097	8,667
PETRONAS Gas Berhad	37	747
Carigali-PTTEPI Operation Company	32	-
Malaysia Vietnam Offshore Terminal (L) Limited	6,396	-
PETRONAS Lubricants International	-	347
Malaysian Refining Company Sdn Bhd	476	-
(iii) Joint ventures		
MMHE-ATB Sdn Bhd	8,268	-
MMHE-TPGM Sdn Bhd	22	-

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

	Group	
	2019 RM'000	2018 RM'000
(i) Immediate holding company	1,952	3,528
(ii) Other related companies		
Malaysia Vietnam Offshore Terminal (L) Limited	6,900	-
MISC Offshore Floating Terminal (L) Ltd	1,890	79,352
Eaglestar Shipmanagement (L) Pte Ltd	6,000	-
PETRONAS Carigali Sdn Bhd	18,659	172,824
Malaysian Refining Company Sdn Bhd	2,757	-

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

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

	Group	
	2019 RM'000	2018 RM'000
(i) Joint operation		
Technip MMHE (Kasawari) Joint Venture	13,077	-

Credit terms of trade receivables for the Group, including trade receivables from related companies, range from 30 days to 45 days (2018: 30 days to 45 days).

The loan to joint venture is unsecured, bears effective interest of 1.64% (2018:1.64%) per annum and repayable based on fixed quarterly repayments.

Credit terms of other receivables, amounts due from joint venture and subsidiaries range from 30 days to 45 days (2018: 30 days to 45 days).

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

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

	Group	
	2019 RM'000	2018 RM'000
Aggregate costs incurred and recognised profits (less recognised losses) to date	4,280,418	11,866,016
Less: Progress billings	(4,141,544)	(11,492,805)
	138,874	373,211
Amounts due from customers on contracts (Note 18)	144,867	375,617
Amounts due to customers on contracts (Note 23)	(5,993)	(2,406)
	138,874	373,211

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

	Group	
	2019 RM'000	2018 RM'000
At the beginning of the year	373,211	545,311
Revenue recognised during the year (Note 4)	1,009,541	974,354
Progress billings during the year	(1,243,878)	(1,146,454)
At the end of the year	138,874	373,211

Included in amount due from customers on contracts is an allowance for expected credit losses of RM1,187,000 (2018: RM754,000).

20. CASH AND BANK BALANCES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash at banks and in hand	85,359	61,204	2,188	57
IFSSC bank balance	567,526	523,311	91,840	94,316
Deposits with licensed banks	21,029	17,029	29	29
Cash and bank balances	673,914	601,544	94,057	94,402

Since 1 July 2014, to allow for efficient cash management, most of the Group and the Company's cash and bank balances are held in the In-House Account ("IHA") managed by PETRONAS Integrated Financial Shared Services Centre ("IFSSC").

Cash at banks earn interest at floating rates based on daily bank deposit rates. Deposits with licensed banks are made depending on the immediate cash requirements of the Group and of the Company and earn interest rates ranging from 2.30% to 3.30% (2018: 2.40% to 3.80%) per annum. The maturity periods of the Group's deposits with licensed banks as at the reporting date ranged between 1 day to 92 days (2018: 1 day to 66 days).

The deposits with licensed banks of the Group and the Company of RM21,029,000 (2018: RM17,029,000) and RM29,000 (2018: RM29,000) respectively are placed with credible financial institutions.

Included in cash and bank balances of the Group is monies held in a finance service reserve account, restricted for use amounting to RM12,182,000 (2018: RM12,182,000).

21. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2019 '000	2018 '000	2019 RM'000	2018 RM'000
Issued and fully paid:				
At 1 January /31 December	1,600,000	1,600,000	1,618,263	1,618,263

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

22. CASH FLOW HEDGE RESERVE

	Group	
	2019 RM'000	2018 RM'000
At 1 January	-	-
Recognised in other comprehensive income:		
Fair value loss on effective portion of cash flow hedge	(1,560)	-
At 31 December	(1,560)	-

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22. CASH FLOW HEDGE RESERVE (CONT'D.)

The cash flow hedge reserve represents the effective portion of the net change in the fair value of the forward currency contracts as at the reporting date being RM1,560,000 (2018: Nil). As at 31 December 2019, the aforementioned forward currency contracts are expected to mature within the next 12 months.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade payables				
Third parties	75,885	83,946	-	-
Accruals	496,020	526,584	-	-
Retention monies	17,723	18,892	-	-
Amount due to customers on contracts (Note 19)	5,993	2,406	-	-
	595,621	631,828	-	-
Other payables				
Due to immediate holding company	195	104	195	328
Due to a subsidiary	-	-	14,476	14,698
Accruals	44,588	92,910	1,831	1,302
Others	5,099	1,185	-	-
	49,882	94,199	16,502	16,328
Total trade and other payables	645,503	726,027	16,502	16,328
Add: Borrowing (Note 24)	178,871	48,354	-	-
Add: Lease liabilities (Note 13)	10,605	-	4,126	-
Less: Amount due to customers on contracts (Note 19)	(5,993)	(2,406)	-	-
Total financial liabilities carried at amortised cost	828,986	771,975	20,628	16,328

Credit terms of trade payables granted to the Group range from 30 days to 60 days (2018: 30 days to 60 days).

Amount due to immediate holding company and a subsidiary are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

Included in trade payables are amounts due to:

	Group	
	2019 RM'000	2018 RM'000
(i) Immediate holding company		
- MISC Bhd.	501	334

24. BORROWING

	Group 2019 RM'000	Group 2018 RM'000
Secured:		
Long term loan	178,871	48,354

During the year, the Group had additional net drawdown of RM130,517,000 of term loan from its Tawarruq financing facility to finance the construction of a dry dock. The term loan is secured by a corporate guarantee provided by the Company. The term loan is further secured by monies held in a finance service reserve account and is restricted for use as disclosed in Note 20. The loan bears a fixed profit rate of 4% per annum and is payable on a quarterly basis after a grace period of two years.

Details of the outstanding long term borrowing are as follows:

	Group 2019 RM'000	Group 2018 RM'000
Amounts repayable:		
More than one year but not later than two years	14,401	-
More than two years but not later than five years	48,049	16,295
More than five years	116,421	32,059
	178,871	48,354

25. COMMITMENTS

	Group 2019 RM'000	Group 2018 RM'000
Capital expenditure:		
Property, plant and equipment:		
Approved and contracted for	132,701	270,463
Approved but not contracted for	79,862	115,159
	212,563	385,622

Operating lease commitments – as lessee

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Not later than 1 year	6,937	8,411	-	1,737
Later than 1 year but not later than 5 years	2,362	29,095	-	869
	9,299	37,506	-	2,606

Operating lease payments represent rental payable by the Group for use of office equipments. These payments comprise leases with contract terms of less than 12 months and leases of low value with contract terms of more than 12 months, thus the Group has elected not to recognise the right-of-use assets and lease liabilities for these leases.

26. DERIVATIVES

	Group			
	2019		2018	
	Contract/ Notional amount RM'000	Fair value of liabilities RM'000	Contract/ Notional amount RM'000	Fair value of liabilities RM'000
Current				
Forward currency contracts:				
- Derivative liabilities	119,004	1,560	-	-

As at 31 December 2019, the Group held forward currency contracts designated as hedges of future payments denominated in United States Dollars. The forward currency contracts are being used to hedge the foreign currency risk of the highly probable forecasted transactions.

There was no ineffective portion recognised in profit or loss for the current year (2018: Nil).

The cash flow hedges of the expected future payments which are expected to occur within the next twelve months, were assessed to be highly effective and a net unrealised loss of RM1,560,000 (2018: Nil), which includes the effective portion of the hedging relationship, is included in other comprehensive income.

27. CONTINGENT LIABILITIES

	Group 2019 RM'000	Group 2018 RM'000
Unsecured		
Performance bond on contract extended to customers	384,194	173,263

28. RELATED PARTY DISCLOSURES

In addition to related party disclosures elsewhere in the financial statements, set out below are other significant related party transactions. The directors are of the opinion that unless otherwise stated, the transactions below have been entered into in the normal course of business at terms agreed between the parties during the financial year.

As the ultimate holding company is wholly owned by the Ministry of Finance ("MoF"), the Group is deemed to be related to entities that are controlled, jointly controlled or significantly influenced by the Government of Malaysia.

28. RELATED PARTY DISCLOSURES (CONT'D.)

	Group	
	2019 RM'000	2018 RM'000
(a) Income:		
Provision of services for repairs, engineering and construction works, conversion of vessels and drydocking to		
- immediate holding company	13,801	19,090
- fellow subsidiary	128,345	159,500
- other related companies of ultimate holding company	530,094	548,541
Rental of office premise and provision of administrative services	1,742	3,525
(b) Expenses:		
Purchases from:		
- immediate holding company	813	1,306
- fellow subsidiary	42	-
- other related companies of ultimate holding company	7,865	8,354
- government-related entities	27,727	22,184

(c) Compensation of key management personnel

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

The remuneration of members of key management during the financial year are as follows:

	Group	
	2019 RM'000	2018 RM'000
Short-term employee benefits	6,774	6,193
Management fees (Note 6)*	1,243	1,346
Post-employment benefits:		
Defined contribution plan	580	593
	8,597	8,132

	Company	
	2019 RM'000	2018 RM'000
Short-term employee benefits	2,956	2,924
Management fees (Note 6)*	1,243	1,346
Post-employment benefits:		
Defined contribution plan	372	379
	4,571	4,649

28. RELATED PARTY DISCLOSURES (CONT'D.)

(c) Compensation of key management personnel (cont'd)

Included in the total remuneration of key management personnel are:

	Group and Company	
	2019 RM'000	2018 RM'000
Directors' remuneration (Note 8)	2,628	2,375

* Included in the remuneration of key management personnel are management fees in relation to the services of three non-executive directors and one key management personnel who are employees of the immediate holding company of the Group, MISC Berhad and one key management personnel who is an employee of the ultimate holding company of the Group, PETRONAS.

29. FINANCIAL INSTRUMENTS

(a) Financial risk management

The Group is exposed to various risks that are related to its core business of oil and gas engineering and construction works and marine conversion and repair. These risks arise in the normal course of the Group's businesses.

The Group's compliance to both Malaysia Marine and Heavy Engineering Holding Berhad's ("MHB") Financial Risk Management Framework and Guidelines and PETRONAS Corporate Financial Policy sets the foundation for the establishment of an effective risk management across the Group.

PETRONAS Corporate Financial Policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses and management of financial risk exposures arising from its operations and the use of financial instruments. The Group's key financial risks include credit risk, liquidity risk, interest rate 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 not to undertake any speculative trading in derivative financial instruments.

(b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from its operating activities, mainly from trade receivables and from its investing activities, including deposits with banks and financial institutions.

(i) Maximum credit risk exposure

The Group and the Company's maximum exposure to credit risk is represented by the carrying amounts as disclosed in Notes 18 and 20.

29. FINANCIAL INSTRUMENTS (CONT'D.)

(b) Credit risk (cont'd.)

(ii) Trade receivables and amount due from customers on contracts

(a) Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry sector profile of its receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables and amount due from customers on contracts at the reporting date is as follows:

	Group	
	2019 RM'000	2018 RM'000
Heavy Engineering Business segment	237,858	366,459
Marine Business segment	253,893	264,082
	491,751	630,541

(b) Recognition and measurement of impairment loss

At each reporting date, the Group or the Company assesses whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partial or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

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

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

Loss given default is the assumption of the proportion of financial asset that cannot be recovered by conversion of collateral to cash or by legal process, and is assessed based on the Company's historical experience.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and amount due from contracts with customers as at 31 December 2019 which are grouped together as they are expected to have similar risk nature.

Notes to the Financial Statements
For the financial year ended 31 December 2019

29. FINANCIAL INSTRUMENTS (CONT'D.)

(b) Credit risk (cont'd.)

(ii) Trade receivables and amounts due from customers on contracts (cont'd.)

(b) Recognition and measurement of impairment loss (cont'd.)

Credit risk rating	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2019			
Low risk	852	-	852
Medium risk	354,628	(1,044)	353,584
High risk	108,072	(2,444)	105,628
	463,552	(3,488)	460,064
Individually impaired	28,199	(28,199)	-
	491,751	(31,687)	460,064
Representing:			
Trade receivables (Note 18)	346,884	(30,500)	316,384
Amount due from customers on contracts (Note 19)	144,867	(1,187)	143,680
	491,751	(31,687)	460,064
2018			
Low risk	39,658	(19)	39,639
Medium risk	431,491	(2,939)	428,552
High risk	137,126	(2,775)	134,351
	608,275	(5,733)	602,542
Individually impaired	22,266	(22,266)	-
	630,541	(27,999)	602,542
Representing:			
Trade receivables (Note 18)	254,924	(27,245)	227,679
Amount due from customers on contracts (Note 19)	375,617	(754)	374,863
	630,541	(27,999)	602,542

29. FINANCIAL INSTRUMENTS (CONT'D.)

(b) Credit risk (cont'd.)

(ii) Trade receivables and amounts due from customers on contracts (cont'd.)

(b) Recognition and measurement of impairment loss (cont'd.)

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

	Group	
	2019 RM'000	2018 RM'000
Neither past due nor impaired	57,685	45,013
1 to 30 days past due not impaired	59,257	6,585
31 to 60 days past due not impaired	4,716	22,584
61 to 90 days past due not impaired	17,247	3,579
More than 90 days past due not impaired	177,479	149,918
	258,699	182,666
Impaired	30,500	27,245
	346,884	254,924

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 RM258,699,000 (2018: RM182,666,000). These balances are either secured by collaterals or relate mainly to customers who have never defaulted on payments but are slow paymasters and hence, are periodically monitored.

29. FINANCIAL INSTRUMENTS (CONT'D.)

(b) Credit risk (cont'd.)

(ii) Trade receivables and amounts due from customers on contracts (cont'd.)

(b) Recognition and measurement of impairment loss (cont'd.)

Receivables that are past due but not impaired (cont'd.)

The movements in the allowance for impairment losses of trade receivables and amount due from customer on contracts during the year are as follows:

	Group	
	2019 RM'000	2018 RM'000
At 1 January	27,999	20,625
Net impairment loss recognised (Note 6)	6,245	7,865
Unrealised foreign currency adjustment	(2,557)	(491)
At 31 December	31,687	27,999

(iii) Other receivables

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

	Group	
	2019 RM'000	2018 RM'000
At 1 January	5,758	7,885
Net impairment recovered (Note 6)	(1,374)	(2,127)
At 31 December	4,384	5,758

(iv) Other financial assets

With respect to credit risk arising from other financial assets of the Group, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure represented by the carrying amount of these instruments.

Since 1 July 2014, cash and bank balances were held in the IHA managed by PETRONAS IFSSC. The centralisation of fund management allows for effective cash visibility, fund management for the Group and minimise exposure to counterparty credit risk. The beneficiary of these financial assets remain with the Group.

PETRONAS IFSSC, which operates as a treasury management platform, in turn, places all funds under management in licensed financial institutions with strong credit ratings globally and in Malaysia. In addition, the Group's deposits are placed with licensed banks with strong credit ratings in Malaysia.

29. 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 financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of term loans and revolving credit facilities.

As at 31 December 2019, the Group and the Company had at its disposal cash and cash equivalents amounting to RM661,732,000 (2018: RM589,362,000) and RM94,057,000 (2018: RM94,402,000) respectively.

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:

	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
Group				
At 31 December 2019				
Trade and other payables	639,510	-	-	639,510
Lease liabilities*	2,549	5,103	7,117	14,769
Borrowing	7,235	88,097	132,131	227,463
	649,294	93,200	139,248	881,742
At 31 December 2018				
Trade and other payables	723,621	-	-	723,621
Borrowing	2,000	26,365	36,543	64,908
	725,621	26,365	36,543	788,529

* Further information about the maturity of lease liabilities beyond five years is provided in the table below:

29. FINANCIAL INSTRUMENTS (CONT'D.)

(c) Liquidity risk (cont'd.)

	Five to ten years RM'000	Ten to fifteen years RM'000	Fifteen to twenty years RM'000	Total RM'000
Group				
At 31 December 2019				
Lease liabilities	3,050	3,050	1,017	7,117

	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
Company				
At 31 December 2019				
Trade and other payables	16,502	-	-	16,502
Lease liabilities	1,742	2,613	-	4,355
	18,244	2,613	-	20,857
At 31 December 2018				
Trade and other payables	16,328	-	-	16,328

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

As the Group has no significant long term interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been placed mostly in time deposits and overnight placements.

As most of the Group's financial liabilities are fixed rate instruments measured at amortised cost, a change in interest rate is not expected to have material impact on the Group's and the Company's profit or loss.

29. FINANCIAL INSTRUMENTS (CONT'D.)

(e) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Euro ("EUR") and Singapore Dollar ("SGD").

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

Group	USD RM'000	EUR RM'000	SGD RM'000	Total RM'000
At 31 December 2019	223,772	(388)	14,895	238,279
At 31 December 2018	172,582	(2,229)	12,372	182,725

(i) Foreign currency sensitivity

The following table demonstrates the sensitivity of the Group's loss before tax and other comprehensive loss to a reasonably possible change in the USD, EUR and SGD exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant:

	Change in currency rate	Effect on loss before taxation RM'000	Effect on other comprehensive loss RM'000
31 December 2019			
USD	+10%	22,377	11,727
	-10%	(22,377)	(11,727)
EUR	+10%	(39)	-
	-10%	39	-
SGD	+5%	745	-
	-5%	(745)	-
31 December 2018			
USD	+10%	17,506	-
	-10%	(17,506)	-
EUR	+10%	(130)	-
	-10%	130	-
SGD	+5%	628	-
	-5%	(628)	-

30. CAPITAL MANAGEMENT

The Group's capital management is defined as the process of managing the ratio of its equity and debt structure so as to ensure that it maintains a healthy capital ratio to support its business and maximise shareholders' value. The Group's approach in managing capital is set out in MHB's Corporate Financial Policy.

The debt to equity ratio of the Group as at 31 December 2019 and 31 December 2018 are as follows:

	Note	2019 RM'000	2018 RM'000
Borrowing	24	178,871	48,354
Total equity		2,381,438	2,406,812
Gross debt to equity ratio (%)		0.08	0.02

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

31. 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	20
Trade and other receivables	18
Trade and other payables	23

Set out below is a comparison of the carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	2019		2018	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial liabilities				
Lease liabilities	10,605	10,792	-	-
Fixed rate borrowing	178,871	182,178	48,354	46,379

32. SEGMENT INFORMATION

For management purposes, the Group is organised into business segments according to the services provided:

(i) Heavy Engineering Business segment – provision of service for oil and gas engineering, construction and conversion works.

(ii) Marine Business segment – provision of repair services and drydocking of liquefied natural gas carriers.

(iii) Others – comprise supporting services and sludge disposal management.

	Heavy Engineering Business segment RM'000	Marine Business segment RM'000	Others RM'000	Total RM'000	Adjustments and Eliminations RM'000	Note	Consolidated RM'000
31 December 2019							
Revenue							
External customers	578,632	430,909	-	1,009,541	-		1,009,541
Inter-segments	-	-	-	-	-		-
	578,632	430,909	-	1,009,541	-		1,009,541
Result							
Operating (loss)/profit	(60,347)	8,445	10,495	(41,407)	296	A	(41,111)
Share of results of joint ventures				1,348	-		1,348
Finance cost				-	-		-
Loss before taxation				(40,059)	296		(39,763)
Taxation				5,544	-		5,544
Loss for the year				(34,515)	296		(34,219)
Segment assets							
Due from customers on contracts	113,307	30,376	-	143,683			
Trade receivables	96,902	220,123	10	317,035			
Total segment assets	210,209	250,499	10	460,718	(654)	B	460,064
Segment liabilities							
Due to customers on contracts	5,993	-	-	5,993			
Total segment liabilities	5,993	-	-	5,993	-	C	5,993
Included in operating profits are:							
Depreciation and amortisation	(59,130)	(14,146)	(10,047)	(83,323)	241		(83,082)
Assets written off	-	-	(108)	(108)	-		(108)
(Impairment loss)/Recovery							
- trade and other receivables	(6,073)	1,669	(467)	(4,871)	-		(4,871)

32. SEGMENT INFORMATION (CONT'D.)

	Heavy Engineering Business segment RM'000	Marine Business segment RM'000	Others RM'000	Total RM'000	Adjustments and Eliminations RM'000	Note	Consolidated RM'000
31 December 2018							
Revenue							
External customers	651,451	322,903	-	974,354	-		974,354
Inter-segments	-	-	-	-	-		-
	651,451	322,903	-	974,354	-		974,354
Result							
Operating loss	(38,988)	(81,718)	(6,296)	(127,002)	(111)	A	(127,113)
Share of results of joint ventures				3,005	-		3,005
Loss before taxation				(123,997)	(111)		(124,108)
Taxation				(56)	-		(56)
Loss for the year				(124,053)	(111)		(124,164)
Segment assets							
Due from customers on contracts	286,861	88,002	-	374,863			
Trade receivables	74,974	152,558	78	227,610			
Total segment assets	361,835	240,560	78	602,473	69	B	602,542
Segment liabilities							
Due to customers on contracts	2,406	-	-	2,406			
Total segment liabilities	2,406	-	-	2,406	-	C	2,406
Included in operating profits are:							
Depreciation and amortisation	(63,634)	(19,795)	(29)	(83,458)	(1,322)		(84,780)
Assets written off	-	-	(4,174)	(4,174)	-		(4,174)
(Impairment loss)/Recovery							
- trade and other receivables	(239)	(7,626)	2,127	(5,738)	-		(5,738)

32. SEGMENT INFORMATION (CONT'D.)

Management monitors the assets and liabilities on a group basis and not by operating segments.

Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

Note

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

B The following items are deducted from total assets as reported in the statements of financial position to arrive at segment assets:

	2019 RM'000	2018 RM'000
Total assets	3,217,977	3,181,193
Property, plant and equipment	1,704,460	1,595,204
Right-of-use assets	228,002	209,258
Investment in joint ventures	9,099	7,751
Deferred tax assets	93,293	93,293
Inventories	4,356	5,646
Other receivables	44,038	45,438
Cash and bank balances	673,914	601,544
Tax recoverable	751	20,517
Adjustments and eliminations to total assets	2,757,913	2,578,651
Total segment assets	460,064	602,542
The segment assets comprise:		
Due from customers on contracts	144,867	375,617
Trade receivables	315,197	226,925
	460,064	602,542

Notes to the Financial Statements
For the financial year ended 31 December 2019

32. SEGMENT INFORMATION (CONT'D.)

Note

C The following items are deducted from total liabilities as reported in the statements of financial position to arrive at segment liabilities:

	2019 RM'000	2018 RM'000
Total liabilities	836,539	774,381
Trade and other payables	639,510	723,621
Derivatives	1,560	-
Borrowing	178,871	48,354
Lease Liabilities	10,605	-
Adjustments and eliminations to total liabilities	830,546	771,975
Total segment liabilities	5,993	2,406

The segment liabilities solely comprise of amount due to customers on contracts.

Geographical information

Substantially all the Group's revenue is derived locally and non-current assets are located within Malaysia.

Information about major customers

Breakdown of revenue from major customers are as follows:

	2019 RM'000	2018 RM'000
MISC Bhd, immediate holding company		
- Heavy Engineering Business segment	145	4,156
- Marine Business segment	13,657	13,771
	13,802	17,927
Malaysia Vietnam Offshore Terminal (L) Limited, a related company		
- Marine Business segment	68,848	-
Eaglestar Shipmanagement (L) Pte Ltd, a fellow subsidiary		
- Marine Business segment	57,981	-
MISC Offshore Floating Terminal (L) Limited, a fellow subsidiary		
- Marine Business segment	1,483	159,500

32. SEGMENT INFORMATION (CONT'D.)

Information about major customers (cont'd.)

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

	2019 RM'000	2018 RM'000
PETRONAS Carigali Sdn Bhd, a related company		
- Heavy Engineering Business segment	430,485	482,542
Vestigo Petroleum Sdn Bhd		
- Heavy Engineering Business segment	67,182	-
Technip Geoproduction (M) Sdn Bhd		
- Heavy Engineering Business segment	31,646	-
PRPC Utilities and Facilities Sdn Bhd		
- Heavy Engineering Business segment	28,492	65,999
Promor Pte Ltd		
- Heavy Engineering Business segment	16,501	-
Tecnicas Reunidas Malaysia Sdn Bhd		
- Heavy Engineering Business segment	7,867	18,336
SOFEC Inc.		
- Heavy Engineering Business segment	-	17,968

33. SIGNIFICANT EVENTS

Material litigation

(a) Malaysia Marine and Heavy Engineering Sdn Bhd ("MMHE") and EA Technique (M) Berhad ("EAT")

Malaysia Marine and Heavy Engineering Sdn Bhd ("MMHE"), a wholly-owned subsidiary of the Company, had on 27 September 2018 received a Notice of Arbitration from E.A.Technique (M) Berhad ("EAT") for a number of claims in relation to the contract entered into by MMHE in June 2015 for the Provision of Demolition, Refurbishment and Conversion of Donor Vessel into a Floating, Storage and Offloading Facility for Full Development Project, North Malay Basin, hereinafter referred to as the "Conversion Contract".

During the period of the contract, MMHE issued Additional Work Orders ("AWOs") to EAT, claiming for payments for work done. Disputes and differences have arisen between the parties over the valuation of the invoices and AWOs issued.

33. SIGNIFICANT EVENTS (CONT'D.)

Material litigation (cont'd.)

(a) Malaysia Marine and Heavy Engineering Sdn Bhd ("MMHE") and EA Technique (M) Berhad ("EAT") (cont'd.)

On 22 June 2018, EAT and MMHE entered into an agreement via a Letter of Undertaking ("LOU") to settle the sums due under the invoices and AWOs. Under the LOU, the parties agreed to perform a joint review of the claims made by MMHE over a specified period. However, both parties were unable to reach an amicable settlement and as a result thereof, EAT initiated arbitration proceedings against MMHE to resolve the disputes.

EAT's claims totaling approximately USD21.7 million are in relation to over-payment of original contract value, sums paid under the LOU and costs incurred pursuant to the Conversion Contract.

MMHE rejected EAT's claims and issued counterclaims totaling approximately USD49.1 million representing payment for unpaid invoices, prolongation costs and additional variations to the original scope of work.

Statement of Claim has been served by EAT and MMHE has responded with a Statement of Reply to EAT on 15 March 2019.

The arbitration hearing had ended on 6 November 2019, and an oral submission will be provided by the legal counsels of MMHE and EAT on 24 February 2020. The outcome of the arbitration is scheduled to be awarded in the financial year 2020.

MMHE is of the view that it has a good legal position to defend against EAT's claims and has a good legal position to succeed in its counterclaims against EAT.

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

MMHE had on 13 March 2019 received a notice of arbitration received from KPOC in relation to claims arising from the Kebabangan ("KBB ") field project. KPOC claims that MMHE was and is in breach of the contract in respect of the appointed supplier of the valves per the contract. The actual valves procured were claimed to be defective and thus KPOC has suffered substantial loss and damage.

Pursuant to the Statement of Claims by KPOC dated 13 October 2019, total claims of approximately RM93.1 million were made in relation to the replacement of the defective valves as follows:

i. Cost for assessment on the replaced valves, amounting to approximately RM17.2 million;
ii. Cost for assessment of valves to be replaced, amounting to approximately RM13.7 million; and
iii. Loss of revenue for planned facilities shutdown to replace valves, amounting to approximately RM62.2 million.

The Group will vigorously defend the claims made by KPOC. As at the date of this report, MMHE has responded with a Statement of Reply to KPOC on 6 December 2019.

As at the date of this report, the arbitration proceedings are at the discovery phase and hearing is scheduled for quarter four of the financial year 2020.

MMHE is of the view that it has good legal position to defend against KPOC's claims.

Statistics On Shareholdings

As at 10 February 2020

ISSUED AND PAID-UP SHARE CAPITAL : RM1,618,263,000.00 comprising 1,600,000,000 ordinary shares
CLASS OF SHARES : Ordinary shares
VOTING RIGHTS : One vote per ordinary share in the case of a poll and one vote per person on a show of hands

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	74	0.93	874	0.00
100 – 1,000	1,634	20.52	1,390,108	0.09
1,001 – 10,000	4,439	55.74	20,327,124	1.27
10,001 – 100,000	1,574	19.77	48,403,098	3.02
100,001 to less than 5% of issued shares	239	3.00	224,259,796	14.02
5% and above of issued shares	3	0.04	1,305,619,000	81.60
TOTAL	**7,963**	**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 Esa	10,000	0.00	10,000	0.00
Yong Nyan Choi @ Yong Guan Choi	20,000	0.00	-	-
Wan Mashitah Wan Abdullah Sani	4,000	0.00	-	-

Directors' Interests in Related Corporations

MISC Berhad

	Direct		Indirect	
Name	No. of shares	%	No. of shares	%
Dato' Halipah Esa	-	-	10,000	0.00
Yong Nyan Choi @ Yong Guan Choi	10,000	0.00	-	-

PETRONAS Gas Berhad

	Direct		Indirect	
Name	No. of shares	%	No. of shares	%
Datuk Nasarudin Md Idris	3,000	0.00	-	-

PETRONAS Chemicals Group Berhad

	Direct		Indirect	
Name	No. of shares	%	No. of shares	%
Datuk Nasarudin Md Idris	10,000	0.00	-	-
Dato' Halipah Esa	10,000	0.00	13,100	0.00

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

	Direct		Indirect	
Name	No. of shares	%	No. of shares	%
Datuk Nasarudin Md Idris	5,000	0.00	-	-

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

SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

		Direct		Indirect	
No	Name	No. of shares	%	No. of shares	%
1	MISC Berhad	1,064,000,000	66.50	-	-
2	TechnipFMC Plc - *shares held through HSBC Nominees (Asing) Sdn Bhd*	136,000,000	8.50	-	-
3	Urusharta Jamaah Sdn Bhd	105,619,000	6.60	-	-

30 Largest Shareholders

As at 10 February 2020

30 Largest Shareholders
As at 10 February 2020

No	Name of Shareholders	No. of Shares	% of Issued Share Capital
1	MISC BERHAD	1,064,000,000	66.50
2	HSBC NOMINEES (ASING) SDN BHD TECHNIPFMC PLC	136,000,000	8.50
3	URUSHARTA JAMAAH SDN BHD	105,619,000	6.60
4	LEMBAGA TABUNG ANGKATAN TENTERA	35,725,100	2.23
5	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	25,757,890	1.61
6	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	23,999,900	1.50
7	CITIGROUP NOMINEES (ASING) SDN BHD CGML IPB FOR PEDDER STREET ASIA ABSOLUTE RETURN MASTER FUND LIMITED	22,359,100	1.40
8	CARTABAN NOMINEES (TEMPATAN) SDN BHD RHB TRUSTEES BERHAD FOR MANULIFE INVESTMENT SHARIAH PROGRESSFUND	10,586,500	0.66
9	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD AIIMAN ASSET MANAGEMENT SDN BHD FOR LEMBAGA TABUNG HAJI	7,740,100	0.48
10	MUHAMAD ALOYSIUS HENG	7,187,700	0.45
11	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA 3	5,092,000	0.32
12	NUR ALIYAH BINTI ABDULLAH	5,030,000	0.31
13	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	2,804,100	0.18
14	PUBLIC INVEST NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MUHAMAD ALOYSIUS HENG (M)	2,593,440	0.16
15	CIMB GROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR DBS BANK LTD (SFS)	2,576,000	0.16
16	AMANAHRAYA TRUSTEES BERHAD AFFIN HWANG GROWTH FUND	1,959,100	0.12
17	AMANAHRAYA TRUSTEES BERHAD AFFIN HWANG AIIMAN EQUITY FUND	1,868,300	0.12
18	HSBC NOMINEES (ASING) SDN BHD BPSS SIN FOR THE FAR EAST VALUE MASTER FUND LIMITED	1,852,800	0.12
19	OH MUI HENG	1,737,000	0.11
20	AMANAHRAYA TRUSTEES BERHAD AFFIN HWANG PRINCIPLED GROWTH FUND	1,551,500	0.10
21	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	1,498,200	0.09
22	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BERNADETTE JEANNE DE SOUZA (003)	1,321,500	0.08
23	CHENG CHIN HENG	1,296,800	0.08
24	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	1,242,200	0.08
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA FAMILY TAKAFUL BERHAD (DANA EKUITI)	1,220,000	0.08
26	ANG HEN HING	1,210,000	0.08
27	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (F.TEMISLAMIC)	1,013,500	0.06
28	TEE AH LING	862,100	0.05
29	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR ER ZHI LEE	799,700	0.05
30	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIEW YOON PECK	765,000	0.05
	TOTAL	**1,477,268,490**	**92.33**

Properties Owned by MHB and Its Subsidiaries

No	Location	Description	Tenure & Year Lease Expires	Area In Sq Ft	Existing Use	Age Of Building/ Land (Years)	Approx Nbv (Rm'000)
1	PTD 22805 Mukim Plentong Johor Bahru	Land, Shipyard	Leasehold/2073	13,115,306	Marine Repair, Marine Conversion, Heavy Engineering fabrication yard, ancillary facilities and office buildings	40	42,876
2	PTD 11549 Mukim Plentong Johor Bahru	Land, Shipyard	Leasehold/2075	522,720	Marine Repair, Marine Conversion, Heavy Engineering fabrication yard, ancillary facilities and office buildings	44	797
3	PTD 101363 Mukim Plentong Johor Bahru	Land	Leasehold/2039	2,567,862	Storage Area	10	15,623
4	PTD 65615 Mukim Plentong Johor Bahru	Land	Leasehold/2044	698,266	Staff Quarters	36	1,980
5	PTD 65618 Mukim Plentong Johor Bahru	Land	Leasehold/2044	587,624	Staff Quarters	36	1,667
6	PTD 65619 Mukim Plentong Johor Bahru	Land	Leasehold/2044	128,502	Staff Quarters	36	364
7	PTD 65616 Mukim Plentong Johor Bahru	Land	Leasehold/2044	169,884	Vacant	36	482
8	PTD 65617 Mukim Plentong Johor Bahru	Land	Leasehold/2044	374,180	Vacant	36	1,061
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, Heavy Engineering fabrication yard, ancillary facilities and office buildings	42	1,066,681
10	Rumah Pangsa MMHE 81700 Pasir Gudang (erected on land 4 to 6 above)	4-storey residential flats	Leasehold/2044	383,559	Staff Quarters	41	2,827

Properties Owned by MHB and Its Subsidiaries

No	Location	Description	Tenure & Year Lease Expires	Area In Sq Ft	Existing Use	Age Of Building/ Land (Years)	Approx Nbv (Rm'000)
11	PTD 71056 Mukim Plentong Johor Bahru	Land, Yard	Leasehold/2045	1,524,600	Heavy Engineering fabrication yard, ancillary fabrication and office buildings	34	38,838
12	PTD 109040 Mukim Plentong Johor Bahru	Land	Leasehold/2053	217,800	Workshop, ancillary facilities and site office	26	6,094
13	PTD 200290 Mukim Plentong Johor Bahru	Land, Yard	Leasehold/2052	2,424,158	Workshop, ancillary facilities and office buildings	11	70,266
14	PTD 22768 Mukim Plentong Johor Bahru	Land	Leasehold/2040	435,600	Storage Area	39	10,489
15	LOT 51611 Mukim Plentong Johor Bahru	Land	Leasehold/2045	173,514	Ancillary facilities and storage area	23	4,420
16	PTD 110760 Mukim Plentong Johor Bahru	Land	Leasehold/2052	205,603	Workshop, ancillary facilities and office buildings	26	5,606
17	PTD 110758 Mukim Plentong Johor Bahru	Land	Leasehold/2052	59,242	Cabin office and warehouse	26	1,701
18	PTD 233477 Mukim Plentong Johor Bahru	Land	Leasehold/2079	333,197	Heavy Engineering fabrication yard and ancillary facilities	1	14,014

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
Website : www.mhb.com.my

SUBSIDIARIES

MALAYSIA MARINE AND HEAVY ENGINEERING SDN BHD

MMHE WEST
PLO 3, Jalan Pekeliling, P.O. Box 77
81700 Pasir Gudang
Johor
Malaysia

MMHE EAST
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81700 Pasir Gudang
Johor
Malaysia

Tel : +607 268 2111
Fax : +607 252 3701
Email : enquiries@mmhe.com.my

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Singapore 138637

Tel : +65 6220 7944
Fax : +65 6224 3967

MALAYSIA MARINE AND HEAVY ENGINEERING SAUDI LIMITED
Dhahran Center Building
2nd Floor, Suite 203
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Al- Khobar 31952
Kingdom of Saudi Arabia

MMHE EPIC MARINE & SERVICES SDN BHD
Warehouse 18, Kemaman Supply Base
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Terengganu
Malaysia

Tel : +609 854 9837
Fax : +609 862 3162

TECHNO INDAH SDN BHD
Registered Office:
Level 31, Menara Dayabumi
Jalan Sultan Hishamuddin
50050 Kuala Lumpur
Malaysia

Tel : +603 2273 0266
Fax : +603 2273 8916

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

MMHE-ATB SDN BHD
Registered Office:
Level 31, Menara Dayabumi
Jalan Sultan Hishamuddin
50050 Kuala Lumpur
Malaysia

Tel : +603 2273 0266
Fax : +603 2273 8916

TECHNIP MHB HULL ENGINEERING SDN BHD
Level 11 Wisma Technip
241 Jalan Tun Razak
50400 Kuala Lumpur
Malaysia

Tel : +603 2116 7888
Fax : +603 2116 7999

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 31st Annual General Meeting ("AGM") of Malaysia Marine and Heavy Engineering Holdings Berhad ("MHB" or "Company") will be held at Ballroom 1, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia, on Thursday, 9 April 2020 at 11.00 a.m. for the following purposes:

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon.
   Refer to Explanatory Note 1

2. To re-elect the following Directors who retire pursuant to Rule 21.7 of the Company's Constitution and who being eligible, have offered themselves for re-election:-
   (i) Keith Taylor **Resolution 1**
   (ii) Emran Othman **Resolution 2**
   Refer to Explanatory Note 2

3. To note the retirement by rotation of the following Directors pursuant to Rule 21.8 of the Company's Constitution:-
   (i) Yong Nyan Choi @ Yong Guan Choi
   (ii) Dato' Halipah Esa
   (iii) Bernard Rene Francois di Tullio
   Refer to Explanatory Note 3

4. To approve the payment of Directors' Fees and Allowances to the Non-Executive Directors ("NEDs") up to an amount of RM1,960,000.00 for the period from 10 April 2020 until the conclusion of the next AGM of the Company to be held in 2021. **Resolution 3**
   Refer to Explanatory Note 4

5. To re-appoint Messrs Ernst & Young, as Auditors of the Company, for the financial year ending 31 December 2020 and to authorise the Directors to fix their remuneration. **Resolution 4**
   Refer to Explanatory Note 5

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

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend and vote at the forthcoming AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Rule 18.16.2 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 ("SICDA"), to issue a General Meeting Record of Depositors as at **3 April 2020**. Only a depositor whose name appears on the Record of Depositors as at 3 April 2020 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

By Order of the Board

Ausmal Kardin (LS 0009383)
SSM Practicing Certificate No. 201908001749
Haniza Sabaran (MAICSA 7032233)
SSM Practicing Certificate No. 201908001761
Company Secretaries

Kuala Lumpur
11 March 2020

EXPLANATORY NOTES ON ORDINARY BUSINESS

1. Audited Financial Statements for the financial year ended 31 December 2019

This Agenda item is meant for discussion only as Section 340(1) of the Act does not require the Audited Financial Statements to be formally approved by the shareholders. Hence, this Agenda item is not put forward for voting.

2. Re-election of Directors who retire pursuant to Rule 21.7 of the Company's Constitution

Rule 21.7 provides that the Board may, at any time, appoint a Director in addition to the existing Directors or to fill a casual vacancy, and a Director appointed under this Rule shall hold office only until the next following Annual General Meeting of the Company when he shall retire and shall be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at the meeting.

Keith Taylor and Emran Othman who were appointed during the year, will retire and being eligible, have offered themselves for election at this AGM pursuant to Rule 21.7 of the Constitution.

The profiles of the Directors standing for re-election are set out in the profile of the Board of Directors on page 78 and 82 of the Annual Report 2019.

3. Retirement of Directors pursuant to Rule 21.8 of the Company's Constitution

Rule 21.8 provides that an election of Directors shall take place each year. All directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. Unless otherwise provided by the terms of his appointment, a Director appointed or confirmed by ordinary resolution shall retire as follows:

Rule 21.8.2 provides that at the Annual General Meeting in every subsequent year, one-third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3), shall retire from office at the conclusion of the meeting. A retiring Director shall retain office until the close of the meeting at which he retires.

Dato' Halipah Esa and Yong Nyan Choi @ Yong Guan Choi whose tenure as Independent Non-Executive Director ("INED") has reached 9 years on 28 October 2019 and 13 January 2020, respectively would retire at this AGM under Rule 21.8 of the Constitution of the Company and not seeking re-election. Hence, they will retain office until the conclusion of this AGM.

Bernard Rene Francois di Tullio has informed the Board of his intention to retire as a Non-Independent Non-Executive Director and therefore would not be seeking election at this AGM under Rule 21.8 of the Constitution of the Company. Hence, he will retain office until the conclusion of this AGM.

4. Payment of Directors' Fees and Allowances to the NEDs for the period from 10 April 2020 until the conclusion of the next AGM of the Company to be held in 2021.

Pursuant to Section 230(1) of the Companies Act 2016, the shareholders' approval is sought for the proposed payment of the Directors' Fees and Allowances to the NEDs for the period from 10 April 2020 until the conclusion of the next AGM of the Company to be held in 2021 estimated to be RM1,960,000.00. The calculation is based on the estimated number of scheduled and/or special Board and Board Committees' meetings and on the assumption that the number of NEDs in office until the next AGM remains the same. The resolution is to facilitate payments of the Directors' remuneration for FY2020/2021.

The Board will seek shareholders' approval at the next AGM in the event the proposed Directors' remuneration is insufficient.

EXPLANATORY NOTES ON ORDINARY BUSINESS (CONT'D.)

5. Re-appointment of Auditors

The Board and the Board Audit and Risk Committee had at their respective meetings on 21 February 2020 recommended the re-appointment of Messrs Ernst & Young for the financial year ending 31 December 2020.

Messrs Ernst & Young have met the criteria prescribed under the Paragraph 15.21 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") and indicated their willingness to continue their services for the next financial year.

ABSTENTION FROM VOTING

All the NEDs who are shareholders of the Company will abstain from voting on Resolution 3 concerning remuneration of the NEDs of the Company, at this AGM.

NOTES ON PROXY FORM:

1. A member of the Company shall be entitled to appoint another person(s) as his/her proxy(ies) to exercise all or any of his/her rights to attend, participate, speak and vote at a meeting of members of the Company, in accordance with Section 334(1) of the Act.

2. Only depositors whose names appear in the Record of Depositors as at 3 April 2020 shall be entitled to attend, speak and vote at the meeting.

3. A member may appoint not more than two (2) proxies to attend the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holding to be represented by each proxy. A proxy may but need not be a member of the Company and a member may appoint any person to be his/her proxy without limitation. There shall be no restriction as to the qualification of the proxy.

4. Where a member of the Company is an authorised nominee as defined under the SICDA, it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account and the number of shares to be represented by each proxy must be clearly indicated.

5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. Where an exempt authorised nominee appoints more than one (1) proxy in respect of each Omnibus Account, the appointment shall not be valid unless the exempt authorised nominee specifies the proportion of the shareholding to be represented by each proxy.

   An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.

6. A member which is a corporation may by resolution of its board or other governing body authorise a person or persons to act as its representative or representatives at this AGM or its adjournment thereof in accordance with Rule 20.13 of the Constitution of the Company.

7. The Form of Proxy must be signed by the appointor of the proxy, or its attorney duly authorised in writing. In the case of a corporation, the Form of Proxy shall be executed under its common seal, or signed by its attorney duly authorised in writing or by a duly authorised officer on behalf of the corporation.

NOTES ON PROXY FORM: (CONT'D.)

8. The Form of Proxy duly completed and executed, must be deposited at the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd Registration Number: 199601006647 (378993-D) at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

9. Pursuant to Paragraph 8.29A1 of the MMLR voting at the AGM of the Company will be conducted by poll. Poll Administrator and Independent Scrutineers will be appointed respectively to conduct the polling/e-voting process and to verify the results of the poll.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company:

(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes");

(ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and

(iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

MHB

MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD
Registration No. 198901001515 (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** Registration No. 198901001515 (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(ies) to attend and to vote for me/us on my/our behalf at the 31st Annual General Meeting ("AGM") of Malaysia Marine and Heavy Engineering Holdings Berhad ("Company") to be held at Ballroom 1, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Thursday, 9 April 2020 at 11.00 a.m. and at any adjournment thereof. My/our proxy(ies) is/are to vote as indicated below:

NO.	ORDINARY RESOLUTION	FOR	AGAINST
1.	To re-elect Keith Taylor who retires pursuant to Rule 21.7 of the Company's Constitution.		
2.	To re-elect Emran Othman who retires pursuant to Rule 21.7 of the Company's Constitution.		
3.	To approve the payment of Directors' Fees and Allowances to the Non-Executive Directors up to an amount of RM1,960,000 for the period from 10 April 2020 until the conclusion of the next AGM of the Company to be held in 2021.		
4.	To re-appoint Messrs Ernst & Young, as Auditors of the Company, for the financial year ending 31 December 2020 and to authorise the Directors to fix their remuneration.		

(Please indicate with a cross (X) in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of such specific directions, your proxy will vote or abstain as he thinks fit).

Dated this________________day of __________, 2020

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. *A member of the Company shall be entitled to appoint another person(s) as his/her proxy(ies) to exercise all or any of his/her rights to attend, participate, speak and vote at a meeting of members of the Company, in accordance with Section 334(1) of the Act.*
2. *Only depositors whose names appear in the Record of Depositors as at 3 April 2020 shall be entitled to attend, speak and vote at the meeting.*
3. *A member may appoint not more than two (2) proxies to attend the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holding to be represented by each proxy. A proxy may but need not be a member of the Company and a member may appoint any person to be his/her proxy without limitation. There shall be no restriction as to the qualification of the proxy.*
4. *Where a member of the Company is an authorised nominee as defined under the SICDA, it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account and the number of shares to be represented by each proxy must be clearly indicated.*
5. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. Where an exempt authorised nominee appoints more than one (1) proxy in respect of each Omnibus Account, the appointment shall not be valid unless the exempt authorised nominee specifies the proportion of the shareholding to be represented by each proxy. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.*
6. *A member which is a corporation may by resolution of its board or other governing body authorise a person or persons to act as its representative or representatives at this AGM or its adjournment thereof in accordance with Rule 20.13 of the Constitution of the Company.*
7. *The Form of Proxy must be signed by the appointor of the proxy, or its attorney duly authorised in writing. In the case of a corporation, the Form of Proxy shall be executed under its common seal, or signed by its attorney duly authorised in writing or by a duly authorised officer on behalf of the corporation.*
8. *The Form of Proxy duly completed and executed, must be deposited at the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd Registration No: 199601006647 (378993-D) at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.*
9. *Pursuant to Paragraph 8.29A1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") voting at the AGM of the Company will be conducted by poll. Poll Administrator and Independent Scrutineers will be appointed respectively to conduct the polling/e-voting process and to verify the results of the poll.*

Please fold here to seal

MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD
Registration No. 198901001515 (178821-X)
Annual General Meeting

STAMP

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

Please fold here to seal

MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD
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